

TRANSCRIPT

LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE

Inquiry into Expanding Melbourne's Free Tram Zone

Melbourne—Tuesday, 30 June 2020

(via videoconference)

MEMBERS

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Ms Melina Bath

Mr Andy Meddick

Dr Catherine Cumming

Mr Craig Ondarchie

Mr David Davis

Mr Gordon Rich-Phillips

WITNESSES

Dr Jonathan Spear, Deputy Chief Executive and Chief Operating Officer,

Mr Moses Lee, Senior Leader, Public Services Delivery and Policy Reform, and

Mr Daniel Harrison, Principal Economic Adviser, Infrastructure Victoria.

The CHAIR: Welcome to the Economy and Infrastructure Committee's public hearing for the Inquiry into Expanding Melbourne's Free Tram Zone. I wish to welcome anyone in the public watching via the live broadcast.

Before I begin I would like to just read out a statement for all witnesses. 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 you make 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.

We welcome opening comments but ask that they be kept to a maximum of 5 to 10 minutes to ensure we have plenty of time for discussion. May I please remind members and witnesses to mute their microphones when not speaking to minimise interference. If you have any technical difficulties, please disconnect and contact committee staff using the contacts you were provided. Could you please give your names for the benefit of our Hansard team and then begin your presentation. Thank you.

Dr SPEAR: Good morning, and thank you very much. Thanks for the opportunity to present on behalf of Infrastructure Victoria at today's hearing. My name is Jonathan Spear. I am Deputy Chief Executive at Infrastructure Victoria. I will be joined by my colleagues Moses Lee, who is manager of our economics and modelling team, and Daniel Harrison, who is a principal economist in that team. This inquiry touches on issues that are really at the heart of what Infrastructure Victoria was established to do as Victoria's independent infrastructure adviser. As I am sure you are well aware, Infrastructure Victoria has three key functions: we develop a 30-year infrastructure strategy, which is tabled in the Victorian Parliament; we provide advice on specific infrastructure matters; and we conduct independent research. Transport planning and pricing is one such issue that we spent a number of years researching and modelling and analysing.

You of course as a committee have the submission that we made to this inquiry. Since we made that submission in March of this year we released our latest research on pricing and congestion, which is called *Good Move: Fixing Transport Congestion*. I thought it would be worth outlining some detail of how that report is relevant to this inquiry, because it is focused on fixing crowding and congestion on Melbourne's public transport networks and roads in a way that would result in a more fair and equitable system for all Victorians.

The solution we identified in our work is to set a price for all transport, including roads and public transport, with some very important concessions and subsidies to ensure equity. Under this illustrative approach we demonstrated up to 85 per cent of people would pay less than they do today to travel. Really importantly, we could remove 168 000 car trips off the roads every day, which reduces the amount of time we spend in peak-hour congestion by 8 per cent. These network-wide changes to the way we pay for transport have the potential to dramatically improve how we move around our cities and provide greater choice and make best use of our existing infrastructure. They really offer the best prospects for managing transport transition in the current and post-COVID-19 world, where we are seeking to manage the demand that is placed upon the transport system.

The focus of today's hearing, of course, is expansion of the free tram zone, free fares for students and seniors, intelligent transport systems and dynamic public transport pricing. Those are things that Infrastructure Victoria has certainly done work on, and today we would like to dispel some of the myths that exist around free public transport and provide some insights into the alternatives that would hold really good benefits for Victorians.

Over many years now Infrastructure Victoria has argued that transport network pricing, including a more fair and equitable price system for public transport, would mean a less crowded and less congested transport

system. Our modelling has shown that if we do not change how we pay for transport, congestion across the network will get worse. Our modelling shows that by 2030 an additional 3.5 million trips will be made every day across Melbourne's road and public transport networks alone, and that will lead to the cost of congestion rising to around \$10.2 billion per year. Under the illustrative pricing scheme that we modelled, annual charges like car registration would be scrapped and replaced with a per-kilometre charge, and travel in Melbourne's CBD area during peak hours would be charged at an additional rate. Flat rates for public transport would also be replaced by fares based on time and distance and mode, and that would mean it would be cheaper to travel outside peak times when there is spare capacity on the network and also cheaper to travel via bus or tram in comparison to trains. We also included concessions in our modelling that would make it cheaper to travel for those who are disadvantaged based on their circumstances or where they live. And the work that we have done to develop this set of ideas and principles is based on economic modelling but also best practice in other cities around the world who have successfully introduced pricing reform, and—really importantly—it has been informed by views of the community, who we have consulted with.

So what would these changes mean for our transport network? The modelling that we did showed that it would remove up to 168 000 car trips from Victorian roads every day; 110 000 people would make the shift to buses, as that would be a cheaper form of transport; and more than 40 per cent of drivers would cease driving into the Melbourne city cordon, which really introduces the average speeds in the city in the morning peak rising by 25 per cent. So extending the free tram zone will undermine these sorts of moves to make a better-priced public transport system—the sort of system that with that pricing up to 85 per cent of people would be better off, instead of the very small minority of Victorians who are lucky enough to take advantage of the current zone.

One of the biggest myths around the free tram zone is in the name. It is not actually free. While those who are lucky or wealthy enough to live or park their car in Melbourne's CBD take advantage of free trips, Victorian taxpayers are footing the bill for this. Estimates of what it might cost to extend the free tram zone vary. There was an article in the *Age* earlier this year that put the figure at around \$9.5 million a year. We have not done the calculations on that cost, so we are not going to comment on which of those figures is accurate, but what we do know is that those sorts of costs are likely to pale in comparison to the rising costs of congestion across the network. In 2015 the cost of congestion in Melbourne was calculated at around \$4.6 billion, and as I said earlier, that figure is calculated or estimated to rise to around \$10.2 billion by 2030. And additional congestion and delays from the tram network operating inefficiently due to excessive unconstrained demand being placed upon the centre of the network in the CBD will only add to those costs.

Infrastructure investment is all about choices and trade-offs. So the Victorian government could use that money to build new social housing or medical facilities or schools—or put more bus routes on where we know low-income Victorians need better transport services. So it is hard to see why that money should be spent on free travel for people like us, who are relatively well off, rather than on infrastructure solutions for Victorians who need it most.

There is a bit of an issue here about crowding out those who most need to use the tram network, too. As we know, the introduction of the free tram zone has led to a huge increase in the number of tram trips taken within the zone. The submission from Yarra Trams to this inquiry said that the free tram zone has caused an estimated 30 per cent year on year increase in patronage in the CBD. This has created a situation where travel within the zone is overcrowded to the point where it is unsuitable for those who need it most: the elderly, those with disability, and young families. And this is despite 60 new trams being provided since the introduction of the free tram zone.

I certainly know. Our office is on the corner of William and Bourke streets, and many of my colleagues tell me that on a Friday night after work it is almost impossible to get a tram down to Southern Cross Station. Now, for some of them it is okay. They can walk down to Southern Cross Station, and that will be quicker because the average tram speed is about 11 kilometres an hour in the CBD—so walking might be faster, actually. And that is fine for some people, but it is not so good for my colleagues who might be heavily pregnant and who are trying to walk that block or two and would really benefit from getting the tram. It is also not fine for people with wheelchairs who are already struggling to get access to the Melbourne tram network, and elderly and frail people or parents with prams or people with impaired mobility all suffer from not being able to squeeze onto trams that are overcrowded because they are free. So an extension of the free tram zone is likely to increase crowding further and make this problem even worse for those who need it most.

So we had a bit of a consideration in our submission about who uses the free tram zone. While the extension of the free tram zone has been touted as benefiting tourists, hospital patients and students, the reality is that those who benefit are generally not those most in need of free travel. The free tram zone benefits those who live and work in or near the CBD. They are generally on good incomes, and by virtue of where they live they can get free access to travel to work if they are in the free tram zone. It also provides a free pass for those who can afford to drive into the CBD then jump onto a tram instead of walking to get to lunch or their next meeting or, under ordinary circumstances, to attend a parliamentary inquiry. We are not aware of rigorous evidence to suggest the free tram zone is a determining factor for tourists, shoppers or convention delegates who choose Melbourne as a destination, and in fact subsidising travel to some retail and tourism centres but not others may amount to favouritism. It is not clear to us why taxpayers should subsidise a free tram zone to some parts of the city but not other parts of the city or to Olympic Park but not to Whitten Oval.

Finally, extending the free tram zone to hospitals would only provide a free trip for those who start their trip inside the zone when the vast majority of people who rely on hospitals for work or for medical care live outside that zone. So this does seem to create an arbitrary divide in the cost of medical services provided to Victorians based on where they live.

Another focus of the inquiry is on the provision of free travel for seniors and students. It is Infrastructure Victoria's view that we need to be very careful about the targeting of any concessions which could have a negative impact on social equity. To help improve fairness and equity across the board, concessions should be closely matched to a person's ability to pay, and our submission shows that awarding free travel to seniors and students would reach less than 60 per cent of the lowest income Victorians, while the remaining 42 per cent are still required to pay for their public transport trips. While students and seniors typically are on lower incomes, some actually have quite high incomes. As an example, free travel would be awarded to the 11 per cent of seniors earning more than \$80 000 per year. So as a blanket measure, free travel for seniors and students could also rule out some potential benefits when it comes to overcrowding.

Certain groups of people have more ability to change their time of travel. For example, students and seniors on average work less than other adults, meaning that they may have some more flexibility to travel outside of peak general demand periods, but providing free all-day fares to this group may reduce the reward for travelling in an off-peak period as they do not receive any financial benefit from moving their trip outside the peak hour. In other words, free fares for students and seniors removes financial incentives from precisely the people who may be most able to help manage crowding on the public transport network, and now, as we adapt the public transport system to the effects of COVID-19, is a time when we most need to manage this risk of overcrowding.

Before closing, I would like to also touch briefly on intelligent transport systems and dynamic pricing, which are in our monthly committee's terms of reference. Infrastructure Victoria has done extensive research in both of these areas, including the work I have already discussed on transport network pricing in our 30-year infrastructure strategy and in our advice to the government, which was published in 2018, on automated and zero-emissions vehicles infrastructure. While dynamic pricing does make sense from a pure economic perspective, it does face some hurdles. In our submission we argue that at least in the short term the government could deliver many of the advantages of dynamic pricing by using existing principles like having peak and off-peak fares. While this is not technically dynamic pricing, it would still manage crowding while providing price certainty and does not need expensive new technology.

'Mobility as a service' is also an exciting emerging way for people to travel, and it includes things like user-friendly booking platforms, the use of apps and new technologies and enabling easy credit card payments. The end result of that is that people can easily book, plan and pay for their travel from A to B, including catching a taxi, hiring a bike, catching a tram or a combination of all three. It makes navigation of the system for tourists and residents much easier. And we need to start to enable new technology solutions like this and the planning for it now.

So just to recap, I have provided an overview of Infrastructure Victoria's latest report on transport network pricing and the benefits that a change in how we can pay to travel could bring. I have outlined how the free tram zone is not actually free and that in addition to the costs of operating the zone it adds to the rising cost of congestion, which is set to hit more than \$10 billion by 2030. I have discussed the issue of overcrowding that the free tram zone exacerbates, which prevents vulnerable travellers from using trams. I have touched on who

the users of the free tram zone really are: generally people who are lucky or wealthy enough to live or park their car in the CBD. I have detailed how free fares for students and seniors do not necessarily target those most in need of concessions. Finally, I have spent some time reiterating the need to plan for intelligent transport systems and new ways to plan, book and pay for transport. That concludes our opening address. My colleagues and I would really welcome a discussion with the committee and any questions that you have around our submission and the issues that the committee is examining.

The CHAIR: Thank you, Dr Spear, for that presentation.

Mr BARTON: Thank you, Jonathan, and welcome, Daniel, Moses and Mandy. Infrastructure Victoria seems to be out of step with what the major businesses and major tourist destinations are saying in terms of the cost and the benefits of extending the free tram zone out to those major points. As was pointed out in the previous submission, a lot of those that are going out to the MCG, the arts centre and those sorts of things will be done outside of the peak period, generally speaking. So I am a little bit puzzled that you do not believe that the benefits of extending outweigh the cost. Certainly the Parliamentary Budget Office came up with a preliminary number of around that \$5 million or \$6 million mark. What we are talking is about extending the free tram zone for one or two stops to get to those major tourist destinations. I am just curious how you have come to your conclusion that it does not pay its way. Certainly these major destinations and these businesses are saying that the economic activity will absolutely outweigh the cost of extending it.

Dr SPEAR: There are a couple of issues here. One is that we are not aware that there is actually evidence that that is a significant influencer in people's decision-making about whether they are going to go to those destinations. It also does not seem equitable to us that some elements of those areas are provided with free access whereas others who might be just beyond or just outside are not. And it does seem to undermine the overall objective of having a fairer way to pay for the public transport system. It does not appear to us that the people who benefit from that free travel are actually in need of free travel. So that is really why we are of this view, Mr Barton.

Mr BARTON: Certainly we have had huge population growth—particularly people who have moved into Southbank and the tens of thousands of people who have moved into the city—since this has been initiated. And yes, they are going to get a benefit moving around. But in terms of taking up the benefits of going to the hospitals and everything, you do not see there is a social value there? You do not consider that at all?

Dr SPEAR: As a matter of equity, there is a very big social value in having a public transport system that is used in its most efficient means and most efficient way, and accessibility for people who need it most is likely to actually be improved by not extending the free tram zone to those locations so that the people who do need to get to hospital, who are actually probably likely to be most immobile, are not having to squeeze on a tram when there are people who could choose to walk.

Mr BARTON: In New South Wales, in terms of when we think about what we should be doing for our senior citizens, they have a flat fee of \$2 per day for anybody who carries a Seniors Card. That means they can go on their tram, they can go on their ferries, they can go on their trains and their buses for \$2 a day. For me that is close enough to being free. Why do you think it works and why is it so popular up there? Why shouldn't we be doing something similar here?

Dr SPEAR: We have not examined that element of the New South Wales system in detail. Our position is actually that flat fees are not a particularly effective way to charge for access to transport—rather that variable fees according to time of day and mode of use is a better way to do that. This might be a good opportunity for my colleagues Moses and Daniel perhaps to speak a bit more about that in terms of the basis on which we have that position.

Mr HARRISON: Sure. I would be happy to take that one, Jonathan. I guess the first part of that is to what extent it is working well. I guess the objective you have got to define is: is the benefit more people on public transport? Our view is to try and say, 'Well, we want to benefit all Victorians—road users, active transport, people who use public transport. How does it affect them?'. Simply by having more senior citizens on a tram does not necessarily mean that is a good outcome. It might be cheaper for them, but it may not be better for everyone else. If that tram is too crowded, as Jonathan has pointed out, then if you have a disability or you are heavily pregnant or indeed you are a senior and you do not like to be confined to really crowded spaces, your

experience diminishes quite a bit. As far as why we think that having a flat fee is not the best, it is because you want people to consider each and every trip they make and say, 'What is the best way to make this trip?'.

For the tram, for me, often I will jump on the tram in the city because it is there, because it is free. If it was at a slight cost, then I might decide to walk a block or two, which would free up space for others. It is better for my health that I walk, and it is better for others that they can get the space that they need on that tram. But by having a flat fee you are basically saying, 'Well, you've paid for the day so just go at it; it's all free to use', so people will start to stop making decisions at the margin and making the best decision that they can for the whole of society. I think one of the things we have to keep in mind with this is that free—I think Infrastructure Victoria is very clear—is too cheap. But it is also very possible that a \$4.50 full fare for a short tram trip is too expensive. The modelling that we did for TNP and the illustrative prices we used there had much cheaper fares for short tram trips. So I think that maybe some of the focus should be on more about that than about making it free for a select group of people rather than a whole bunch of people in the outer suburbs, which our data shows are in more need of the free transport. It costs way less to provide them with cheaper transport, but they are the ones who miss out while people who are relatively well off in the CBD get a free trip.

The CHAIR: Thank you. I just want to remind all members that you will be given additional time at the end, if time permits. So Rod, maybe I will move on to Tim and then come back to you if someone waives their speaking rights or if time permits.

Mr QUILTY: Thank you. I would like to thank you for what was an excellent presentation and submission. I feel like it was pretty much a slam dunk and we can wrap the inquiry up now. But a couple of questions: how does extending the free tram zone impact on dynamic pricing and prime pricing? Presumably if you expand the free tram zone, it makes it harder to introduce dynamic pricing later on down the track. And my second question was: if you extended the free tram zone in an off-peak period but removed it altogether in a peak period, would that be advantageous? Comment on that.

Dr SPEAR: So you are right in terms of the first part of your question, Mr Quilty—that extension of the free tram zone would undermine attempts to manage demand and make sure there is equitable access to the public transport system. I think the second part of your question was whether extension of the free tram zone could be on some periods but not others. Is that what you are saying?

Mr QUILTY: If you extended it in off-peak periods but got rid of it altogether in the peak period, would that be a positive or a negative?

Dr SPEAR: It would be certainly better than having no fee at all, but one of the issues we would still have is one of consistency, which is: why is it being extended to this area and not other areas that are adjacent? So our suggestion and our research showed that actually on- and off-period pricing is absolutely something that should be considered, but a price greater than zero price gives a better signal and is more equitable, particularly when it is applied more broadly across the transport network.

Mr GEPP: Thanks, Jonathan and team, for the presentation. I just make the point in terms of, Jonathan, your comment earlier that the free tram zone is not free. Simply, that principle applies to anywhere in any services arrangement where concessions are offered—the price or cost-spreading occurs. So I think the use of the terminology 'free tram zone' defines areas of the network where you do not need to touch on and touch off, but I do not think anyone is suggesting that there is no offsetting or shedding of the cost around the network.

The point that you have made on a number of occasions in relation to peak travel/off-peak travel and peak pricing/off-peak pricing is not a new concept. That has been around for a considerable period. In fact it has featured in many facets of the services sector in Victoria and other places around the country. So I am wondering why it is coming back into vogue, why Infrastructure Victoria are particularly championing it and what you see as the major benefits. And when you are responding to that, could you also respond to the issue that for some it just may not be possible to adjust their behaviour? I note from your submission that you are suggesting that peak/off-peak pricing, off-peak travel, will drive a set of behaviours, but is it not the case that some people, many people, just will not have the flexibility to take advantage of that?

Dr SPEAR: Thank you; they are good questions, Mr Gepp. To go to the first part, your question about the variability of pricing coming back into vogue, it is absolutely the case that it is becoming more important, and this relates a little bit to Mr Barton's point about the size of a city's population growing and the travel demand

on it. So we currently have very flat fees for the way in which we travel—flat fees that are quite fixed for public transport and that do not really reflect very much what mode we are travelling on, what time of day or what location. And actually when we get in our cars we have got pretty fixed flat fees too because a lot of those charges that we pay we pay through registration up-front, regardless of how far or when we drive.

So what we have looked at is the very significant current and future projected demand on the transport system, which is largely driven by the demand of the morning and afternoon peaks. If you can flatten a bit of that out, you can make great use of your existing network, and also with the investments that government have got currently under construction and planned, you get much more out of those investments. Of course in recent months we have proven to ourselves that we can change how we behave—involuntarily because of COVID-19—and we have seen what a difference just a relatively small change in behaviour can make. That to some degree goes to the second part of your question about choice. What our modelling showed was that actually you get very, very significant benefits to the public transport system and that around a quarter of people do have a choice in terms of the time of day that they travel. We have surveyed and talked to ordinary Victorians about this, and that is what they have told us. It is also what our modelling shows as well.

It is the case that some people do not have flexibility in when they can travel. What this sort of reform does is it actually makes things a lot fairer and easier for them because they get quicker, more reliable, predictable trips. That is the thing that people really do not like: the uncertainty, the variability, of how long it is going to take them to get somewhere that they really need to be. So when you have pricing that reflects time of day and mode that you travel it means that those who do need to travel at those times get a much quicker, fairer deal. Really importantly, the work we have done and others like the Grattan Institute have done show that those who do continue to travel in peak periods and who might pay even marginally more under such an illustrative system are the people who are better off, and generally the people who are choosing to continue to drive long distances into the CBD can afford to do so and they choose to do so. I am not sure if my colleagues would like to add anything to that.

Mr HARRISON: That was very good, Jonathan. The only bit to add to that is Melbourne used to have peak and off-peak fares many years ago. They were removed with the huge downturn in public transport use that kind of started in the 70s and 80s and continued on. That was mostly because people were shifting to car. But since the early 2000s there has been a huge resurgence of public transport use such that now there are far more people on the network than there ever has been before. So there is really, as Jonathan said, a greater need now to have those fares back because we do have a network that is pretty much at capacity and under huge amounts of strain. So I think that is one answer as to why that kind of change may have occurred.

Mr LEE: The one point that I would add is, as Daniel and Jonathan were sharing, when we talk about the network being at capacity we are really talking about peak times. A lot of investment decisions are driven purely to meet peak periods, and one of the key things we look at as Infrastructure Victoria is: how do we actually get better use of assets? Pricing—not variable pricing but peak and off-peak pricing—helps us spread that demand. It basically means that some of the constraints we have on the network can be dispelled or dispersed so that it actually helps us get more efficiency within the system and not make infrastructure decisions that are just purely based on peak periods.

Mr HARRISON: And the other thing you asked—about the number of people who cannot shift—the reality is that when we look at the network you only need to shift a relatively small proportion of people to make a big difference to congestion. I guess you can think of school holiday traffic. It is not like everyone changes their behaviour, but a small proportion does and it makes a huge difference to the network. So even if you are only moving, say, 10 per cent of people's behaviour, to take 10 per cent of capacity out of the peak is very, very helpful. As Jonathan also alluded to, we also found in our analysis that people who travel in the peak, and particularly peak to the CBD, are on average on much higher incomes than those of the general population, and conversely those travelling outside the peak are on lower incomes—particularly those on buses, who make up a disproportionately large amount of people on lower incomes. So this actually has a kind of equity symmetry to it as well.

Mr MEDDICK: I guess for me it is not so much a question but a bit of a statement. I just wanted to back up something that Mr Gepp said earlier about when we look at these things—about cost-fee benefit, for instance. Governments all around the world make decisions all the time, particularly when we look at, say, tourism activities, about what they might cost but what is the net benefit to the community that that cost might bring in

other areas to offset that. So we are talking about what you are saying is the \$6 million apparent cost of the free tram network, or roughly thereabouts, but what that brings in terms of business, and not just in the tourism-driven part of the sector but also in the day-to-day, with people coming into the CBD and the closer CBD area, not the outlying, of course, and about what that drives in the economy—the jobs that they are attending and the business that keeps rolling on as a result of them being able to do that work in a more efficient manner or in a way that is a bit more beneficial to them. I guess that comes back to a philosophical aspect in that at the very base level in society people elect a government and they expect a government to collect taxes that they charge in order to provide the services that they require as a population to have—law, medicine, transport, all of those sorts of things—and they have a reasonable expectation that if that is not free then at the very least it is at the least cost.

When I was listening to you talking, particularly in terms of students and pensioners—about giving them free travel, for instance—the last time I looked, students could not tell the university they were attending when they wanted to attend a lecture. The university or the course they are in sets the dates and times when they go; that is not flexible for them. And if we are talking in terms of pensioners with free travel, I think you quoted, Jonathan, that there would be about 11 per cent, perhaps, of people who could afford to pay for travel. That is going to lose an enormous amount of people. And I think you said somewhere around 60 per cent of people would benefit from that. For me, with those people you have to look at what their disposable income is, not necessarily what their income is, because you are talking about generally people who are on an old age pension, who have a very minimal amount of income coming in. They still have bills to pay; they still have rent to pay. They are lucky if they have got \$50 a week left over in their pocket to actually pay for public transport and things like that. To me that is one of the most marginalised sectors of the community. If we have got the opportunity to offer that type of transport to them, then we have a responsibility to do so.

The CHAIR: Thank you, Andy, for that perspective. I guess it is a broader concern I have as well. I know Rod had another question, and Lee has waived his rights. If you have got another question, Rod. If not, I might ask some in brief, and we might end it there.

Mr BARTON: I do have just one little quick question, if I may. Just with student fares, they do get a little subsidy right now. But I met with a group of students from the western suburbs not too long ago, and there was a discussion with this young kid who makes a choice every single day: does he top up his Myki card or does he buy his lunch? These are the social questions that we have to ask ourselves and, as a community, what we can do. Other states manage to find ways of helping kids better than we are doing. There is an enormous amount of work getting done in transport at the moment. It is a pretty exciting time. But we need to be helping people—pensioners, those on a Seniors Card, certainly, and these students. What is your view about student concessions?

Dr SPEAR: Mr Barton, you are right to raise these broader issues of equity. What I would observe in relation to the students is that there is going to be possibly a significant inequity amongst students if we extend the free tram zone to some universities and not to others, and so that is something for us to really consider here about the—

Mr BARTON: No, we are talking about fares across the state for students.

Dr SPEAR: Okay. Sorry, I misunderstood. I thought you were talking about them in relation to this inquiry and the free tram zone.

Mr BARTON: It is part of the inquiry.

Dr SPEAR: Daniel may wish to add to this as well. He has done quite a bit of thinking around this subject.

Mr HARRISON: Thanks, Jonathan. I appreciate what you have just said, Mr Barton and Mr Meddick. I think the tricky part about this is I absolutely agree there are people who are making very tough decisions on, as you put it: shall I tap my Myki or shall I buy my lunch. The tricky part is those people are not necessarily students. Some of them are students—

Mr BARTON: Some are students.

Mr HARRISON: and some of them are seniors, but some of them are not seniors. The analysis that we have done is to say, look, if you take the poorest 20 per cent of household incomes, so the bottom 20 per cent, giving free travel to students and seniors picks up 58 per cent of those people. But 42 per cent of the very poorest people who are still making that choice do not get that free travel. On the other side of the coin, you have got 20 per cent of the top income earners, so people who are sitting on boards for organisations who happen to be in their 60s, getting free travel.

Mr BARTON: They will not be on a Seniors Card.

Mr HARRISON: Well, they would get it for free, yes, because they are on a Seniors Card.

Mr BARTON: No, no. They will not be on a Seniors Card if they are working.

Mr HARRISON: You can work part time, I believe, but you cannot work full time. Therefore what we think is much better is, if you want to target these issues, you want to have a concession that is targeted at low-income individuals. It is also true for disability, so someone who is on a disability pension here is not getting free travel while a student who is wealthy or whose family is wealthy is. So if you can target the actual incomes, you will do a much better job. Using things like healthcare cards or disability pensions or government seniors pensions would be a much clearer way to tackle those, rather than saying all students and all seniors, is our view. As far as the benefits question that was raised a bit earlier, while there may be some benefits for business and retail in the CBD from the free tram zone, I think we also have to keep in mind: why should businesses in that area of Melbourne get that benefit at the expense of everyone else in Melbourne who does not have those benefits? Equity is quite an important part of this discussion. It is just about finding the best balance to meet your objectives, which I think are very valid. It is very valid to think about how can we improve people's affordability of transport. But I guess the question is: how can we do that in a way that does not mess up the system and that also makes sure that everyone who is on a low income can benefit and not just some?

The CHAIR: Thank you. I might just ask one last question, because this has definitely been a very interactive discussion. I too am a bit concerned about the fact that with dynamic pricing a lot of workers do not have the choice of flexible work arrangements. They have got to start at a certain time and finish at a certain time, and they may be disadvantaged. It might be similar for students who have certain class times that they have to meet and they do not get the choice like that 20 or 30 per cent that can change their arrangements, so they will be disadvantaged—especially if we accept that the whole network, as we have heard from previous speakers before you guys came today, is subsidised. But the real question I have for you is: are there any barriers to implementation of dynamic pricing, and what are they? Just very briefly. I know it is a tough question, but just in 2 minutes because we going over the schedule. Thank you.

Dr SPEAR: Well, the first barrier of course is we actually need to set up what the policy parameters and the pricing parameters are going to be. We need to decide what we want. The second thing is transport ticketing systems need to evolve so that they are able to actually deal with dynamic pricing—so time of day and possibly differential prices by modes.

The CHAIR: Sorry to interject. What would be the cost of implementing such a system?

Dr SPEAR: We have not costed that. The third thing, which does make this a lot easier, is if third-party providers of systems like apps that they call 'mobility as a service' apps can get access to transport timetabling and payment systems, then what that allows is a much greater choice and a much greater informed travelling public about what time of day they travel, what their best available modes of travel are, what is quickest and what is cheapest, and so that accessibility to those systems is really important. They are probably the main barriers.

The CHAIR: Thank you for that. It has been a very informative session, as I have stated earlier. I want to thank the whole team from Infrastructure Victoria for coming along. You have all provided us a different insight into your views, I guess, and I can see that even on the committee it has generated an interesting discussion. So thank you all for coming along today, and like I said, you will be sent a transcript shortly.

Witnesses withdrew.