

Bureau of Transport and Regional Economics

WORKING PAPER 54

**REGIONAL PUBLIC TRANSPORT IN AUSTRALIA:
ECONOMIC REGULATION AND ASSISTANCE
MEASURES**

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FOREWORD

Regional public transport plays an important role in meeting the needs of Australians for access to essential services and for mobility. This paper provides a snapshot of the Commonwealth and state/territory governments' regulatory and assistance arrangements affecting long-distance regional public transport across Australia in 2001–02.

The aim of the paper is to provide information to inform government policy on long-distance regional public transport services. The paper complements the BTRE's earlier research into regional public transport—*Regional Public Transport in Australia: Long-distance Services, Trends and Projections*—which was released in March 2003.

This report was undertaken by Sharyn Kierce and Andrew Mogg under the general direction of Judith Winternitz. Valuable comments and advice were provided by Marilyn Bassett, Anthony Casey, Roger Fisher, Peter Kain, David Mitchell, Loretta Petroff, Phil Potterton, Tim Risbey and Adam Sidebottom.

The BTRE acknowledges the contributions and considerable assistance provided by state and territory transport agencies, industry associations and regional transport operators. Appendix I lists the organisations that provided the BTRE with input and advice on this part of the study.

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April 2003

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... AT A GLANCE

- This working paper provides a snapshot of the Commonwealth and state/territory governments' regulatory and assistance arrangements affecting long-distance regional public transport across Australia in 2001–02.
- In 2000–01, Commonwealth and state and territory governments spent at least \$280 million to assist long-distance regional public transport services. Rail received 82 per cent of this, aviation 7 per cent, ferry 6 per cent and coach 4 per cent.
- This assistance consists of Community Service Obligations payments and concession reimbursements (63 per cent), direct subsidies to contracted operators (24 per cent), funding of specific schemes and programmes (12 per cent) and various other forms of assistance (1 per cent).
- This figure (\$280 million) is considered to be an underestimate as it was not possible to obtain comprehensive information for every transport mode in every jurisdiction.
- In recognition of the marginal nature of many regional public transport services, some state governments have recently increased their role in regional public transport (particularly through economic regulation). Other governments have maintained a primarily deregulated approach.
- Consultations with stakeholders did not reveal any fundamental issues or systemic problems associated with government intervention in regional public transport. However, there were a number of concerns expressed by operators. These included concerns regarding the reimbursement of concession fares, indirect consequences of assistance measures on other operators (including those in other modes and other jurisdictions) and pick-up and set-down restrictions applying to interstate coach operators.

EXECUTIVE SUMMARY

In October 2001, the Deputy Prime Minister and Minister for Transport and Regional Services, the Honourable John Anderson MP, announced an intention to use the Australian Transport Council¹ (ATC) to examine governments' subsidy and regulatory policies. As part of the *Keeping Australia Moving* statement, the Minister also announced that the Government would commission the Bureau of Transport and Regional Economics (BTRE) to undertake a major analysis of the likely pattern of future demand for regional public transport services in Australia.

As a result of these announcements, the BTRE is undertaking a study of regional public transport services in Australia. At the August 2002 ATC meeting, governments endorsed and agreed to assist the BTRE study. This report reviews the regulations as well as Commonwealth, state and territory assistance schemes affecting long-distance regional public transport. BTRE Working Paper 51 *Regional Public Transport in Australia: Long-distance Services, Trends, and Projections* analysed the past and likely future trends in the market for long-distance regional public transport and the supply of these services (BTRE 2003).

This paper aims to review government interventions affecting regional public transport in order to provide a more comprehensive and factual basis for informed decision-making on regional transport at the national level. It also attempts to draw together these current interventions across Australia and identify any issues or potential impediments to the supply of long-distance regional transport services.

SCOPE OF THE STUDY

All three main modes of public transport are examined—air, coach and rail. In some areas, where relevant, ferry or sea transport is also discussed. The scope of the study is limited to *public passenger* transport. Institutional or regulatory

¹ The Australian Transport Council (ATC) is a Ministerial forum for Commonwealth, State and Territory consultations and advice to governments on the coordination and integration of all transport and road policy issues at a national level.

arrangements affecting private car and freight transport are not discussed. The study also focuses on those arrangements governing *regular or scheduled public transport* services. As a result, chartered transport services (particularly air, coach and taxis) are not covered in any detail.

For the purposes of this study, regional public transport refers to long-distance scheduled passenger services either to or from *non-metropolitan* areas. In general terms, *metropolitan* centres include all capital cities and major urban centres such as Newcastle and Wollongong. All other areas are *non-metropolitan*. Consequently, shorter-distance travel (such as intra-regional and intra-town services) are outside the scope of the study.

This report does not attempt to cover the breadth of all forms of government intervention in regional public transport. In broad terms, the focus is on two main forms of intervention—the regulatory environment and assistance arrangements that constitute the institutional settings for regional public transport. The report is based on the institutional settings in place in mid-to-late 2002.

One of the main tasks of this research is a stocktake of government regulations affecting regional public transport. The scope of the regulation stocktake is limited to *economic* regulations only (for example, the reservation of routes to contract-holders, licensees or franchisees). Regulations that have a different, non-market purpose, such as promoting safety or protecting the environment, are not considered². Both financial and non-financial assistance forms of intervention are considered in the report.

REGULATORY ENVIRONMENT

Regional air transport is provided by private operators in all states and territories. Throughout the 1990s, these airlines operated in what was essentially a deregulated environment (except for in New South Wales (NSW), Western Australia (WA) and limited areas of Queensland which continued with some form of economic regulation after the Commonwealth deregulated domestic aviation in 1990). In more recent times, there has been a tendency to introduce economic regulation in other states. For example, in Queensland, service contracts giving operators exclusive rights to some routes have been introduced and in South Australia (SA) a licensing system was introduced in November 2002. NSW has also expanded its existing licensing system from routes with annual passenger volumes of less than 20 000 to routes with less than 50 000 passengers annually.

² Although these regulations may have an economic impact in terms of costs, they are not considered to be economic regulations.

Coach transport in regional areas is provided by a combination of government-owned operators (which typically provide rail replacement services), independent private operators (providing interstate services) and private operators contracted or licensed to governments (which tend to provide intrastate route services). The regulatory approach taken by governments varies between jurisdictions ranging from service contracts in Queensland and NSW, to franchising and contracts in Victoria and licensing in WA and the Northern Territory (NT). Tasmania is currently in the process of introducing service contracts on defined core routes. Most jurisdictions also require operators to meet certain accreditation requirements in order to operate coach services.

Passenger rail transport in regional Australia is the area where governments remain most involved. All states and territories (except Victoria) have retained ownership and operation of intrastate passenger services. Queensland is the only state to continue to operate a vertically integrated system—Queensland Rail (QR is a government-owned corporation) owns and manages the track and provides train services. In other jurisdictions, track ownership has been separated from train operations with different organisations running each enterprise. In Victoria, the Government continues to own the rail track but has privatised rail operations through a franchise system (although, National Express withdrew from the V/Line Passenger franchise in December 2002). The Federal Government owns most of the interstate standard gauge network through the Australian Rail Track Corporation. This is the major form of Commonwealth involvement in passenger rail in Australia.

Most jurisdictions' regional public transport systems are intrastate focused. Historically, Australian Governments have intervened through a variety of measures. As a result of microeconomic reform in the 1980s, many governments reduced their involvement in the public transport sector, including regional public transport services. In recent years, a number of governments have chosen to increase their role in public transport, particularly in regional areas of Australia, in recognition of the importance of access to public transport services for people living in these areas.

ASSISTANCE ARRANGEMENTS

In 2000–01³, Commonwealth and state and territory governments spent at least \$280 million to assist long-distance regional public transport services. Rail received 82 per cent of this, aviation 7 per cent, ferry 6 per cent and coach 4 per cent. The figure is considered to be an underestimate as it was not possible to obtain comprehensive information for every transport mode in every jurisdiction. This assistance consists of Community Service Obligations

³ At the time of writing (mid-late 2002), the financial year 2000–01 was the most recent year for which data was available for all jurisdictions.

payments and concession reimbursements (63 per cent), direct subsidies to contracted operators (24 per cent), funding of specific schemes and programmes (12 per cent) and various other forms of assistance (1 per cent).

Government assistance to regional public transport services has taken a variety of forms over the years. Government-owned enterprises (such as Countrylink, Queensland Rail and the Western Australian Government Railways Commission) receive Community Service Obligation (CSO) payments in return for providing a level of service that may not otherwise be provided commercially. Some private operators receive subsidies (either directly or indirectly through a tender process) in return for providing services in regional areas. Examples include some coach operators in regional Queensland and some airlines in Western Australia and Queensland.

There are various other forms of assistance measures provided by governments that are targeted toward achieving certain objectives. These include schemes, programmes, payments and business incentives administered by transport and non-transport agencies. Examples include the Commonwealth's Remote Area Service Subsidy scheme, WA's Regional Airports Development Scheme, NSW's Country Passenger Transport Infrastructure Grants Scheme and Queensland's Investment Incentives Scheme.

All governments provide some funding for the reimbursement of concession fares on certain regional public transport services in order to increase levels of accessibility and mobility for concession card holders. Reimbursement arrangements differ across jurisdictions, but generally it is only operators that are government-owned or are subject to some form of government regulation that are obliged to carry concession beneficiaries and therefore receive concession reimbursement.

KEY ISSUES RAISED

In undertaking this examination of government intervention in regional public transport there were no fundamental issues raised by stakeholders. In other words, there were no systemic problems identified as potential impediments to the supply of long-distance regional transport services. However, there were a number of concerns expressed by operators. Some of these concerns are broad in nature, relating to several modes and jurisdictions, while others were mode-specific in particular jurisdictions.

The regional public transport task encompasses all modes and many operators provide services in more than one jurisdiction. Therefore, no mode or jurisdiction operates in isolation. This has important implications. Firstly, government interventions in one mode can have an impact on another mode, and secondly, government interventions in one jurisdiction can have an impact on services in another jurisdiction. Each state and territory government has an

important role in ensuring the continuation of regional public transport within their boundaries. However, the interdependent nature of the regional public transport task along with the network nature of the business suggests that there are also some issues that need to be addressed to achieve national outcomes.

In many cases, a number of operators (within and/or between modes) are directly competing on the same routes. The underlying concern of operators, regarding government interventions, is with those measures that are seen as favouring one mode or one operator over another. Government interventions that are targeted specifically towards one mode or operator may not adequately consider the wider implications for competing operators. Two examples cited by operators are:

- Inconsistent reimbursement of concession fares across modes and jurisdictions.
- Certain government assistance measures are argued to have had indirect consequences on some operators.

Most regulations and assistance schemes put in place by state and territory governments are aimed at achieving outcomes within a specific mode or for the benefit of particular regional communities. In addition to the broad concerns mentioned above there are also a number of mode-specific issues in some jurisdictions that were mentioned as potential impediments to the supply of regional public transport services. Some examples of these issues are described below:

- Interstate coach operators have expressed concerns regarding pick-up and set-down restrictions that apply in Victoria and South Australia.
- The granting of exclusive rights to operate on certain routes or use specific infrastructure has been identified by some stakeholders in Western Australia and South Australia as preventing communities from enjoying the benefits of competition.
- The regulation in Queensland limiting the age of coaches operating on routes greater than 350 kilometres was also identified by operators as imposing an unnecessary cost burden for regional coach operators.

These key issues raised by stakeholders are described in order to highlight potential impediments to the provision of regional public transport. In considering whether and how to address these issues, it is important to recognise that policy responses may not be straightforward. Given that the market for regional public transport consists of several modes, there is a high risk of unintended consequences for the patronage and viability of other services when governments intervene in the market.

POLICY IMPLICATIONS

BTRE (2003) demonstrated the significant size of the regional public transport task. In 2000–01, non-urban travel by air, coach, rail and ferry totalled 48 billion passenger kilometres and over the last three years an average of 264 million regional passenger trips per annum were made using regional public transport services. This reflects the important role that regional public transport plays in meeting the needs of Australians in regional areas for access to essential services and for mobility.

In considering policy implications for governments, this report has identified a number of issues for policymakers. The marginal economic nature of many regional public transport services and the importance of government involvement in ensuring viability of services in many areas were common issues raised across Australia. In other words, experience shows that some form of government intervention in regional public transport appears necessary to meet government policy objectives and community expectations of a reasonable level of access to public transport.

In considering the best approach to intervention, governments endeavour to balance a variety of economic objectives (such as efficiency, competitiveness and sustainability) and social objectives (such as equity, accessibility and safety). Governments attempt to achieve these goals using a mix of regulatory and non-regulatory measures. The policy issue for governments is deciding the best mix of regulatory and market outcomes to achieve these objectives. In recognition of the marginal nature of many regional public transport services, some state governments have recently increased their role in regional public transport (particularly through economic regulation). Other governments have maintained a primarily deregulated approach.

A broader policy issue for governments is the implications for funding of regional public transport resulting from current demographic trends. Australia's aging population will likely require a significantly increased level of government funding for public transport, particularly in regional areas. This suggests that the provision of public transport services in regional areas should be considered as part of a broader policy framework aimed at ensuring essential services are available to people living in regional areas. When governments intervene in regional public transport it is therefore important that a whole-of-government approach is adopted, and that all three levels of government are working together in pursuit of agreed objectives. This review of government intervention also identified a number of other possible principles governments could use to guide their approach. These are listed briefly below.

- In general, governments should take into account any possible broader impacts of intervention measures. The interests of operators both in other modes and other jurisdictions (and the communities they serve) should also be considered. In other words, potential impacts on the provision of services

in other modes or jurisdictions should be evaluated and considered in designing any intervention.

- The focus of government intervention should be on achieving community-targeted outcomes that ensure people living in regional areas have access to adequate services. These should be developed in cooperation with communities and consider the travel preferences of communities (for example, the timing of services and preferred route location).
- Governments should understand industry operating conditions well enough to be able to anticipate and respond to market failure.
- Intervention should be tailored to suit the circumstances. This report has shown that there are substantial differences in the regional public transport task across jurisdictions (due especially to demographic factors). As a result, interventions applied in one jurisdiction may not be suitable in another.

BTRE (2003) found that almost all Australians (over 99 per cent) living outside the metropolitan areas in urban centres and localities of 200 persons or more⁴ are within a notional reasonable access⁵ distance of a long-distance air, coach or rail service. This finding is in line with the results of discussions with stakeholders, which did not reveal any systemic problems regarding government intervention in regional public transport. However, stakeholders did express some concerns about mode-specific interventions in particular jurisdictions possibly impeding the supply of long-distance regional transport services.

Government intervention in regional public transport can achieve important equity and accessibility outcomes for regional Australians. However, these interventions are not a complete solution for achieving these objectives. Intervention cannot always guarantee services levels and can have other implications (such as distorting market outcomes). Recognising these issues, this report has identified some possible principles governments could use to guide future intervention.

⁴ Approximately 2.1 million persons, or 11.5 per cent of the population, lived in areas of less than 200 persons and thus were beyond the scope of the analysis.

⁵ 'Reasonable access' is defined as within a road distance of up to 120 kilometres of an airport providing an average of three return services per week and within 16 kilometres of a passenger rail station or coach stop. This measure provides an assessment of the geographic coverage of existing regional public transport services.

CHAPTER 1 INTRODUCTION

In October 2001, the Deputy Prime Minister and Minister for Transport and Regional Services, the Honourable John Anderson MP, announced an intention to use the Australian Transport Council⁶ (ATC) to examine governments' subsidy and regulatory policies. As part of the *Keeping Australia Moving* statement, the Minister also announced that the Government would commission the Bureau of Transport and Regional Economics (BTRE) to undertake a major analysis of the likely pattern of future demand for regional public transport services in Australia.

As a result of these announcements, the BTRE is undertaking a study of regional public transport services in Australia. This report reviews the regulations as well as Commonwealth, state and territory assistance schemes affecting long-distance regional public transport. BTRE Working Paper 51 *Regional Public Transport in Australia: Long-distance Services, Trends, and Projections* analysed the past and likely future trends in the market for long-distance regional public transport and the supply of these services (BTRE 2003).

BACKGROUND

During 2001, a number of events caused disruption to regional public transport services. While some of these events were unexpected, their impact compounded and reinforced some longer-term trends affecting the provision of regional public transport. In the period immediately preceding the Minister's announcements, air services across Australia were disrupted as a result of the entry into administration of the Ansett Airlines Group and subsequent loss of services. The terrorist attacks of 11 September 2001 in the United States had a further adverse effect on air travel worldwide.

The effect of the withdrawal of air services on regional access, in addition to a parallel concern of the long-distance regional coach service industry about its viability, acted as a catalyst for governments to examine the situation. At the

⁶ The Australian Transport Council (ATC) is a Ministerial forum for Commonwealth, State and Territory consultations and advice to governments on the coordination and integration of all transport and road policy issues at a national level.

August 2002 ATC meeting, governments endorsed and agreed to assist the BTRE study.

Underlying the events of 2001, there are a number of longer-term factors affecting the supply of regional transport services. Briefly, these include:

- a long-term decline in demand in some regional areas as a result of demographic and economic changes (such as, population shifts);
- increasing competition between transport modes, especially the dominance of car travel and the sustained period of air fare discounting which affected the viability of other modes (particularly coach); and
- increasing cost pressures (such as fuel, fees and charges, insurance and currency values).

Together, these short and long-term factors mean that consumers and providers of regional public transport services are adjusting to changing market conditions. Since mid-2001, a number of governments have responded to this instability by undertaking reviews or providing assistance for regional public transport.

Objectives

Against this background, the study aims to assist in the development of a policy framework for ensuring that long-distance public transport services adequately meet the needs of Australians in regional areas for transport access to essential services and for mobility, in an efficient manner.

More specifically, this paper aims to review government interventions affecting regional public transport in order to provide a more comprehensive and factual basis for informed decision-making on regional transport at the national level.

There is an array of regulations, assistance programmes and other forms of government intervention across various jurisdictions which either directly or indirectly impact on regional public transport services. This report attempts to draw together these current interventions across Australia and identify any issues or potential impediments to the supply of long-distance regional transport services. From a policy perspective, the report aims to assist governments to discern the effects of regulatory and assistance policies on providers of long-distance regional transport services. For example, there may be inconsistencies in government intervention between modes or across jurisdictions that affect the supply of regional public transport services.

DEFINITIONS AND SCOPE

This report adopts similar definitions and scope to that of BTRE (2003). However, it is worthwhile restating these and how they relate to the

institutional arrangements discussed here. There are also some additional scope issues addressed. The transport modes, geographic classifications and government interventions included in this report are discussed below.

Transport modes

Firstly, all three main modes of public transport are included—air, coach and rail. In some areas, where relevant, ferry or sea transport is also discussed. The scope of the study is limited to *public passenger* transport. Institutional or regulatory arrangements affecting private car and freight transport are not discussed. The study also focuses on those arrangements governing *regular or scheduled public transport* services. As a result, chartered transport services (particularly air, coach and taxis) are not covered in any detail.

Given that the different transport modes compete and interact in many areas to meet transport demands, it is important to consider the impact of government intervention in a broad manner rather than examine each mode in isolation. Policies and intervention in one mode can have a significant effect on the operation of other modes. One of the key drivers of this study was to widen the focus of debate about regional transport services by examining issues affecting the provision of regional transport across modes and across jurisdictional boundaries.

There are also a large number of mode-specific issues affecting regional public transport, particularly in the aviation area. There have been and are currently a number of forums dealing with these mode-specific issues. For example, as mentioned earlier a number of states have conducted reviews of particular modes. The Aviation Working Group⁷ and the parliamentary inquiry into commercial regional aviation services⁸ are investigating problems specific to the supply of regional air services. These aviation specific issues (such as recent increases in fees and charges and the compliance burden of CASA safety regulations) are not dealt with in detail in this report.

Geographic classifications

There are a number of different definitions and interpretations of the terms *regional, rural and remote Australia*. This report uses the definitions described in

⁷ The Aviation Working Group (AWG) is a high level Commonwealth/State/Territory body under the Australian Transport Council set up to investigate and examine aviation transport issues.

⁸ Standing Committee on Transport and Regional Services' Inquiry into Commercial Regional Aviation Services in Australia and Transport Links to Major Populated Islands.

BTRE (2003). For the purposes of this research, the key definitions are described briefly below.

In this study, regional public transport refers to long-distance scheduled passenger services either to or from *non-metropolitan* areas. In general terms, *metropolitan* centres include all capital cities and major urban centres such as Newcastle and Wollongong. All other areas are *non-metropolitan*. In other words, regional public transport includes services linking *non-metropolitan* areas to *metropolitan* areas as well as services between *non-metropolitan* areas.

Consequently, the following services are **outside** the scope of the study:

- inter-capital services (except where they service *non-metropolitan* areas);
- travel between *metropolitan* centres (except where they service *non-metropolitan* areas);
- all travel within *metropolitan* centres; and
- intra-regional or intra-town public transport services within *non-metropolitan* population centres.

The data sources used in BTRE (2003) also employed the term *non-urban* passenger travel. In contrast to *regional* passenger travel, as defined above, *non-urban* passenger travel includes all travel outside major metropolitan centres, including inter-capital trips.

Because the study focuses on *longer-distance* regional public transport services there will be certain 'regional' public transport markets that are not covered in this report. In particular, the BTRE has not attempted to cover shorter-distance public transport services servicing a regional centre and the surrounding towns. As a result, while school and community buses are important passenger transport services, these also tend to be shorter-distance services within towns and regions, rather than the inter-regional services that are the focus of this study⁹. Given the large variability in the geographic size of the transport task across states and territories, the BTRE has not defined a particular distance threshold for what constitutes a *long-distance* service. In some jurisdictions, long-distance services are defined within the regulations governing public transport.

This study is also focused on public transport services that can be accessed by anyone. Services such as school and community buses play a vital role in many communities but their access is typically restricted to certain groups within the population. As a result, while issues associated with these forms of public transport may be touched upon, they are not dealt with in any depth.

⁹ It is acknowledged that some school services would be classified as long-distance (such as those transporting boarding school students).

Government interventions

This report does not attempt to cover the breadth of all forms of government intervention in regional public transport. In broad terms, the focus is on two main forms of intervention—the regulatory environment and assistance arrangements that constitute the institutional settings for regional public transport.

One of the main tasks of this paper is a stocktake of government regulations affecting regional public transport. The scope of the regulation stocktake is limited to *economic* regulations only. Regulations that have a different, non-market purpose, such as promoting safety or protecting the environment, are not considered¹⁰. Economic regulation includes the reservation of routes to contract-holders, licencees or franchisees, pick-up and set-down restrictions and any other regulations designed to sustain service levels.

Identifying government interventions that may adversely impact on the supply of long-distance regional public transport is the central purpose of this research. Safety regulations (such as the proposed introduction of Civil Aviation Safety Regulation 121B)¹¹ are a significant issue affecting the cost and therefore viability of regional public transport services. However, given the already large size of the research task (air, coach and rail arrangements across nine jurisdictions) it was necessary to limit the scope of this report to only regulation of an economic nature. There are also other forums currently examining issues such as the compliance costs of safety regulation.

The provision of infrastructure (such as roads, airports and railways) and the associated pricing mechanisms are another major area of government intervention underpinning the supply of the regional public transport services. While some infrastructure issues are touched on in this report, these issues are not dealt with in any depth. Several stakeholders raised concerns about the pricing arrangements associated with different modal infrastructure, arguing that modes do not compete on a 'level playing field'. Given the complex nature of this issue and the considerable research already undertaken, concerns regarding infrastructure pricing are not addressed further in this report¹².

¹⁰ Although these regulations may have an economic impact in terms of costs, they are not considered to be economic regulations.

¹¹ The basis of Part 121B is to put in place a common level of safety for passengers travelling on both Regular Public Transport (RPT) and charter operations. This will impose a significant cost on charter operators, which are an important part of the regional aviation industry.

¹² For further information on this issue see BTCE 1997 and BTE 1999.

The other major component of this research is an examination of assistance arrangements across Australia. This includes various forms of financial and non-financial assistance provided by Commonwealth and state and territory governments. For example, concession fare reimbursement, direct subsidy arrangements for specific public transport modes, routes or regions, indirect assistance such as business incentives and other schemes, programmes and payments administered by various transport and non-transport agencies. Assistance to private transport (such as the conveyance allowances paid in some jurisdictions to families in remote areas) is not included in this report.

OVERVIEW OF REGIONAL PUBLIC TRANSPORT IN AUSTRALIA

Responsibilities for the various transport modes are shared between all three levels of government. Under Section 51 of the Constitution, the Commonwealth has responsibility for interstate trade and commerce. Section 51 provides the Commonwealth with various powers in respect of air, rail and road transport. As a result, the Commonwealth is currently responsible for most aspects of interstate aviation (such as safety regulation and leased federal airports) and interstate rail track (through the Australian Rail Track Corporation) and funds national highways. States retain responsibility for all intrastate transport (including state rail operations, intrastate air services and all coach services). Local Government is responsible for some local airports and local roads. Most economic regulation takes place at the state and territory government level.

Australia's large distances and small population pose substantial transport challenges. There are often long distances between population centres. Much of the population is heavily concentrated in the metropolitan centres along the eastern coast but a significant number of people are spread across regional Australia. Given the long distances involved and the nature of population patterns, access to public transport services presents a significant transport policy issue for all levels of government.

Before examining the current institutional environment governing regional public transport, it is useful to briefly review the historical trends in air, coach and rail transport in Australia. This information is largely drawn from BTRE (2003) and provides an important context to the research, which will be drawn on throughout this paper. It is also useful to review some of the key characteristics of public transport.

The nature of public transport

Public transport tends to involve high fixed capital costs and low margins. This can mean high barriers to entry and reduce the potential for competition from new entrants. The potential for large economies of scale and the natural monopoly tendencies of some infrastructure (such as airports and railways) are

common features of transport that have led to considerable government intervention. It was for these reasons that historically, governments built and operated key transport infrastructure (for example, railways, ports, airports and roads) and regulated their use. Microeconomic reform, National Competition Policy (NCP), deregulation, corporatisation and privatisation have been a feature of both Commonwealth and state and territory government policy since the 1980s. These reforms led to greater competition both within and between transport modes. Part of these reforms often involved the creation of community service obligations (CSOs) to ensure access and equity issues are taken into account. As a result of these reforms, government influence over transport activities has diminished somewhat over time and the role of the private sector has increased. Despite this, governments remain significant players in public transport. For example, many governments competitively tender the provision of public transport to the private sector while retaining ownership.

In aviation, the Commonwealth Government now limits its involvement to focus predominantly on regulating the safety of private operators in a deregulated competitive interstate market. In the coach industry, governments not only regulate safety but some also play a role in service provision through government-owned rail replacement bus services. Governments have remained most directly involved in passenger rail services. While in most modes, governments have deregulated and privatised, many states retain a government-owned and operated rail service (though some are corporatised)¹³.

While in most cases, NCP and deregulation led to increased competition in air and coach transport, there remains limited competition in passenger rail transport in Australia. However, it is important to recognise that competition from other transport modes can play a significant role in discouraging monopoly activities. Competitive forces are also limited by the size of the Australian market. The concentration of Australia's population on the east coast means that this is where competition within and between modes is strongest. In more regional and remote areas, demand for transport is often insufficient to sustain more than one operator.

Modal share trends

BTRE (2003) found that over the last twenty years, total non-urban passenger travel increased by around 2.8 per cent per annum, in passenger-kilometre terms. Much of the growth in total non-urban passenger travel over the past

¹³ There has been significant rail reform since the 1990s with many State Government owned rail providers moving away from vertically integrated structures to diversified organisations separating track ownership from train operations. Rail access regimes have been set up in most states to negotiate access arrangements.

decade was due to strong growth in air passenger travel. In the past decade and a half, total non-urban coach travel appears to have remained more or less steady, and non-urban rail travel has actually declined. Despite the growth in air passenger travel, the private car remains the predominant mode of transport for all non-urban passenger travel, accounting for over 65 per cent of travel on a passenger kilometre travelled basis. Air accounts for approximately 26 per cent. Coach and rail account for approximately 9 and 1.5 per cent respectively¹⁴.

Figure 1.1 shows historical trends in modal shares. Air travel grew reasonably strongly through the 1980s and then increased quite rapidly throughout much of the 1990s, following domestic deregulation. Growth in air travel slowed in the later 1990s, as fares stabilised. In 2001–02, with the demise of Ansett and the impact on resident and tourist travel of the terrorist attacks in the United States, total domestic air travel is estimated to have fallen by 10 per cent over 2000–01 levels.

Coach travel's share of long-distance passenger kilometres travelled increased significantly from the mid-1980s, and continued to increase until deregulation of domestic aviation in October 1990. Since this time, total long-distance coach travel is estimated to have remained more or less constant. Rail's share of travel has generally declined in parallel with the rise of private car travel. While private car travel continues to increase, its share of total passenger kilometres travelled has declined since the 1980s due to the growth of coach and air travel.

The general picture arising from the BTRE (2003) analysis suggests similar trends in regional passenger travel to those observed for total non-urban passenger travel—growing air passenger travel, declining rail travel and more or less constant coach travel.

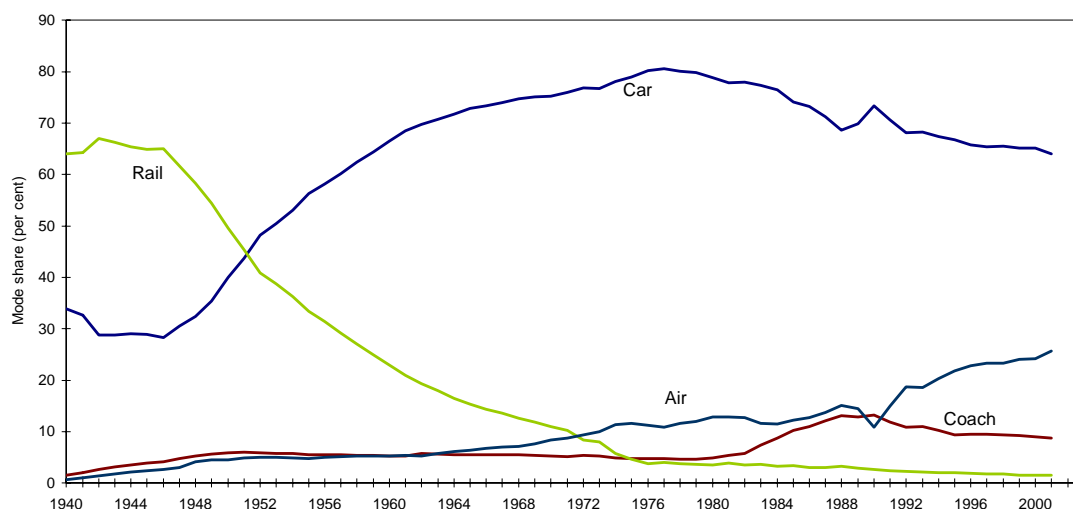
What is driving these trends?

Demand for passenger travel is primarily influenced by population, incomes and the cost of travel. Other factors, such as travel time, trip purpose and service frequency also influence the choice of mode. With regards to regional transport demand, BTRE (2003) found that:

- Population and incomes are lower and have, over the last decade, grown more slowly in non-metropolitan areas than in metropolitan areas.
- Non-urban and regional public transport fares have increased relative to the cost of private vehicle travel.

¹⁴ Alternatively, on passenger trip basis, BTRE (2003) data imply the following modal shares for total long-distance non-urban passenger travel: Car (86 per cent), Air (7), Rail (3) and Coach (3). For total long-distance regional passenger travel (on passenger trip basis) the shares are: Car (91 per cent), Coach (3), Air (3) and Rail (2).

FIGURE 1.1 MODE SHARE TRENDS IN NON-URBAN PASSENGER TRAVEL



Note Modal share is measured in terms of passenger kilometres travelled.

Source BTRE 2003.

- Regional public transport fares, although varying by route, appear to have increased over the last ten to fifteen years. Real regional air fares data show a slight increase in business and full economy fares and a decline in discount fares between 1992 and 2001. Non-urban (and regional) rail fares increased by 15 per cent between 1990 and 1999. Regional coach fares trends, however, varied across different routes.

A comparison of the relative costs of regional passenger travel of the different public transport modes with the cost of private car travel illustrates why car is so often the preferred transport mode. BTRE (2003) showed that, generally, air is the most expensive mode of travel—air fares can be as much as four times the direct (per passenger) cost of private car travel. Air travel is therefore regarded as a ‘premium’ transport mode. Rail and coach are generally the next most expensive, while private car travel (even single occupancy), based on an ‘avoidable cost’ measure, is generally the lowest cost transport mode, for full-fare-paying adults. Private vehicle travel is often more convenient and may provide a quicker and more direct service than rail and coach travel. Additionally, a private vehicle also provides greater transport flexibility at the destination. All these factors help explain why mode shares for rail and coach travel are generally small.

METHODOLOGY

The approach to this study involved the following steps:

1. Scoping and preliminary research

2. Consultation with stakeholders (including ATC/SCOT¹⁵)
3. Information collation and analysis
4. Draft report for comment
5. Publish final report.

Given that most of the institutional arrangements (particularly economic regulation) governing regional public transport is conducted within jurisdictions at the state and territory government level, the main data and information source for this study are the relevant state and territory government transport agencies. In addition to consulting government agencies, the BTRE also held discussions with a range of public transport operators to assist in identifying the impact of regulations and assistance measures on providers of regional public transport services.

While the findings of BTRE (2003) are generally based on 2000–01 data (which pre-dates the demise of Ansett and other events of 2001), this report is predominantly based on the institutional settings in place in mid-to-late 2002. However, the financial year 2000–01 was the most recent year for which financial assistance data was available for all jurisdictions. The period since 2001 has been a period of transition and rapid change, with many governments reviewing policies and implementing revised regulatory and assistance arrangements.

REPORT OUTLINE

This introductory chapter provides the background context and outlines the objectives, definitions and scope of the report. Chapter 2 examines why and how governments intervene in public transport in Australia and presents some estimates on the total cost of assistance measures. Chapters 3 and 4 review current Commonwealth and state/territory interventions in air, coach, rail and ferry passenger transport. Chapter 5 examines other interventions that are common to most jurisdictions. Chapter 6 concludes by summarising the existing institutional environment, presenting the key issues raised by stakeholders and identifying some policy implications arising from this review.

¹⁵ ATC is supported by the Standing Committee on Transport (SCOT) comprising a nominee of each ATC Minister, generally at Head of Department/Agency level.

CHAPTER 2 ECONOMICS OF REGIONAL PUBLIC TRANSPORT

In undertaking a stocktake of interventions in the regional public transport market by Commonwealth, state and territory governments, it is important to consider why governments choose to intervene. Government intervention in regional public transport is not unique to Australia. It is evident throughout the world in all forms of public transport. This chapter discusses the nature of public transport markets and identifies the rationale for government involvement. It then goes on to examine the measures used by governments and presents some estimates on the total cost of assistance measures.

REASONS FOR INTERVENTION

The fundamental reasons for intervention by Australian governments in regional public transport are to achieve equity objectives (through redistribution policies) and more efficient outcomes (by correcting market failure). Governments may subsidise and/or regulate public transport services to help ensure that members of lower socioeconomic groups and others without private motor vehicles have adequate access to goods, services and locations. Where demand is not sufficient to cover the costs of a service, governments may intervene to guarantee minimum service levels. Where public transport markets do not achieve efficient outcomes, government intervention can be used to improve social welfare. When market allocations are inefficient, market failure is said to occur.

Equity

Government intervention in public transport can be used to improve access and mobility for all members of society irrespective of their financial position or geographical location. Governments implement redistributive policies such as concession fares and the provision of subsidised services. These measures reduce the cost of using public transport and therefore make public transport more affordable, particularly for those members of the community who are identified as being disadvantaged.

In regional Australia, accessibility issues tend to be more pronounced. Smaller populations mean that many regional towns do not enjoy the same level of services (for example, health, education and banking) as metropolitan areas. As a result, regional residents often need to travel longer distances to the next major town or capital city to access essential services that are not available locally. Government intervention in regional public transport helps to achieve more equitable levels of access for people living in regional areas.

Regional public transport services are often considered important to the functioning of the economies of regional areas. Regional communities derive a range of social benefits from public transport links to other regional centres and capital cities. Both businesses and residents often rely on public transport to facilitate the production and consumption of goods and services.

People in both regional and metropolitan areas value the availability of regional public transport and the significant role it can play in the sustainability of regional towns and centres. Even those who do not regularly use the services may still value its existence. People may also value the social ‘feel-good’ benefit gained from helping to ensure equity for fellow citizens¹⁶. Quantifying the value of these benefits is difficult, if not impossible, due to their highly subjective and sometimes intangible nature.

The importance of equity objectives as a motivation for government intervention in regional public transport is evidenced by the willingness of governments, acting on behalf of the general population, to support services in regional areas. Millions of taxpayers dollars are spent by governments each year on non-commercial public transport services to maintain levels of accessibility for Australians living in rural and remote areas. The costs and benefits of governments pursuing equity objectives through intervention in regional public transport are not easily attributable or assessable in strictly economic terms.

Correcting market failure

Market failure occurs when free markets fail to maximise social welfare—in other words, when market allocations are inefficient¹⁷. Government intervention in markets aims to correct market failure to reach a more efficient outcome by aligning private markets with social welfare. In the case of public transport, overcoming market failure results in a more efficient outcome when society is made better off by people using public transport to facilitate economic activity (for example, to access goods, services and employment).

¹⁶ These concepts are often referred to as ‘option’ or ‘existence’ values in economics.

¹⁷ The social optimum occurs when social marginal benefits equal social marginal costs.

Market failure can take various forms including increasing returns to scale, externalities and information failure. In the transport context, many public transport activities are characterised by increasing returns to scale—in other words they have natural monopoly tendencies. Economies of scale are so great in areas such as railways and airports that realistically only one provider can remain viable. In these cases, governments have often intervened to ensure that infrastructure owners cannot exercise monopoly power to the detriment of society.

Reducing the negative externalities¹⁸ associated with private vehicle use (such as pollution and congestion) is often put forward as a rationale for government interventions that encourage greater use of public transport. Environmental externalities are generally not major problems in regional areas and are therefore not considered to be a key reason for government intervention in regional public transport. However, government intervention to overcome safety externalities is particularly important in regional public transport therefore governments impose minimum safety standards and police operational rules. Interventions for reasons of safety are outside the scope of this report for the reasons outlined in chapter 1.

Information failure can also be a source of market failure in public transport. For example, when privatising public transport services, governments may intervene to overcome information failures such as uncoordinated scheduling of services. In the absence of intervention, operators may not be able to or may not have sufficient incentive to adequately communicate and therefore coordinate their schedules to produce a more socially beneficial outcome.

INTERVENTION MEASURES

This chapter has provided a discussion on why governments intervene in the regional public transport market. There is often a social imperative for governments to intervene to ensure a more equitable and efficient market outcome. This section looks at the main forms of intervention usually employed by governments. Interventions range from full government ownership and operation through to some form of managed or regulated provision by private operators.

¹⁸ Instances where one individual's actions impose a cost or benefit on others are referred to as externalities. Externalities occur when the actions of producers and consumers affect involuntary parties. From society's point of view, because individuals do not bear the full cost of negative externalities they generate, an inefficient allocation of resources can result.

Government ownership

The most direct form of government intervention in public transport is where the government itself owns and provides the service. Historically, this was the most common method of dealing with market failure in public transport (with railways and airports typically being in government hands). Through direct ownership and operation, the government can control the level of service it provides and where it provides it. There are many examples of government-owned public transport operators in Australia including Queensland Rail (QR), StateRail in New South Wales (NSW) and the Western Australia Government Railways Commission (WAGR). Microeconomic reform throughout the 1980s and 1990s resulted in reduced levels of government involvement in many areas including public transport. However, due to the strong natural monopoly characteristics of rail transport, government ownership and operation remain much more prevalent in rail than in bus and air transport.

Community Service Obligation payments (CSOs)

A major form of government intervention in public transport is the provision of Community Service Obligation (CSO) payments to Government Business Enterprises (GBEs). Many governments have retained ownership of public transport infrastructure and services but corporatised the organisations as part of microeconomic reform initiatives. There have been many definitions of CSOs put forward over the years, however, the definition provided by the Steering Committee on National Performance Monitoring of Government Trading Enterprises (SCNPMGTE) in 1994, is now generally accepted by most jurisdictions. The SCNPMGTE definition states:

A CSO arises when a government specifically requires a public enterprise to carry out activities relating to outputs or inputs which it would not elect to do on a commercial basis, and which the government does not require other businesses in the public or private sectors to generally undertake, or which it would only do commercially at higher prices (SCNPMGTE 1994).

In some states the definition applies but with alterations:

- NSW makes the distinction that the relevant government directive must identify a specific social objective.
- Victoria explicitly acknowledges that both directives to carry out an uncommercial activity and directives to cease carrying out a commercial activity are CSOs.
- Tasmania explicitly requires the CSO to be a net cost to the GBE (Industry Commission 1997).

There are a number of important implications from this definition. Firstly, GBEs cannot initiate CSOs. This prevents GBEs from treating and funding all loss-making activities as CSOs. Secondly, cases where third parties are contracted by the government to provide the specified services are not considered CSOs—

these payments are simply referred to as subsidies. Finally, the specified service or function for which the CSO is paid must provide an identified social benefit (Industry Commission 1997).

Examples of CSO payments for regional public transport are the payments made to QR and WAGR by their respective state governments to operate long-distance passenger rail services, which on purely commercial grounds may not otherwise be provided. Based on reported CSO payments in their respective 2000-01 annual reports, the BTRE estimates that for 2000-01:

- CSO payments for QR's Traveltrain services averaged \$56.33 per passenger trip (approx \$61.2 million in total).
- CSO payments for WAGR's Country Passenger services averaged \$55.82 per passenger trip (approx \$14.4 million in total).

Legislation and regulation

For transport services run by private operators, governments usually intervene through some form of legislation and regulation. This can involve both financial and non-financial means of intervention.

One of the main forms of government involvement in the regional public transport market is through service contracts issued to private sector service operators. There are various examples and variations of service contracts in place across the country, however there are generally some common elements. A service contract will typically specify the type and standard of service that the operator must provide on a specified route (or within a specified area) over an agreed length of time. In return, the contract will stipulate how the operator will be remunerated for providing the service.

Service contracts often include subsidy payments or other financial assistance made by governments for the provision of services not considered to be commercially viable. The payment offered to operators for providing the service can come in a number of different forms. For airlines holding service contracts with Queensland Transport to provide regular passenger air services to rural and remote areas of Queensland, the payment is in the form of a direct financial subsidy. The operators, via a tendering process, effectively determine the subsidy amounts for each of these contracts. With consideration of the costs involved in meeting the minimum service levels specified in the contracts, operators bid for the amount of financial assistance required to make the service commercially viable. This method of governments initiating a competitive tendering process for service contracts is used commonly across jurisdictions.

Other regulatory interventions are discussed in detail in the next few chapters. However, it is important to also briefly mention non-financial regulatory interventions. The most common of these is reservation of routes to contract-holders or licensees. In some cases, governments use non-financial means such

as exclusive licensing to overcome market failure and support more equitable provision of services. An example of non-financial assistance is the service contract system for long-distance buses in South Australia. These contracts do not contain any financial subsidies but do confer on the holders, exclusive rights to operate on specific routes. Other operators can drive on the route but they cannot both pick-up and set-down passengers along the route unless their timetables are significantly different to contracted operators. It is this restricted access to the route that enables operators to provide services on many marginal routes.

This type of arrangement is usually used when a government deems that a particular public transport service does not need financial assistance to attract an operator to run it, but realistically there is only sufficient demand to sustain one operator. The contract typically would include fare restrictions that would prevent the contracted operator from gaining monopoly profits. But the certainty provided from route protection substantially reduces the risk for the operator and entices them to operate a service that otherwise might not have been provided.

Other financial assistance

Apart from subsidies and CSO payments, governments also provide a range of other financial assistance for regional public transport. Examples of government funding programmes (such as infrastructure funds), one-off grants and loans to operators, and assistance to public transport users are outlined in chapters 3 and 4.

One of the major forms of intervention is government funding of concession fares on public transport. Governments make concession fares available to those members of the community who are identified as being disadvantaged. The rationale behind concession fares and how they are applied is discussed in chapter 5 of this report.

TOTAL COST OF ASSISTANCE MEASURES

The following chapters of this report provide details of the various intervention measures used by Commonwealth and state and territory governments in recent years. This section presents estimates of the financial assistance for 2000–01 by jurisdiction, by mode and by measure.

In 2000–01¹⁹, Commonwealth and state and territory governments spent at least \$280 million to assist long-distance regional public transport services. This

¹⁹ At the time of writing (mid-late 2002), the financial year 2000–01 was the most recent year for which data was available for all jurisdictions.

figure is considered to be an underestimate as it was not possible to obtain comprehensive information for every transport mode in every jurisdiction.

The main reasons for the underestimated nature of these figures are:

- In NSW, funding for the regional part of the CityRail network was not available, nor were estimates of the value of assistance to aviation.
- In Victoria, funding for V/Line coaches, Hoys Roadlines and West Coast Railways was not available.
- In some jurisdictions, it was not possible to identify the value of the incentives provided to airlines. Although this assistance was not specifically for regional services, it could have implications in markets where regional air, rail and coach operators compete with these airlines.

Figure 2.1 shows the breakdown of funding by jurisdiction with Victoria, NSW and Queensland having the largest proportions. Figure 2.2 shows funding by mode. Rail received 82 per cent of the \$280 million, aviation 7 per cent, ferry 6 per cent and coach 4 per cent. The coach figure is underestimated as it was not possible to separate CountryLink coach services from rail services. As a result, funding for CountryLink coaches is included in the rail category. Also, funding for V/Line coaches in Victoria was not available.

Figure 2.3 illustrates funding by the type of assistance measure used by governments. This consists of Community Service Obligations payments and concession reimbursements (63 per cent), direct subsidies to contracted operators (24 per cent), funding of specific schemes and programmes (12 per cent) and various other forms of assistance (1 per cent). It was not always possible to separate CSO payments from concession reimbursements. As a result, the categories were combined. The 'subsidy (contracts)' category encompasses all payments made by governments to private operators under contractual arrangements. Figure 2.4 illustrates regional public transport funding by state/territory in per capita terms.

Since 2000–01, a number of jurisdictions have introduced new assistance measures, which would have a significant impact on the figures presented above. For example:

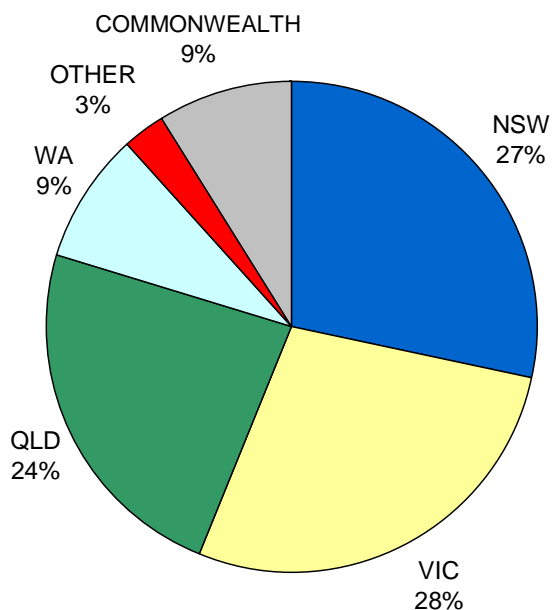
- Commonwealth assistance to regional aviation in 2001–02 increased through the Rapid Route Recovery Scheme²⁰ (RRRS) and in the current financial year, funding under the Bass Strait Passenger Vehicle Equalisation Scheme (BSPVES) is expected to rise as patronage levels increase due to an enhancement of the programme.

²⁰ The RRRS was a temporary scheme implemented to provide transitional support for the continuation of services to communities on routes previously serviced by Ansett.

- In Victoria, expenditure on regional rail and coach services increased in 2001–02 due to increased payments to the V/Line franchisee (National Express).
- The Queensland Government has recently introduced a range of new service contracts for the provision of air and long-distance coach services in regional Queensland which will result in increased expenditure in 2002–03.
- In Western Australia, expenditure on aviation increased in 2001–02 due to an increase in subsidies paid by the WA Government to secure air services to some regional areas.

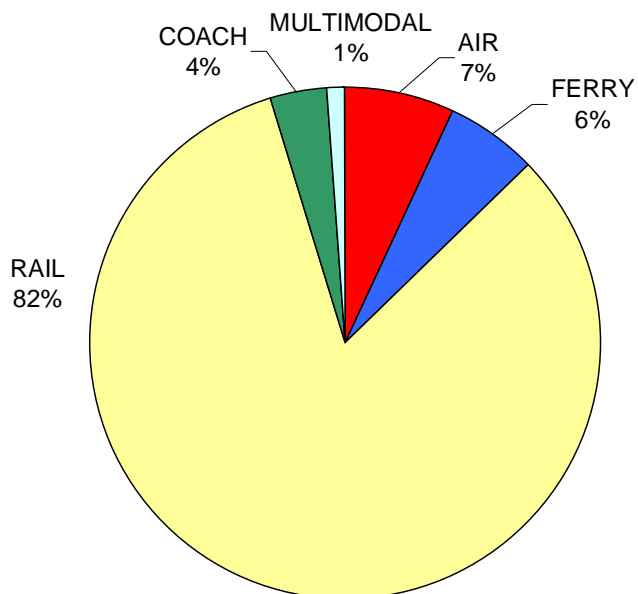
The figures presented represent significant government financial assistance to regional public transport. However, there is also a range of non-financial interventions by governments that have an important role in supporting regional public transport. These include route protection and exemptions from certain fees, taxes and charges—the value of which could not be identified.

FIGURE 2.1 FUNDING BY JURISDICTION—2000–01



Source BTRE estimates.

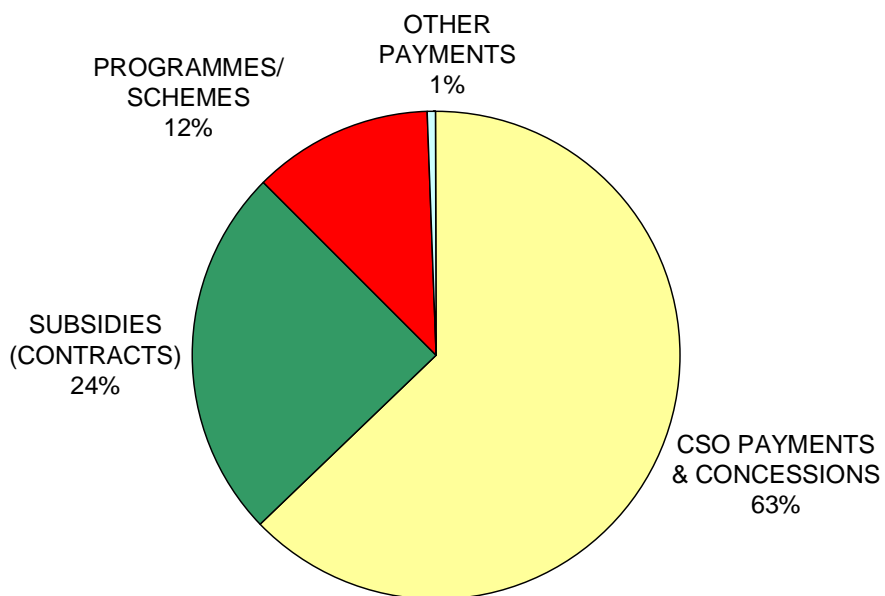
FIGURE 2.2 FUNDING BY MODE—2000-01



Note The coach figure is underestimated as it was not possible to separate CountryLink coach services from rail services. As a result, funding for CountryLink coaches is included in the rail category. Also, funding for V/Line coaches in Victoria was not available.

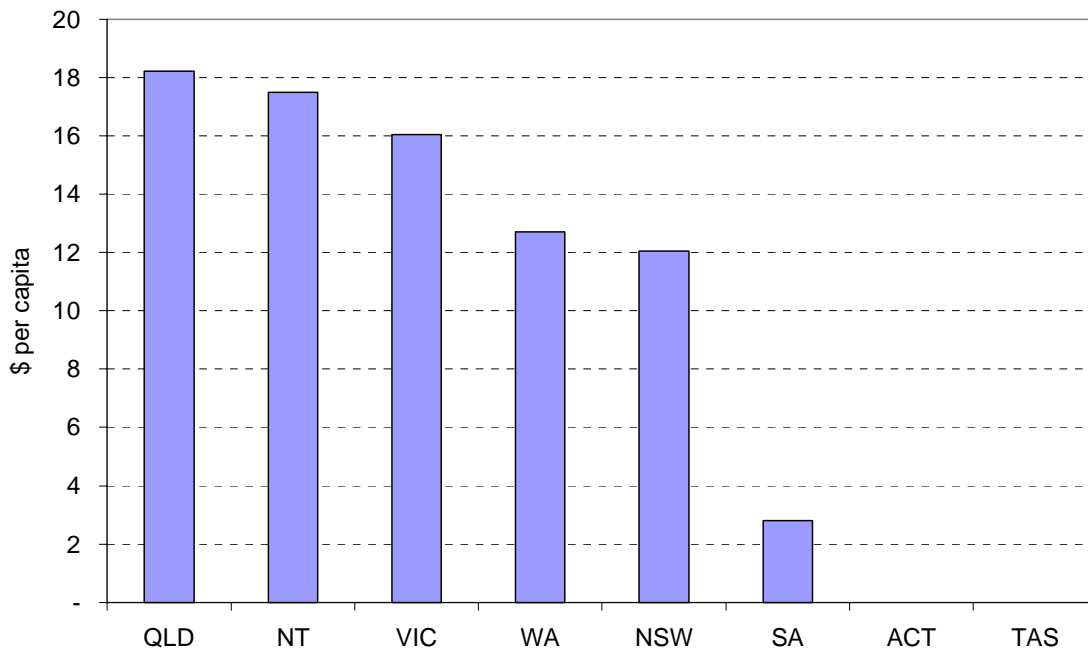
Source BTRE estimates.

FIGURE 2.3 FUNDING BY ASSISTANCE MEASURE—2000-01



Source BTRE estimates.

FIGURE 2.4 PER CAPITA FUNDING BY STATE/TERRITORY—2000–01



Note See earlier discussion on limits of data availability. It was not possible to obtain comprehensive information for every transport mode in every jurisdiction. The population estimates refer to whole populations of states/territories.

Source BTRE estimates.

CHAPTER 3 COMMONWEALTH INTERVENTIONS

While the states and territories have responsibility for the provision of regional public transport services in their respective jurisdictions, some actions of the Commonwealth Government have a significant impact (directly or indirectly) on regional public transport. This section of the report outlines these interventions.

AIR SERVICES

While constitutional responsibility for the regulation of intrastate aviation rests with the state and territory governments, the Commonwealth has traditionally played a major role in Australia's domestic aviation market. This institutional framework put in place by Commonwealth and state/territory governments has a significant influence on the provision of regional aviation services. Given the network nature of aviation, interventions by governments affecting the domestic aviation industry also impact on the regional aviation sector. Some regional air routes cross state and territory borders and some of the major regional operators (such as Qantaslink and Regional Express²¹) operate services in a number of jurisdictions.

The Commonwealth Government has moved back from a direct role in the Australian aviation industry. Prior to 1990, interstate aviation was heavily regulated under the Government's 'two airlines policy'²². From 31 October 1990 the Government withdrew from economic regulation of the industry (including price regulation, aircraft import restrictions, and capacity sharing arrangements) (BTE 2000, p. 35). The Government has also moved away from ownership of airlines and airport infrastructure (for example, the sale of Qantas,

²¹ Regional Express purchased Hazelton and Kendell airlines after the demise of Ansett. Regional Express is owned by the Australiawide consortium and began operating in August 2002.

²² The 'two airlines policy' did not apply strictly to interstate routes, but rather to the provision of scheduled passenger services over trunk routes. Under the *Airlines Agreement Act 1981* the following destinations were considered to be trunk centres: Adelaide, Alice Springs, Brisbane, Cairns, Canberra, Coolangatta, Darwin, Gove, Hobart, Launceston, Mackay, Melbourne, Mount Isa, Perth, Prosperine, Rockhampton, Sydney and Townsville.

the sale of Federal Airports Corporation airports and the divestment of regional and remote airports through the Aerodrome Local Ownership Plan).

The Commonwealth Government maintains responsibility for airways' services and aviation safety. These roles are currently performed by Airservices Australia and the Civil Aviation Safety Authority (CASA), respectively. Airservices Australia was established under the *Air Services Act 1995* (Cwlth). Its principal functions are to provide air traffic management services, air navigation infrastructure services and aviation rescue and firefighting services. CASA was established in July 1995 by an amendment to the *Civil Aviation Act 1988* (Cwlth). It is responsible for regulating civil aviation safety by: setting and enforcing aviation standards and rules; licensing aerodromes, pilots and aviation engineers; certifying aircraft and operators; carrying out safety surveillance; and assisting the aviation industry through safety education and training.

The Commonwealth Department of Transport and Regional Services (DOTARS) is also responsible for advising the Government on the policy and regulatory framework for the Australian aviation and airports industries.

Commonwealth interventions

Following the cessation of Ansett services in 2001 and the continuing volatile nature of the industry, the Commonwealth Government has set a number of market based policy objectives for aviation. These are:

- A safe, secure and sustainable aviation sector;
- Price and service competition for consumers where possible; and
- Reasonable access to services for regional communities (Matthews 2002).

There is currently no economic regulation of regional aviation by the Commonwealth Government. There are, however, a number of other Commonwealth interventions that impact on regional aviation. These consist of specific schemes, programmes and levies, targeted at achieving certain objectives. These interventions are described briefly below.

Subsidy for transition to location-specific pricing for air traffic control towers

In mid-1998, AirServices Australia abolished its then network-based pricing regime for terminal navigation services in favour of a new location-specific pricing regime. In recognition of this, the Commonwealth Government removed the component of the aviation gasoline fuel (Avgas) Excise Levy that related to the provision of terminal services. The objective of the new pricing regime is to foster greater transparency and move towards a user pays system. Under the previous regime there was substantial cross-subsidisation of some

segments of the aviation industry by other segments and of smaller locations by larger locations.

With this cross-subsidisation removed, airport users at some regional and general aviation airports were faced with large increases in charges which would have a significant impact on the viability of their operations. Subsequently, the Commonwealth Government decided to provide a subsidy to Airservices Australia to enable it to maintain reasonably priced control tower services at the following regional and general aviation airports: Albury, Coffs Harbour, Launceston, Hobart, Mackay, Maroochydore, Rockhampton, Tamworth, Archerfield, Bankstown, Camden, Jandakot, Moorabbin, Parafield and Essendon. The total value of this subsidy was \$11 million in 1999-00 and has remained at around \$7 million annually since 2000-01 (DOTARS 1999, 2000, 2001, 2002a).

Exemption from the Air Passenger Ticket Levy ('Ansett Levy')

The *Air Passenger Ticket Levy (Collection) Act* (Cwlth) was passed by Parliament on 27 September 2001. The Act imposed a \$10 levy on all domestic air passenger tickets purchased after 1 October 2001. The funds collected from the levy will be used to fund the Special Employment Entitlement Scheme for the former employees of Ansett. The scheme guarantees former Ansett employees will receive their workers entitlements. The maximum amount recoverable is \$500 million and under a worst-case scenario the scheme could be in place for up to five years. In recognition of the role that small regional airlines play in the remote areas of Australia, the Government decided that the purchase of tickets on aircraft with sixteen or fewer seats would not attract the levy.

Reduced aviation fuel excise

Funding from aviation fuel excise collections is appropriated to CASA under the *Aviation Fuel Revenues (Special Appropriation) Act 1988* (Cwlth). In the 2002-2003 Budget, CASA received Special Appropriation funding of \$59 million, which represented aviation fuel customs duty and excise collected by the Australian Taxation Office and Australian Customs Service and paid to CASA (DOTARS 2002a, p. 83).

In recent years, the Commonwealth Government has substantially reduced the excise duty on the fuel used in small planes. Duty on Avgas has fallen from 18.5 cents per litre in 1996 to 2.8 cents per litre since 2000 (a reduction of 85 per cent) (Anderson 2000).

Protection of regional slots at Sydney's Kingsford Smith Airport

Kingsford Smith Airport (KSA) is an essential transport hub for regional New South Wales (NSW). Recognising this, the Federal Government amended the

Sydney Airport Slot Management Scheme to guarantee access to the airport for regional airlines. The *Slot Management Scheme* was established by the *Sydney Airport Demand Management Act 1997* (Cwlth). The scheme prevents major airlines from being able to swap regional services in peak periods for interstate or international flights. Slots dedicated to regional services can only be swapped with slots for interstate and international services within 30 minutes of their originally scheduled time.

Until recently, KSA was owned by the Commonwealth Government. On the 25 June 2002, Sydney airport was sold to Southern Cross Airports Corporation. The sale included provisions to guarantee the current pricing regime and slot management scheme for regional airlines. Access for regional airlines will continue to be guaranteed by the *Slot Management Scheme* and the Australian Competition and Consumer Commission will continue to ensure that prices for regional carriers do not increase in excess of the Consumer Price Index.

Subsidising Airservices Australia enroute charges

This scheme subsidises Airservices Australia enroute air traffic control charges for regular public transport operators using aircraft with a maximum take-off weight of 15 tonnes or less (in general terms aircraft below the size of a De Havilland Dash 8-100). The 3.5 year scheme commenced on 1 January 2002 and it is estimated it will save the industry around \$6 million per annum (DOTARS 2002a, p. 38). The payment is estimated to have saved the industry \$2.9 million in 2001-02 (DOTARS 2002a, p. 25). The scheme subsidises around 30 small regular public transport airlines, and those providing aero-medical services. These airlines are exempted from the charges and instead the Government pays the Airservices Australia charges.

On 26 November 2002, the Federal Government announced that Airservices Australia enroute charges will be reduced by 3.6 per cent from January 2003 (Anderson 2002a). In addition to the regional airlines receiving subsidies for the entire cost of enroute charges (described above), regional airlines that operate aircraft weighing more than 15 tonnes will benefit from the reduction in charges. It is estimated that this will save regional airlines approximately \$1 million per annum.

Assistance to Tamworth Australasian-Pacific Aeronautical College

In August 2001, the Federal Government announced it would spend \$4.1 million over four years to expand aircraft maintenance engineer training in regional Australia. The funding is being used to support the development of a new aircraft engineering college at Tamworth Airport, called the Australasian-Pacific Aeronautical College. This facility will support regional operators by helping to ease the difficulty and cost involved in training maintenance staff.

Remote Area Service Subsidy Scheme

The objective of the Remote Air Service Subsidy (RASS) scheme is to ensure communities in remote areas of Australia have access to essential services including the delivery of mail, educational materials, medical supplies, fresh food and urgent supplies, and the carriage of passengers through a regular air service. Because of the distances involved and the fact that road access to many of these communities is often cut off for several months during the wet season, a regular air service offers the only reliable means of transport.

The Federal Government has been directly subsidising remote air services since 1957. The RASS scheme currently subsidises eight air operators providing regular weekly air services to approximately 250 remote communities located in Queensland, the Northern Territory (NT), South Australia (SA), Western Australia (WA) and Tasmania. Over the last four years passenger numbers on all RASS services have averaged almost 1400 per annum.

Communities²³ rather than operators apply to be included in the RASS scheme. The scheme is designed to assist only very remote communities. To qualify, a community must meet two fundamental requirements:

- there must be a demonstrated **need** for a weekly air service; and
- the community must be sufficiently **remote** in terms of surface travel time to a population centre or neighbouring community receiving a weekly transport service.

The RASS scheme operates to a fixed annual budget. Since June 2000, the Government has expanded the scheme by spending an additional \$5.2 million over four years, effectively doubling the Scheme's previous level of funding. Funding for the scheme has increased from almost \$1.2 million in 1999–2000 to approximately \$2.2 million in 2001–02. The funding allocated from the 2002-03 Commonwealth budget is \$3.2 million.

Air operators providing RASS services are selected and engaged through a competitive tender process. Operators are engaged for a fixed term (usually less than four years) under an agreement with the Commonwealth. Current RASS contracts expire on 30 June 2004. The Commonwealth pays the annual amount specified in the agreement. The subsidy payments are made monthly in arrears and are determined according to the agreed service levels regardless of actual patronage and cargo carried. RASS operators are responsible for the operation of the air service as a commercial undertaking, including setting passenger fares and freight rates at levels aligned to other equivalent air services in remote regions of Australia. As a result, RASS operators bear the risk associated with patronage and freight revenue levels.

²³ Community means a group of people living in the one location, and includes cattle/sheep stations, other rural properties, tourist centres and government agency outposts.

Regional Aerodrome Inspection Programme

The Regional Aerodrome Inspection Programme funds the cost of inspecting 59 Aboriginal community aerodromes north of the 19th parallel, in Queensland, NT and WA.

Rapid Route Recovery Scheme

On 14 September 2001, Ansett Australia was placed into the hands of administrators and subsequently many regional areas lost air services. The Rapid Route Recovery Scheme (RRRS) was a temporary scheme implemented to provide transitional support for the continuation of services to communities on routes previously serviced solely by Ansett or its subsidiaries that would have otherwise been without air services. The scheme, which is now closed, was flexibly administered to meet the varying needs of operators through the provision of grants or loans. In all, the Government provided \$23 million to a total of eighteen operators under the scheme.

Major recipients of the RRRS included: Hazelton (\$3 million loan); Kendell Airlines (\$3.5 million loan) and Skywest (\$900 000 grant²⁴). Australiawide (trading as Regional Express) also received a grant of \$5 million to assist in its purchase of the former Ansett subsidiaries Kendell and Hazelton (Anderson 2002b). The grant was provided to enable flights to continue on routes that were previously only serviced by Hazelton or Kendell. These services were viewed as being particularly important since they provided a vital air link to major cities for many regional communities across several states.

COACH SERVICES

The Commonwealth Government has a relatively limited involvement in the coach industry. Although it does have a major role in funding the road infrastructure coaches operate on, through the National Highway and Roads of National Importance Programmes, there are no specific subsidies or assistance schemes aimed at operators of regional coach services. The Commonwealth does not enter into service contracts or any other contractual agreements with operators.

The Commonwealth's role is regulatory, through the functions of the National Road Transport Commission (NRTC)²⁵. The NRTC was formed in 1991 to

²⁴ A \$3.5 million loan was also made available to Skywest under RRRS, but this was not taken up.

²⁵ On 6 February 2003 Australia's Transport Ministers announced that Commonwealth, State and Territory Heads of Government had agreed to the establishment of the National Transport Commission which will include the functions of the NRTC, but also undertake reform of rail and intermodal regulation and operations. The new body will be established by January 2004.

introduce nationally consistent regulations for road transport. The main regulations applying to coach operators relate to matters such as heavy vehicle charges and driver hours. Aside from an issue raised in chapter 5 of this report relating to mass concessions for accessible buses, none of the operators consulted by the BTRE expressed concerns with the role of the NRTC.

There is one other area where Commonwealth Government intervention affects the coach industry—fuel pricing. The following scheme is not specifically targeted at coaches, but does have an impact on coach operators nonetheless.

Diesel and Alternative Fuel Grants Scheme

The Diesel and Alternative Fuel Grants Scheme (DAFGS) was introduced on 1 July 2000 to reduce transport costs, particularly in rural and regional Australia. DAFGS provides grants to businesses for the on-road use of diesel and alternative fuel in vehicles that have a gross vehicle mass (GVM) of 4.5 tonnes or more. For vehicles with a GVM greater than 4.5 tonnes but less than 20 tonnes, the grant is not payable for trips within metropolitan areas. Operators of regional coach services whose vehicles use diesel or alternative fuels can therefore claim DAFGS. This reduces the cost of providing regional coach services.

Under the scheme, eligible businesses are paid a grant based on a flat rate per litre of fuel (except for gas, which is calculated per cubic metre). The rate is 18.510 cents per litre for diesel fuel, effective from 1 February 2001. DAFGS is administered by the Australian Taxation Office. Actual expenditure on DAFGS in 2001-02 was \$753 million, up from \$558 million in 2000-01 (ATO 2002, p. 39). The scheme will continue until at least 30 June 2003. At this time it will be replaced by the Energy Grants (Credits) Scheme. The Government has committed to maintain entitlements to current DAFGS beneficiaries under the new scheme.

RAIL SERVICES

Passenger rail services are predominantly the responsibility of the respective state/territory governments. Historically, the Federal Government had a major role in rail transport through ownership of both Australian National (AN) which ran interstate passenger services and National Rail (NR) which operated freight services. In November 1997, as part of the Government's rail reform agenda, AN was privatised (except for interstate track assets). AN was sold through trade sales with the former system being split into three main components—the interstate passenger rail business, Tasmanian rail and South Australian intrastate freight. The interstate passenger rail business was sold to

Great Southern Railway (GSR) which currently operate the long-distance passenger trains *The Indian-Pacific*, *The Ghan* and *The Overland*. In January 2002, the Federal Government announced the sale of National Rail (NR) Corporation to Pacific National.

The Federal Government retained ownership of the interstate mainline track controlled by the former AN, and placed these under the control of a new national rail track corporation. The ownership of the interstate standard gauge network through the Australian Rail Track Corporation (ARTC) remains the major form of Commonwealth intervention in passenger rail in Australia. The ARTC was formed in 1997 after the Commonwealth and state governments agreed to the formation of a 'one-stop-shop' for all operators seeking access to the National interstate rail network that stretches from Brisbane in the north to Kalgoorlie in the west. Passenger rail operators such as GSR and CountryLink are required to establish an access arrangement with ARTC to operate their rolling-stock on the ARTC controlled track.

The Commonwealth compensates GSR for carrying passengers at concession fares. This compensation is negotiated through an agreement between the Commonwealth Department of Family and Community Services and GSR. Commonwealth funding provided to states and territories for the reimbursement of other concession fares is discussed in chapter 5.

On 6 February 2003 Australia's Transport Ministers announced that Commonwealth, State and Territory Heads of Government had agreed to the establishment of a National Transport Commission which will include the functions of the NRTC, but also undertake reform of rail and intermodal regulation and operations. The new body will be established by January 2004.

In addition to interstate track ownership and the newly expanded role of the NRTC to include rail, the Federal Government has also contributed to various rail initiatives. The major initiative relevant to regional passenger travel is the construction of the Alice Springs–Darwin railway.

Alice Springs-Darwin Railway

Although primarily to be used for freight transport, the Alice Springs to Darwin Railway, which is expected to be completed in 2004, will also see the introduction of a trans-continental North-South rail passenger service. Once the track is complete, GSR will extend its current Adelaide to Alice Springs service—*The Ghan*—to run all the way to Darwin. GSR intends to provide a weekly return service on the approximately 47-hour journey. It is perhaps more appropriate to think of this service as a tourist service rather than regular public transport, nonetheless once completed it will provide a regular passenger transport link between central Australia and Adelaide and Darwin.

The Federal Government has committed \$191.4 million to the project with \$367.8 million provided by the SA and NT Governments. The remainder of the estimated total cost of \$1.3 billion will be funded by the private sector (DOTARS 2002c).

FERRY SERVICES

In 1996, the Federal Government introduced the Bass Strait Passenger Vehicle Equalisation Scheme (BSPVES) to reduce the cost of transporting passengers and their vehicles between Tasmania and mainland Australia. The scheme is aimed at removing the transport cost disadvantage posed by Bass Strait and providing an incentive for more passengers to make the journey. The scheme provides a rebate to the driver of a passenger vehicle as a direct reduction in the fare charged by the ferry operator. The ferry operator is reimbursed by the Commonwealth Government on a monthly basis for the total rebate provided to eligible passengers. BSPVES is administered by DOTARS and applies to any ship operator providing passenger and vehicle services across Bass Strait.

Previously, the amount of the rebate varied between \$100 and \$150 each way depending on whether the trip was taken inside or outside of the peak season. As of 1 September 2002, a rebate of up to \$150 each way applies year round for passenger vehicles, up to \$300 each way for motor homes and vehicles towing a caravan and up to \$75 each way for motorcycles. Funding for the scheme is uncapped and varies to match the actual number of journeys undertaken. Since its introduction the total annual reimbursements paid by the Commonwealth have increased from \$8.5 million in 1996–97²⁶ to \$14.2 million in 1999–2000 (BTE 2001, p. 8). Funding in 2001–02 totalled \$17.4 million and as a result of the enhanced rebates, along with TT-Line's introduction of two new ferries in September 2002, this figure is estimated to increase to \$26.6 million in 2002–03 (DOTARS, 2002d).

SUMMARY AND SPECIFIC ISSUES RAISED

Commonwealth Government intervention in regional public transport has reduced from historical ownership and operation of airlines and railways to regulation of private air and rail operators. Aviation remains the main public transport mode where the Commonwealth still plays a major role in terms of direct and indirect assistance arrangements. The Commonwealth has little involvement in regional coach transport but does subsidise passenger and vehicle travel on the Bass Strait ferry service. Commonwealth involvement in public transport is generally limited to non-economic regulation (for example,

²⁶ Covered only 10 months, from the commencement of the scheme in September 1996.

safety) and some funding to assist the provision of certain services and infrastructure, particularly in regional areas.

During discussions with stakeholders across Australia, three main issues were raised with regard to Commonwealth interventions in long-distance regional public transport. Most of the issues are related to temporary measures for air transport and the eligibility criteria chosen for these measures, including:

- Air Passenger Ticket Levy—WA regional operator Skywest, whose aircraft have a capacity greater than sixteen seats and are therefore not eligible for exemption from this levy, argue that the levy unfairly penalises regional passengers. Skywest advocate a levy applied proportionately to distance travelled rather than a flat fee.
- Enroute charges subsidy—Skywest also had a similar issue with this subsidy since Skywest aircraft are over 15 tonnes and therefore not eligible for the exemption (although effective from January 2003 Skywest benefits from the reduced charges announced in November 2002).
- Some operators expressed concerns that the Rapid Route Recovery Scheme (RRRS) provided assistance to competitors, which enabled them to offer heavily discounted fares. For example, some smaller regional airlines in SA argued that the assistance Kendall Airlines received under RRRS gave them an unfair advantage over those airlines that were competing on the same routes but received no assistance.

The above list relates only to issues specific to the Commonwealth Government. Issues common to all levels of government and across jurisdictions (such as concession fare reimbursement and disability requirements) are discussed in chapter 5.

CHAPTER 4 STATE AND TERRITORY INTERVENTIONS

The provision of regional public transport services is the responsibility of state and territory governments. It is therefore at this level where government intervention in regional public transport is most evident. This section of the report examines state and territory government interventions in each mode in every jurisdiction. The regulatory environment, including the relevant legislation that applies to each mode is discussed. The various forms of assistance provided by governments (including specific schemes and programmes, as well as other forms of direct and indirect assistance) are also explored.

AUSTRALIAN CAPITAL TERRITORY

Due to its small size there is little regional public transport within the Australian Capital Territory (ACT) itself. There is no intra-territory aviation and rail is limited to a few hundred metres of track that joins the New South Wales (NSW) network. Therefore, there is no Territory Government economic regulations applying to these modes. There is however an extensive network of bus services within the ACT, although most are in urban areas. The ACT Department of Urban Services is the government agency responsible for coordinating the delivery of all public transport services in the ACT. The Department also administers the accreditation and licensing schemes for public transport operators.

Air services

As mentioned there are no intra-territory air services within the ACT and therefore no regulation of aviation by the ACT Government. Nonetheless, aviation services are a significant form of public transport for people in the ACT with direct flights linking Canberra to Sydney, Melbourne, Brisbane and Adelaide. In October 2002, Regional Express also introduced direct flights between Canberra and Traralgon in Victoria's Gippsland region.

In recognition of the importance of the aviation industry to the territory, the ACT Government has in recent times chosen to intervene in the industry in a bid to attract airlines to Canberra. Through the ACT Business Incentive Scheme

(ACTBIS) the Government provided significant assistance to both Impulse Airlines and Ansett. The aim of ACTBIS is to assist the development of significant new business investment and employment in the ACT. In 2000, Impulse Airlines²⁷ received a loan of \$8 million, which was to be progressively written off as certain milestones were achieved, as well as \$2 million in payroll tax waivers to establish its regional operations base in Canberra (Humphries 2000). In 2001, the ACT Government agreed to provide Ansett with rental subsidies to a maximum of \$2.4 million and a waiver on payroll taxes on new employment growth of up to \$1.5 million to build a new call centre in Tuggeranong²⁸ (Humphries 2001). The agreement also included the Government providing Ansett with a block of land in Tuggeranong at full market value. While these assistance measures offered to Impulse (and therefore subsequently Qantas) and Ansett were not specifically for regional services, the assistance could have implications in markets where they compete with regional rail and/or coach operators.

Following the demise of Ansett, assistance was also provided to the former Ansett subsidiaries—Kendell Airlines and Hazelton Airlines. In September–October 2001, the ACT Government contributed \$250 000 to each airline to help them meet the cost of promoting their new services (Smyth 2001). This funding, combined with the assistance provided under ACTBIS, represents a substantial financial intervention by the ACT Government in the aviation industry.

Coach services

The coach industry has a strong presence in the ACT, but aside from a small amount of charter work, all coach services operate across the border into NSW. The majority of services link Canberra to Sydney and Melbourne but there are also a number of services operating to surrounding NSW regional towns such as Yass and Wollongong, as well as some towns on the NSW south coast. All operators are privately-owned with Murrays and McCafferty's/Greyhound providing the majority of services into and out of Canberra. Other operators such as Transborder Express and Fearnese also operate some daily services.

Regulatory environment

In late 2001, the ACT Government introduced new legislation governing the provision of bus and coach services within the territory. The *Road Transport*

²⁷ In May 2001, Impulse Airlines announced that it would be entering into a joint venture with Qantas. Subsequently, Qantas assured the ACT Government that it would stand by the commitment made by Impulse (Quinlan 2002, p. 147).

²⁸ The call centre was forced to close following the demise of Ansett in September 2001.

(Public Passenger Services) Act 2001 (ACT) was introduced to replace the licensing system that existed under the previous legislation.

The Act defines a bus to be a motor vehicle that seats over nine adults (including the driver) and divides bus services in the ACT into three categories. A 'regular route service' is a bus service conducted according to regular routes and timetables but does not include tourist services or long-distance services. A 'long-distance service' is a bus service conducted according to regular routes and timetables where each passenger travels at least 40 kilometres. A 'tour and charter service' is a bus service that is not a regular route or long-distance service. Those wishing to operate regular routes and tour and charter services are required to gain accreditation. There are no accreditation requirements for operators of long-distance services. This means that operators running long-distance services across the border between the ACT and NSW are not required to gain accreditation in the ACT, providing they do not pick-up and set-down passengers within a regular route area (that is, less than 40 kilometres).

In addition to gaining accreditation, operators of regular route services are also required to hold a service contract with the ACT Government. This applies to operators that provide services between regional NSW and Canberra, as well as the government-owned urban operator, ACTION. The ACT Government does not provide any assistance to operators of long-distance coaches. The only assistance offered by the ACT Government to bus operators is the allowance made under the legislation that the Government may include financial payments and/or the granting of exclusive access to routes in the service contract offered to an operator of a regular route service.

Summary and specific issues raised

The ACT's small size limits the extent of regional public transport services. There is no intra-territory aviation and rail is very limited. However, links to other capital cities and regional centres in other states are very important to the ACT. The ACT is reasonably well served by long-distance coaches, which generally operate in a deregulated environment. In discussions with stakeholders there were no major regulatory or assistance issues raised as possible impediments to the supply of long-distance regional public transport in the ACT.

NEW SOUTH WALES

In New South Wales (NSW), the large population combined with reasonably long travel distances has meant that all three transport modes—air, coach and rail—play an important role in the supply of regional public transport. There is some competition between the modes (mainly on trunk routes), with price and timeliness being the main determinants of the market outcome.

Public transport services in NSW are provided by a combination of public and private operators. Almost all passenger rail services are provided by the State Rail Authority of NSW (StateRail), which is owned by the NSW State Government²⁹. Services to, from and between regional areas are operated under the CountryLink banner. The Government, through Transport NSW and CountryLink also contracts private bus operators to run intrastate coach services and rail replacement bus services. Private operators (such as Qantaslink and Regional Express) provide air services in NSW in a partly regulated environment.

Transport NSW is the state transport agency responsible for coordinating the delivery of safe, efficient and reliable transport outcomes for passengers throughout NSW including for regional public transport. The agency undertakes the accreditation and licensing of passenger transport providers (private and government-owned) to ensure satisfactory safety and service levels. Transport NSW includes a Rural and Regional Strategy Branch that is responsible for developing a more coordinated approach to public transport planning and service delivery in rural and regional areas. A broad rural and regional transport strategy titled *Connecting the Country* is currently under development (Transport NSW 2002a).

Transport NSW purchases public transport services in the form of contracted Community Service Obligations (CSOs) with the objective of improving community mobility on public and private transport. Under this CSO arrangement, commercial and operational decision-making is curtailed. These obligations incorporate where, when and, to some degree, how the operator is to run these services. Funds are provided to government and private transport operators for these services and concessions, which would not otherwise be provided at the current fare and/or services levels (Transport NSW 2001a, p. 48).

The Independent Pricing and Regulatory Tribunal (IPART) regulates fares on government-owned transport services (StateRail train services and State Transit bus and ferry services). IPART is an independent body that oversees regulation of a number of industries including public transport in NSW. One of its core functions is to set maximum prices for monopoly services provided by government agencies. The Tribunal regulates passenger transport fares under the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW). The current government monopoly declaration for passenger transport services is the *Independent Pricing and Regulatory Tribunal (Passenger Transport Services) Order 1998* (NSW). IPART also makes recommendations on private bus, ferry and taxi fares. The Director-General of Transport considers these recommendations when establishing maximum regulated fares for these services.

²⁹ The *Indian-Pacific* and *The Ghan*, operated by Great Southern Railways, also provide passenger rail services between Sydney and Broken Hill.

The Public Transport Authority (PTA), established in NSW legislation, advises the Minister on any matter relating to the development, coordination and regulation of public passenger services throughout the state. The PTA consists of the senior executives of the transport agencies and authorities, other members appointed by the Minister and industry representatives. A Transport Coordination Committee (TCC) brings together Chief Executives of key state agencies to consider passenger transport policy and operations within a broader agenda. Separate executive level sub-committees report to the TCC on metropolitan and rural and regional matters.

The major Government policy statement forming the core of current transport policy in NSW is *Action for Transport 2010: An integrated transport plan for NSW* (Transport NSW 1998). The plan was released in November 1998 and outlines the key priorities to transform NSW's public transport system including infrastructure development, service improvements and travel demand management. Some of the key commitments relating to regional NSW include:

- improving the country road network (\$1 billion *Rebuilding Country Roads Program* over 12 years);
- maintaining CountryLink services (including new services);
- feasibility studies into the reopening of disused regional rail lines (\$300 000)
- maintenance and refitting CountryLink rolling stock (\$360 million over 10 years);
- upgrading country passenger transport infrastructure (\$15 million over 10 years).

Air services

Intrastate regional aviation services in NSW consist mainly of routes from Sydney to regional areas. There were six regional airlines operating in NSW in 2001—QantasLink and Hazelton Airlines were the two largest operators in the state (BTRE 2003). Competition between airlines is generally limited to the high traffic routes. The demise of Ansett Airlines (and subsequently the placing into administration of its subsidiaries—Hazelton Airlines and Kendell Airlines) in late 2001 had major implications for regional air transport in NSW and left a significant gap in these services. The sale and merger of Hazelton and Kendell airlines to form the new Regional Express airline (owned by Australiawide) is important to the continued provision of air services in regional NSW. Since August 2002, Regional Express, which is headquartered in Sydney, has been operating services to around fourteen regional NSW centres and towns. Many of these towns lost services when Ansett (and its subsidiaries) collapsed. Regional Express has also located its main operational, engineering and maintenance base in Wagga Wagga and its customer service facilities in Orange.

Regulatory environment

In addition to the air safety and operational regulations administered by the Commonwealth Government, the NSW Government regulates a number of economic aspects of air services within NSW under the *NSW Air Transport Act 1964*. The Act requires all intrastate air operators in NSW to be licensed. The regulated air transport system in NSW has been the subject of various reviews and debates during the 1990s. In July 1997, IPART recommended that intrastate services should be deregulated, regardless of market size³⁰. However, the Bill containing the IPART recommendations was rejected by the Upper House. Since September 2001, the need for increased regulation, particularly of small volume routes, has gained prominence.

NSW maintains a 'managed competition' regime on intrastate air routes with small annual passenger volumes (Transport NSW 2001b, p. 22). In October 2002, the NSW Government extended these regulatory arrangements to protect all regional air routes with an annual capacity of less than 50 000 passengers from competition (previously the protection applied to routes of less than 20 000 annual passenger volumes) (Scully 2002). This was part of a package of measures aimed at helping the regional aviation industry. NSW intrastate air routes (to/from Sydney Kingsford Smith Airport) with an annual passenger volume of less than 50 000 are allocated one licence/operator per route. Routes with an annual passenger volume above this level are open to competition. The recent extension of route protection means that six more routes have been added to the regional routes that had annual passenger volumes of less than 20 000 (table 4.1). The NSW Government extended regulatory arrangements with the aim of helping to stabilise the industry (Scully 2002).

The Minister for Transport is the licensing authority for services within NSW. The Air Transport Council is a statutory body constituted under amendments in 1987 to the *Air Transport Act*. The principal function of the Council is to determine licence fees with the concurrence of the Minister. In addition, the Council may advise the Minister, or exercise functions on behalf of the Minister, on air transport service matters that have the potential to affect the state.

Other than the issue of licence fees, the Minister has in practice exercised functions under the *Air Transport Act* such as licence allocation decisions and policy. In exercising these functions, the Minister is informed by the NSW Department of Transport and a variety of stakeholder forums. These include the NSW Air Transport Summit Working Party, the Australian Transport Council and the NSW Legislative Council's Standing Committee on State Development.

³⁰ IPART found that on smaller routes, restrictive licensing could not necessarily guarantee any level or quality of air service if it is uneconomic to provide the service. As a result they argued that the State as a whole would benefit considerably from deregulating air services. The NSW Air Transport Summit (June 2001) also questioned whether the regulation was reducing the viability of regional airlines rather than protecting them.

TABLE 4.1 NSW RURAL/REGIONAL CENTRES RECEIVING REGULATORY PROTECTION FOR INTRASTATE AIR SERVICES (AS AT MARCH 2003)

<i>New centres since Oct 2002 (less than 50 000 annual passengers)</i>	<i>Existing centres (less than 20 000 annual passengers)</i>	<i>Currently non-operational routes (less than 20 000 annual passengers)</i>
Griffith	Bathurst	Cootamundra
Lismore	Bourke	Forbes
Lord Howe Island	Cooma	Maitland
Moree	Grafton	Nyngan
Orange	Mudgee	Singleton
Taree	Merimbula	Brewarrina
	Narrabri	Casino
	Parkes	Coonabarabran
	Walgett	Cowra
	Broken Hill	Kempsey
	Cobar	Young
	Coonamble	Gunnedah
	Lightning Ridge	Scone
	Moruya	West Wyalong
	Narrandera	Inverell
		Glen Innes

Source Transport NSW, pers.comm., March 2003.

The following description of licensing arrangements is drawn largely from the Transport NSW website (<http://www.transport.nsw.gov.au/licensing/air-licence.html>).

Any operator of intrastate air transport services carrying fare paying passengers between different locations within NSW is required to hold a NSW Regular Public Transport (RPT) licence under Section 3(1) of the *NSW Air Transport Act 1964*. An RPT licence authorises an operator to provide a scheduled air passenger service over a particular route for a specified period of time. Aircraft size and service frequencies are generally made conditions of the licence. Fare levels and detailed scheduling are left to the commercial operators.

There are two types of RPT licences:

- An RPT (Regulated Route) licence is required for intrastate routes with an annual passenger volume of less than 50 000, where the point of origin or destination is Sydney's Kingsford Smith Airport (KSA).
- An RPT (Open Route) licence is required for all other intrastate routes.

Until October 2002, licences for RPT regulated route services were generally issued for a three-year period. With the extension of regulated routes to those with less than 50 000 passengers per annum, five-year licence terms were also introduced. Current regulated route licences expired in March 2003. Routes are

regulated with the aim of ensuring greater stability, however, potential trade-offs with the benefits of competition are acknowledged. A licence for an RPT regulated route will generally be issued to a single air operator but the licence is not exclusive. The licence can provide for two operators to jointly provide a service, or for two operators to consecutively provide the service over different times within the term of the licence.

Licences for RPT open route services are non-exclusive, non-transferable and are generally issued for a three-year period. Routes between regional centres are open to any operator meeting specified minimum entry requirements. There are no access restrictions on routes from or to Sydney airport with an annual passenger volume of 50 000 or more.

There is an application fee of \$100 per route for all RPT licences. There is also an ongoing (monthly) licence fee payable by RPT (Open Route) Licence holders (calculated at 0.2 per cent of gross passenger revenue). It is not necessary for interstate flights (services operated from a port in NSW direct to one in another state) to hold a NSW licence. State licences are additional to and independent of licences and certificates issued by the Civil Aviation Safety Authority (CASA).

In general, the granting of licences depends on a mix of factors including:

- air transport service needs of the general public and particular areas;
- where possible, that competition is fostered via the operation of more than one airline;
- character and suitability of applicants;
- any effect on the maintenance and development of air service levels; and
- economic development and environmental impacts (Transport NSW 2002b).

The NSW Government aims to work with the Federal Government and the regional aviation industry to facilitate stability and growth opportunities in regional and rural air services (NSW Government 2002, p. 10). The State Government is committed to:

- regularly reviewing the extent of regulation required across the NSW industry;
- continuing to licence regional air routes within the state; and
- retaining and encouraging open competition on higher volume regional air routes to facilitate an efficient industry and lower fares (NSW Government 2002, p. 10).

Assistance arrangements

Before the 2001 crisis in air services, the NSW Government did not provide any ongoing financial assistance to the aviation industry. Since then, the State

Government has intervened to provide financial assistance to smaller regional air operators:

- Following the cessation of services by Ansett and its subsidiaries in September 2001, the NSW Government (through the Department of State and Regional Development) provided a \$3 million loan to Hazelton Airlines. This enabled services to recommence between Sydney and a number of key NSW centres. A \$3 million loan was also made available by the Federal Government under the RRRS and subsequently Hazelton resumed services to nearly all the destinations it served prior to the failure of Ansett (Transport NSW 2002b).
- To assist regional operators, effective from 1 October 2001, the NSW Government also removed ongoing (monthly) licence fees payable by RPT (Regulated Route) Licence holders (which were calculated at 0.2 per cent of gross passenger revenue).
- The October 2002 extension of regulated routes also extends the abolition of licence fees for these routes, which is estimated to save operators a combined total of around \$33 000 per year (Scully 2002).
- Some indirect support is also in place. For example, the Department of State and Regional Development provided assistance to Australiawide (the new owner of Hazelton and Kendell) to protect employment. The State Government also agreed to waive stamp duty taxes from the sale (estimated to be worth \$200 000) and provided payroll tax concessions worth around \$3 million. The Government also offered to provide relocation support to help Australiawide Airlines (Rex) purchase Hazelton and Kendell (Scully 2002).

In addition to the State Government support, Wagga Wagga City Council also provided Australiawide with a \$1 million loan. Apart from these measures, the NSW Government is not considering further ongoing direct support of particular air routes or operators (Transport NSW, pers.comm., October 2002). Like most jurisdictions, NSW is keen to explore options to reduce cost pressures on regional airlines (Transport NSW 2002b).

Other issues

In discussions with stakeholders, another issue raised by operators was the large number of airports in NSW, many of which are close to each other. The implications of these airport infrastructure arrangements include potential fracturing of the passenger base and increasing operating costs, as local councils seek to extract fees from operators to cover airport maintenance costs. The impact is therefore smaller load factors and increased costs for operators servicing these regions. Proximity of other airports was one of the main reasons given for the abandonment of services from some NSW airports (such as, Casino near Lismore and Kempsey near Port Macquarie). However, given that

most of these airports are owned by local governments, policy options available to the State Government are limited.

Continued access for regional air operators to Sydney's Kingsford Smith Airport (KSA) is another major issue affecting the viability of regional air services in NSW. The NSW Government submission to the Commonwealth parliamentary inquiry into regional aviation services noted that ongoing access to KSA, particularly during peak hours, was an important issue for regional communities (NSW Government 2002, p. 4). The slot management scheme protecting access to KSA for regional airlines is described in chapter 3.

Coach services

Coach services in NSW are operated by both the State Government and privately-owned service providers. There are basically three types of bus services operated in NSW:

- Services where all passengers are carried more than 40 kilometres are defined as long-distance coaches. These services are deregulated in NSW;
- CountryLink rail replacement bus services (or 'rural coach services');
- Services where at least one passenger is carried less than 40 kilometres are subject to a contract regime (including commercial and non-commercial contracts).

CountryLink bus services complement and feed into major regional centres served by the NSW rail network. Competition between rail and other private bus services tends to be limited to the major trunk routes (such as Sydney–Brisbane). BTRE (2003) reported that the majority of rail and bus services in NSW operate in a radial pattern to and from Sydney. However, there are also a number of major rural centres, such as Dubbo, Albury and Bathurst, which have a relatively high number of services, and appear to function as hubs for services to and from smaller regional centres.

Regulatory environment

The *Passenger Transport Act 1990* (NSW) and its associated regulations is the core regulatory framework governing bus and coach transport in NSW. The Act defines a bus as 'a motor vehicle which seats more than 8 adult persons'. The Act also distinguishes between various types of services and outlines the regulatory regime applying to each. Under the Act a 'regular passenger service' means a public passenger service conducted according to regular routes and timetables, but does not include a tourist service or a long-distance service. A 'long-distance service' means a public passenger service conducted according to one or more regular routes, in which each passenger is carried for a distance of not less than 40 kilometres. The Act specifies the contractual arrangements

applying to regular passenger services and the deregulation of long-distance services.

Requirements for all bus/coach operators to be accredited/authorised are contained within Section 7, 9A and 9B of the Act whereas the requirements for drivers are prescribed in sections 11, 11A and 11B. All operators and drivers of public passenger bus services must be accredited or authorised by Transport NSW to be able to provide services legally in NSW. Further discussion of accreditation arrangements across jurisdictions is contained in chapter 5.

Long-distance services

The NSW long-distance coach market is not subject to the service contract regime. It is effectively deregulated for trips conducted on one or more regular routes where each passenger is carried for a distance of not less than 40 kilometres. Long-distance operators do not have regulated fares and are not obliged to carry concession fare passengers. However, there are a number of requirements still applying to these services. For example:

- the service must conform to the service definitions specified in the Act;
- the operator must be accredited, and comply with the regulations and the accreditation conditions³¹; and
- the driver must have a driver authority and comply with the regulations and the driver authority conditions.

Provided that an operator is accredited in NSW there are no restrictions on rights to pick-up and set-down passengers on long-distance services. According to the regulations, operators that are not accredited in NSW but do hold an interstate 'accreditation' can pick-up passengers in NSW provided that services are not carried on wholly within NSW. In other words, they can pick-up passengers in NSW and set-down in another jurisdiction, or set-down passengers in NSW who have boarded the bus in another jurisdiction. However, they may not both pick-up and set-down passengers in NSW. In practice, NSW allows some flexibility in pick-up and set-down rights for cross-border areas (within 40 kilometres of a border). This arrangement allows long-distance interstate operators to potentially provide more services to regional areas.

CountryLink coach services

StateRail contracts private bus operators to provide 'rail replacement' services on a network of feeder routes. The Director-General of Transport NSW signs off on these contracts. Contracted providers are paid a set lump sum each month to

³¹ Accreditation requirements for all jurisdictions are discussed in chapter 5.

provide services and StateRail collects the farebox revenue. The contracts generally specify the route, fleet and other operational requirements (such as an obligation to carry eligible concession beneficiaries). They include subsidies based on the number of seats rather than the numbers of passengers. However, there is also an incentive scheme that allows operators to receive additional revenue if patronage targets are exceeded. All services are sold as CountryLink services but most coaches retain the sub-contractor's brand. The contracts also include provisions such as maximum coach ages of eight years and refer to the Commonwealth *Disability Discrimination Act 1992* requirements.

CountryLink 'Rural Coach Services' are organised into 38 separate parts that travel between different locations in NSW, Queensland and Victoria. StateRail called for tenders in mid-2002 from coach operators for the provision of 37 of the 38 parts. Only operators accredited in NSW can tender for CountryLink contracts. Contracts have an initial term of five years, and StateRail has an option to extend the contract for a further term of up to three years. The successful tenderers were announced in October 2002 with contracts largely being offered to local bus and coach companies (Australasian Bus and Coach 2002).

Regular passenger services—commercial and non-commercial contracts

In NSW, for regular route services where each passenger is carried less than 40 kilometres, Transport NSW contracts out bus and ferry services to private operators. Service contracts are issued for a specified region or for a designated route or series of routes. Contracts for these regular route services fall into one of two types: commercial and non-commercial contracts³².

In 2001, there were approximately 230 commercial contracts covering metropolitan and regional areas of NSW. Commercial contract holders provide the following service types in rural and regional areas of NSW: local town, village-to-town services, and town-to-town services. For the purposes of this study, only town-to-town services are considered inter-regional public transport. These include routes such as Dubbo–Newcastle, Canberra–Wollongong and Canberra–Bateman's Bay/Narooma. Under commercial contracts, the operator keeps the farebox revenue and is obliged to provide concession fares to certain beneficiaries. The operator submits a claim each quarter to Transport NSW for reimbursement for carrying these concession beneficiaries. Commercial service contracts are for five years and grant the

³² A non-commercial service contract is issued where it is considered that regular route bus services are needed, but a full commercial service could not be sustained. Most non-commercial contracts are for the provision of school bus services in country areas and are therefore outside the scope of this study.

operator the exclusive right to provide regular route and school bus services in the contract region or along the contracted route/s. Among other requirements, the commercial contract incorporates routes, regulated maximum fare schedules, timetables and minimum service levels (Transport NSW 2002c). Transport NSW is presently conducting a review of regulatory and contractual arrangements for regular bus services under commercial and non-commercial contracts.

Assistance arrangements

The NSW Government provides assistance for certain regional bus services in NSW. For regular passenger services covered by commercial contracts, operators are not paid direct subsidies. However, these operators are protected from competition by being granted an exclusive right to operate. In NSW, a CSO is an obligation that Government buys from the operator. In response, operators must provide services to a specified minimum level and commercial operators are obliged to carry eligible concession beneficiaries (and therefore also receive reimbursements for some concession fares). Funding under the School Student Transport Scheme for the carriage of school children enables operators to cross-subsidise off peak services from peak service revenues, but no direct service subsidy is paid to commercial operators.

Long-distance coach services are an open market and operators do not receive any form of subsidy or government assistance. These operators are not required by Government to carry concession fare passengers and therefore do not receive any reimbursement for concession fares they choose to offer.

Operators contracted to provide CountryLink rural coach services are paid a subsidy, which is included in the contract price. Provisions for concession fares to be available to eligible groups are also included in the contracts. The various concessions available for public transport in NSW are described briefly in chapter 5. The CSO payment to CountryLink presented in the rail section encompasses CountryLink coach operations.

Other measures

One of the major regional transport projects of the Rural and Regional Strategy Branch of Transport NSW is a two-year pilot project in Western NSW (Dubbo and Broken Hill) to develop transport initiatives as a possible model for regional and rural NSW. These two centres were chosen because of their differing demographics.

The Rural Transport Pilot Project involves trialing a daily weekday coach service linking Menindee and Wilcannia with Broken Hill. This service is being partly funded by other state agencies because of cost savings as a result of these services. The Gilgandra–Dubbo bus service has been replaced with a taxi

service and a website has been set up to provide information to people on public transport services between Wellington and Dubbo.

The projects are funded by the Premier's Department Regional Coordination Program and are costing over \$300 000 with an additional \$200 000 for initiatives from other sources. The aim is to develop a model that can be applied to other regional areas to assist in improving the delivery of transport services to communities. The pilot projects ended on 31 October 2002 but provision was made for some trials to continue for various periods. The projects are subject to an independent review by the Institute for Rural Futures at the University of New England. While most of the trials involved local transport initiatives, Transport NSW intends to apply the model to broader regional transport needs.

Rail services

With the exception of some interstate services operated by Great Southern Rail, the government-owned CountryLink is the provider of regional passenger rail services in NSW. The CountryLink rail services consist of the XPT and XPLOER services, which operate in a radial pattern from Sydney as far as Armidale, Griffith, Dubbo, Moree, Murwillumbah, Broken Hill, Albury and interstate to Melbourne, Brisbane and Canberra. CityRail also provide direct rail services (and pricing concessions) between Sydney and Scone, Lithgow, Goulburn and Bomaderry. These lines serve the surrounding regional centres of Newcastle, Katoomba, the Southern Highlands and Wollongong.

Regulatory environment

There are two main pieces of legislation³³ governing rail transport in NSW:

- *Transport Administration Act 1988* (NSW);
- *Rail Safety Act 1993* (NSW).

StateRail, which includes both CityRail and Countrylink, was established under Part 2 of the *Transport Administration Act 1988* (NSW). This Act also established the Rail Infrastructure Corporation (RIC) and the Public Transport Authority along with various other transport agencies. The Act provides for the management and functions of agencies and the administration of public transport in NSW.

The *Rail Safety Act 1993* (NSW) covers the construction, operation and maintenance of railways in NSW. All owners and operators of railways in NSW must be accredited and the Act also provides for certification of railway employees. In general, requirements for accreditation and certification include a

³³ Supporting these Acts there is also a number of regulations.

demonstration of good character, competency and capacity. The Act also includes safety performance standards and compliance inspections.

RIC was formed on 1 January 2001 as a statutory State Owned Corporation. RIC owns and maintains the NSW rail network on behalf of the State Government and provides access to passenger and freight operators. Countrylink, as the provider of passenger train services, negotiates use of RIC track for an agreed access charge.

Assistance arrangements

Revenue from CountryLink services does not cover the cost of providing those services. As a result, the Government provides 'social program' or CSO funding to ensure the provision of rail services. The *Transport Administration Act* (NSW) allows StateRail to provide services that would not otherwise be commercially viable and allows them to recoup the net cost of these services. CSO payments cover uneconomic service levels and concession fares for eligible groups. CSO payments to CountryLink (rail and coach) in 2000–01 totalled \$78 million (StateRail 2001, p. 84). It was not possible to separate the finances of the regional part of the CityRail network from the metropolitan area. As a result, government funding for regional passenger rail in NSW is underestimated in this report.

Under a five year contract between Transport NSW and the RIC, the NSW Government also provides \$285 million per annum from 2001–02 for the maintenance and improvement of country rail infrastructure. Given that the CityRail network extends to several regional centres, some of the NSW Government's \$400 million investment in this network is also relevant to regional passenger rail.

Other assistance

The *Country Passenger Transport Infrastructure Grants Scheme* provides assistance (in the form of grants) to add or upgrade infrastructure facilities such as bus and taxi shelters, seating, interchanges, lighting, parking and signage. The objective of the scheme is to improve public transport facilities in country areas. In 2000–01, the scheme provided more than \$1.6 million in grants to 22 regional councils in country NSW to build public transport facilities (Transport NSW 2001a, p. 25). In 2002–03, it is anticipated that \$1.56 million will be made available to fund 35 projects across 26 local government areas (Transport NSW 2002d, p. 36).

Summary and specific issues raised

The current institutional environment governing public transport in NSW involves a mix of both regulation and deregulated markets. This system allows the State Government a reasonable level of control and influence over services. Countrylink, the government-owned rail and coach operator, is virtually the sole provider of regional passenger rail services, giving the Government considerable influence (within budget constraints) over the level and quality of services provided to regional NSW. Other bus and coach operators provide some services through a government contract regime. These arrangements allow the Government to regulate the private operators to ensure that service levels and standards are met. The long-distance coach market is deregulated and issues such as pick-up and set-down restrictions were not raised as major issues affecting services to regional areas in NSW. Intrastate air transport is partly regulated through a licensing system. With the exception of Williamtown, which has two operators, routes with annual passenger volumes of less than 50 000 passengers are restricted to one operator, while higher volume routes are open to competition.

During discussions with stakeholders in NSW, five main issues were raised that may warrant further investigation to ensure that providers of long-distance regional public transport services in NSW are not disadvantaged. These issues that arose in this examination of regulatory and assistance arrangements in NSW are summarised below. Most of the issues related to air transport.

- Given the events of 2001, the success of regulation of low volume air routes in providing stability was raised as an issue needing examination. It was argued that licensing cannot necessarily guarantee any level or quality of air service if it is uneconomic to provide the service. The continuation of regulation of air transport is therefore an ongoing issue in NSW.
- Alternatively, the need for increased regulation to protect air operators on low volume routes was also raised. It was argued that regulation of these marginal air routes is an important factor in operators' decisions to continue providing services.
- Another issue raised by operators was the large number of airports in NSW, many of which are in close proximity to each other. The effect of these airport infrastructure arrangements is argued to be increased operating costs and smaller load factors for operators servicing these regions. The issue of the number of airports therefore appears to be important in considering the viability of regional NSW air services. However, given that most of these airports are owned by local governments, policy options available to the State Government are limited.
- Continued access for regional air operators to Sydney's Kingsford Smith Airport was another major issue raised as affecting the viability of regional air services in NSW.

- The NSW Bus and Coach Association (BCA) raised issues associated with the competitive tendering of bus and coach contracts. The BCA advocates an incentive based contract system, which is argued, would improve service levels and quality of service in regional areas. Transport NSW is considering a range of options with appropriate cost and revenue incentives to minimise the cost that will be put to Government for a decision before further consultation with stakeholders.

NORTHERN TERRITORY

The Northern Territory (NT) is a large, sparsely populated region with long distances separating the main regional centres (such as Alice Springs and Katherine). As a result of the large distances, much of the NT is very remote, making the provision of transport infrastructure and services inherently problematic. Transport options in many parts of the territory are limited by severe weather conditions, particularly during the summer monsoonal wet season (the wet season varies in length and intensity from year to year, but typically lasts four to five months between November and April). The geography of the NT therefore means that aviation is the major form of regional public transport with a number of operators providing charter and/or regular public transport (RPT) services linking remote areas of the territory with either Darwin or Alice Springs and other regional centres. Of the other modes, McCafferty's/Greyhound is currently the sole provider of regional coach services in the NT while Great Southern Railway's (GSR's) passenger service—*The Ghan*—links Alice Springs to the main east-west interstate rail line in South Australia.

The Department of Infrastructure, Planning and Environment (DIPE) is the Government agency responsible for coordinating the provision of public transport services in the NT.

Air services

Given the size of the NT and the large number of remote communities, air services are vital to the social and economic development of the territory. Climate also has a strong influence because, during the wet season, many unsealed roads in the NT become impassable for weeks (and in some instances, months) on end, making air services the only form of transport available. Charter aviation also plays an important role in the territory, particularly servicing indigenous communities and mining centres.

Qantas and Virgin Blue both provide interstate services linking Darwin with the other state capitals. In terms of intra-territory aviation, the largest regional airline in the NT is the Darwin-based Airnorth. As well as being a major charter operator in the territory, Airnorth has regular services south to Katherine,

Tenant Creek and Alice Springs, east to Arnhem Land, and west to Kununurra and Broome in Western Australia. Smaller airlines, some of which fly under the Missionary Aviation Fellowship banner, service a number of remote communities in Arnhem Land and Central Australia with both RPT and charter services.

Air transport in the NT was deregulated in January 1992 and the territory now has an 'open skies' policy with minimal government intervention (either regulatory or assistance). The NT Government does however provide funding for the maintenance and upgrade of a strategic network of 64 aerodromes serving regional and remote communities across the territory. The annual budget for this regional airport assistance programme is in the order of \$3.5 million (Northern Territory Government, pers.comm., 23 October 2002). In the 2002–03 financial year, \$7.6 million is programmed for maintenance and upgrading of these airports. The Commonwealth Government funded Remote Air Service Subsidy (RASS) scheme is also considered very important to the provision of air services in remote areas of the NT.

No formal assistance is provided to intra-territory air services in the NT. However, in 2001, the NT Government offered an assistance package to Virgin Blue to entice it to include Darwin in its network. The details of the agreement between the Government and Virgin Blue are commercial-in-confidence, however, the NT Minister for Tourism has stated that the Government's agreement with Virgin Blue involves a maximum exposure of \$2 million per year, for two years (Northern Territory 2002, p. 284). While Virgin Blue does not compete with operators in other modes in the NT, this assistance could have implications in other states where Virgin Blue compete with rail and/or coach operators.

Coach services

The long-distance coach industry in the NT consists of privately operated interstate services provided by McCafferty's/Greyhound that link Darwin with Brisbane via Mt Isa, Adelaide via Alice Springs, and Perth via the north-west coast. There are also daily services operating on a small number of tourist-based routes.

Coach travel in the NT is governed by the *Commercial Passenger (Road) Transport Act* (NT). Under this legislation operators wishing to provide a long-distance bus service must be accredited and hold a 'motor omnibus licence'. The Act defines a motor omnibus as a vehicle used to carry passengers for hire or reward, which is capable of carrying more than eight passengers. A motor 'omnibus licence holder' can provide a 'route service' (that is, a service conducted to regular routes and timetables) anywhere in the territory except in an 'urban service area' or on a declared 'pioneer route'.

Under Section 47 of the Act the Government can declare an area, wholly or partly within an urban area, to be a motor omnibus urban route service area. An operator requires an 'urban service area licence' to operate in these areas. Under Section 46 of the Act the Government can declare a route a 'pioneer route' if it is satisfied that a route service in operation for less than twelve months is unlikely to continue, or if a proposed route service on an unserved route is unlikely to be proceeded with. Once a route is declared a 'pioneer route' the operator or proposed operator will be given exclusive rights to that route for a period of twelve months. At the conclusion of this period, at the request of the operator, the Government can grant a further twelve months of route protection if it sees fit.

The route protection offered to an operator of a 'pioneer route' removes the risk of competition on that route and may provide the operator with the confidence to continue operating or commence operating a service they would otherwise choose not to. There is no financial assistance provided to coach operators in the NT. The only form of assistance is the non-financial route protection provided to operators of pioneer routes.

Rail services

As mentioned GSR's passenger rail service—*The Ghan*—running from Adelaide to Alice Springs is currently the only form of passenger rail transport in NT. However, this will change when the Alice Springs to Darwin (AustralAsia) Railway opens in 2004, as *The Ghan* will be extended to provide a weekly return service to Darwin (an additional weekly service will also continue to operate to Alice Springs).

The NT Government will contribute \$165 million towards the construction of the railway which has a total cost of approximately \$1.3 billion (Martin 2002). While freight movement is the main focus of the railway, the investment will also increase accessibility for passengers.

Summary and specific issues raised

The regional public transport task facing the NT differs somewhat from most Australian states in terms of the long distances, climate and remoteness of many communities. As a result of these factors, air transport, which generally operates in a deregulated environment with little government assistance, plays a critical role in regional public transport in the territory. There is also one long-distance coach operator in the NT, which operates under a licensing regime. The BTRE is unaware of any major concerns expressed by long-distance regional public transport operators relating to current regulatory or assistance arrangements in place in the NT.

QUEENSLAND

The population of Queensland is relatively more dispersed than in other states. Although the largest population centres of Brisbane and the Gold Coast are in the south-east corner of the state, there are also a number of significant regional centres such as Cairns, Townsville, Rockhampton and Toowoomba—most of which are situated along or near the east coast. Due to this population dispersion the pattern evident in some of the other states for passenger transport services to radiate from the capital city is not as great in Queensland. The existence of the coastal regional centres and the influence of the tourism industry, creates strong demand for passenger transport all along the coast from Coolangatta to Cairns. The other main characteristic of regional public transport in Queensland is the sheer distance between destinations.

Public transport services in Queensland are provided by a combination of public and private operators. All passenger rail services are provided by Queensland Rail (QR), which is owned by the Queensland Government. Private operators provide coach services within the state, however, on some regional routes the operators are contracted to the Queensland Government. Similarly, air services within the state are also provided entirely by private operators, with some operators in more remote areas holding contracts with the Government.

Identifying a dominant mode is not as obvious in Queensland as in some other states with air, coach and rail all playing an important role. There are varying levels of competition between the modes, depending mainly on the length and location of the journey. The large distances inherent in the Queensland transport network means that regional air operators do not face a great deal of competition from other modes. For many people in the more remote areas, flying is the only option as neither rail or coach services exist in their area. Even in areas where there are coach and/or rail services operating alongside air services, it is likely that they will serve different sectors of the market. Those who place a greater value on travelling time more than cost, such as government and business passengers, will typically choose to fly. While those who are less concerned about time and more sensitive to travel costs will generally opt for coach or rail.

These distinctions become slightly more blurred when looking at the major coastal routes. Larger passenger numbers on these coastal routes enable airlines to offer more competitive prices and hence make air travel more attractive to the cost sensitive traveller. As a result, on coastal routes there is greater competition between all three modes. It is therefore understandable that any form of government intervention that either directly or indirectly assists one mode on these routes will be closely scrutinised by operators in the other modes. Competition on the coastal routes also exists between rail and coaches. These are the most heavily trafficked regional routes in Queensland and the most profitable routes for both modes.

There is little evidence of integrated links between modes in Queensland, although QR does provide some coach services to link with three communities where a rail service no longer runs. One problem faced by coach operators trying to link with rail services is timing. Due to the long distances involved, it is difficult to coordinate arrivals/departures at convenient times in remote areas, with arrivals/departures to match with connecting train services. There appears to be very few links between the land-based modes to air services, apart from holiday packages offered by QR which incorporate flights on Virgin Blue.

Queensland Transport (QT) is the state agency responsible for providing passenger transport services in Queensland. It has both a regulatory and administrative role in the provision of public transport services for all three modes—air, coach and rail. QT acts to support the key priorities of the Queensland Government through its vision of *Better Transport for Queensland*—connecting people, goods and services to enhance economic, social and environmental well being (QT 2001, p. 2).

Within QT is the Regional Transport Planning branch whose key functions include: facilitating major economic development projects, the development of policies and strategies that affect transport in regional Queensland and preparing integrated regional transport plans. Numerous regions have already developed integrated regional transport plans including Cairns, Townsville, Gladstone, Mackay and Wide Bay, to name a few. The plans combine 'long-term planning for land use, all modes of transport and the environment to develop creative and effective transport systems that benefit the entire community' (QT 1999, p. 1).

Legislation

Unlike most other states, Queensland has a single piece of legislation in place that essentially governs the operation of public transport services across all three modes. The *Transport Operations (Passenger Transport) Act 1994* (Qld) is the main form of regulation for public transport services by road, rail and air. One of the key objectives of the Act is to keep government regulation to a minimum. However, it also acknowledges the fact that some form of intervention may be needed in the public interest. Of particular relevance to public transport services in regional and remote areas is the stated objective of the Act to 'provide a reasonable level of community access and mobility in support of the Government's social justice objectives' (Section 3c).

In keeping with this objective, the Act enables the Government to enter into service contracts with operators to hold them 'accountable for minimum performance levels to ensure the communities served under the contracts receive, at a reasonable cost, quality and innovative public passenger services'

(Section 37). Under Section 40 of the Act, all service contracts must include minimum service levels (MSLs). The MSLs must specify:

- the periods when the public passenger service is to be provided; and
- the nature, frequency and extent of the public passenger service during the periods or particular parts of the periods.

The MSLs must also have regard to:

- the needs of the community for whose benefit the service is provided;
- service levels in comparable communities, whether in Queensland, elsewhere in Australia or in a foreign country; and
- the cost of service provision.

Additionally, Section 41 of the Act contains a number of other matters that may be included in service contracts. These include things such as performance levels, principles for fare setting, criteria for government payments, and requirements for the contract holder to provide or fund infrastructure associated with providing the service.

The following description of each of the regional public transport modes in Queensland illustrates that the Queensland Government has entered into service contracts with operators in each mode.

Air services

The pattern of regional aviation services in Queensland reflects the unique characteristics of the state. Unlike other states, services do not radiate solely out of the state capital. Townsville and Cairns also serve as hubs for services to north-west Queensland. The more heavily trafficked and most profitable routes for air operators are on the coast. Competition on these routes is strong with both Qantas and Virgin Blue operating regular services into major centres such as Cairns, Townsville and Mackay. Other commercial operators on coastal routes include Alliance Airlines (formerly Flight West), which has services operating from Brisbane to Townsville, Gladstone, and Rockhampton and Sunshine Express who fly relatively short routes from Brisbane into Maroochydore, Thangool, Hervey Bay and Maryborough.

In August 2002, the Queensland Government announced a new *Queensland Aviation Strategy* aimed at ensuring continued growth in aviation and aerospace in the state. The strategy is to be overseen by the Queensland Government Aviation Steering Committee, which held its first meeting in August 2002. The strategy encompasses three other action plans: the *Queensland Aerospace Industry Development Plan*, the *Queensland Tourism and Commercial Aviation Plan* and the *Queensland Airports and Regulated Air Transport Plan*. The key elements of the strategy include:

- industry development and cluster building (including aviation training);
- route development;
- government travel;
- rural and remote air services; and
- aviation infrastructure (Beattie 2002a).

Regulatory environment

With the exception of ten routes in remote areas, the Queensland intrastate aviation industry was deregulated in 1987 (BTE 2000, p. 40). Following a review in 1996 the Government decided to enter into service contracts to provide regular air services to communities identified as being transport disadvantaged. The following broad criteria is used by the Queensland Government to help identify transport-disadvantaged communities (QT 2002a, p. 5):

- remoteness and access to essential services;
- quality and reliability of road, rail and marine access;
- economic cycles affecting travel demand and ability of the market to carry services during depressed economic periods; and
- impact of intervention on commercial competitors, including competing modes.

Three airlines—Ansett, Qantaslink and Flight West—were successful in tendering for the first round of service contracts which were due to run for five years from November 1996. All of the contracts were exclusive and all except Cairns–Weipa and Cairns–Horn Island included subsidies. Following the voluntary liquidation of Flight West on 19 June 2001 and the entry into administration of Ansett on 14 September 2001, QT introduced temporary replacement contracts to guarantee continuation of services on routes for which these airlines held service contracts. These temporary contracts were awarded to Qantaslink and Macair and had an expiry date of 30 June 2002.

In May 2002, tenders were called for the next generation of five-year service contracts with the addition of a new route operating Cairns–Normanton–Gununa–Burketown–Doomadgee–Mt Isa. Prior to calling for public tenders, new service contracts specifying the MSLs to be delivered by the next contract holder needed to be developed. To determine what these new MSLs should be, QT undertook extensive consultation with key stakeholders in each of the communities receiving regulated air services (QT 2002a, p. 7). The results of these consultations are presented in the ‘Regulated Air Services Paper’ prepared by the Air Service Unit of QT.

In addition to the MSLs which must be addressed under Section 40 of the *Transport Operations (Passenger Transport) Act*, other aspects of air service MSLs include matters such as the:

- type of equipment and level of service to be provided on the aircraft;
- fare structure of the service;
- extent of on-ground services like terminal facilities and baggage handling; and
- timetabling of flights.

In July 2002, the Queensland Premier announced that Qantaslink and Macair were the successful tenderers for the new air service contracts. In total, the Queensland Government will subsidise these routes at a cost of approximately \$7 million per annum, which is an increase of almost \$3 million per annum under the previous contracts (Beattie 2002b).

Assistance arrangements

In addition to the subsidies paid to contracted air operators some assistance was also provided to Flight West Airlines following its collapse in 2001. In total approximately \$440 000 was provided to underwrite the airline's Air Operating Certificate for a strictly limited time. This assistance was vital to Flight West during the period it was under administration as it enabled the airline to continue trading, and provided more time for a prospective buyer to be found (Frawley 2002, p. 32). Flight West was subsequently purchased by Queensland Airline Holdings in 2002 and relaunched under the name Alliance Airlines.

The Queensland Government also administers a number of other forms of assistance available for regional aviation services and related infrastructure. Queensland Transport administers a *Rural and Remote Airport Development Programme*. The programme provides financial assistance for aviation infrastructure development to local governments in rural and remote areas. There are two types of funding available under the programme: Basic Access and Regional Development.

Basic Access funding is designed to improve safe access to basic air services, including emergency services, while Regional Development funding is aimed at projects such as runway extensions and new or upgraded airstrips, which have potential regional development impacts. Funding is generally for no more than 50 per cent of the cost of the project, although this may be increased for some Basic Access projects. Applications for funding are assessed against a number of criteria including population, project cost, and economic, environmental, safety and social impacts of the proposal.

In 2000–01 grants for airport infrastructure development totalled \$934 000. For 2002–03, \$1.1 million has been set aside under the programme for projects at Boigu Island in the Torres Strait and Karumba in the Gulf of Carpentaria. A further \$850 000 has been budgeted in 2002–03 for other projects, including \$514 000 for airstrips in North Queensland.

Another form of government intervention in Queensland that indirectly impacts on regional public transport is the *Queensland Investment Incentives Scheme (QIIS)*. This scheme is administered by the Queensland Department of State Development and is aimed at attracting major projects and investments to Queensland. Incentives available under the scheme include payroll tax and land tax refunds, stamp duty refunds and establishment grants. Of particular relevance to this study is the assistance offered to Virgin Blue to establish its head office in Brisbane. The details of the assistance provided to Virgin Blue have not been made publicly available, but it is believed the total value is significant.

Coach services

The regional coach industry in Queensland is dominated by McCafferty's. McCafferty's is a privately owned Queensland-based company that has been operating for 90 years. Its network extends across the country and it is the dominant operator in the national express coach market. This position was reinforced by the purchase of its main competitor, Greyhound Pioneer, in 2000.

McCafferty's main coach competitor on its Queensland coastal routes is the NSW-based Premier Motor Services (PMS). PMS operates a service from Brisbane to Cairns. McCafferty's also operates inland services from Brisbane to Toowoomba, Chareleville and Mt Isa, as well as an inland service from Townsville to Mt Isa. Kynoch Coaches operates services from Toowoomba to Cunnamulla and Lightning Ridge, while a number of smaller operators such as Emerald Coaches and Bowen Bus Services provide shorter services linking some regional centres.

McCafferty's expressed concerns to the Queensland Government in 2001 that some of its inland routes were under serious threat due to increasing competition from other modes on its more profitable coastal routes. It was concerned that government assistance provided to other modes was adversely affecting its capacity to provide services in some areas. Related to this, McCafferty's claimed that it was disadvantaged by current concession fare reimbursement arrangements. In May 2002, the Queensland Government announced that it would be entering into service contracts to provide long-distance bus services on ten routes in regional areas of the state. These routes are described below.

Regulatory environment

The *Transport Operations (Passenger Transport) Act 1994* (Qld) defines a bus as a motor vehicle with seating capacity for nine or more passengers (excluding the driver). The Act also contains definitions for various types of bus services. A

‘scheduled passenger service’ is a public passenger service³⁴ conducted on an established route in accordance with a regular timetable, but does not include the following:

- an accommodation transfer service;
- a long-distance scheduled passenger service;
- a tourist service; and/or
- a tourist transfer service.

A ‘long-distance scheduled passenger service’ is defined as a road based scheduled passenger service in which passengers are carried on an established route for an average distance of at least 40 kilometres or between non-adjointing service contract areas or routes.

Until recently, service contracts were only in place on scheduled passenger services (that is, routes less than 40 kilometres), with no contracts applying to long-distance scheduled passenger services. However, on 26 August 2002, the Queensland Government announced the introduction of ten new Long-Distance Passenger bus service contracts to guarantee services in areas of the state identified as being transport-disadvantaged (Beattie 2002c). These newly contracted routes are listed in table 4.2.

TABLE 4.2 CONTRACTED ROUTES—LONG-DISTANCE PASSENGER BUS SERVICES

Bowen–Collinsville	Rockhampton–Longreach
Brisbane–Rockhampton	Toowoomba–Cunnamulla
Brisbane–Mt Isa	Toowoomba–Lightning Ridge
Brisbane–Charleville	Townsville–Mt Isa
Mackay–Emerald	Townsville–Charters Towers

Note The majority of these routes also service a number of towns between the origin and destination.

Source Beattie 2002c.

The contracts for these routes were awarded following the announcement of a tender process, which commenced in June 2002. Under section 40(2) of the Act these contracts include specified MSLs that operators are required to meet. The contracts were awarded to five operators with McCaffetys being awarded the contract on most of the longer routes such as Brisbane–Mt Isa, Brisbane–Charleville and Brisbane–Rockhampton.

The Act also regulates driver authorisation and operator accreditation for both types of scheduled passenger services. Included in the operator accreditation

³⁴ The Act defines a public passenger service as a service for the carriage of passengers if: the service is provided for fare or other consideration; or the service is provided in the course of a trade or business (but not if it is provided by an employer solely for employees); or the service is a courtesy or community transport service.

legislation are regulations stipulating training, management and auditing requirements. It also contains a section specifying vehicle requirements. The major difference between Queensland's vehicle requirements and those in other states is the provision that vehicles operating on routes of greater than 350 kilometres in length must have a maximum age of fifteen years. This regulation is unique to Queensland and thus requires Queensland-based long-distance operators to invest more capital in newer vehicles than operators in other states or shorter-distance operators within the state.

Assistance arrangements

The Queensland Government has allocated indicative funding of \$1.35 million in 2002–03 for the five successful operators to provide services on the ten contracted routes listed above (QT 2002b, p. 77). Prior to the announcement of the tender process in April 2002, interim assistance in the form of a \$250 000 grant was provided to McCafferty's by the Queensland Government. Before the introduction of the long-distance contracts some subsidies were paid to long-distance bus operators (approximately \$146 000 in 2000–01 and \$394 000 in 2001–02).

Assistance is also provided to some Queensland bus operators through QT's Accessible Bus Program (ABP). The ABP provides financial assistance of 25 per cent of the purchase price of a new accessible bus for eligible contracted operators. Given that until recently long-distance operators have not been contracted, they have not been eligible for the programme. QT has confirmed that this is likely to remain the case even after the new long-distance contracts are awarded. However, it is expected that many operators will have incorporated the added cost of accessible vehicles into their tender prices when preparing their bids for the new service contracts.

Rail services

Long-distance passenger rail services in Queensland are provided solely by Queensland Rail (QR). QR is a vertically integrated Government Owned Corporation that provides rail track, passenger and freight services throughout Queensland. QR is the only remaining fully integrated rail organisation in Australia, allowing it to maintain control over all aspects of its operations. It aims to provide fast, efficient, safe and cost effective transport (passenger and freight) and logistic services throughout the state.

Like other modes in the state, the majority of QR's network is located on the coast. Its coastal services consist of the *Queenslander* and the *Sunlander*—Brisbane to Cairns, the *Spirit of the Tropics*—Brisbane to Townsville, and the *Tilt Train/Spirit of Capricorn*—Brisbane to Rockhampton. QR also has three main inland services: the *Spirit of the Outback*—Brisbane to Longreach, the *Westlander*—Brisbane to Charleville, and the *Inlander*—Townsville to Mt Isa.

Additionally, QR has a few services in the far north of the state, which it classifies as Scenic Services rather than regular public transport and therefore which fall outside the scope of this study.

Supplementary to its passenger rail network QR provides some bus services to support communities where a passenger rail service no longer runs. QR contracts these services out to private bus operators. There are currently three of these 'extension services'. One connects Winton with Longreach and the other two connect Quilpie and Cunnamulla with Charleville.

Regulatory environment

QR was corporatised on 1 July 1995 and is subject to the provisions of the *Transport Infrastructure Act 1994* (Qld) and the *Government Owned Corporations Act 1993* (Qld), as well as the *Transport Operations (Passenger Transport) Act 1994* (Qld). Its shareholders are the Queensland Treasurer and the Minister for Transport and Main Roads.

It should be noted that although QR owns the rail infrastructure, and is currently the sole provider of passenger rail services in Queensland, other operators are able to negotiate access arrangements through QR's Access Undertaking, which was approved by the Queensland Competition Authority in December 2001.

Assistance arrangements

The major form of government assistance provided to QR is the CSO payments it receives from the Queensland Government. QR's CSOs are contained in its Statement of Corporate Intent and formalised as part of their Transport Service Contracts with QT. The Passenger Services Group of QR has two Transport Service Contracts with Queensland Transport—the Transport Service Contract (Brisbane Suburban and Interurban Network) and the Transport Service Contract (Queensland Long-Distance Passenger Rail Network).

The Statement of Corporate Intent is not a public document and as a result CSO payments for 2001–02 are not available. However, in 2000–01, before the implementation of the Transport Service Contracts, QR received approximately \$61.2 million in CSO payments for its long-distance rail services (QR 2001, p. 68). QR receives a significant portion of its revenue for its long-distance passenger rail services from concession reimbursements provided by various Queensland State Government Departments. Figures provided by QR indicate that 33 per cent of revenue from long-distance passenger rail services in 2000–01 was from concession reimbursements (Queensland Rail, pers.comm, 6 June 2002).

Summary and specific issues raised

The objective of the *Transport Operation (Passenger Transport) Act 1994* (Qld) is to keep government intervention to a minimum, but at the same time allow for intervention if needed to support the Government's social justice objectives. The current mix of deregulated and regulated public transport services in Queensland appears to be consistent with this objective. On the commercially viable routes (mainly those on the coast) there is minimal government intervention, while on the more marginal routes (mainly inland) the system of service contracts help to guarantee minimum service levels for those living in regional and remote areas.

However, during discussions with stakeholders three main issues were raised that may warrant further investigation to ensure that providers of long-distance regional public transport services in Queensland are not disadvantaged. The biggest concerns centred on the long-distance coach market and relate to government assistance that favours one mode over another.

McCafferty's are one operator who have raised concerns over assistance provided to other modes. In particular, the assistance provided to Virgin Blue by the State Government and the aviation industry in general by both the State and Commonwealth Governments, as well as the ongoing subsidisation of QR by the Queensland Government. McCafferty's claim that these government interventions have led to a loss in patronage on their coastal routes, which has reduced their profitability and forced them to withdraw services on some of their inland routes.

McCafferty's is not the only operator that has raised concerns about government intervention in the Queensland public transport market. In 1998, an express coach operator, Coachtrans Australia, lodged a Competitive Neutrality Complaint with the Queensland Competition Authority against QR (Queensland Competition Authority 1998). In February 1996, QR introduced a passenger rail service between Brisbane and the Gold Coast, a route on which Coachtrans was already providing a regular bus service. Following the introduction of the rail service, Coachtrans' patronage declined sharply and the company claimed that this was due to the heavily subsidised fares QR was able to offer. Coachtrans claimed that QR was breaching the principle of competitive neutrality by setting prices that were well below its operating costs. The Queensland Competition Authority agreed that competitive neutrality had been breached. This finding was, however, later rejected by the Premier and the Treasurer.

The other major issue identified by coach operators surrounded the reimbursement of concession fares. Estimates from McCafferty's are that upwards of 50 per cent of their passengers are travelling on concession fares. QR currently receives reimbursement for concession fare passengers, however long-distance coach operators do not. It should however be noted that the

successful bidders for the new long-distance scheduled passenger service contracts might have factored in the cost of concession fares into their final bid subsidy price. So at least on these contracted routes, this may no longer be an issue.

The regulation limiting the age of coaches operating on routes greater than 350 kilometres to no more than fifteen years was also identified by operators as an unnecessary cost burden for long-distance operators.

SOUTH AUSTRALIA

The public transport network servicing regional areas of South Australia (SA) is radial in nature. SA has very few major population centres outside of its capital city. This has resulted in a hub and spoke regional public transport network with almost all services radiating out of Adelaide.

Coach and air services are the dominant public transport modes in regional areas, with regional rail services catering more for interstate traffic rather than traffic into and out of regional centres. A ferry service also operates from the mainland to Kangaroo Island. The express coach network services most of the major regional centres but the geography of the SA coastline tends to favour regional aviation on some routes. The large size of the Spencer Gulf and Gulf St Vincent adds considerably to road travel times for journeys heading west from Adelaide. For example, a journey by road from Adelaide to Port Lincoln takes approximately nine hours, while the same journey by air takes less than an hour. This means that for destinations such as Port Lincoln and Whyalla, air travel is more popular than would be expected if more direct access by land was available.

Until recently, intrastate aviation was deregulated. On 14 November 2002, the *Air Transport (Route Licensing-Passenger Services) Act 2002* (SA) was proclaimed. This Act allows the Government to control access to regional air routes in SA. Land-based public transport is regulated under the *Passenger Transport Act 1994* (SA). Under the Act the Passenger Transport Board (PTB) was established as a statutory authority responsible for coordinating, regulating and promoting land-based public transport in metropolitan and rural areas. The PTB is part of the SA Department for Transport and Urban Planning (DTUP). Also a part of DTUP is Transport SA. Transport SA is responsible for administering the state law related to air, marine, rail and road transport. DTUP is developing an integrated transport plan for the whole transport system in SA, including a major section on regional SA.

In 2001, the PTB established the Regional Services Group. This group is responsible for the evaluation and management of land-based passenger transport services and associated issues in regional SA. The PTB has also developed passenger transport service profiles for each of the 52 country based

councils in SA. These profiles include information on population demographics, the number of passenger transport vehicles in the district and the number of commercially operated passenger transport services (PTB 2001, p. 27).

The PTB, in partnership with the SA Department of Human Services, the SA Department of Education and Children's Services and the Office of Local Government, recently completed a study of regional public transport in the Murray Mallee region (PTB 2002). The main objective of the *Integrated Passenger Transport Plan—Murray Mallee Region* was to establish passenger transport services that would address the needs of the Murray Mallee region over the next decade. It was also designed to serve as a model for a whole-of-government approach to the delivery of transport (and non-transport) services to rural communities throughout the state (PTB 2002, p. 8). As a result of the study a number of new contracts are to be awarded mainly for intra-regional services but also some regional services. The contracts-holders will be entitled to a monthly subsidy for provision of specified services, but will receive no route protection.

Together with the SA Office of the Ageing, the PTB has also helped to establish a number of Community Passenger Networks (CPNs) across rural areas of the state. Volunteers run the networks, which assist transport-disadvantaged people living in regional areas to access services. The CPNs are an important provider of regional services. As a group they make around 6,000 trips per annum from regional SA to Adelaide. However, the PTB hopes that the introduction of the Murray Mallee model approach throughout the rest of the state will see the CPNs refocus on providing intra-regional services (Phil Saunders, PTB, pers. comm. 5 November 2002).

Air services

Currently there are four regional aviation operators in SA³⁵, three of which are based in Adelaide, with O'Connor Airlines based in Mount Gambier. Regional Express is the largest operator with services to Mount Gambier, Ceduna, Broken Hill (NSW), Whyalla, Port Lincoln, Olympic Dam, Coober Pedy and Kangaroo Island. The other operators are considerably smaller, servicing only a handful of towns between them. Airlines of South Australia operate into Port Lincoln and Port Augusta, O'Connor Airlines operates into Whyalla, Mount Gambier and Mildura (Victoria), and Emu Airways operates services solely to Kangaroo Island.

The network is radial with all services directly linking to Adelaide. The most popular routes, accounting for 63 per cent of all SA regional air passenger

³⁵ In addition to the scheduled operators there are also many more non-scheduled charter operators.

movements in 2001, are Port Lincoln, Kingscote (Kangaroo Island), and Whyalla (Milln 2002). As mentioned earlier the popularity of air travel on these routes is heavily influenced by the geography of the South Australian coastline. These routes are the shortest in the network and if direct road access were available coach travel would likely be more competitive. Of the remaining routes, Mt Gambier and Olympic Dam have the largest passenger volumes.

Regulatory environment

The *Air Navigation Act 1937* (SA) enables all Commonwealth aviation operational regulations to apply in South Australia. Until recently, air services were not subject to any state-based regulations. However, on 14 November 2002 the *Air Transport (Route Licensing–Passenger Services) Act* (SA) was proclaimed.

The Act enables the Government to ‘declare’ certain intrastate air routes and then through a competitive tendering process offer licences to operate on the declared routes. The Act enables the Government to control entry by airline competitors on declared routes. It is the intention that only the more marginal routes will be declared (SA Government 2002). Routes deemed popular enough to support competition will not be declared and licences will not be required. The SA Government hopes that the licensing system will create sufficient confidence and certainty for operators to invest in the more marginal routes, thus guaranteeing scheduled air services to people in these areas. At this stage, subsidies will not be provided to operators on any of the declared routes (Transport SA, pers.comm., June 2002).

Assistance arrangements

The SA Government provides no direct financial assistance to intrastate aviation operators. The Government did however, agree to waive sales tax on the sale of ten former Kendell aircraft to Australiawide Airlines, the owners of Regional Express. Assistance is also provided in the form of:

- provision of an airport inspection and reporting officer training scheme together with the Local Government Association of SA Mutual Liability Scheme;
- funding of the SA Patient Assistance Transport Scheme—this scheme provides financial assistance to people requiring transport to access health services not available in their community;
- contributions to the Commonwealth RASS scheme for a weekly passenger, freight and mail services to stations and communities between Leigh Creek and Boulia;
- contributions to remote airstrip refurbishment (\$500 000 in 2001–02 and 2002–03 to refurbish the Clifton Hills, Mungeranie, Marree, Oodnatatta, Lyndhurst and Marla airstrips); and

- infrequent contributions to larger regional aerodromes where justified on economic development grounds, and to cooperative marketing grants to facilitate the introduction of new air services.

Coach services

Of the SA based coach operators, Premier Stateliner Coach Group is the largest, with services to centres such as Renmark, Mt Gambier, Wilpena, Moonta Bay, Whyalla, Port Lincoln, Ceduna and Roxby Downs. Smaller intrastate operators include Murray Bridge Passenger Service, Yorke Peninsula Coaches and Barossa Valley Coaches. Firefly, Hoys and McCafferty's/Greyhound all operate interstate services into Adelaide. These interstate services are subject to some pick-up and set-down restrictions within the state, which limit the extent to which some of these services can be classified as regional. These restrictions will be discussed under the regulatory section.

Regulatory environment

The PTB classifies non-metropolitan bus services in SA as either Regional City Bus Services or Country Bus Services. The Regional City Bus Services include regular public transport and school bus services within each of the six provincial cities of Port Augusta, Port Lincoln, Whyalla, Port Pirie, Murray Bridge and Mount Gambier. Country Bus Services are those services that operate between regional towns and between regional towns and Adelaide. These services are operated by private operators on a commercial basis under contract to the PTB. Before 2001, operators of Country Bus Services were also required to pay a licence fee. However, from 1 July 2001 these fees were abolished, saving operators around \$300 000 per year (Hammond 2001, p. 60)

Coach travel in SA is governed by the *Passenger Transport Act 1994* (SA). Under the Act a 'regular passenger service' is defined as a passenger transport service³⁶ conducted according to regular routes and timetables. An operator of a 'regular passenger service' must be accredited and must hold a service contract with the PTB. The service contract sets out the terms and conditions on which the service is to be operated within, or partly within the state. The service contract must also specify a region or route of operation and may confer on the contract holder the exclusive right to operate within the specified region or on the specified route.

Operators without a service contract are restricted in picking-up and setting-down passengers where their service mirrors that of a contracted operator. Interstate operators can only pick-up and set-down passengers where their

³⁶ The Act defines a 'passenger transport service' as a service consisting of the carriage of passengers for a fare or other consideration (including under a hire or charter arrangement or for consideration by a third party).

service is at a time that is significantly different (generally outside of an hour) from contracted operators or where there are no contracted operators. For example, between Adelaide and the NSW border, McCafferty's is able to pick-up and set-down passengers as long as its services run at times significantly different to the contracted operator. These types of restrictions also apply on McCafferty's and Firefly's interstate routes between Melbourne and Adelaide where Premier Stateliner is the contract holder for services between Adelaide and towns on the South Australian/Victorian border.

The PTB have advised that all current route contracts are being extended for a further five years through a Deed of Amendment. Included in the Deed will be a clause that in the event that a subsidy is provided by PTB for a particular route, then the contract holder waives their right of exclusivity and the service will be publicly tendered. All current contract holders have agreed to this change. The trigger for introducing subsidies on existing regional services will be the contractor indicating that they do not wish to continue to provide the services but the Government still wants it provided, or the Government asking for a new service to be established.

Like Queensland, regulations limiting vehicle age are in place. However, in South Australia the maximum vehicle age is a more lenient 25 years.

Assistance arrangements

There are currently no direct subsidies paid to regional coach operators by the South Australian Government, although this may change under the new arrangements described above.

Operators holding a service contract are entitled to a reimbursement for the concession fare passengers they carry. The reimbursements are administered by the Passenger Transport Board on behalf of the SA Department of Human Services and the Department of Education and Children's Services. In 2000–01, subsidies provided for concession travel on Country Route Services and Regional Cities totalled almost \$3.5 million (PTB 2001, p. 81).

Rail services

There is currently no regional rail network in SA. Of the interstate services, the *Indian Pacific* operates Sydney–Adelaide–Perth and *The Ghan* operates Melbourne–Adelaide–Alice Springs³⁷. These trains provide services to Port Augusta, Coonamia (for Port Pirie), Cook, Manguri (for Coober Pedy), Pimba

³⁷ From April 2003 the Ghan will operate only from Adelaide to Alice Springs. However, the GSR timetable will interconnect the *Indian Pacific*, *The Ghan* and *The Overland* so that passengers will be able to travel Sydney-Adelaide on the *Indian Pacific* and then connect with *The Ghan* to Alice Springs (and Darwin) or the *Indian Pacific* to Perth.

(for Woomera), Gladstone and Peterborough. *The Overland*, which operates Melbourne–Adelaide stops at Bordertown and Murray Bridge. All three of these services are run by Great Southern Railways Limited (GSR) and are mainly designed to cater for inter-capital tourist travellers rather than regional passenger travel by SA residents.

In conjunction with the Victorian Government, the SA Government assists the funding of the *Overland* by providing an annual subsidy in the vicinity of \$750 000 (Batchelor 2001). In return GSR is required to provide four return services per week, stopping at Murray Bridge and Bordertown, with rebates payable to the State Government depending on revenue generated by the service.

Ferry services

Kangaroo Island is the third largest island in Australia. It has a population of over 4000 and is one of the most popular tourist destinations in SA. The Island's importance to the state is reflected in the fact that Adelaide to Kingscote, the main town on Kangaroo Island, is the second most popular intrastate air route in South Australia (BTRE 2003). However, ferry services also play a vital role in linking Kangaroo Island to the rest of the state, with many residents and tourists viewing the ferry service as the 'road' between the Island and the mainland.

In recent years, Sealink has provided the ferry service. Sealink's operations consist of two large ferries, capable of carrying both passengers and vehicles, sailing between Cape Jervis on the mainland and Penneshaw on Kangaroo Island. Sealink also operates coach services from Adelaide and towns on the Fleurieu Peninsula to Cape Jervis and from Penneshaw to other towns around Kangaroo Island.

In 1997, Sealink entered into a leasing arrangement with the South Australian Government whereby it was granted exclusive rights for the use of the Cape Jervis entrance channel for an hour either side of its scheduled sailing times. In return, Sealink is required to meet a number of obligations, including:

- a requirement to carry freight (including dangerous goods);
- price control on freight;
- the provision of a year-round service in all types of weather; and
- a requirement to invest in new ferries to maintain a high level of passenger accommodation facilities.

In January 2002, the then State Minister for Transport and Planning instigated an Expression of Interest process seeking improved ferry services for Kangaroo Island. On 20 September 2002, the new Minister for Transport announced that a proposal from Kangaroo Island Ferry services to operate a high-speed

passenger ferry service between Wirrina Paradise Cove Resort (on the mainland) and American River and Kingscote (on Kangaroo Island) had been accepted (Wright 2002). Kangaroo Island Ferry Services will enter into negotiations with Transport SA to commence the service, providing that requirements under the *Harbours and Navigation Act 1993* (SA) are met.

Other expressions of interest received included a proposal from Sealink to improve its existing services on an extension of its existing contract, as well as a proposal from Agri-Partners to operate a service on the same route as Sealink. The Agri-Partners proposal was rejected because Transport SA could not guarantee Agri-Partners safe access to the ports with Sealink's current service obligations and sailing schedule. Agri-Partners and Sealink indicated they would be meeting to discuss possible access arrangements. The Minister also asked Transport SA to meet with Sealink to determine if their current operating schedule could be altered to enable the safe introduction of an additional service provider at some time in the future (Wright 2002).

Summary and specific issues raised

Coach and air services are most important for regional public transport in SA. There has been minimal State Government intervention in intrastate air services but the system is currently in transition with some marginal air routes soon to be licensed to single operators. The coach industry in SA is regulated with a licensing system in place and restrictions on pick-up and set-down rights for some operators. Rail services are limited and ferry is an important public transport link for residents on Kangaroo Island.

During discussions with stakeholders in SA, two main issues were raised that may warrant further investigation to ensure that providers of long-distance regional public transport services in SA are not disadvantaged.

- Pick-up and set-down restrictions on interstate coach routes.
Interstate coach operators provide services that pass through many regional SA towns. Because most of these operate along intrastate routes contracted to other operators, they cannot pick-up or set-down passengers in the state within certain time periods. Interstate operators argue that access to regional transport services could be improved if these pick-up and set-down restrictions were removed or modified. However, as in Victoria, these exclusive service contracts exist with the aim of guaranteeing a minimum level of service in regional areas, which may not be the case in a fully deregulated market.
- Concerns about the competitiveness of Kangaroo Island ferry services.
Kangaroo Island residents and other potential ferry operators have argued that the current leasing arrangements allow Sealink to exclude competitors from establishing a rival service that would use the Cape Jervis port (*The*

Islander 14 December 2001). They argue that the arrangement prevents improvements in access to regional public transport via increased service levels or more competitive pricing that could be offered by potential new entrants. Of particular concern to residents and other operators is the length of the current leasing arrangement, which is not due to cease until 2023.

TASMANIA

As a small island state, Tasmanian regional public transport arrangements differ from mainland states and territories. Coach travel is the most dominant mode of regional public transport in Tasmania. There are no regional passenger rail services and the intrastate aviation market consists of only a few routes, most of which service King and Flinders Islands in the Bass Strait. Tasmania is also serviced by ferries that sail across Bass Strait to mainland Australia. The Tasmanian Government owns and operates the major ferry service, but private operators provide the remaining public transport services in Tasmania. While intrastate regional public transport is predominantly limited to coach, it is essential to acknowledge the importance of interstate public transport links to mainland Australia.

The Tasmanian Department of Infrastructure, Energy and Resources (DIER) is the government agency responsible for coordinating the delivery of public transport services in the state. DIER is developing its vision for transport in Tasmania through its 'Getting there Together' initiative (DIER 2002). The initiative involves bringing together representatives from various government agencies, motoring associations, social and environmental groups, businesses and transport providers to develop a transport vision for Tasmania and then identifying directions and objectives that would help achieve this vision. One of the main objectives is to ensure efficient and effective movement of people.

Air services

The major centres of Hobart, Launceston, Devonport and Burnie are all serviced by flights from the mainland but there are very few intrastate air services. Tasair flies between Hobart—Burnie, and Devonport—Burnie—King Island and Island Airlines of Tasmania flies Launceston—Flinders Island. There are currently no licensing or assistance arrangements for these services with no such arrangements being considered by DIER. As a result, intrastate aviation in Tasmania generally operates in a deregulated market with little intervention by the State Government.

Coach services

Tasmanian Redline Coaches and TassieLink Regional Coach Service (also known as TigerLine Travel) are the only long-distance coach operators in

Tasmania. Both are privately owned and operated. Unlike most other states, the regional public transport network does not demonstrate a radial pattern. Hobart and Launceston are the origin/destination of most routes in the state followed by the other two major service centres of Burnie and Devonport. The remaining routes link the smaller and more remote areas with the four major centres.

The regulatory environment for public transport services in Tasmania is currently in a transition period. The *Passenger Transport Act* (Tas) and the *Passenger Transport (Consequential and Transitional) Act 1997* (Tas) govern all land-based public transport services in the state. The legislation was designed to replace the previous public vehicle licensing system with a more flexible scheme of administration. The Acts were passed by the Tasmanian Parliament in late 1997 however, due to an election in 1998 and following further amendments in 1999, the Acts were not proclaimed until June 2000.

Under the new scheme DIER is responsible for classifying all routes in Tasmania as either 'core' or 'non-core' passenger services. It is the intention that non-core services will be totally deregulated with no financial assistance from State Government. Routes that are deemed to be essential to the travel needs of a community will be classified as core services. Service contracts will be offered to operators on these core routes. The service contracts provide the operator with concession top-up reimbursement payments for passengers that travel on a concession fare. Under the Act, the service contracts may also include exclusive rights to operate on part or the whole of the route and direct subsidy payments.

Operators that are already operating on a route that is identified as a core service are automatically offered a service contract for that route. Interim contracts for many core services are in place. On routes that are identified as core but do not already have an existing service, tenders will be called for the service contract. All service contracts will be offered for a period of five years with an option of another five years. However, the entire system will undergo a full independent review in 2005 and provisions have been made to enable all service contracts to be terminated, with compensation for contracted operators, pending the outcome of the review.

The legislation requires that all operators must be accredited by the Tasmanian Government and that only vehicles that are registered as 'public passenger vehicles' can be used to provide public transport services. These vehicles can either be a 'large passenger vehicle' with seating capacity for thirteen or more adults (including the driver), or a 'small passenger vehicle' with seating capacity for less than thirteen adults (including the driver).

In addition to concession reimbursements for core service operators, there is also scope to include other subsidy payments in the service contracts. The rationale for providing assistance to core services is that they would not be

commercially viable without assistance and would therefore not exist without some form of government intervention. Non-core services on the other hand, receive no assistance either because they are not deemed to be essential or because the routes have demonstrated in the past that they are commercially viable.

Ferry service

As well as air travel, residents of Tasmania are reliant on sea transport for the movement of passengers (and freight) to or from mainland Australia. From the 1950s to 1985 ferry services across Bass Strait were provided by the Commonwealth Government's Australian National Line (ANL). However, in 1985 ANL decided to remove its Bass Strait ferry service. The Commonwealth then funded the establishment of a new Bass Strait ferry service to be owned by the people of Tasmania—TT-Line.

From 1985 to 1993 TT-Line was operated as part of the Tasmanian Department of Transport. In November 1993, TT-Line was corporatised under the *TT-Line Arrangements Act 1993* (Tas). Under this Act, TT-Line is operated by a Board of Management and its single shareholder is the State of Tasmania, represented by the Treasurer and the Minister responsible for Transport.

TT-Line operates its ferry services between Devonport in Tasmania and Port Melbourne in Victoria. In September 2002, TT-Line introduced two new vessels—*Spirit of Tasmania I and II*—to replace its previous *Spirit of Tasmania* and *Devil Cat* catamaran, which operated during summer months. The new vessels provide a year-round service and during peak periods will complete two crossings of Bass Strait a day.

The Commonwealth Government funds the TT-Line ferry service through the Bass Strait Passenger and Vehicle Equalisation Scheme (BSPVES). For more information on this scheme see chapter 3 which covers Commonwealth interventions in regional public transport.

The Tasmanian Government also subsidises a scheduled weekly ferry service to Flinders Island. It is unlikely that this service would be in direct competition to air services to Flinders Island, as the ferry holds a maximum of twelve passengers and takes eight to ten hours to make the journey.

Summary and specific issues raised

To date, intervention by the Tasmanian Government in regional public transport has been minimal, although its involvement will increase as more service contracts for core bus services are entered into. Given the limited extent of State Government regulatory or assistance arrangements in the regional

public transport area, it follows that no major issues associated with these arrangements were raised.

VICTORIA

Victoria's smaller travel distances mean that rail and coach transport play a more prominent role than in other states. The smaller distances and faster travel times also reduce the need for regional air travel within Victoria. However, despite the lesser role of intrastate aviation, access to regional centres and capital cities in other states remains important.

In 1999 Victoria's public transport system (rail and bus) was fully privatised through a system of franchise and service agreements with private operators. This fully privatised system was in place until 23 December 2002 when the National Express Group (NXG) withdrew from its franchises. This report is a snapshot of regulatory and assistance arrangements in place across Australia in 2001 and 2002. As such, the franchise system that operated in Victoria until recently is described below. The current system (prevailing since 23 December 2002) is discussed towards the end of this section.

The Government regulates privately operated public transport by requiring any rail or bus operator wanting to run public transport services to have a contract with the Department of Infrastructure (DOI) and that contract includes a requirement to meet relevant accreditation standards. The Office of the Director of Public Transport (ODPT), within DOI, has responsibility for managing contracted transport services. The ODPT includes a planning unit, which is responsible for long-term public transport strategy and vision that underpins policies for the development and management of public transport.

Until late 2002, there were three different types of franchise/service agreements relevant to regional public transport services in Victoria:

- In August 1999, NXG was awarded a ten-year contract (through a franchise agreement with the Director of Public Transport) to operate the V/Line country passenger rail and coach (rail replacement) services.
- NXG sub-contracted to private coach operators for the provision of V/Line passenger 'rail replacement coach services'.
- There are also service agreements directly between DOI and private rail and coach operators. These agreements cover the provision of rail and road services by West Coast Railways (WCR) and Hoys Roadlines (Hoys), and the provision of 'privately marketed coach services' by private operators.

The V/Line brand therefore operates most of the Victorian regional public transport rail network and the rail replacement bus services. All of these services are branded V/Line and National Express was responsible for all

timetabling and marketing. As a result of these integrated arrangements, rail and bus transport services tend to compliment rather than compete in Victoria.

There are two major Government policy statements forming the core of current transport policy for regional Victoria—*Growing Victoria Together* and the *Linking Victoria Strategy*. In November 2001, the *Growing Victoria Together* statement identified faster, better and more accessible transport links as a key priority action for the Government. In particular, the Government put forward two key policy goals—achieving 20 per cent of travel in Melbourne on public transport by 2020 (currently it is 9 per cent) and reducing rail travel times to major regional centres (Victorian Government 2001a, p. 16). As a result of these initiatives, the Victorian Government is currently increasing its investment in public transport infrastructure in order to meet these objectives.

The *Linking Victoria Strategy* is the centrepiece of the Government's transport policy. The program aims to link communities and foster economic development and jobs. The Government regards the Strategy as a \$3.5 billion blueprint aimed at revitalising the state's rail, road and ports networks by improving efficiency, accessibility and effectiveness (Victorian Government 2001b). The Strategy includes a regional fast rail project, reopening of country rail lines and standardisation of Victoria's regional rail system to enable it to connect with the national network.

Air services

Intrastate aviation plays a minor role in the provision of regional public transport in Victoria. There are currently only three intrastate regional aviation routes—Melbourne–Mildura, Melbourne–Portland and Melbourne–Traralgon. However, the Melbourne–Albury interstate route could be regarded as intrastate given the nature of the Albury/Wodonga conurbation. Following the demise of the Ansett Group in 2001, the Melbourne–Mildura service was the only intrastate route remaining. Regional Express has since re-introduced the other Victorian services. Despite the small number of intrastate air services, access to regional centres and capital cities in other states is important (for example, Mildura has air access to Sydney and Adelaide; and Shepparton and Swan Hill also have links to Sydney). Melbourne also has interstate links to Wagga Wagga, Albury, Merimbula and Mt Gambier. Many of these interstate services naturally play an important role in serving regional Victoria.

The interconnectivity between air transport and other modes is also important in Victoria. For example, there are dedicated, privately operated airport bus services from regional cities (such as Ballarat, Bendigo and Geelong) to Melbourne airport. These services operate several times a day and provide important connectivity for passengers travelling by air to further destinations. They are able to be effective primarily because of the improvements to road infrastructure linking regional Victoria to Melbourne.

The other important area of aviation for regional Victoria is charter operations. These operations provide many essential services to regional communities. For example, the contract for bank runs in Victoria is regarded as a pseudo-regular public transport service.

Since the early 1950s, intrastate aviation has been effectively deregulated in Victoria. The *Transport Regulation Act 1955* (Vic) ended the licensing system that had been in place. Today, the Department of Innovation, Industry and Regional Development (IIRD) is responsible for aviation matters in Victoria (including administering the Regional Infrastructure Development Fund and Regional Economic Development Program which fund some aviation initiatives).

The Victorian Government does not provide any direct financial support for particular regional air operators or routes. However, the Government does have programs that provide assistance to build infrastructure capability and incentives for business.

The Regional Infrastructure Development Fund, set up by the *Regional Infrastructure Development Fund Act 1999* (Vic), provides regional and rural Victoria with up to \$180 million for additional infrastructure funding over three years until 30 June 2003. The fund is focused on projects of a capital nature and includes transport improvements (road, rail, ports or airports of strategic regional significance). Applications for funding are assessed against five main criteria—socio-economic; state and regional priority; project feasibility and delivery; Victorian Industry Participation Policy; and financial criteria. Transport improvements funded under this program have generally been aviation related, and include the Latrobe Regional Airport Development (\$270 000 in October 2000), Shepparton Aerodrome (\$200 000 in January 2001) and Mildura airport (\$600 000 in February 2002) (IIRD 2002).

The *Regional Economic Development Program* is designed to generate employment and wealth for rural and regional communities throughout Victoria. The nature of the assistance is investment attraction (financial and facilitative) and expanding local business. Attracting investment in transport (including aviation) facilities and services is within the scope of this scheme.

Coach services

As described earlier there are basically two types of intrastate coach services provided in Victoria:

- ‘rail replacement services’ which were previously franchised to National Express and then sub-contracted to other private bus operators; and
- ‘privately marketed coach services’ operated by private operators under direct contract to DOI.

There are also some major interstate operators running services on inter-capital routes, which are competitive in nature (for example, Firefly run services between Melbourne, Adelaide and Sydney).

The Government effectively owns the rail replacement routes whereas the privately marketed routes are routes that were originally established by private operators and as a result operators believe they 'own' these routes³⁸. Under the franchise agreements, all V/Line (National Express) rail replacement services and the privately marketed bus services appeared on the V/Line timetable and shared the same integrated ticketing system.

The majority of bus services are rail replacement services connecting to train services and are provided when demand is too low to justify a train. In addition to these various forms of contracted bus services, charter operators also provide services in and between regional areas of Victoria.

There are a large number of contracted bus/coach operators providing services across an extensive regional bus network in Victoria. However, direct competition between operators does not generally occur because the contractual arrangements provide operators with exclusive rights to particular routes or areas. There are a mix of larger and smaller operators, some of which only run V/Line services or privately marketed services and others which run both V/Line and their own services. One of the major operators that BTRE was able to consult during the course of this study was Dyson's, which runs both V/Line and privately marketed services. Dyson's is a major V/Line operator and their contract with National Express was due for review in 2005. They are also currently in the process of negotiating a new ten-year contract with DOI.

Regulatory environment

There are two main pieces of legislation governing bus/coach transport in Victoria—the *Transport Act 1983* (Vic) and the *Public Transport Competition Act 1995* (Vic). The *Transport Act 1983* (Vic) is the overarching legislation governing transport in Victoria including railways, roads and tramways. The Act provides the legislative framework for the establishment of the Office of the Director of Public Transport.

The *Public Transport Competition Act 1995* (Vic) was established to improve the operation of bus services by introducing a system of service contracts for certain types of transport service. The Act also includes provision for bus operator accreditation within Victoria. Some of the key features of the legislation include:

- a bus is defined as a vehicle with more than twelve seats including the driver;

³⁸ This issue is commonly referred to as 'grandfather' rights.

- a person cannot operate a regular public transport service within or partly within the state unless they have a service contract (Part 3, section 25);
- service contracts cannot exceed terms of ten years and must include service standards, minimum service levels, maximum fares and subsidy arrangements (Part 3, section 27); and
- service contracts must specify a region or route of operation over which the contract holder is given the exclusive right to operate (Part 3, section 28).

There are also a range of regulations under the *Transport Act* and the *Public Transport Competition Act* that govern public bus transport. The *Transport (Passenger Vehicles) Regulations 1994* relate to the operation of private bus companies and buses within Victoria and include provisions governing licence requirements for bus drivers, vehicle specifications and behavioural and ticketing requirements for passengers. The *Public Transport Competition Regulations 1999* aim to improve the operation of bus services by regulating the accreditation and operation of buses and service contracts that provide for the operation of regular bus services.

Under section 25 of the *Public Transport Competition Act* all operators on all routes must have a service contract. The two types of bus service contracts in Victoria (V/Line rail replacement services and the privately marketed coach services) are similar in terms of contractual requirements. One of the requirements of service contracts is that operators must be accredited.

For V/Line services, the franchise agreement described in the rail section of this paper includes rail replacement bus services, which National Express contracted to other private operators via a tender process. Under the 'grandfathering' arrangement, privately marketed services have contracts direct with DOI and therefore do not go through a tendering process. The National Express rail replacement service contracts also required the private operators to operate under the V/Line Passenger brand (through brand sharing agreements). The V/Line routes are generally considered to be more marginal and many are not profitable.

The operators' contracts with V/Line and DOI are all encompassing. V/Line and DOI received all fare box revenue with operators being paid a regular, usually monthly, fixed payment. As a result, National Express and DOI accepted the fare box risk with the contractors being paid the same regardless of the number of passengers they carried. Therefore contracted operators are not concerned about load factors and have no incentive to increase patronage. The contracts include provisions for approval of fare increases, fleet ages, minimum frequencies, specified concessions, expansion plans and timetables. Operators' costs are reviewed at contract renewal with contracts based on 'cost-plus' benchmarks.

Section 25 of the *Public Transport Competition Act* enforces what are commonly known as pick-up, set-down restrictions. The effect is that all operators must hold a contract to pick-up or set-down passengers in Victoria. This prevents interstate operators from picking up passengers in regional Victoria on the way into or out of Melbourne. This type of economic regulation is designed to protect existing operators from competition in order to ensure the viability and sustainability of the services. The rationale behind restrictions on trade such as pick-up and set-down restrictions is therefore centred on ensuring minimum service levels are provided to regional areas.

Assistance arrangements

Government assistance to bus service operators and passengers is provided through various mechanisms including contractual obligations and concession fare arrangements. The Government reimburses contracted (V/Line and privately marketed) bus operators for concession fares. For V/Line services, the same concession and free travel reimbursements available for rail also apply to V/Line rail replacement bus services.

In 2002, subsidy and assistance arrangements were included in the service contracts in place between DOI, National Express and bus service providers. The majority, but not all, of the contracts contained some subsidy element. However, the extent of the subsidy varied depending on the route or area of operation, with each contract specifying an annual subsidy payment relating to cost of providing the service.

The extent of subsidies to bus services is difficult to uncover, especially as the *Track Record*³⁹ publication that provides performance and payment details for V/Line Passenger rail services does not include V/Line rail replacement bus services or privately marketed bus services (Director of Public Transport, Quarterly Performance Bulletin).

Rail services

In July 1998 the former business units of the Public Transport Corporation were corporatised to form four metropolitan businesses (Met Train 1 and 2, Met Tram 1 and 2) and the V/Line Passenger Corporation. The V/Line Passenger Corporation provides a network of integrated train and coach services to towns and cities across regional Victoria. Victoria currently has five major rail corridors originating from Melbourne in a radial network pattern (toward Swan Hill, Albury/Wodonga, Geelong/Warrnambool, Sale and Ballarat).

³⁹ *Track Record* is a quarterly performance bulletin that reports on Victoria's franchised train, tram and bus services.

As part of these reforms the Victorian Rail Track Corporation (VicTrack) was established in April 1997 and assumed responsibility for track and related infrastructure (Auditor-General of Victoria 2000). The regional rail track used by V/Line Passenger is leased to Freight Australia and V/Line Passenger pays an access fee to use the infrastructure. The Essential Services Commission regulates or arbitrates disputes for third party access to the infrastructure.

As previously mentioned, under franchise arrangements that were set up in August 1999 and ceased in December 2002, V/Line Passenger was operated by NXG. V/Line is the major rail service provider in Victoria. Unlike NSW however, V/Line is not the exclusive rail operator in the state. Hoys Roadlines (Melbourne-Shepparton) and West Coast Railways (WCR) (Melbourne-Warrnambool-Mount Gambier) also operate regular regional routes. There are also a number of inter-capital rail routes through Victoria including the CountryLink XPT (Melbourne-Sydney), *The Overland* (Melbourne-Adelaide) and *The Ghan* (Melbourne-Adelaide). The *Overland* and *Ghan* are both operated by Great Southern Railways (GSR).

Under the franchise arrangements, the state retained ownership of the infrastructure associated with the public transport rail network and transferred the responsibility for day to day management and operation of the network to National Express and other franchisees. The Government also retained some control over operations through the performance and service level standards agreed within the contractual framework (Auditor-General of Victoria 2000, p. 138).

Regulatory environment

The *Transport Act 1983* (Vic) was described briefly in the previous section as covering the various laws relating to transport, including rail. The *Transport (Rail Safety) Regulations 1998* are the main regulations covering the operation of rail-based transport services and include provisions governing the accreditation of companies managing rail infrastructure. The objective of these regulations is to ensure managers of rail infrastructure and operators of rail services have the competence and capacity to carry out the services for which they are accredited, through a rigorous process of evaluation, audit and review (*Transport (Rail Safety) Regulations 1998*, section 1).

The conditions specified in the franchise and service agreements are the main levers used by the Government to regulate rail operators. The Director of Public Transport is responsible for managing and monitoring the Government's contracts with franchisees and ensuring they comply with established service standards.

In October 1998, prior to the privatisation of rail services, the Director of Public Transport established the 'Public Transport Passenger Charter'. The Charter

formed the basis for the contractual arrangements and included a number of conditions:

- existing network services to be maintained with timetables approved by the Director of Public Transport;
- fares subject to CPI increases only;
- all existing concessions to be maintained; and
- performance levels to be maintained and enhance the reliability of services (Auditor-General of Victoria 2000, p. 104).

The franchise privatisation model chosen by the Victorian Government meant that private sector management arrangements were introduced through fixed-term contracts and the aim was to transfer the commercial risk to private operators. As a result of these privatisation reforms, a complex contractual framework governs Victoria's public transport system.

The franchise agreement between National Express and the Director of Public Transport specified the conditions under which the supply of V/Line Passenger services operated. Included in the agreement were:

- minimum service requirements and performance standards;
- master timetable;
- the power to regulate maximum fares;
- provisions providing for the payment of subsidies and concession fare supplements; and
- incentive and penalty regimes for operational performance, passenger growth and customer satisfaction (Auditor-General of Victoria 2000, p. 107).

Under the agreement, National Express was required to provide a forward capacity plan (for the next three years) identifying the services needed to meet future demand. National Express was also required to cooperate with other operators in the development of its timetable and the timetables of other operators to ensure, to the extent possible, that timetables are coordinated (Clause 7.13 Franchise Agreement—V/Line Passenger). The agreement also required the franchisee to cooperate with other operators to maintain a uniform system of concessions and free travel and to ensure infrastructure and rolling stock compatibility (Clause 11.16).

Revenue sources from V/Line Passenger rail operations identified in the agreement included a base subsidy, operational performance regime, farebox revenue and concession reimbursements. More detail on these is contained in the discussion of assistance arrangements (below).

Hoys and WCR also operate under service agreements with DOI. These agreements contain similar conditions to the V/Line franchise agreement with respect to minimum service levels, regulated maximum fares, concession and

free travel, and timetables. The original service agreements between DOI and WCR and Hoys commenced in 1994 and ran for seven years (to 2001). They have since been updated. Under these agreements the operators are given exclusive rights to operate on particular routes or regions and they agree to operate the services as part of an integrated public transport system and to coordinate with timetables of other connecting or related public transport services. Under the franchise agreements and service contracts, the private rail services (Hoys and WCR) appear on the V/Line timetable and share the same integrated ticketing system.

These franchise agreements and service contracts effectively provide protection from competition for the contracted operators. While the potential for competition from third parties (that successfully negotiate access to the rail networks) does exist, the geographically based nature of rail services and operators along with the capital-intensive nature of the business means that competition between rail operators is rare.

Assistance arrangements

Franchise agreement payments

Subsidy and assistance arrangements are specified in the franchise and service agreements in place between DOI and the rail service providers.

Total subsidy payments under the ten year franchise agreement for V/Line Passenger (which includes rail and coach services)⁴⁰ totalled \$574.3 million (in net present value (NPV) terms in June 1999 and assuming a 4.5 per cent discount rate) (Auditor-General of Victoria 2000, p. 120-22). This included total fixed subsidy payments of \$476.4 million and total variable subsidy payments of \$97.9 million. Major components of the fixed subsidies included real annual franchise payments, rolling stock adjustment payments, capital grants and infrastructure lease rental. Major components of the variable subsidy payments included concession fare payments, operational performance regime (OPR) incentive payments and other expected service payments (Auditor-General of Victoria 2000, p. 120-22).

One of the criteria used to assess the bids for the public transport franchises was the net cost to the state in NPV terms. For the NXG bid for V/Line Passenger services this was assessed as \$621 million (Auditor-General of Victoria 2000, p. 112).

The annual subsidy paid to National Express for V/Line Passenger in the first year of the franchise was \$78 million (in 1999–00). According to the franchising

⁴⁰ A separate breakdown for rail and coach was not available.

model adopted in Victoria, the scale of state subsidies was expected to diminish over the term of the franchise. The subsidy was projected to fall to \$46.3 million by the end of the ten year franchise (*Transit Australia* 1999, p. 186).

Also included in the franchise agreements was a requirement to regularly report on performance. *Track Record* is a quarterly performance bulletin that reports on Victoria's franchised train, tram and bus services. The following information on payments associated with V/Line Passenger is from various issues of *Track Record* (Director of Public Transport 2000, 2001a, 2001b, 2001c, 2001d, 2002a, 2002b, 2002c, 2002d).

Table 4.3 shows quarterly payments to V/Line Passenger for the last two financial years by category. The table refers to V/Line rail only, not V/Line Passenger coaches. The table shows that for the 2001–02 financial year, subsidy payments under the franchise agreement to V/Line Passenger were around \$92 million, up from \$75 million in 2000–01.

On average over the last nine quarters, the Government paid more than \$20 million per quarter in subsidies to V/Line Passenger. The base subsidy made up the bulk of payments from the Government to V/Line. Base subsidies were the monies paid by the Government to the franchisee each month for delivering public transport services. This amount was specified for the term of the franchise in the franchise agreement.

The negative figures in the first column of table 4.3 indicate a penalty payment by the franchisee to the Government. V/Line have made penalty payments to the Government for the last nine quarters as a result of failure to meet specified performance criteria.

The Government also made variable payments to V/Line to reimburse them for contractual obligations (such as concession reimbursements, free travel, senior citizens week and special events). These payments, shown in column three of table 4.3, were paid quarterly in arrears on receipt of claims from operators. Concession arrangements in Victoria are governed by the *State Concessions Act 1986* (Vic). The Government provides concession fare reimbursements to contracted public transport operators including V/Line (rail and bus), Hoys and WCR.

Other contractual payments (such as reimbursement for new initiatives) are shown in column four. In the June quarter of 2001, V/Line Passenger was reimbursed for the Minister's initiative to extend Senior's Card arrangements. Payments for the March quarter 2002 reflected payments to operators for settlement of contractual issues announced by the Minister on 26 February 2002. In February 2002, National Express and the Victorian Government announced an interim agreement that resulted in a payment to National Express of

\$45.9 million (National Express Group 2002a)⁴¹. This agreement settled outstanding contractual claims and disputes arising from the privatisation in 1999 and provided for patronage recovery proposals over the next eighteen months. The agreement also included a doubling of National Express performance bonds. With the withdrawal of National Express in December 2002, the Victorian Government will start to draw down on the National Express Group's bond of \$130 million.

Operators are also required to invest in new and upgraded infrastructure and rolling stock over the life of the franchise. The Government contributes pre-specified amounts of capital grant funding for some of these works. V/Line has not undertaken this type of capital investment.

TABLE 4.3 V/LINE PASSENGER RAIL—PAYMENTS (\$'000)

<i>Period</i>	<i>Incentive & penalty payments</i>	<i>Base subsidy</i>	<i>Concession fare top-up & free travel</i>	<i>Other contractual payments</i>	<i>Capital grants</i>	<i>Total payments</i>
July-Sept 2000	-264	16 718	1 672	-	-	18 126
Oct-Dec 2000	-1 211 ^a	16 752	1 672	-	-	17 213
Jan-March 2001	-952	16 388	5 606 ^b	-	-	21 042
Apr-Jun 2001	-561	16 569	2 268	741	-	19 017
Jul-Sept 2001	-784	18 722	1 852	-	-	19 790
Oct-Dec 2001	-496	18 653	2 006	1 110	-	21 273
Jan-Mar 2002	-133	18 247	5 898 ^c	7 352	-	31 364
Apr-Jun 2002	-750	18 450	2 259	-	-	19 959
July-Sept 2002	-279	16 088	1 710	1 764	-	19 283

Note Figures reported are exclusive of GST. A negative figure represents a payment by the franchisee to the Government. Incentive & penalty payments are reported on an accrual basis, all other payments are cash.

- a. This figure does not include OPR (operational performance regime) penalties of \$795 000 imposed on V/Line due to service cancellations caused by the Corio overpass collapse during the Dec quarter 2000.
- b. Includes catch-up payments from previous quarters: concession fare payments for Dec quarter 2000 and free travel and special events balancing payments for 12 months to 31 Dec 2000.
- c. March quarter 2002 payments include retrospective adjustments to concession fare payments resulting from the resolution of farebox revenue definition and adjustments to concession fare entitlements for the March, June and September quarters 2001.

Source Director of Public Transport 2000, 2001a, 2001b, 2001c, 2001d, 2002a, 2002b, 2002c, 2002d.

Other assistance

There are currently a number of other Victorian Government public transport rail initiatives that involve significant government expenditure. These are discussed briefly below.

⁴¹ This payment includes all National Express Australian operations, not just V/Line Passenger.

The Victorian Government provides financial support for the *CountryLink XPT* passenger rail service between Melbourne and Sydney and *Overland* service between Melbourne and Adelaide. Both of these rail services include regional stops enroute between these capital cities. The Government provides a \$750 000 annual subsidy to *The Overland* in addition to the \$750 000 subsidy paid each year so that GSR is able to provide concession fares to eligible Victorians travelling on *The Overland* and *The Ghan* within Victoria (Batchelor 2001). This annual subsidy was in place until December 2002. The Victorian and South Australian Governments and GSR are reviewing the agreement.

As part of the *Linking Victoria Strategy*, the Victorian Government is reintroducing four previously closed country passenger rail services—the Ararat, Bairnsdale, Mildura and South Gippsland lines in 2003–04. Existing bus services on these lines will be reviewed and coordinated with the rail services. The Government has stated that ongoing government financial support for the rail services will ultimately depend on local communities ensuring that they are well patronised on a continuing basis (Victorian Government 2001b).

The Regional Fast Rail Project is another major public transport initiative being funded by the Victorian Government as part of its *Linking Victoria Strategy*. The project has a budget of \$550 million to upgrade passenger rail lines from Melbourne to the regional centres of Ballarat, Bendigo, Geelong and Traralgon (Victorian Government 2001b). A feasibility study has been completed, the rail contractors for the upgrading works have been announced and Bombardier have been contracted to build the fast trains. The project is due for completion by 2005. The reduced travel times on the services could result in some shift in passenger travel between country Victoria and Melbourne to rail.

Franchise Review Task Force

The privatised franchise arrangements implemented in Victoria led to significant improvements in the public transport system in terms of reliability and punctuality (Moran 2002). However, a number of problems remained that led the current Victorian Government to establish a Franchise Review Task Force in January 2002. For example, the Government has stated that ‘the franchising of public transport has left in its wake a complex set of arrangements which could not possibly deliver the predicted results in practice’ (Batchelor 2002a). The taskforce undertook a comprehensive review of the provision of passenger train and tram services in Victoria.

The main problems with the franchised arrangements centred on the less than satisfactory financial performance of operators and the potential for significant financial losses in coming years. The Franchise Review Task Force reviewed the cause of the franchisees’ underperformance. The key objectives of the review were to:

- minimise the long-term cost to the state of passenger train and tram services in Victoria by promoting patronage growth and improving the operational efficiency of the transport operators;
- ensure that the full range of passenger rail train and tram services continue to operate safely and without disruption in Victoria; and
- establish a clear, stable and lasting basis for the future provision of passenger train and tram services in Victoria (DOI 2002).

The 2001–02 Auditor-General Report on Victoria’s finances found that the key factor in the financial underperformance of franchisees was the significantly lower than forecast growth in the revenue pool and patronage across the network (Auditor-General of Victoria 2002). While the franchisees attributed this reduced revenue to fare evasion and ticketing system problems, the financial advisers reported to the Task Force that the main reason appeared to be due to the aggressive patronage growth projections of the original bids and lower than forecast cost savings (Auditor-General of Victoria 2002, Part 5).

The Franchise Review Task Force has now been wound up. However, the Government still faces outstanding claims by private operators despite the interim agreement in February 2002. These claims relate to issues such as the impact of the fast rail project and free travel for senior citizens’s week. (Auditor-General of Victoria 2002, Part 5).

On 16 December 2002 National Express announced that despite extensive negotiations with the Victorian Government it was unable to reach a revised financial arrangement and as a result it would cease funding its franchise operations from 23 December 2002 (National Express Group 2002b).

As a result of the NXG decision, on 17 December 2002 the Minister for Transport announced a structural reform package aimed at ensuring that public transport continues to operate without disruption over the next 12 months while franchises are restructured (Batchelor 2002b). The franchise contracts gave the Victorian Government the right to appoint a receiver to protect its interests and ensure continuation of services. V/Line Passenger is now in the hands of receivers appointed by the Government and is likely to remain in Government management while the regional rail projects are completed. On 24 January 2003, Transport Minister Peter Batchelor announced the appointment of a new manager for V/Line Passenger and the establishment of a new entity—Victorian Rail Services Pty Ltd (VRS) (Batchelor 2003). VRS employs head office staff to work across all three franchises (including V/Line Passenger). The Government intends for the metropolitan franchises held by NXG to be returned to private sector management within the next twelve months.

Summary and specific issues raised

Until December 2002, in contrast to most other Australian states Victoria had fully privatised the operation of its public transport networks (including both passenger rail and bus). The franchising privatisation model chosen allows the Government to seek greater efficiency via private sector management and operation of public transport services while retaining ownership of key infrastructure. The institutional arrangements described above allow the Government to regulate the private operators to ensure that service levels and standards were met. However, with the recent withdrawal of NXG, Victoria now operates a partially privatised public transport system, with much of Victoria's regional rail and bus network returned to Government management.

During discussions with stakeholders in Victoria, three main issues were raised that may warrant further investigation to ensure that providers of long-distance regional public transport services are not disadvantaged.

- Incentive structures—where coach and rail contracts involved fixed payments unrelated to the number of passengers carried there was concern that operators lacked the incentive to improve service levels and increase patronage.
- Pick-up and set-down restrictions—are designed to protect existing coach operators from competition in order to ensure the viability and sustainability of the services. However, operators argue that services to regional areas could be improved by modifying these regulations to allow interstate express operators to pick-up/set-down passengers under certain circumstances (for example, if the service is a certain number of hours outside of the timetables of the contracted operator).
- Concession reimbursement was another issue raised by some operators as an impediment to providing more services in regional areas. For contracted operators the adequacy of current reimbursements was an issue affecting the viability and therefore sustainability of services. For interstate operators, lack of access to the concession fare reimbursements was argued to threaten the viability of more marginal regional routes.

WESTERN AUSTRALIA

In Western Australia (WA) the majority of the population is concentrated in the south-west of the state. Within this area, to the west of Esperance and to the south of Geraldton, encompassing Perth as well as the regional centres of Albany and Bunbury, road travel times are reasonable so coach and rail services are prominent. To the north of Geraldton, there are no passenger rail services and, although many coach services do operate, the large distances involved mean that air travel is more prominent.

WA's regional public transport network demonstrates a radial pattern out of its capital city with the majority of services linking directly to Perth. A small number of air services hub out of Broome, but most other services across all three public transport modes link directly to Perth.

Regional public transport services in WA are provided by a combination of public and private operators. All intrastate passenger rail services are provided by the Western Australian Government Railways Commission (WAGR), which also provide the majority of the state's intrastate coach services. There are also some privately owned and operated coach services. All air services are run by private operators (some of which receive government assistance on some routes).

The WA Department for Planning and Infrastructure (DPI) is the government agency responsible for coordinating the delivery of public transport services to the people of Western Australia. In partnership with the respective region's Development Commission, and in consultation with key stakeholders, DPI has developed transport strategies for each region of the state. The strategies outline what is required from government, communities and industry to provide vital transport links between the regions.

Air services

Given the large geographic size of WA, intrastate aviation is regarded as critical to people in regional and remote areas of the state. With the majority of the population being concentrated in southern WA and the large distances involved in travelling in northern WA, aviation is generally divided into two separate geographical markets.

The aviation network in southern WA is not dissimilar to that of most other states with all services radiating out of the capital city. Skywest Airlines (Skywest) is the predominant regional airline in southern WA with services to Esperance, Albany, Geraldton and Karratha, as well as inland to Kalgoorlie, Leinster, Leonora and Laverton. Qantas also provides services to Kalgoorlie and Karratha⁴².

In northern WA, despite the large distances involved, most services still radiate out of Perth, although Broome also acts as a hub for a few services provided by operators in the far north. Skywest has services from Perth to Shark Bay, Carnarvon and Exmouth. However, Qantas is the major airline in northern WA with jet services from Perth to Karratha, Port Hedland, Broome, Paraburdoo

⁴² Qantas provide services in WA under the Qantas and Qantaslink brand names. Services to Broome and Karratha are provided under the Qantas brand, while services to other jet ports in the state are provided under the Qantaslink brand.

and Newman. Airnorth is the third airline in northern WA, operating commercially with no subsidies from Darwin (NT) to Broome and Kununurra.

There are also a number of smaller operators providing both RPT and charter services throughout WA. These include Skippers Aviation, Maroomba Airlines and Northwest Regional Airlines.

The other major feature of aviation in WA is the importance of charter operations. The mining industry has a strong presence in regional areas of the state and mine operators rely heavily on charter aviation to transport staff to and from remote workplaces. There are also a number of very remote communities in the state that rely on charter flights for essential transport needs and supplies.

The WA Government's policy statement for the development of aviation in the state to 2005 is entitled *Air Transport Directions* (Transport WA 2000). This initiative was developed by the previous Government and identifies eight priority areas. The first of these priorities focused on the issue of access. The importance of air services to regional WA, particularly the north-west, was recognised and a commitment was made to focus on retaining acceptable levels of air services to remote regions of the state through subsidised air services and assisting the development of new services, particularly to emerging tourist destinations (Transport WA 2000, p. 6).

The WA Government has also recently undertaken a review of intrastate air services. Originally the review was initiated in response to the concerns of residents in a number of regional areas about the level of service provided by the then operators Ansett, Qantas and Skywest. Following the entry into administration of Ansett, and its subsidiary Skywest, on 14 September 2001⁴³, the review was extended to cover the whole of the state. The first report produced by the independent review was completed in July 2002. It focused on the non-jet services in southern WA and formed the basis of the Minister for Planning and Infrastructure's announcement of the Government's 'Regional Airline Strategy' on 18 July 2002 (more details of this strategy are discussed in the following section) (MacTiernan 2002a). The entire review, including the second report focusing on the jet services in northern WA, was presented to the WA Aviation Ministerial Council in November 2002. The review found that much of WA's intrastate air services were unlikely to be able to sustain competition and that a measure of regulation of the service was necessary to provide for a sustainable airline industry (MacTiernan 2002b).

⁴³ Under administration, Skywest was operational again within two weeks of Ansett's demise and has since been bought by the Airline Investment Limited consortium.

Regulatory environment

Intrastate aviation in WA is governed by the *Transport Coordination Act (1966)* (WA) which is administered by DPI. Under the legislation, operators of commercial aircraft in WA are required to hold a licence. This licensing system effectively allows DPI to control competition on intrastate routes by exercising discretion over which airlines it chooses to license on which routes. A licence fee of 1 per cent of passenger revenue is charged to regular public transport (RPT) operators, however, in line with National Competition Policy reforms this fee will be reduced to zero by July 2003.

Until recently, Skywest was the only licence holder on the major non-jet routes in southern WA (excluding Kalgoorlie). On 18 July 2002, the Minister for Planning and Infrastructure announced that the review of intrastate aviation services found that only the Perth-Geraldton route could sustain competition from another operator. The Minister therefore announced that as part of the Government's 'Regional Airline Strategy' no new licences would be issued for the time being for any routes on Skywest's non-jet network, apart from one new licence for a service between Perth—Geraldton—Kalbarri operating three times per week. An important factor in the decision was the view that the nature of WA intrastate aviation—long distances and low passenger numbers on many routes—meant that there has to be some form of cross-subsidisation to ensure that smaller centres are served (MacTiernan 2002a). As part of the new strategy the Minister also announced:

- the situation will be reviewed in March 2003 to ascertain whether more competition could be introduced on any of the routes;
- an aviation industry observer was to be appointed to monitor Skywest's performance;
- partnerships or other alliances will be encouraged with other airlines to deliver more efficient services;
- a more rigorous approach will be taken in considering future licence applications; and
- cooperation will be sought with the mining industry to help improve passenger services in the Goldfields and Mid-West Regions (MacTiernan 2002a).

Assistance arrangements

Under Section 63 of the *Transport Coordination Act 1966* (WA) provision is made for the payment of subsidies for the purpose of the Act. The WA Government has for many years subsidised air services on some routes in regional WA. These routes have been identified by the Government as not commercially viable, but nonetheless important from an economic and social perspective to the communities they serve. The routes currently receiving financial assistance are:

- Broome–Fitzroy Crossing–Halls Creek (provided by Northwest Regional Airlines six days per week).
- Broome–Derby (provided by Skippers Aviation six days per week).
- Perth–Meekatharra–Wiluna (provided by Skippers Aviation three days per week).

The WA Government together with other stakeholders also supports a service provided by Northwest Regional Airlines three times per week between Broome, Port Hedland and Karratha⁴⁴. Unlike the other routes, support for this route is not based on providing access to larger regional centres. Rather, it is hoped support for this route will help develop a commercially viable service between the Gascoyne, Pilbara and Kimberley regions (WA Government 2002).

In recent years, the budget for regional aviation subsidies has been \$330 000 per annum. However, DPI estimates that as a result of the demise of Ansett this figure will be around \$1.2 million in 2001–02. The WA Government has acknowledged that current subsidy arrangements may need to be expanded in the future and is therefore developing a comprehensive subsidy policy (WA Government 2002).

The WA Government also provides assistance to regional aviation infrastructure through its *Regional Airports Development Scheme (RADS)*. RADS was introduced by the WA Government in 1994 to help develop aviation infrastructure in regional areas of the state. The funding is designed to meet the access needs of people living in regional areas and contribute to regional economic growth. In 2000–01, \$2 million was allocated to 30 projects under the scheme. Since its introduction more than \$14 million has been spent on around 80 airports throughout the state⁴⁵. DPI believes that this \$14 million has leveraged around \$30 million of additional funding from other sources such as local councils, Commonwealth agencies (mainly the Aboriginal and Torres Strait Island Commission) and the private sector (DPI pers. comm., 14 June 2002).

Coach services

WAGR is the dominant operator in the south-west of the state, with a road coach network that extends from Kalbarri in the north, to Bunbury and Albany in the south and Esperance in the south-east. Other smaller operators in this

⁴⁴ Previously, this service continued on from Karratha to Exmouth, however, this leg of the route ceased in November 2002. Skywest currently provides an unsubsidised service between Karratha and Exmouth.

⁴⁵ Details of airports that have received RADS funding can be found at <http://www.dpi.wa.gov.au/aviation/rads.html>.

area include Goldfields Express and South West Coach Lines. Integrity Coach Lines operates north from Perth with services to Geraldton, Exmouth and Broome. McCafferty's/Greyhound operate interstate services from Adelaide through Kalgoorlie into Perth and from Perth, north through towns like Geraldton, Carnarvon, Port Hedland and Broome, then across to Darwin.

Regulatory environment

Unlike other states, WA has a licensing rather than an accreditation scheme for coach operators. These licensing requirements are specified in the *Transport Coordination Act 1966* (WA). To operate any bus/coach service in WA an operator must hold a licence. Licence applications must specify issues such as proposed routes and/or areas of operation, vehicle types and fares.

In assessing licence applications the Government takes into consideration the:

- necessity of the service;
- adequacy of any existing service(s) in the area and effect on the existing service of the proposed service;
- condition of the roads on which the proposed service will operate;
- character, qualifications and financial stability of the applicant; and
- interests of persons requiring transport to be provided and of the community in general.

(Section 26 of *Transport Co-ordination Act 1966* (WA)).

Assistance arrangements

The main form of assistance provided by the Government is the CSO payments received by WAGR. The WA Government funds as a CSO the difference between the total cost of providing WAGR's Country Passenger services and the fares collected from passengers. CSO revenue for WAGR Country Passenger road coach services in 2000–01 totalled \$5.8 million (WAGR 2001, p. 35). In addition, all other coach operators in Western Australia receive reimbursement from the Government for carrying concession fare passengers (\$413 000 in 2000–01) (Transport WA 2001, p. 53).

In September 2002, the WA Minister for Planning and Infrastructure announced that the WA Government will be spending \$10 million to purchase twenty new road coaches for use on WAGR's country network (Robb 2002, p. 40).

Rail services

The regional passenger rail network in Western Australia consists of a line from Adelaide through Kalgoorlie into Perth, and from Perth into Bunbury. Apart from the privately owned interstate service, the *Indian Pacific*, all regional

passenger rail services in WA are provided by WAGR. It is possible that some competition exists on the line between Kalgoorlie and Perth where WAGR and the interstate *Indian Pacific* both operate. But this would be minimal as WAGR operates services twice daily, while the *Indian Pacific* only operates twice a week and caters more for the interstate leisure traveller.

Regulatory environment

WAGR was established under the *Government Railways Act 1904* (WA) to direct, manage and maintain control of all government-owned railways in WA. The Minister for Planning and Infrastructure is currently the Minister responsible for WAGR⁴⁶.

Until December 2000, WAGR traded under the name of Westrail, providing both passenger and freight services as well as selling access to its network to interstate and tourist rail operators. However, on 18 December 2000, Westrail's freight network was sold to the Australian Railroad Group (ARG)⁴⁷. The sale included granting ARG a 49-year lease over the freight rail network infrastructure (which is also used by the country passenger rail services). Under the agreement, the WA Government remains the ultimate owner of the track, but ARG is responsible for the maintenance of the track infrastructure, the supply of the train control function and the determination of track access fees. The Perth urban rail network is not included in the lease and remains under the control of WAGR.

Rail access in WA is governed by the *Railways (Access) Act 1988* (WA). Under an Amendment to this Act in 2000, the office of the Western Australian Independent Rail Access Regulator was established to administer the state's Rail Access Regime. The Regime is made up of the Act, and subsidiary legislation in the form of the *Railways (Access) Code 2000* (WA). The Regime, which became effective on 1 September 2001, requires the track owner⁴⁸ to negotiate access to its infrastructure and provide a uniform framework for the negotiation of access agreements. The Regime also stipulates that any disputes which may arise between the railway owner and the access seeker, during the process of negotiations, are to be resolved by arbitrators and mediators operating under the *Commercial Arbitration Act 1985* (WA).

⁴⁶ Prior to 12 February 2001 the Minister for Transport was the Minister responsible for WAGR.

⁴⁷ ARG is a consortium comprising Wesfarmers Ltd and Genesee & Wyoming Inc.

⁴⁸ For the purposes of the Access Regime, ARG is deemed to 'own' the track for which it holds a lease a 49-year lease over, even though the WA Government remains the ultimate owner.

Assistance arrangements

The revenue earned from WAGR's Country Passenger Services does not cover the cost of providing the services. This shortfall is funded by the Government as a Community Service Obligation. CSO revenue for Country Passenger rail services totalled \$14.4 million in 2000–01 (WAGR 2001, p. 35).

Summary and specific issues raised

The nature of regional public transport in WA means that there is little competition between the public transport modes. In the more populous south-west of the state all passenger rail services and the majority of coach services are provided by WAGR. Therefore, the bus and rail networks tend to complement rather than compete with each other. There is some degree of competition between air and the land-based modes to destinations such as Esperance, Albany, Geraldton and Kalgoorlie, however, during discussions with stakeholders no concerns were raised that the current institutional arrangements favoured one mode over another.

The large distances involved in travelling in northern WA means that competition between modes is minimal. There are no passenger rail services and the few coach services that do operate cater more for the tourist market than regional passengers. While not all coach passengers in northern WA are tourists, the significant time differences involved between bus and air travel over such long distances mean that the two modes would likely cater for different types of passengers. For example, business and other time-sensitive passengers will almost always choose to use air services where they are available.

While stakeholders raised few concerns about regulatory and assistance arrangements in WA, some sectors of the aviation industry and communities have raised concerns that the current licensing arrangements favour one airline over others. The announcement in July 2002 that only one new licence would be made available to other operators on Skywest's current non-jet network prompted complaints from other airline operators and some regional business leaders. They believe regional communities would benefit from more competition on these routes and would like to see more licences issued (Phillips 2002, p. 58).

CHAPTER 5 OTHER INTERVENTIONS

In conducting the preceding review of government interventions in regional public transport there were a number of areas identified as common issues for most jurisdictions. While some of these have been touched on in earlier chapters, this chapter brings together these issues in order to draw attention to their possible impacts on regional public transport:

- accreditation arrangements;
- concession fares;
- disability standards; and
- impacts of assistance measures.

ACCREDITATION ARRANGEMENTS

All state and territory legislation governing the provision of road-based public transport services contain regulations relating to the authorisation of drivers and the accreditation of operators. These regulations differ across jurisdictions and therefore may impose unnecessary costs on drivers and operators who operate in more than one jurisdiction. Although these regulations apply to all drivers and operators within a jurisdiction, and not just those in regional areas, it is the regional operators that are more likely to operate across borders. There are few, if any, metropolitan public transport providers that operate in more than one jurisdiction. This section of the report therefore examines how the different accreditation regulations across jurisdictions impact on the operation of regional public transport providers that operate in more than one jurisdiction.

Driver authorisation

In each state and territory, drivers of public passenger bus services must comply with strict authorisation requirements. The overarching objective of these requirements is to ensure public safety. The requirements generally include checks of medical fitness and any criminal record of the driver and in most cases minimum criteria relating to training and driving experience. The specifics of driver authorisation requirements differ across jurisdictions and in most cases the authorisation of a driver in one state or territory is not

recognised in other jurisdictions⁴⁹. This can impose additional costs and time burdens on bus drivers (and the operators that employ them) by forcing them to undertake additional checks, tests and training courses (Austroads 2001, p. 5).

Austroads⁵⁰ identified some examples of how the different driver authorisation arrangements can impact on drivers and operators. These examples included operators located near the NSW/Victoria border that provided services in both states and are therefore required to use drivers that are authorised in both states. One operator commented that the requirement to be authorised in both jurisdictions made it difficult to attract drivers to his company. Another operator on the SA/Victoria border commented that to maintain authorisation in both states, drivers were forced to undergo unnecessary medical checks due to the different medical check frequencies in each jurisdiction (Austroads 2001, p. 12).

The National Bus Regulators' Meeting has been established to progress a national mutual recognition strategy. All states and territories, the Commonwealth and New Zealand are represented at the forum.

Operator accreditation

Like driver authorisation, all states and territories have requirements in their respective passenger transport regulations relating to operator accreditation. An operator cannot provide a public transport service unless they are formally accredited to do so within the respective jurisdiction. The stated objectives of each jurisdiction's accreditation scheme differ slightly, but generally accreditation is aimed at ensuring passenger safety, establishing industry standards and improving business management (Austroads 2001, p. 26).

In most states and territories there are different categories of passenger services requiring accreditation. For example, in NSW there are two separate accreditations: 'Regular Passenger Service' and 'Long-Distance, Tourist and Charter Service'. The categories and relevant accreditation requirements differ across jurisdictions, however, there are a number of common elements within each scheme. These include:

- Most accreditation schemes require that an operator is a 'fit and proper' person or that the directors of the company meet the same requirements.

⁴⁹ An exception to this is in the ACT where driver authorities from another jurisdiction are recognised. This acknowledges the close border with NSW and reduces any burden on bus drivers seeking employment in the ACT or surrounding NSW region.

⁵⁰ Austroads is the association of Australian and New Zealand road transport authorities.

- Most jurisdictions require operators to have completed some form of training before they are accredited. In NSW and Victoria, this involves the completion of a university course.
- All jurisdictions contain requirements relating to the vehicles used by operators to carry out their services. Almost all require a vehicle maintenance management system, while Queensland and SA have specific vehicle age limits. NSW also has a specific requirement for monitoring devices on long-distance services.
- All accreditation schemes contain requirements relating to customer service and safety. The requirements differ widely, but are commonly related to matters such as the provision of timetable information, vehicle cleaning, contact information and lost property procedures.
- Most accreditation schemes also stipulate a number of management requirements, including that only authorised drivers are employed and that there is some form of driver monitoring or records. Some also require things such as accident records, complaint procedures and fleet registers.
- Most accreditation schemes make reference to some form of auditing requirements (Austroads 2001. pp. 28-29)⁵¹.

Differences between operator accreditation schemes often relate to information requirements, bus sizes and categories, vehicle standards and practices. Like driver authorisation, it is operators who provide services in more than one jurisdiction that are most disadvantaged by the differences between accreditation requirements across jurisdictions. However, this does not necessarily include all interstate services. Many interstate and express coach operators are exempted from meeting accreditation requirements outside of their home jurisdiction providing they do not operate a complete service (that is, pick-up and set-down passengers) in another jurisdiction.

The Mutual Recognition Act

The Commonwealth *Mutual Recognition Act 1992* was developed for the purpose of promoting the free movement of goods and service providers in a national market in Australia. Section 17 of the Act describes the mutual recognition principle as follows:

1) The mutual recognition principle is that, subject to this part, a person who is registered in the first State for an occupation is, by this Act, entitled after notifying the local registration authority of the second State for the equivalent occupation:

a) to be registered in the second State for the equivalent occupation; and

⁵¹ Full details of operator accreditation requirements in every jurisdiction are contained in the respective state or territory passenger transport legislation, with a summary provided in the Austroads' publication *Mutual Recognition of Bus Drivers and Operators*, 2001.

- b) pending such registration, to carry on the equivalent occupation in the second State.
- 2) However, the mutual recognition principle is subject to the exception that it does not affect the operation of laws that regulate the manner of carrying on an occupation in the second State, so long as those laws:
 - a) apply equally to all persons carrying on or seeking to carry on the occupation under the law of the second State; and
 - b) are not based on the attainment or possession of some qualification or experience relating to fitness to carry on the occupation.

Under the Act, bus driving is considered to be an equivalent occupation and therefore drivers are entitled to have their qualifications recognised in all jurisdictions. However, unresolved differences between different jurisdictions have so far prevented mutual recognition being fully implemented. Bus operators are generally *not* considered to be an equivalent occupation within the meaning of the Act, however that does not preclude the application of Mutual Recognition principles to operator accreditation (Austroads 2001, p. 30). Austroads have recommended that the best option for introducing mutual recognition principles throughout Australia is that operators who meet core standards in their home state should be given recognition of these standards in other jurisdictions.

Differences in accreditation requirements across jurisdictions were raised as an issue in many of the discussions BTRE held with various stakeholders. It was argued that as long as these differences continue, regional operators that provide services in more than one jurisdiction will continue to be disadvantaged by the cost and time burdens involved in meeting the various requirements.

CONCESSION FARES

The issue of concession fares has been raised by some long-distance passenger transport operators as a form of government intervention that can discriminate against providers of long-distance public transport services. Concerns have been expressed to the BTRE that inequities and inconsistencies exist across jurisdictions in reimbursing operators for concession fare passengers. To investigate this issue, this section examines why governments provide concessions, the different types of concessions currently available in Australia and issues associated with the funding of concessions.

An important point to make is that the following discussion of public transport concessions applies only to the land-based modes—rail and coach. There is generally no government funding of concession travel by air and most airlines do not offer discounted fares specifically for concession card holders. However, operators providing services under contract to the Queensland Government must offer seniors and child airfare rates and in WA Skywest also offers

reduced fares for students and seniors. The decision by Skywest to offer these reduced prices is strictly a commercial one and they receive no reimbursement from either the Western Australian or Commonwealth Government.

Concession fares for public transport serve two important functions. Firstly, they increase levels of accessibility and mobility for concession card holders who would not otherwise use public transport because they could not afford to travel at the full fare. Secondly, they effectively increase the disposable income levels of concession holders who would use public transport regardless of the existence of concession fares. For these reasons, governments act to ensure that concession fares on public transport are available to those members of the community who are identified as being disadvantaged.

Concession cards were first introduced to Australia in 1951 with the Pensioner Health Benefit (PHB) Card, which entitled recipients to free pharmaceuticals, free hospital treatment and other health benefits. The states and territories used this to administer their own concession programmes by requesting that a concession identifier, Travel Concession 1, be added to the PHB card, which would allow them to facilitate travel concessions within their jurisdictions. A number of different types of cards and concession arrangements have been used since. This report focuses on the current range of concessions available and describes them below⁵².

Commonwealth concession cards

The Commonwealth Government issues three types of Concession Cards:

- Pensioner Concession Card (PCC)

This card is available to all pensioners. Recipients are entitled to concession fares on Great Southern Railways Ltd (GSR) (this includes *The Ghan*, *Indian Pacific* and *The Overland*). PCC holders are also entitled to a range of public transport concessions on rail and bus services that vary from state to state. These will be discussed later in this section. The Department of Veterans Affairs (DVA) are responsible for issuing their own PCCs, although they receive the same concessions as Department of Family and Community Services (FaCS) PCC holders.
- Commonwealth Seniors Health Card (CSHC)

⁵² The discussion is limited to those benefits relating to land-based public transport. The full range of benefits available from each of these cards and the eligibility requirements for each card can be accessed through Centrelink at: http://www.centrelink.gov.au/internet/internet.nsf/payments/conc_cards.htm.

This card provides holders with access to discounted prescription medicines. It is available to people of aged pension age who are not eligible for a pension but meet the required income test. Like PCC holders, CSHC holders are also entitled to concession rates on GSR, but they are not entitled to public transport concessions administered by the states and territories. However, it is likely that most CSHC holders will also hold a State Seniors Card that entitles them to a range of public transport concessions.

- Health Care Card (HCC)

This card is available to low-income earners and recipients of a range of Commonwealth allowances (such as Newstart). Recipients are entitled to discounted prescription medicines and some public transport concessions. However these vary from state to state.

Table 5.1 illustrates the number of current Commonwealth concession card-holders by state and territory.

TABLE 5.1 COMMONWEALTH CONCESSION CARDS BY STATE—AS AT 12 JULY 2002

	<i>HCC</i>	<i>PCC</i>	<i>CSHC</i>	<i>Total</i>
ACT	17 564	29 804	5 601	52 969
NSW	489 483	1 023 485	102 155	1 615 123
NT	25 175	17 903	753	43 831
QLD	355 734	568 868	48 237	972 839
SA	138 544	284 946	19 227	442 717
TAS	55 381	94 420	5 599	153 400
VIC	427 670	758 939	68 564	1 255 173
WA	173 575	267 281	26 000	466 856
International	-	3	-	3
Unknown	6 583	18 012	2 274	26 869
Total	1 689 709	3 061 661	278 410	5 029 780

Source FACS pers. comm., 23 July 2002.

State and Territory concession cards

The Seniors Card is available to Australians aged 60 years and over who are not working full-time. There are currently around 2.3 million Seniors Card recipients around Australia. These cards are free and are issued by each state and territory government. However, the range of benefits and the eligibility criteria for the cards differ slightly across jurisdictions.

Seniors Card public transport concessions are generally only available within the state or territory of the cardholder. The major exception is the CountryLink network in NSW, where all Seniors Card holders from other states and territories are entitled to a 50 per cent discount.

However, it was announced in the 2002–03 Commonwealth Budget that the Commonwealth would provide \$25.5 million to provide reciprocal travel concessions to enable Seniors Card holders to travel at concession rates on public transport outside their home state (FACS 2002). This funding is dependent on states and territories reaching an agreement with the Commonwealth over the terms of the measure. This agreement is still being negotiated, but it should be noted that the figure of \$25.5 million was based only on trips taken by interstate Seniors Card holders in metropolitan areas.

State/Territory transport concessions

The following is a summary of the concessions available for regional public transport services to Concession Card holders in each state and territory. In addition to those discussed below each jurisdiction typically also provides a range of concessions for primary, secondary and tertiary students. These concessions are not discussed as school travel is outside the scope of this report (as it is predominantly local, shorter-distance travel).

Australian Capital Territory

There are no regional public transport services within the ACT.

- Concession fares are available to PCC holders on some privately run interstate bus services. ACT PCC holders are entitled to concessions on CountryLink services within NSW.
- Concession fares are available to all PCC and HCC holders on ACTION services (the ACT urban bus network). ACT Seniors Card holders are entitled to a concession off peak daily on ACTION services.
- ACT Seniors Card holders are entitled to concession fares to travel by rail from the ACT into NSW.

New South Wales

Concession fares in NSW are provided to a range of veterans, students, trainees, job seekers, NSW Seniors, PCC holders from all states and territories, NSW & Victorian war widow(er)s and vision impaired pass holders. NSW appears to be unusual in recognising and allowing Victorian and ACT pensioners and seniors to access some concession travel in NSW.

- Concession fares are available to PCC holders on most government rail and bus services as well as some privately operated bus services. PCC holders are also entitled to four free single journeys each calendar year on CountryLink services within NSW.
- From 1 September 2002, PCC and NSW Seniors Card holders can purchase a \$2.20 Country Pensioner Excursion ticket which provides heavily

discounted travel on CountryLink services⁵³. The scheme was introduced to provide similar benefits to people in country NSW as enjoyed by those in metropolitan areas with access to the metropolitan Pensioner Excursion Tickets. The ticket provides eligible pensioners and seniors with greatly improved access to regional centres.

- For rail travel, PCC holders are entitled to concession fares on CountryLink services between any station in NSW to Brisbane, Melbourne and Canberra.
- Holders of NSW Seniors Cards are entitled to half-fare travel on all StateRail train and coach services.

Northern Territory

- Under the NT Pensioner Concession Scheme, PCC holders who have lived in the NT for at least two years are entitled to a concession fare to travel to any Australian capital city.
- Certain types of HCC holders are also available on most government transport services and some private services.
- Holders of NT Seniors Cards are also entitled to some travel discounts.

Queensland

- PCC holders in Queensland are entitled to a 50 per cent discount for travel on Queensland Rail's (QR) long-distance rail services as well as four free economy class, or two free first class single journeys within Queensland each calendar year. A 50 per cent concession for bus travel applies only on local services, but some private operators such as McCafferty's do offer their own concession fares.
- There are no regional transport concessions for HCC holders in Queensland, however, Queensland Seniors Card holders are entitled to a 50 per cent discount for any journey on QR's passenger network.

South Australia

- Holders of PCCs and SA Seniors Cards are entitled to a 50 per cent discount for travel on all regional bus services in SA.

⁵³ While the Country Pensioner Excursion scheme has been in place for many years, in September 2002 the scheme was modified to remove a 129 kilometre distance restriction that had previously applied. As a result, the discounts available under the scheme were increased substantially so that pensioners and seniors are now able to travel anywhere within the CountryLink network for \$2.20. However, the scheme does not include travel to or within the CityRail network.

- PCC holders are entitled to one free economy return, or two single passenger rail journeys between two GSR stations in SA on lines south of and including Port Augusta and Broken Hill.

Some categories of HCC holders are also entitled to some concession fares.

Tasmania

- PCC and Tasmanian Seniors Card holders are entitled to concessions on most government public transport services and many privately operated services.
- Certain categories of HCC holders are also entitled to some concession fares.

Victoria

- Concession fares of 50 per cent off are available for regional rail services for people holding a PCC or certain types of HCC.
- PCC holders are also entitled to one free return trip on any V/Line service anywhere in Victoria during the year of PCC issue.
- Some war veterans receive free travel on V/Line services.
- Holders of Victorian Seniors Cards are entitled to concession fares on selected V/Line services.

Western Australia

- PCC and Seniors Card holders are eligible for concession fares on all WAGR rail and road coach country services and are also entitled to two free single journeys or one return journey on WAGR services during the current validity of their card.
- PCC holders in the north of the state who have been living above the 26th parallel for a continuous period of at least two years are entitled to one free trip per calendar year to Perth or anywhere else in the south west which can be reached for an equivalent fare.
- Concession fares for holders of HCCs are limited to within the metropolitan Transperth network.

Funding public transport concessions

There is a generally accepted role for governments to intervene in some way to compensate operators for the revenue foregone from carrying concession fare passengers and thus guarantee the existence of services which would otherwise not be commercially viable. Given the large number of Australians eligible for concession cards, as illustrated in table 5.1, and the likely future increase in

these numbers as Australia's population continues to age, the issue of funding concessions is becoming increasingly important.

Indicative figures conveyed to the BTRE during discussions with coach and rail operators around the country estimated that upwards of 50 per cent of passengers travel at concession fare rates. This equates to significant amounts of revenue forgone for public transport operators compared to what they would receive if all passengers paid full fare prices. However, it should be remembered that without discounted fares many people eligible for concessions would choose to travel less or not at all. This would also seriously impact on operators' revenue. Nonetheless, it is important to analyse how the different levels of government fund public transport concessions.

Commonwealth public transport concession funding

Under an agreement made in 1993 between the Commonwealth and state and territory governments, the Commonwealth Department of Family and Community Services (FACS) compensates the states and territories for extending the concessions available under the Pensioner Concession Card to part-pensioners. This includes concessions for public transport, vehicle registration, utilities and rates. The level of compensation provided to the states is based on the number of PCC's issued. In 2000–01, this compensation totalled approximately \$164 million (FACS 2001). States and territories are free to distribute their share of this funding between the different concessions as they see fit.

The only other Commonwealth funding for concessions is the compensation paid to GSR for carrying passengers at concession fares. This compensation is negotiated through an agreement between FACS and GSR.

State and Territory public transport concession funding

Aside from the Commonwealth arrangement with GSR, concession reimbursements for state and commonwealth concession card holders are made by the respective state and territory governments. They decide which operators to reimburse and how much they should be paid. Reimbursement arrangements differ across jurisdictions, but generally it is only operators that are government-owned or are subject to some form of government regulation that receive concession reimbursement.

Since most regional passenger rail services are currently provided by either government-owned enterprises or by private organisations that are contracted to the government, concession travel on rail is generally reimbursed. Regional bus and coach services are provided by a mixture of government-owned operators, contracted private operators, and non-contracted private operators. Non-contracted operators do not typically receive reimbursement for

concession fares offered, as they are not obliged to offer these concessions. Generally, it is the operators of interstate routes that are not contracted and therefore receive no concession reimbursement. The exception is on some interstate routes in SA and WA where some contracts (or licences) are issued and therefore some concession reimbursement payments are made to interstate operators.

In consultations with the BTRE, interstate coach operators have expressed concerns about what they see as inequities and inconsistencies in the current arrangements for concession reimbursements across the various jurisdictions. In many cases, state-owned rail services and some contracted private coach services directly compete with interstate coach operators on either part of, or along the full length of their routes. Interstate operators argue that it is unfair that some of their competitors receive compensation for offering discounted fares for concession card holders, while any concessions they offer must be self-funded.

McCaffertys/Greyhound, the largest of the interstate operators, offer a 20 per cent discount to concession card holders on all routes. While the company does receive some compensation in SA and WA, the cost of these reduced fares throughout the rest of its network is borne by the company⁵⁴. An examination of patronage data supplied to the BTRE by McCafferty's shows that over 45 per cent of McCafferty's passengers travel at their full concession rate⁵⁵. The issue of concession reimbursement is therefore a major issue for McCafferty's and other interstate coach operators such as Firefly and Premier Motor Service.

Governments in most jurisdictions provide reimbursement for concession fares that contracted (or licensed) operators are obliged to offer. Funding is often also conditional on operators meeting other requirements such as minimum service levels, timetabling and regulated maximum fares. Interstate operators are not obliged to offer concession fares and their operational and commercial decision making is not curtailed by such requirements. If interstate operators were to receive concession reimbursement, governments may also apply other conditions like those mentioned above.

⁵⁴ The BTRE is unaware of whether McCafferty's incorporated the cost of providing concession fares into their tender price when bidding for the recently introduced long-distance passenger service contracts in regional Queensland.

⁵⁵ This excludes discounted fares offered to backpackers. Backpackers make up approximately 10 to 15 per cent of McCafferty's passengers.

DISABILITY STANDARDS

The introduction of the *Disability Standards for Accessible Public Transport* will have wide-ranging effects on the provision of public transport services. The Standards were developed as a consequence of an objective contained in the Commonwealth *Disability Discrimination Act 1992* to eliminate, as much as possible, discrimination against people with a disability in the provision of public transport services and facilities. The Standards, which were developed following extensive consultation with the public transport industry and people with disabilities, came into effect in October 2002 after a full Regulatory Impact Statement process. Under the Standards, public transport is defined as an enterprise that conveys members of the public by land, water or air.

The Standards will make it easier for people with disabilities, older Australians, and parents with infants to access their transport needs. The Standards include requirements such as accessibility (via various boarding devices), ramps, handrails, priority seating and information for groups such as the blind and deaf. The Standards contain specific requirements which operators and providers of public transport must comply with by nominated target dates. After a period of 30 years all public transport must fully comply with the Standards.

While it is beyond the scope of this report to analyse the Standards, and the financial impact they will have on operators of public transport services, there is nonetheless some relevance for this study. Accessible transport requirements will impose additional costs on operators. For example, QR estimates it will cost at least \$60 million to upgrade a number of regional rail stations and regional rollingstock fleet to satisfy DDA requirements.

Some operators argue that the Standards will have a disproportionate impact on providers of long-distance regional public transport. For example, McCafferty's claim that there is an issue about the effect on axle mass limits for regional coach operators. The increase in weight that will result from installing accessible equipment such as ramps and hoists and the steel frames needed to support them is potentially a problem because it may cause coaches to exceed current mass limits. This is particularly an issue for regional and interstate operators that are regularly required to weighbridge their vehicles on the main interstate routes. Under the current heavy vehicle charges system, any extra weight added to the vehicle may result in fines for exceeding axle mass limits. This is less of a problem for urban operators that in their normal course of operation do not have to travel over weighbridges. However, the NSW Government advises that neither coach operators nor coach builders raised this matter at the various national working groups formed to implement the Disability Standards for Accessible Public Transport.

This issue highlights the importance of governments being aware of the different impact the *Disability Standards* may have on regional or interstate

coach operators as opposed to urban bus operators. Current allowable mass limits may need to be re-examined in light of the new standards. While the bus and coach industry has generally accepted its responsibilities under the Commonwealth *Disability Discrimination Act 1992*, they do argue for some form of government assistance in meeting the cost of implementing the new *Disability Standards*. Any assistance provided should consider the impact for both sectors of the industry (urban bus and interstate express coach) to prevent discrimination against regional public transport providers (see for example, the Queensland Accessible Bus Program, discussed in chapter 4, where currently only urban buses are eligible for assistance).

UNINTENDED CONSEQUENCES OF ASSISTANCE MEASURES

Throughout discussions with stakeholders, concerns were raised about perceived unintended consequences of government assistance measures. Some stakeholders argued that government assistance measures did not adequately consider the implications for operators in other modes or other jurisdictions. For example, governments have provided incentives to airlines to encourage them to establish operations in some states and territories. Operators of other modes argue that this type of assistance unfairly advantages them, especially on coastal routes where competition between air, rail and coach is strongest.

Another example raised by operators was the indirect impacts associated with temporary schemes targeted at achieving certain objectives within a particular mode or involving particular operators. For example, in the wake of the grounding of the Ansett Group in 2001, various transitional assistance measures were established to assist the restoration and maintenance of air services to regional communities adversely affected by the loss of services. However, some operators expressed concern that these measures had an adverse impact on operators of competing services.

Some private transport operators have also argued that it is difficult to compete against government-owned operators that are heavily subsidised and/or receive substantial CSO payments. It is important, however, to recognise that in return for receiving these payments, government-owned operators are generally obliged to meet a number of social obligations (such as minimum service levels).

CHAPTER 6 CONCLUSIONS

This report demonstrates that Australian governments intervene in regional public transport to achieve equity and efficiency objectives. A variety of measures are used to achieve these objectives, ranging from direct government ownership and operation to minimal regulation of private operators in an otherwise free market. In most jurisdictions, interventions consist of a mix of regulatory and assistance arrangements. These include both financial measures (such as subsidies and CSOs) and non-financial measures (such as route protection via service contracts or licences).

REGULATORY ENVIRONMENT

Regional air transport is provided by private operators in all states and territories. Throughout the 1990s, these airlines operated in what was essentially a deregulated environment (except for in NSW, WA and limited areas of Queensland which continued with some form of economic regulation after the Commonwealth deregulated domestic aviation in 1990). In more recent times, there has been a tendency to introduce economic regulation in other states. For example, in Queensland, service contracts giving operators exclusive rights to some routes have been introduced and in SA a licensing system was introduced in November 2002. NSW has also expanded its existing licensing system from routes with annual passenger volumes of less than 20 000 to routes with less than 50 000 passengers annually.

Coach transport in regional areas is provided by a combination of government-owned operators (which typically provide rail replacement services), private operators (providing interstate services) and private operators contracted or licensed to governments (which tend to provide intrastate route services). The regulatory approach taken by governments varies between jurisdictions ranging from service contracts in Queensland and NSW, to franchising and contracts in Victoria and licensing in WA and the NT. Tasmania is currently in the process of introducing service contracts on defined core routes. Most jurisdictions also require operators to meet certain accreditation requirements in order to operate coach services.

Passenger rail transport in regional Australia is the area where governments remain most involved. All states and territories (except Victoria) have retained

ownership and operation of intrastate passenger services. Queensland is the only state to continue to operate a vertically integrated system—Queensland Rail (a government-owned corporation) owns and manages the track and provides train services. In other jurisdictions, track ownership has been separated from train operations with different organisations running each enterprise. In Victoria, the Government continues to own the rail track but has privatised rail operations through a franchise system (although, National Express withdrew from the V/Line Passenger franchise in December 2002). The Federal Government owns most of the interstate standard gauge network through the Australian Rail Track Corporation. This is the major form of Commonwealth involvement in passenger rail in Australia.

Most jurisdictions' regional public transport systems are intrastate focused. Historically, Australian Governments have intervened through a variety of measures. As a result of microeconomic reform in the 1980s, many governments reduced their involvement in the public transport sector, including regional public transport services. In recent years, a number of governments have chosen to increase their role in public transport, particularly in regional areas of Australia, in recognition of the importance of access to public transport services for people living in these areas.

ASSISTANCE ARRANGEMENTS

In 2000–01, Commonwealth and state and territory governments spent at least \$280 million to assist long-distance regional public transport services⁵⁶. Rail received 82 per cent of this, aviation 7 per cent, ferry 6 per cent and coach 4 per cent. This figure is considered to be an underestimate as it was not possible to obtain comprehensive information for every transport mode in every jurisdiction. This assistance consists of Community Service Obligations payments and concession reimbursements (63 per cent), direct subsidies to contracted operators (24 per cent), funding of specific schemes and programmes (12 per cent) and various other forms of assistance (1 per cent).

Government assistance to regional public transport services has taken a variety of forms over the years. Government-owned enterprises (Countrylink, QR and WAGR) receive CSO payments in return for providing a level of service that may not otherwise be provided commercially. Some private operators receive subsidies (either directly or indirectly through a tender process) in return for providing services in regional areas. Examples include some coach operators in regional Queensland and some airlines in Western Australia and Queensland.

⁵⁶ At the time of writing (mid-late 2002), the financial year 2000–01 was the most recent year for which data was available for all jurisdictions.

There are various other forms of assistance measures provided by governments that are targeted toward achieving certain objectives. These include schemes, programmes, payments and business incentives administered by transport and non-transport agencies. Examples include the Commonwealth's RASS scheme, WA's Regional Airports Development Scheme, NSW's Country Passenger Transport Infrastructure Grants Scheme and Queensland's Investment Incentives Scheme.

All governments provide some funding for the reimbursement of concession fares on certain regional public transport services in order to increase levels of accessibility and mobility for concession card holders. Reimbursement arrangements differ across jurisdictions, but generally it is only operators that are government-owned or are subject to some form of government regulation that are obliged to carry concession beneficiaries and therefore receive concession reimbursement.

KEY ISSUES RAISED

In undertaking this examination of government intervention in regional public transport there were no fundamental issues raised by stakeholders. In other words, there were no systemic problems identified as potential impediments to the supply of long-distance regional transport services. However, there were a number of concerns expressed by operators. Some of these concerns are broad in nature, relating to several modes and jurisdictions, while others were mode-specific in particular jurisdictions.

The regional public transport task encompasses all modes and many operators provide services in more than one jurisdiction. Therefore, no mode or jurisdiction operates in isolation. This has important implications. Firstly, government interventions in one mode can have an impact on another mode, and secondly, government interventions in one jurisdiction can have an impact on services in another jurisdiction. Each state and territory government has an important role in ensuring the continuation of regional public transport within their boundaries. However, the interdependent nature of the regional public transport task along with the network nature of the business suggests that there are also some issues that would be best addressed by relevant jurisdictions working together.

In many cases, a number of operators (within and/or between modes) are directly competing on the same routes. The underlying concern of operators, regarding government interventions, is with those measures that are seen as favouring one mode or one operator over another. Government interventions that are targeted specifically towards one mode or operator may not adequately consider the wider implications for competing operators. Two examples cited by operators are:

- Inconsistent reimbursement of concession fares across modes and jurisdictions is seen as a particular hindrance to interstate coach operators that generally do not receive this form of assistance. These operators provide services in many regional areas and often compete with government-owned rail operators and contracted private coach operators that receive reimbursement. However, interstate operators are not obliged to offer concession fares and government reimbursements are generally conditional on operators meeting other requirements such as minimum service levels, timetabling and regulated maximum fares.
- Certain government assistance measures are argued to have had indirect consequences on some operators. For example, incentives to particular operators (typically airlines) to encourage them to establish operations in some states and territories have been suggested as providing an unfair advantage over operators in other modes. Other assistance measures, particularly those schemes and programmes that are mode-specific, may have a similar impact.

Most regulations and assistance schemes put in place by state and territory governments are aimed at achieving outcomes within a specific mode or for the benefit of particular regional communities. In addition to the broad concerns mentioned above there are also a number of mode-specific issues in some jurisdictions that were mentioned as potential impediments to the supply of regional public transport services. Some examples of these issues are described below:

- Interstate coach operators have expressed concerns regarding pick-up and set-down restrictions that apply in Victoria and South Australia. Operators argue that access to regional transport services could be improved if these pick-up and set-down restrictions were removed or modified. However, by protecting contracted operators, these restrictions guarantee a certain level of service in regional areas.
- The granting of exclusive rights to operate on certain routes or use specific infrastructure has been identified by some stakeholders in WA and SA as preventing communities from enjoying the benefits of competition. In WA, concerns have been raised about the current licensing arrangements for regional aviation, where Skywest has an effective monopoly on all but one of the non-jet routes. In SA, similar concerns have been expressed regarding the access arrangements for the Cape Jervis port. This port is the main point of departure for ferries servicing Kangaroo Island.
- The regulation in Queensland limiting the age of coaches operating on routes greater than 350 kilometres to no more than fifteen years was also identified by operators as an example of a government intervention that imposes an unnecessary cost burden for long-distance regional coach operators.

These key issues raised by stakeholders are described in order to highlight potential impediments to the provision of regional public transport. In considering whether and how to address these issues, it is important to recognise that policy responses may not be straightforward. Given that the market for regional public transport consists of several modes, there is a high risk of unintended consequences for the patronage and viability of other services when governments intervene in the market.

POLICY IMPLICATIONS

BTRE (2003) demonstrated the significant size of the regional public transport task. In 2000–01, non-urban travel by air, coach, rail and ferry totalled 48 billion passenger kilometres and over the last three years an average of 264 million regional passenger trips per annum were made using regional public transport services. This reflects the important role that regional public transport plays in meeting the needs of Australians in regional areas for access to essential services and for mobility.

Recognising the importance of these services, this report has focused on issues surrounding government intervention and its impact on the provision of regional public transport. Commonwealth and state and territory assistance to support regional public transport has been predominantly for rail (82 per cent of the \$280 million), followed by aviation (7 per cent), ferry (6 per cent) and coach (4 per cent). There are also a number of underlying longer-term factors affecting regional public transport that are typically beyond the influence of governments. For example, changes in demand as a result of long-term demographic and economic trends (such as, population shifts out of regional areas and an ageing population) and increasing input cost pressures (such as fuel, insurance and currency values).

This review of government interventions affecting regional public transport has provided a more comprehensive and factual basis for informed decision-making on regional public transport. In considering policy implications for governments this report has identified a number of issues for policymakers. The marginal economic nature of many regional public transport services and the importance of government involvement in ensuring viability of services in many areas were common issues raised across Australia. In other words experience shows that some form of government intervention in regional public transport appears necessary to meet government policy objectives and community expectations of a reasonable level of access to public transport.

In considering the best approach to intervention, governments endeavour to balance a variety of economic objectives (such as efficiency, competitiveness and sustainability) and social objectives (such as equity, accessibility and safety). Governments attempt to achieve these goals using a mix of regulatory and non-regulatory measures. The policy issue for governments is deciding the

best mix of regulatory and market outcomes to achieve these objectives. In recognition of the marginal nature of many regional public transport services, some state governments have recently increased their role in regional public transport (particularly through economic regulation). Other governments have maintained a primarily deregulated approach.

A broader policy issue for governments is the implications for funding of regional public transport resulting from current demographic trends. Australia's aging population will likely require a significantly increased level of government funding for public transport, particularly in regional areas. Older Australians tend to rely more heavily on public transport with 22 per cent of trips taken by people aged over 65 years being on public transport (BTRE 2003). Regional and remote areas also tend to have above average proportions of older people (particularly in coastal areas). These factors suggest an increasing number of older people using regional public transport services in the future. This in turn implies more older people in regional areas will be relying on public transport services and therefore the costs to governments (in terms of funding concession fare reimbursements) are likely to increase.

The implications described above suggest that the provision of public transport services in regional areas should be considered as part of a broader policy framework aimed at ensuring essential services (such as health, telecommunications and finance) are available to people living in regional areas. When governments intervene in regional public transport it is therefore important that a whole-of-government approach is adopted, and that all three levels of government are working together in pursuit of agreed objectives. This review of government intervention also identified a number of other possible principles governments could use to guide their approach. These are listed briefly below.

- In general, governments should take into account any possible broader impacts of intervention measures. The interests of operators both in other modes and other jurisdictions (and the communities they serve) should also be considered. In other words, potential impacts on the provision of services in other modes or jurisdictions should be evaluated and considered in designing any intervention.
- The focus of government intervention should be on achieving community-targeted outcomes that ensure people living in regional areas have access to adequate services. These should be developed in cooperation with communities and consider the travel preferences of communities (for example, the timing of services and preferred route location).
- Governments should understand industry operating conditions well enough to be able to anticipate and respond to market failure.
- Intervention should be tailored to suit the circumstances. This report has shown that there are substantial differences in the regional public transport

task across jurisdictions (due especially to demographic factors). As a result, interventions applied in one jurisdiction may not be suitable in another.

This report has demonstrated that governments intervene in regional public transport to achieve economic and social objectives. BTRE (2003) found that almost all Australians (over 99 per cent) living outside the metropolitan areas in urban centres and localities of 200 persons or more⁵⁷ are within a notional reasonable access⁵⁸ distance of a long-distance air, coach or rail service. This finding is in line with the results of discussions with stakeholders, which did not reveal any systemic problems regarding government intervention in regional public transport. However, stakeholders did express some concerns about mode-specific interventions in particular jurisdictions possibly impeding the supply of long-distance regional transport services.

Government intervention in regional public transport can achieve important equity and accessibility outcomes for regional Australians. However, these interventions are not a complete solution for achieving these objectives. Intervention cannot always guarantee services levels and can have other implications (such as distorting market outcomes). Recognising these issues, this report has identified some possible principles governments could use to guide future intervention.

⁵⁷ Approximately 2.1 million persons, or 11.5 per cent of the population, lived in areas of less than 200 persons and thus were beyond the scope of the analysis.

⁵⁸ 'Reasonable access' is defined as within a road distance of up to 120 kilometres of an airport providing an average of three return services per week and within 16 kilometres of a passenger rail station or coach stop. This measure provides an assessment of the geographic coverage of existing regional public transport services.

APPENDIX I ORGANISATIONS CONSULTED

The following organisations and individuals provided information during the course of this study.

Commonwealth agencies

Department of Transport and Regional Services

Department of Family and Community Services

State and Territory transport agencies

Transport NSW

Victorian Department of Infrastructure

Victorian Department of Innovation, Industry and Regional Development

Queensland Transport

Passenger Transport Board (South Australia)

Transport South Australia

Western Australian Department for Planning and Infrastructure

Tasmanian Department of Infrastructure, Energy and Resources

Northern Territory Department of Infrastructure, Planning and Environment

ACT Department of Urban Services

Industry Associations

Regional Aviation Association of Australia

Bus Industry Confederation

Bus and Coach Association NSW

Bus Association Victoria

Queensland Bus Industry Council

Transport operators

Qantas (Qantaslink)

Airlines of South Australia

Skywest

Emu Airways

Queensland Rail

McCafferty's

Firefly Express

Premier Stateliner

Integrity Coachlines

Dyson's Bus Services

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ABBREVIATIONS

ABP	Accessible Bus Programme (Queensland)
ACT	Australian Capital Territory
ACTBIS	Australian Capital Territory Business Incentive Scheme
AN	Australian National
ANL	Australian National Line
ARG	Australian Railroad Group
ARTC	Australian Rail Track Corporation
ATC	Australian Transport Council
ATO	Australian Taxation Office
ATSIC	Aboriginal and Torres Strait Islander Commission
BSPVES	Bass Strait Passenger Vehicle Equalisation Scheme
BTCE	Bureau of Transport and Communication Economics
BTE	Bureau of Transport Economics
BTRE	Bureau of Transport and Regional Economics
CASA	Civil Aviation Safety Authority
CPN	Community Passenger Network (South Australia)
CSHC	Commonwealth Seniors Health Card
CSO	Community Service Obligation
DAFGS	Diesel and Alternative Fuel Grants Scheme
DIER	Department of Infrastructure, Energy and Resources (Tasmania)
DIPE	Department of Infrastructure Planning and Environment (Northern Territory)
DOI	Department of Infrastructure (Victoria)
DOTARS	Department of Transport and Regional Services
DPI	Department of Planning and Infrastructure (Western Australia)
DTUP	Department of Transport and Urban Planning (South Australia)

DVA	Department of Veterans' Affairs
FACS	Department of Family and Community Services
GBE	Government Business Enterprise
GSR	Great Southern Railways
GVM	Gross Vehicle Mass
HCC	Health Care Card
HRSCTRS	House of Representatives Standing Committee on Transport and Regional Services
IIRD	Department of Infrastructure, Industry and Regional Development
IPART	Independent Pricing and Regulatory Tribunal (New South Wales)
KSA	Kingsford Smith Airport
MLA	Member of Legislative Assembly
MSL	Minimum Service Level
NCP	National Competition Policy
NPV	Net Present Value
NR	National Railways
NRTC	National Road Transport Commission
NSW	New South Wales
NSW BCA	Bus and Coach Association of New South Wales
NT	Northern Territory
NXG	National Express Group
ODPT	Office of the Director of Public Transport (Victoria)
OPR	Operational Performance Regime (Victoria)
PCC	Pensioner Concession Card
PHB	Pensioner Health Benefit
PMS	Premier Motor Service
PTA	Public Transport Association (New South Wales)
PTB	Passenger Transport Board (South Australia)
QIIS	Queensland Investment Incentive Scheme
QR	Queensland Railways
QT	Queensland Transport
RADS	Regional Airports Development Scheme
RASS	Remote Air Service Subsidy Scheme
RIC	Rail Infrastructure Corporation (New South Wales)
RPT	Regular Public Transport
RRRS	Rapid Route Recovery Scheme

ABBREVIATIONS

SA	South Australia
SCNPMGTE	Standing Committee on National Performance Monitoring of Government Trading Enterprises
SCOT	Standing Committee on Transport
StateRail	State Rail Authority (New South Wales)
TCC	Transport Coordination Committee
WA	Western Australia
WAGR	Western Australian Government Railways Commission
WCR	West Coast Railways