

# TRANSCRIPT

## LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE

### **Inquiry into Expanding Melbourne's Free Tram Zone**

Melbourne—Tuesday, 9 June 2020

#### **MEMBERS**

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**WITNESS**

Mr Peter Don, Rail Futures Institute (*via videoconference*).

**The CHAIR:** All evidence taken at this hearing is protected by parliamentary privilege as provided by the *Constitution Act 1975* and further subject to the provisions of the Legislative Council standing orders. Therefore the information you provide during the hearing is protected by law; however, any comment repeated outside the hearing may not be protected. Any deliberately false evidence or misleading of the committee may be considered a contempt of Parliament. All evidence is being recorded. You will be provided with a proof version of the transcript following the hearing. Transcripts will ultimately be made public and posted on the committee's website.

Before you start, can you please state your name and allow us some time to ask you questions? Thank you very much, and welcome.

**Mr DON:** My name is Peter Don. Thank you to the Chair and to the committee for providing us with this opportunity to present to this inquiry. I present on behalf of the Rail Futures Institute. I am a member of the Rail Futures committee.

Rail Futures is an independent non-partisan group formed to advocate cost-effective rail solutions for public transport and freight based on sound commercial, economic and social reasoning. The Rail Futures Institute consists of some very experienced railway professionals, engineers, economists and planners, and while we focus predominantly on the rail modes of train and tram we do see these modes as part of a complete transport mix, including obviously buses, cars and active transport—walking and cycling. I might add that many of us within Rail Futures and the Rail Futures committee have had very extensive experience in public transport pricing, fare collection and the whole issues of the cost benefit in terms of providing the rail services.

When looking at the terms of reference for this inquiry we have submitted a detailed written response. What I might do is perhaps just summarise and go quickly through some of the key issues and the key recommendations. If you look at the first three items in the terms of reference, these relate predominantly to extending free travel—extending the free travel zone in the city or extending free travel to other groups in the community. We are opposed to the extension of free travel benefits. Indeed, we would say in connection with the free tram zone not only are we against extending it but we would also question the need to perhaps continue with the existing free tram zone, particularly in view of the post-coronavirus era. We also oppose introducing free travel extensions to all full-time students and other Seniors Card holders.

If I could go just quickly through some of the reasons for our opposition. Firstly, we do not believe that the net economic benefits of extending free travel are actually compensated by the benefits that would accrue from it. In fact we see that this revenue loss would result in increased capital expenditure and operating costs for the authorities—for the operators.

Secondly, we see the negative impacts on service levels. It will cause additional and unnecessary overcrowding on the vehicles and at tram stops and lead to a reduction in tram speeds and tram throughput in the city, in that central business district, in peak periods. Extensive free travel would not assist in peak spreading, which is a critical issue for public transport. It is critical both in terms of interests of operations and also the comfort levels of passengers. On many CBD routes, on Bourke Street and Collins Street, there is almost no capacity to increase the throughput of trams, unless we increase tram sizes and provide a whole lot more tram priority measures.

The third reason for our opposition is it will lead to a misallocation of funds and resources in the transport sector. At a time when transport resources are desperately needed to improve both the capacity and service levels, we will find that funding or limited funding that is available for transport in the economy would have to be diverted from what is desperately needed in capital spending and operating expenditure into increased subsidies.

Another point that we have got against—opposing—the extension is in fact it does lead to an inequitable distribution of the costs and benefits geographically across the travel markets and even socio-economic groups. I should say at this point, you need to be clear, people who might benefit from an extension of the fare zone are

not existing travellers. Because we have got a zone fare system, existing travellers already have the advantage of, you might say, not having to pay additional costs for travelling in the city because it is already covered by the zone system. That applies also to regional and country travellers coming into the city, where regional fares, whether it is a myki or a paper ticket for some of the longer distance journeys, also give them the benefit of free travel on the trams in inner city zones or in fact in zone 1 in the city. So they do not benefit. Existing travellers, existing regional travellers, where they have already got their tickets, will not benefit from extending the free zone.

So the main beneficiaries in fact would be city residents and car drivers, who actually drive to the perimeter of the free zone at the moment and then get a free ticket and have free travel. Obviously if the perimeter of the free fare zone is extended out as far as Prahran, East Melbourne and up to Carlton, as proposed, with that perimeter they can transfer from their car to free travel it is extended and that would attract more. So in effect all taxpayers are in fact subsidising city residents and people who just want to drive their car to the perimeter of the tram zone and get free travel. That raises a whole lot of other questions too. Why should the city travellers and the city residents get free travel when other areas in Melbourne do not get that benefit? In fact in the city and the inner area you might say there is a rich supply of public transport, although in some of the more remote areas in the outer suburbs you are lucky to get a bus every half an hour or an hour and perhaps not even a bus service late at night. So we think it is inequitable in terms of where transport subsidy in transport funding is done.

There are some other issues. Inevitably whilst tram travel is free in the city, in the current zone or the extended zone, it does detract people from walking a block or two—‘Let’s jump on a tram rather than walk the block or two’. If that was only a health and a fitness issue, it would not be that important, but the reality is that it is these people are actually crowding out tram travellers who are travelling a longer distance, coming in from the middle and outer suburbs. This is particularly undesirable for people going out from the city and want to go out to the middle areas that are served by the trams. The trams are already extremely crowded because of people just making the very short one or two blocks of travel within the city. I think something like 44 per cent of the travel on the trams is made by people only travelling in that city area, and that would increase to about 50 per cent if the tram zone were extended out.

In terms of the other proposals at this stage being addressed by the inquiry around extending the free travel concession to other groups, I must say that I actually think that an enormous amount of concessions and free travel and discounted travel is currently available. In fact I think about 70 per cent of the people travelling on public transport are actually already on some sort of discount or free fares, and that applies to a whole range because of disability, age, students and so on—already getting quite significant discounts. Seniors obviously get discounts. They can travel free at weekends. City travellers can get four return V/Line tickets a year and then they can apply and get the four return free metropolitan tickets, so there is a lot of scope for free travel and discounted travel even at the moment.

Many of these discounts, you would have to question whether they are really well targeted. At the moment they apply across the board to the various groups. Both rich and poor get the discount, and you wonder whether it is appropriate to direct the funds in that way. That also applies to areas which are well served by public transport and not well served by public transport. In many cases some of the more affluent areas of Melbourne where you can travel, getting the discounts, are well served by the trams and trains.

Another point we would like to make is that the current planning in Melbourne under *Plan Melbourne* is actually trying to encourage high densification in the middle suburbs because it is part of the total metropolitan planning, and at the moment much of that area is served by the trams. The trams in many cases are already having trouble coping with the demand. They desperately need more investment both in vehicles and infrastructure and priority measures and so on, particularly higher capacity vehicles. If these people are going to be crowded out by free travel within the city itself, it is going to make it even less attractive for people in those medium areas where we want the higher densification to be attracted to tram travel.

Perhaps a more final point at this stage, even more recently in terms of free travel issues, is that our opposition to extending free travel is even strengthened by the COVID pandemic. If we look into the future beyond the pandemic era, when we return to a degree of normality, it will not be a normality that is exactly business as usual as it was in the past. Issues such as the hygiene issue, which is obviously very significant at the moment, will be longer term considerations as well. Issues such as overcrowding on public transport, whether it is on

vehicles or stations or other access points, will be taken much more into account either through regulations or planning or even just public perceptions. Exactly how government and regulators and things are going to cope with these things of course nobody knows, but one thing everybody knows is there will be an intense desire to reduce unnecessary overcrowding. We believe some of that unnecessary overcrowding is in fact due to the free travel.

The other thing about the post-pandemic era is that there has been a huge increase in the awareness of how you could substitute face-to-face contact with digital communication, whether that is working from home, shopping online, remote schooling, even Zoom sessions for social meetings. Now people are social creatures and there will be a desire to continue with some sort of face-to-face meeting, but there will be a recognition that people will have a much greater choice on whether they interact digitally or they interact on a face-to-face basis. You can already see things, like people in the long term with a four-day working week or three days going into the office and a couple of days at home and so on.

Now, what this means is—this is for public transport—people have got much more choice about how and when and where and why they travel, but for public transport to be attractive a lot more attention has got to be given to making it attractive for its whole customer experience, and crowding and overcrowding is obviously a discouraging aspect of it. There are enormous challenges for public transport to be attractive again. There are enormous, very good reasons why we want public transport to be attractive and not be so dependent on car travel, but we need to be taking a lot more into account, be it the vehicle design and the whole customer service experience.

If I can now just turn to the other two issues that have been in the terms of reference. I can point to the terms of reference. It relates to the new technologies that enable intelligent transport systems to improve the performance of the networks. Now, in this new digital era where new technologies come along almost daily, there are opportunities for public transport to embrace these technologies in terms of both the delivery and performance and the passenger satisfaction. Almost every aspect of public transport can be improved by the adoption of intelligent transport systems. They are very common overseas. Obviously we have got some application, but if we apply a heck of a lot more to the public transport network—

**The CHAIR:** Peter, thanks. Allow us some time to ask questions, and if there is something we need to cover in the end, we are happy to.

**Mr DON:** Okay. Enormous opportunities just in a number of those. Then the final item relates to the effects and benefits of dynamic pricing. Yes, in an ideal world if we could match the demand by the supply at any time to optimise the use of our network, that would be highly desirable. In reality there is very little application in Melbourne, but there is a lot more possibility in applying off-peak fares and using some degree of dynamic tools to impact—and peak spreading to match supply and demand. In our paper we have listed a number of things.

**The CHAIR:** All right, Peter. Thank you. We will go for questions if you are ready. I will ask Mark Gepp to ask the first question, please.

**Mr GEPP:** Thank you, Mr Don, for your submission here today. Before I ask my question, look, one point that I think I would make in relation to one comment from your submission, I think when you talked about there being an overabundance of public transport in the CBD area compared to other parts of suburban Melbourne: I would just say that I do not think that that is particularly unusual in a hub-and-spoke model. When you go all around the world most major capital cities have all of their public transport starting from that centre and moving out. So I am not sure that that is particularly unique to Melbourne.

I was interested in your views around concession fares, and I am not quite clear about what you are proposing there on behalf of the Rail Futures Institute, whether you are advocating for a retention of the concession fares for students and seniors or you are proposing some other model. I would not mind very quickly teasing out some aspects of this dynamic pricing that you have referred to.

**Mr DON:** Okay, thank you. I mentioned those points. Yes, many cities do have a central hub, and obviously that is where a lot of the transport is focused, but in Melbourne because of the dispersal of origins and destinations of journeys a high proportion of the journeys are not from the central area at the moment. In fact a lot of the cross-town trips in Melbourne are not catered for well by public transport at all. People have to

commute into the city and then go out again, and invariably they do not do that; they drive their car across town. If we really want to get a diversion to public transport from private motoring, public transport needs to be a lot more attractive for non-CBD or inter-suburban travel. In fact things like the government's suburban rail loop—that is a step in the right direction.

But Rail Futures goes further. In our metropolitan plans that we completed last year we have proposed a whole lot of other routes, not necessarily heavy rail but providing those cross-town journeys. What we are saying is that if all the benefits are in the CBD in terms of both service levels of public transport and fares as well, that is inequitable and we need to be spending more on public transport for cross-town journeys and those that do not all lead to the city.

On the second issue, about fares, Rail Futures is socially conscious. We are not saying that concession fares and free travel is not necessarily a bad thing, but what we are saying is that a lot of the concession and free travel that is provided is not necessarily targeted to meet the social and other objectives of the government. In fact the whole fare structure in Melbourne—it is very questionable whether it is consistent, you might say, with other objectives. It is not for us to say what the social objectives should be, but it is pretty much a blunt tool in many cases to try and help people who are perhaps on welfare or whatever. We would urge a real review of the whole concession fare and free fares with conditions. We are certainly not against them, but we just think it is a blunt tool at the moment being used and not necessarily achieving the desired result.

And the last one, in terms of intelligent transport systems, yes, I mean the technology these days is incredible in terms of being able to monitor exactly things like traffic flows or patronage on individual trains or on individual trams. The Myki system—in fact there is a wealth of information on just what is happening at any time, whether it is by the day or time of day, a particular route or stop or whatever. A huge amount of data is available, and that can be used a lot more effectively to make sure that there is a balance in terms of supply and demand. We do not use enough of that in Melbourne. There are very little even basic things like peak, non-peak fares. We do not have that on our metropolitan system. We are probably one of the few places in the world like that. Sydney has it. V/Line has peak, non-peak fares. In the metropolitan area we used to have it, but we do not have it now. Even without going for the complete sophistication of instantaneously changing the supply conditions, we can do some even basic ones in terms of shifting and peak spreading and effectively monitoring flows at stations and among vehicles and things. We do not have to reinvent the wheel.

**Mrs McARTHUR:** Thank you, Mr Don, for your presentation. As public policy decision-makers we have a duty to ensure the most effective and efficient use of scarce taxpayer resources, and clearly they are even scarcer now after a pandemic than they were before. So would you agree that it is the role of government to provide the infrastructure which the pricing system cannot provide and the private sector in particular cannot provide but it is up to individuals to decide how they use those resources and that it is better for that decision to be determined by the individuals by way of price and user pays?

**Mr DON:** The benefits of the public transport system are several in terms of obviously the users benefit, the road users benefit if it is a diversified transport. There are benefits in terms of urban design, enhancing the environment and social reasons. So I think it is getting the balance between how much does the user pay in terms of fare revenue and how much will be contributed by the taxpayers or even the developers, if they benefit by having public transport in terms of their urban development and so on. Getting that balance is a very complex issue and, obviously, one for governments to decide.

I think one of the deficiencies at the moment is that the public are not very well informed about the amounts of usage and patronage and the costs and the benefits and things of public transport. Over the years in fact there has been a decrease in the availability of basic data to the community and advocacy groups like ourselves. In fact in preparing our submission we had been looking for some of this data, which was traditionally readily available, but it is just not public anymore and not very accessible. I think, then, if the community becomes more aware and understands the whole complexity of issues, whether it is infrastructure or operating costs and so on, you would have a better informed community and better information for the decision-makers too.

**Mrs McARTHUR:** This seems to be a common theme. This was mentioned by the previous speaker, and it would seem to me a very pertinent point that this committee should take up—that we get the data and we are able to properly analyse the cost-benefit analysis of all these projects.

**Mr DON:** I could not agree more. I think over the years what is happening is—perhaps it is for a number of reasons—often it is claimed to be commercial in confidence, or maybe there is just a lack of desire from the people to inform the public of what is happening. But yes, I could not agree more. There needs to be much more exposure of the costs and benefits, patronage and usage and all that to make it a much better informed debate than at present.

**Mr ERDOGAN:** Mr Don, I just wanted to ask you—you mentioned dynamic pricing. How would you see that operating on the network? Would that mean that people would pay more to go to work and back during peak hour? Is that what you are suggesting?

**Mr DON:** The whole concept of dynamic pricing is that you can get a closer relationship between cost of supply and demand at a particular time. A completely dynamic situation is probably impossible for the public transport system, but for the road system, obviously, it is things like area pricing and so on, which I think the government has ruled out at the moment in terms of congestion charging and so on. But for public transport there is a degree of flexibility that could be had in terms of peak and off-peak travel—that is one of the main ones. And you could go on in the sense of informing people in terms of what loadings are expected on particular trains. Sydney is experimenting with that at the moment, giving indications of what the expectations are of what particular loads will be on trains at a particular time or at a particular station, so people can actually make judgements in terms of where and when to travel.

**Mr ERDOGAN:** The reason why I ask that question is that I can see the public getting quite upset if they were charged more to travel to work and back, because that is probably part of our goal of promoting public transport. But can you imagine the backlash if people were charged more during the start and finish times of footy games in the city?

**Mr DON:** Yes. Go from a policy in terms of, ‘Are you going to do that?’. But in terms of peak spreading, a lot of people do have options in terms of whether they go to work at 8 o’clock or whether they go to work at 10 o’clock, particularly in the post-virus era. And I think flexibility in the fare structures which reflects the cost of providing those services, particularly if it means shifting that load. One of the great problems of public transport is this peakiness of demand and therefore the infrastructure that is required and the vehicles that are required, both at very limited times of the day, maybe an hour or two. And for most of the rest of the day, that is just surplus to needs. I think putting a surcharge on going to the MCG on a Saturday afternoon and even Sunday and Saturday night would not be acceptable, but there are certainly other scopes.

**The CHAIR:** Thank you. Rod, last question.

**Mr BARTON:** Thanks, Peter, for coming in. I have just got a couple of things to say. What we are talking about in this inquiry is whether we should increase the tram zone by one or two stops to take in Melbourne’s destinations like the MCG and Rod Laver Arena, go down to our hospitals. I am not sure. I think the debate has sort of been hijacked a little bit through the media in terms of—the crowding is an operational issue. What we are talking about is the principle of what we want to do. One of the things when we talk about cost benefit is that it is something that is very difficult to measure. Prior to COVID Victoria was probably one of the leading states, if not the leading state, for conferences in Australia. So tens of thousands of people come to Victoria. They pop into Melbourne. They come in via cab or a rideshare vehicle into the city, then they use the free trams to get around. But they fall short of some of the major destinations. There is certainly some work done down in the arts precinct where they believe that they would have a significant increase in people visiting the centre if we could get that extra stop down St Kilda Road. I want to go bit further than that.

And the other thing I just want to touch on is about student pricing. I have certainly spoken to young students out in the western suburbs where they make a decision: do they pay for a fare or do they buy lunch? So these are the questions that the government have to ask themselves. Sorry, Chair—I snuck three in there. I will go with that. I will shut up now.

**Mr DON:** I will make a couple of comments. On things like extending the zone so that it takes in big sporting arenas and things like that, with the fares at the moment it is possible for government to make a decision to provide free travel to the Australian Open tennis or down to the grand prix and to advertise that for that particular event—‘Yes, it is free travel’—not so much the revenue side of things but just for practicality reasons. Extending it so it takes in other attractions on the perimeter of the city, you really have to question

whether making it attractive in the city itself for overseas visitors to be able to use—well, the reality is we believe overseas visitors expect to be paying their fare. I mean, sure, you have got to make the system easy for them to use, but there is no expectation. I mean, if we travel to London, we do not expect to be able to travel on the London tube free. And so I think international visitors or businesspeople or whatever, there is an expectation, and I do not think we would say that Melbourne taxpayers would necessarily subsidise those people by providing them with free travel.

In terms of extending it to students: there are a lot of concessions and things available for students. Extending student fares even further and perhaps making it free obviously is attractive to the students but if it is across the board, then it is a sledgehammer to crack specific nuts. I think if the government wants to give assistance to students more or any other group that is struggling, it would be far better to focus directly on ways in which they could compensate or subsidise the students rather than having things across the board.

Then there is the coverage point of view if we say attractions in the city are even more attractive now, then why should they get benefits over, say, other attractions in the metropolitan area? Same with students—why should it be easier and free to get to Melbourne University than all the other tertiary institutions, the Monashes and La Trobes and the TAFE colleges and that sort of thing?

**Mr BARTON:** Certainly part of this inquiry is to look at free transport for all students across the state, whether that is feasible.

**Mr DON:** Yes, well, as I said, we are concerned that—we are certainly not against concessions and those sort of subsidies but I think if there is another objective, it should not be necessarily the onus on the public transport if it is making it too expensive for other travellers or taxpayers. Much more focused attention on what are the specific issues rather than having across-the-board free fares for all students or free fares for all people in a category.

**Mr BARTON:** Sorry, Chair, are we running—

**The CHAIR:** Have you got a quick one, because we are running out of time?

**Mr BARTON:** No, I will let it go.

**The CHAIR:** All right. Mr Don, on behalf of the committee, I would like to thank you for your contribution and your time.

**Mr DON:** Thank you.

**Witness withdrew.**