

2008 REVIEW OF BUS FARES

Sydney, Wollongong, Central Coast, Blue Mountains and Hunter region buses – summary of proposals and review process

September 2008

This fact sheet explains IPART's 2008 review of bus fares for metropolitan and outer metropolitan regions and the fare proposal that has been received. The fact sheet is designed to help interested parties understand the process and put together submissions.

What the review covers

IPART will set maximum fares for Sydney metropolitan buses (including Sydney Buses and private operators) and outer-metropolitan buses (including bus services in the Blue Mountains, Wollongong, the Central Coast and Hunter regions).

For the Sydney metropolitan area, IPART will set the maximum fare for bus only and bus and ferry Travelpasses. IPART will not consider Travelpasses with a rail component as these will be set as part of IPART's 2008 rail fare review.

IPART will not set or recommend the availability or percentage discount applied to pensioner or student concession tickets or determine the cost of the Pensioner Excursion Ticket.

How the review will be conducted

IPART will conduct its review in parallel with its review of fares for other bus services. However, IPART will separately consider the issues associated with metropolitan and outer metropolitan buses and will produce a separate report and determination for these fares.

To commence the review process, IPART requested a fare proposal from the Ministry of Transport. The fare proposal is available from IPART's website (www.ipart.nsw.gov.au) and is explained in more detail below.

IPART is now seeking submissions to inform its decisions. Submissions are due by close of business on Friday 3 October 2008. In November, IPART will hold a public

hearing to discuss the issues raised. All members of the public are welcome to attend the public hearing. Details of the hearing and an agenda will be circulated in advance and more information will be available from the IPART website in October.

IPART expects to finalise decisions in December in time for fare changes at the beginning of January 2009. IPART will provide a public report of its decision, which will be available from the IPART website and which will be mailed to all people and groups that make a submission to the review or request a copy.

What submissions should address

IPART is obliged to consider a number of factors in making its decision (such as the cost of providing services and the impact of fare increases on passengers) so it is helpful if submissions address those factors.

While IPART will take into account all available information in making its decision on fare changes, it will use the fare proposal it received from the Ministry of Transport as a starting point. It is useful if submissions refer to the fare proposal and indicate any specific areas of support or concern.

More information on these issues is provided below to help interested parties to put together submissions. Information on how to make a submission is available from IPART's website under 'How to make a submission'.

Factors that IPART must consider when making its decision

IPART sets maximum fares for these services under section 28J of the Passenger Transport Act. The Act specifies the factors that IPART must consider when setting fares. These factors are:

- ▼ the cost of providing the services
- ▼ the protection of consumers from abuses of monopoly power
- ▼ the need for greater efficiency in the supply of services
- ▼ the need to maintain ecologically sustainable development
- ▼ the social impact of the determination
- ▼ standards of quality, reliability and safety of the services
- ▼ contractual arrangements prevailing in the industry
- ▼ other matters IPART considers relevant.

How bus services are provided and paid for

In metropolitan and outer metropolitan areas, the Ministry of Transport pays bus operators to provide bus services in a particular region. There are 15 metropolitan

contract regions and 9 outer metropolitan contract regions, excluding Newcastle. Sydney Buses (owned by the State Transit Authority) provides services in 4 of the metropolitan contract regions. All other bus services are privately operated.

The payments made by the Ministry of Transport to bus operators are governed by the contract between the bus operator and the Ministry of Transport. The amount paid to operators includes 'shadow' fares to encourage patronage growth, as well as service, patronage and fixed payments, the latter of which are largely independent of the number of passengers carried and the fares charged. The Ministry of Transport uses the fare revenue collected from passengers to reduce the cost of the contract payments to taxpayers.

Although fares are currently the same in each contract region, the value of fares collected relative to the cost of providing bus services varies significantly. In the Sydney metropolitan area, fares from bus passengers pay for around 40 per cent of the cost of providing bus services, with the remaining 60 per cent being funded by taxpayers. In outer metropolitan regions fares pay for around 15 per cent with the remaining 85 per cent being funded by taxpayers.

The Ministry of Transport's fare proposal

The Ministry of Transport has proposed the following fare changes in January 2009:

- ▼ Single bus fares should increase by 5.45 per cent (this is between 10 cents and 30 cents a ticket depending on how far you are travelling)
- ▼ Traveltens should remain at a 20 per cent discount to the cost of ten single tickets – this means increases of 80 cents for Blue Traveltens, \$1.60 for Brown, Red and Green Traveltens and \$2.40 for Orange Traveltens.
- ▼ T-Way 10s (ten bus trips on the Liverpool to Parramatta Transitway and the North West Transitway) should be set at a 20 per cent discount compared to ten single T-Way tickets – for most T-Way 10s this will mean a small price reduction but the 3-5 section ticket would go up by 10 cents.
- ▼ Weekly Travelpasses should increase by between \$2 and \$6 – for Travelpasses without a rail component this is a percentage increase of between 6 and 18 per cent.

The fares proposed by the Ministry of Transport are set out in Appendix A.

Increases in the cost of providing bus services

According to the Ministry of Transport, costs under the contracts have risen by 6 per cent over the past year. About half of this is due to general cost inflation (the contracts include provisions that increase the payments with the general rise in the price of inputs, like fuel costs). The remaining half of the cost increases relate to Government investment in service improvements including new buses and

expanded routes in response to higher passenger numbers. These service improvements are reflected in current and future contract payments. For example, new buses are initially purchased by bus companies (operators) but are then paid for by the Government through payments made to operators over 15 years – this spreads out the cost of these investments over time.

The Ministry of Transport's submission also notes a number of other investments that have been made in order to improve services. The fare increases proposed by the Ministry of Transport are not designed to recover the cost of those investments as they are not included in the payments made to bus operators. These investments include increasing the number of pre-pay only services, systems to give buses priority at traffic lights, additional bus lanes and improved information for passengers.

Percentage discounts for multi-trip tickets

One of the themes in the fare proposal is that there should be a consistent discount for multi-trip tickets compared to travel using single ride tickets. The Ministry of Transport has referred to a recent report published by IPART for CityRail that recommends a consistent discount of 20 per cent.

The Ministry's proposal includes larger changes to Travelpass products as they are currently heavily discounted – that is, passengers who had the same travel patterns but purchased single ride tickets would pay significantly more. The Ministry of Transport calculated the discounts by assuming that people who buy the:

- ▼ Blue Travelpass (bus and ferry) make 10 short bus trips and 10 short ferry trips per week
- ▼ Pittwater Travelpass (bus and ferry) make 10 long bus trips and 10 Manly ferry trips per week.

Some Travelpass users will make more trips than assumed by the Ministry of Transport and some will make less, and purchase a Travelpass for the convenience of being able to use different modes of transport easily. Nevertheless, in order to calculate a discount on the full fare it is necessary to make some assumption about the trips that Travelpass users actually make.

The Ministry of Transport submits that making discounts more consistent across tickets will improve equity.

Changes in demand for bus services

The Ministry of Transport notes that there is growing demand for public transport services. The number of passengers using bus services in the Sydney metropolitan area increased by around 3 per cent on average over the past year. However, the increase was not spread evenly across Sydney with increases in some regions

significantly higher including the Hills District, the Frenchs Forest region and the Bankstown/Liverpool region.

The increase in passengers meant that revenue collected from ticket sales (farebox revenue) increased by around 6 per cent in the Sydney metropolitan area last year, even though fares increased by only 3 per cent in January 2008.

In the outer metropolitan regions the number of passengers grew at around 2 per cent in the first six months of 2008 compared with the same period last year.

Service outcomes

Complaints to the customer feedback service increased by 2 per cent from 2006/07 to 2007/08 (based on the number of calls per 100,000 passengers). The Ministry of Transport notes that the key concerns raised by passengers were unchanged – late buses, failure of bus to stop and staff rudeness. The Independent Transport Safety and Reliability Regulator will undertake a customer satisfaction survey on an annual basis commencing in the 2008/09 financial year, which will provide additional information for future fare reviews.

Bus operators are required to provide information to the Ministry of Transport on service delivery including measures of on-time running, late/cancelled and full services. As the data provided by operators has not been validated and as the Ministry of Transport is in the process of developing a more robust reliability measurement, its fare proposal did not include this information

A Fares proposed by the Ministry of Transport

The Ministry of Transport has proposed the following fares to apply to bus services across the Sydney metropolitan and outer metropolitan regions:

Table A.1 Increase in fares under MoT fare proposal – adult single fares

Section	2008 fare (\$)	2009 fare (\$)	Change (\$)	Change (%)
1-2	1.80	1.90	0.10	5.6
3-5	3.00	3.20	0.20	6.7
6-9	4.00	4.20	0.20	5.0
10-15	4.80	5.00	0.20	4.2
16+	5.80	6.10	0.30	5.2

Table A.2 Increase in fares under MoT fare proposal – private bus weekly fares

Section	2008 fare (\$)	2009 fare (\$)	Change (\$)	Change (%)
1-2	-	15.20	-	-
3-5	-	25.60	-	-
6-9	-	33.60	-	-
10-15	-	40.00	-	-
16+	-	48.80	-	-

Table A.3 Increase in fares under MoT fare proposal – travelten fares

Section	2008 fare (\$)	2009 fare (\$)	Change (\$)	Change (%)
1-2	14.40	15.20	0.80	5.6
3-5	24.00	25.60	1.60	6.7
6-9	32.00	33.60	1.60	5.0
10-15	38.40	40.00	1.60	4.2
16+	46.40	48.80	2.40	5.2

Table A.4 Increase in fares under MoT fare proposal – T-Way 10 fares

Section	2008 fare (\$)	2009 fare (\$)	Change (\$)	Change (%)
1-2	15.30	15.20	-0.10	-0.7
3-5	25.50	25.60	0.10	0.4
6-9	34.00	33.60	-0.40	-1.2
10-15	40.80	40.00	-0.80	-2.0
16+	49.30	48.80	-0.50	-1.0

Table A.5 Increase in fares under MoT fare proposal – T-Way bus plus weekly fares

Section	2008 fare (\$)	2009 fare (\$)	Change (\$)	Change (%)
1-2	13.60	14.40	0.80	5.9
3-5	25.30	26.70	1.40	5.5
6-9	36.10	38.00	1.90	5.3
10-15	51.80	54.60	2.80	5.4
16+	65.70	69.30	3.60	5.5

Table A.6 Increase in fares under MoT fare proposal – T-Way weekly fares

Section	2008 fare (\$)	2009 fare (\$)	Change (\$)	Change (%)
North Zone	36.10	38.00	1.90	5.3
South Zone	36.10	38.00	1.90	5.3
North + South Zone	65.70	69.30	3.60	5.5

Table A.7 Increase in fares under MoT fare proposal – bus/ferry travelpass fares

Section	2008 fare (\$)	2009 fare (\$)	Change (\$)	Change (%)
Blue	32.00	38.00	6.00	18.8
Orange	40.00	46.00	6.00	15.0
Pittwater	55.00	61.00	6.00	10.9
2-Zone	32.00	34.00	2.00	6.3

Table A.8 Increase in fares under MoT fare proposal – fares for other products

Product	2008 fare (\$)	2009 fare (\$)	Change (\$)	Change (%)
BusTripper	12.10	12.70	0.60	5.0
Sports Special	5.40	5.60	0.20	3.7
School Term Pass	42.70	45.10	2.40	5.6