

**REVIEW OF**  
**RURAL AND REGIONAL**  
**BUS FARES**  
2021-2025

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## Tell us what you think about rural and regional bus fares

IPART sets prices for essential services in NSW and makes recommendations to Government on other issues when asked. We are a NSW Government agency but we make our decisions independently of Government.

We are reviewing fares for local bus services in rural and regional NSW (including town services, and buses that run between villages and their closest town or another nearby village).<sup>1</sup> Page 5 outlines the areas in NSW where these fares apply.

To help us decide what fares should be we want to know how you use bus services and what you think of fares.

We review rural and regional bus fares about every 3-4 years. Last time, we lowered fares for a range of trips. We also made them simpler by reducing the number of different fares on offer and introducing new daily tickets.<sup>2</sup> For this review we will look at the impact of those changes and consider whether more changes are needed.

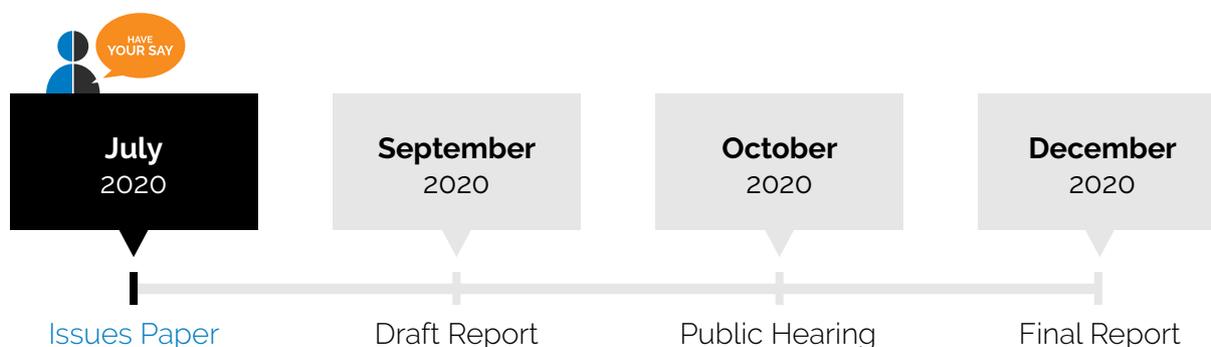
This paper is the first step in our review process. To have your say, you can comment via our website or fill out our survey on bus use. You can also make a submission by mail or speak to our review team on (02) 9113 7791. While we welcome any comments you may have, we have listed some questions on page 2 we are particularly interested in.

### We are seeking feedback by 7 August 2020.

We will set fares that will apply from January 2021 to December 2025. Bus companies providing local bus services will not be able to charge more than this (though they are free to charge less, and many do).

Our aim is to set fares so that people with limited travel options—such as those who can't drive or can't afford a car—have reasonable access to transport within their local communities.

We also want our decisions to encourage the NSW Government to provide the right transport services, maximise the benefits of bus use to the community and allow for innovation (e.g. new types of services and ticketing options) while still ensuring that bus companies that operate efficiently can cover their costs.



## What do local bus services cost now?

The NSW Government pays bus companies to provide local bus services. Bus companies can also charge passengers a fare for travel. That fare needs to be at or below the amount we set.

Fares increase by the length of the trip. We set 10 fare bands, with fares increasing from \$2.40 for a short trip to \$50.60 for a trip longer than 200km.<sup>3</sup>

Local bus services in rural and regional NSW cost taxpayers around \$400 million a year. However, few people use buses in rural and regional areas, and so only a small amount of these costs are covered by fares.<sup>4</sup>

**Bus services in rural and regional areas cost taxpayers around \$400 million a year**



## There are specific things we need to consider

We will look at how fares for local bus services compare with bus fares in Sydney as well as with fares for coach services provided by NSW Trains (these are usually for long-distance trips).<sup>5</sup>

We will also consider who uses rural and regional bus services, how much they can afford to pay, and whether fares are easy to understand.

In addition to setting prices for bus services that run on a regular timetable, we will also look at pricing of bus services which can be pre-booked and/or tailored to customer needs (known as on-demand services).



### IPART seeks your views on the following:

1. Do you know what buses run in your local community, where and when they go, and how much fares are? If not, do you know where to find that information?
2. If you are a regular bus user, do you think bus travel offers value for money? Why or why not?
3. Are you happy with the bus services in your area?
4. Some bus fares are lower now than they were a few years ago – what have these changes meant for you and how often you use buses? (see page 6 for more information about these changes)
5. Do you use rural and regional bus services to connect with other forms of transport, like coaches or trains? Are there changes to fares, tickets or services that would make this easier?
6. The Government is trialling new services where you can pre-book a bus rather than using a timetable – have you used any of these services? What has been your experience with them? (see page 8)
7. How satisfied are you with the payment options available on your local bus service? Would you like different options (eg. electronic payments)? (see page 9 for more information)
8. Is there anything else you want us to know?

## What are our aims for this review?

We aim to set fares that meet the objectives listed below. These objectives will guide our approach to this review. We want to know if you agree with our proposed objectives, or if there are other objectives that we should consider.

- 1. Ensure fares are affordable for people with limited transport options.** Our fares should be affordable and fair, ensuring that people who need these services most can afford to use them.
- 2. Maximise the benefits of public transport use to the community.** The main benefit of providing rural and regional bus services is to ensure that people who have limited access to other transport options can stay connected to the community. For example, some people rely on buses to get to work, their local shops, or to see family and friends. Bus services allow people who don't travel by car to do these activities, which benefit the wider community.
- 3. Ensure fares are logical, predictable and stable.** Customers should be able to understand how fares are calculated and work out whether they are being charged the right fare.
- 4. Allow bus companies to recover the efficient costs of providing rural and regional bus services.** Changes in fares impact the overall amount of money collected by bus companies and whether they can continue to run services. While the amount of money from fares for bus companies is small compared to the money that the Government pays them, we will assess the impact of any fare changes on bus companies.
- 5. Promote the efficient delivery of transport services.** The costs of providing transport services should be no higher than they need to be, and bus companies should provide the right mix of services to customers.
- 6. Facilitate innovation in transport services.** The transport sector is evolving over time, with the arrival of new technologies, innovation in the way transport services are provided, and changes to the mix of transport options available to consumers. We aim to set fares and make recommendations that encourage innovation.

## What will you find in the rest of this paper?

The rest of this paper considers the factors listed below in more detail. For more detailed information please read our Issues Paper for bus companies.



## How do bus fares in rural and regional NSW compare to other areas?

Rural and regional NSW includes all areas, except Sydney, Newcastle, Wollongong, the Hunter region, and the Blue Mountains (as bus fares in these areas are covered by the prices we set for Opal fares).<sup>6</sup>

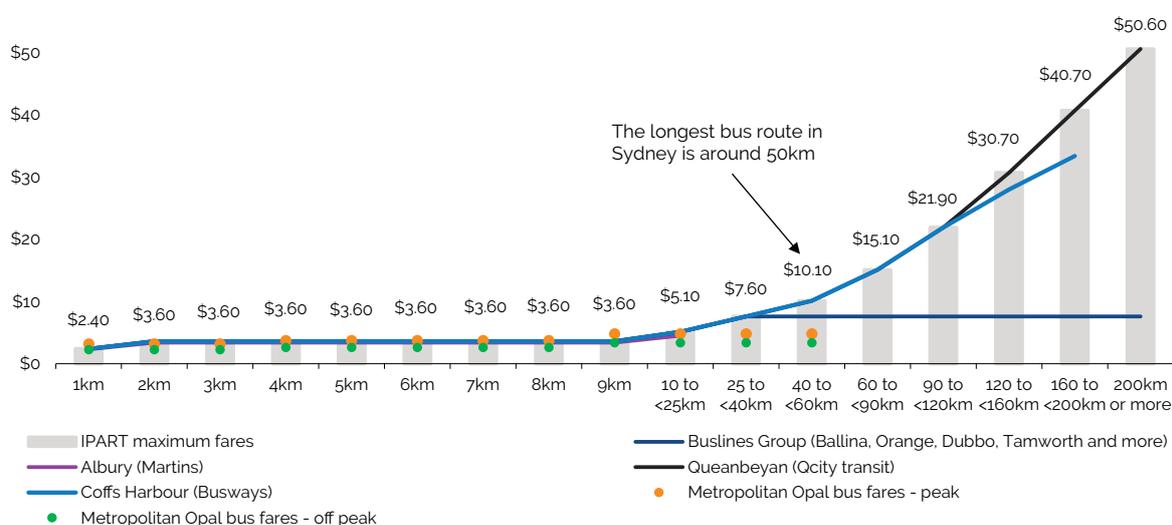
The grey bars in Figure 1 show IPART's current rural and regional bus fares compared to the actual fares charged by some rural and regional bus companies. As noted above, some bus companies charge less than the fares we set.

Figure 1 also compares rural and regional bus fares to Opal bus fares. For shorter trip distances rural and regional bus fares are similar to Opal fares. However, because bus routes in Sydney tend to be shorter than rural and regional bus routes, Opal fares increase by just 3 trip lengths. The highest Opal fare is around \$5 for trips more than 8km. In rural and regional areas the highest fare is around \$50 for trips more than 200km.

In metropolitan Sydney the longest bus route is around 50km, though bus users can travel further if they change buses. Rural and regional bus trips can be much longer than this.

NSW trains also provides a long distance coach service, some of these trips may be similar to rural and regional bus services.<sup>7</sup> We will consider how rural and regional bus fares relate to similar long distance coach trips.

**Figure 1. IPART current maximum bus fares compared to actual bus fares (\$2020)**



**Note:** The peak hours for Sydney metro Opal bus fares from 6 July 2020 are defined as: 6.30am-10am and 3pm-7pm on weekdays. All other times are considered off-peak. The off peak Sydney metro bus fares above are based on the standard discount rate of 30 per cent.

Not all rural and regional bus routes are long enough for all 10 fare bands to apply.

**Source:** Rural and regional bus operator websites, Transport for NSW, IPART analysis.

## Are fares easy to understand?

As mentioned above, the fare you pay depends on the distance you travel. Simpler fare structures can be easier for customers to understand, and easier for bus companies to apply. In our last review, we simplified fares by reducing 220 fare sections into just 10 fare bands.

We also introduced a section-based daily ticket. The price of the daily ticket is equal to the return fare for the longest trip you make in a day (two times the single fare), plus a single 1-2 section fare.<sup>8</sup>

We want to know what you think of the way fares apply to different trip lengths, and if we should simplify fares more.

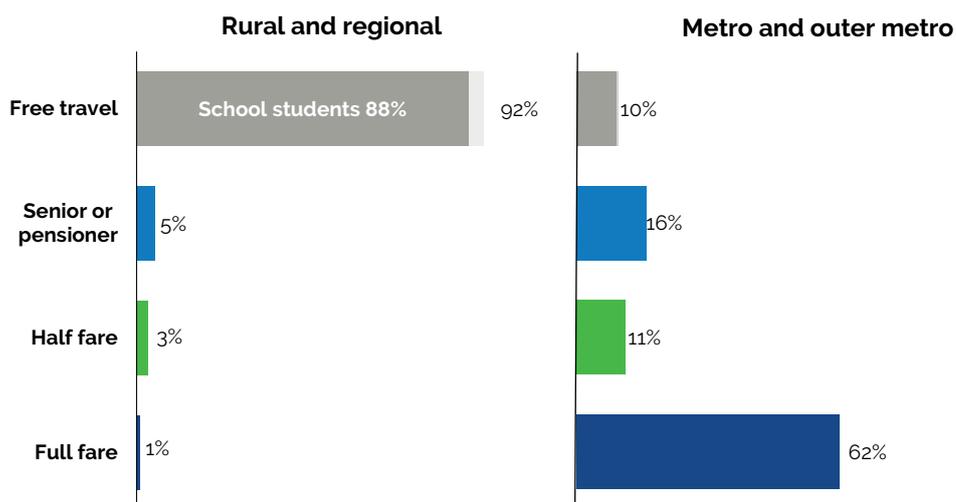
## Are fares affordable?

Affordability depends on who uses rural and regional buses. For example, affordable fares should take into account that:

- ▼ People who use buses in rural and regional areas often have limited travel options – such as those who can't drive or can't afford a car or taxi services.
- ▼ Unlike Sydney bus users, most rural and regional bus users are either students who travel for free (88%), or people who pay a concession fare (8%). Only 1% of bus users in rural and regional areas pay the full fare, compared to 62% in Sydney (see Figure 2 below).

In our last review we lowered rural and regional bus fares to make them more affordable. We will look at whether these changes have impacted the way people use bus services and whether further changes are needed.

**Figure 2. Users of bus services across NSW**



**Note:** Totals may not add due to rounding.

The senior or pensioner category is travel on a Regional Excursion Daily (RED) or Gold Opal card and that these include some other eligible groups in addition to Pensioners/seniors.

**Source:** Transport for NSW; IPART analysis.

## Costs of providing rural and regional bus services

In our last review we found that the costs of providing these services are around \$16 to \$24 per passenger, per journey, and that a very small amount of these costs (around 10%) are collected from fares that passengers pay (see Table 1 below).<sup>9</sup>

We found that there is scope to improve value for money. As a result, we recommended ways of lowering costs, but some of these measures will take a few years to be put in place.

**Table 1. The costs of providing rural and regional bus services**

	<b>\$2017</b>
Total costs - contracted	\$414 million
Total costs per passenger journey on regular passenger services <sup>a</sup>	\$16 to \$24
Estimated efficiency savings over time	20% to 32%
Efficient costs collected from fare payments	6% to 12%

<sup>a</sup> Based on large and medium operators that provide both school and regular passenger services.

**Source:** IPART analysis of information provided by Transport for NSW April-July 2017

## There are ongoing opportunities to lower costs

The Government manages over 600 contracts with bus companies that provide these services. The contracts set out the services the bus companies provide and the money they receive. They also allow the bus company to keep any fare payments it collects (as well as its contract payments).

In our last review we found that over time, there is an opportunity for Government to reduce the costs of rural and regional bus contracts. This would deliver better value to taxpayers.

However, not all savings can be achieved right now and, in some cases, may not be possible until buses are retired or the current contracts expire in 2024. For example, we recommended that the Government make more use of competitive tendering in the future to help ensure that the costs of providing rural and regional bus services reflect efficient costs.<sup>10</sup>



**We will look at the costs of providing bus services in rural and regional areas**

## On-demand services have been trialled in NSW

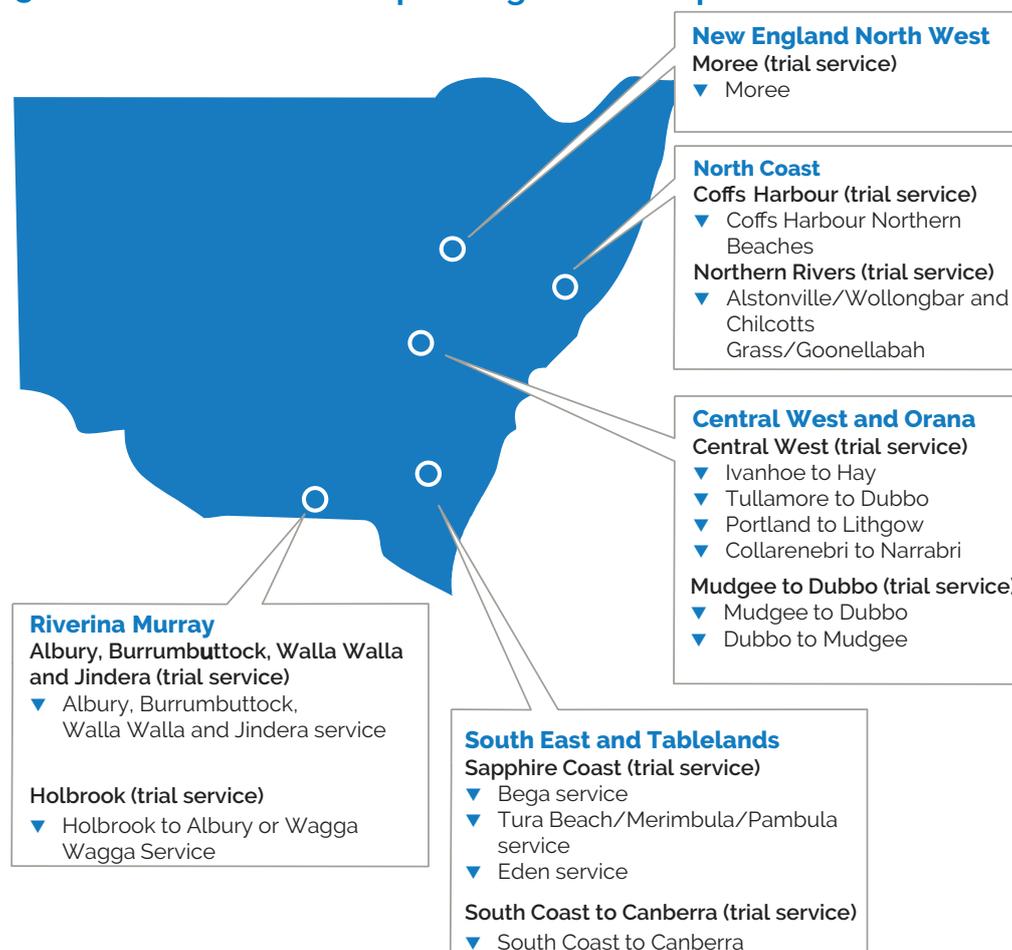
We have been asked to consider the introduction of on-demand services in rural and regional areas, and to set prices for these services. Since October 2017 the NSW Government has been trialling more forms of on-demand transport across NSW (see Figure 3 below).

On demand transport is a more flexible and customer-focused way of travelling. It differs from regular public transport because services vary according to customer needs and demand – for example, the departure time, route, pick-up and drop-off points and vehicle type. On-demand services may help to improve connections between different types of public transport. In some cases it may be appropriate to replace more expensive regular bus routes with on-demand services.

In our last review, we recommended that bus companies be able to charge customers who book an on-demand service a surcharge of up to \$5 (inc GST) on top of the regular bus fare. We also recommended that a reduced surcharge be made available to concession passengers.<sup>11</sup>

For this review we will consider the pricing of on-demand services and how these services can best meet consumer needs in a cost-effective way.

**Figure 3. On-demand services operating in NSW as part of a trial**



**Source:** Transport for NSW, On Demand public transport, <https://transportnsw.info/travel-info/ways-to-get-around/on-demand#:~:text=On%20Demand%20is%20a%20flexible,as%20part%20of%20a%20trial,> accessed 2 July 2020.

## Improving the mix of transport services

As well as on-demand services, use of a wider range of transport options is growing throughout NSW. For example, the use of rideshare services such as Uber has increased in regional areas since our last review.<sup>12</sup> Taxis, rideshare and privately operated coach services are part of the range of non-subsidised transport services that operate in rural and regional areas.

We will consider how government-subsidised services like rural and regional buses and coach services provided by NSW trains fit with the wider range of transport options available to customers. We will also consider the links between these services and how consumers can use a combination of them to meet their travel needs.

## Paying for fares and finding information about bus services

Regional NSW has a paper ticket system based on 'sections'. Unlike the Opal system used in Sydney, tickets are not connected across all types of transport. Electronic ticketing could help to provide more payment options and convenience for customers. However the costs of putting this in place are likely to be high.

There is a wide range of ways to find information about what bus services are offered and when or how you can use them. For example, through bus company websites, Government websites (such as Transport for NSW), as well as applications such as Moovit.<sup>13</sup> However, in some areas information about local bus services is not easy to find.

We would like to know if customers are happy with the ways that they can pay for bus fares and if they are able to find enough information about services.



## Recommended changes to concession fares for Opal

The Government currently provides free and concession fares for students, people with low incomes, older people and ex-members of defence forces travelling on rural and regional bus services, including:

- ▼ free travel for young children, students travelling to and from school (under SST arrangements), people with a profound disability, W/W1 widows/ers
- ▼ half fare concessions for primary, secondary, tertiary students and apprentices/trainees, jobseekers, pensioners seniors and NSW and Victorian War widow/ers
- ▼ unlimited daily travel for a fixed \$2.50 fare in rural and regional areas for NSW Asylum seekers, pensioners, NSW & Victorian War Widow/ers and NSW seniors on the RED ticket.<sup>14</sup>

As part of our 2020 Opal fare review we recommended that in addition to the above concession fares, lower fares be made available to people with a wider range of circumstances. For example, to encourage participation in the community, we recommended that lower fares be made available to Commonwealth healthcare card holders.<sup>15</sup> We are interested to know if you would support a similar recommendation for rural and regional bus services.

## Tell us what you think

We are seeking your views on the issues discussed in this paper, as well as any matter relevant to this review. There will be more opportunities to have your say when we publish our Draft report.



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- <sup>2</sup> IPART, review of maximum fares for rural and regional bus services, <https://www.ipart.nsw.gov.au/files/sharedassets/website/shared-files/pricing-reviews-transport-services-publications-rural-and-regional-bus-fares-2018-2022/final-report-maximum-fares-for-rural-and-regional-bus-services-from-5-march-2018.pdf>, 2017, p 1 -5.
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- <sup>9</sup> Ibid, p 14.
- <sup>10</sup> Ibid, p 5.
- <sup>11</sup> Ibid, pp 5,6.
- <sup>12</sup> Orima Research, 2019 Point-to-point transport survey report, <https://www.ipart.nsw.gov.au/files/sharedassets/website/shared-files/investigation-administrative-publications-survey-of-point-to-point-transport/consultant-report-orima-research-2019-point-to-point-transport-survey.pdf>, p 6.
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