

COMPLIANCE STATEMENT

2016-17 Fares for Opal Services

Based on *Transport – maximum fares for Opal services, Transport – Determination, May 2016*.

IPART has found that Transport for NSW's proposed 2016-17 fares for Opal Services comply with our determination.

IPART is responsible for determining maximum fares for trips made across all Opal Services excluding Gold Opal, Child Opal, Concession Opal and travel on the School Student Travel Scheme. These include:


- ▼ rail services operated by Sydney Trains and NSW TrainLink Intercity
- ▼ government and private bus services in Sydney, Newcastle, the Central Coast, Wollongong, the Blue Mountains and the Hunter regions
- ▼ ferry services operated by Sydney Ferries
- ▼ light rail services in Sydney, and
- ▼ the Stockton Ferry in Newcastle.

If Transport for NSW (TfNSW) proposes to change fares, it is required to submit a pricing proposal to IPART demonstrating compliance with our determination.

IPART regulates maximum fares for Opal Services using a 'weighted average price cap' approach. Under this approach, IPART determines the maximum amount by which average fares can increase (in percentage terms). TfNSW can set individual fares either higher or lower than this amount, provided the average increase across all fares does not exceed it. Our determination limits the increase in the Average Adult Fare to 6.6% in 2016-17.

Transport for NSW has submitted a pricing proposal setting out fares for Opal Services resulting from three Proposed Fare Change Events in 2016-17:

1. Retirement of remaining paper tickets, effective 1 August 2016.
2. Increasing the price of Opal Single Trip Tickets consistent with achieving a 20% price premium above equivalent Opal card fares, effective 5 September 2016.
3. Amending Opal card benefits, by introducing a transfer discount of \$2.00 for Adult Opal for transfers between transport modes within 60 minutes and reducing the discount for Travel Reward from 100% to 50% after eight paid journeys in the week, effective 5 September 2016.



A copy of TfNSW's pricing proposal is available on our website. TfNSW estimated that the increase in Average Adults Fares in 2016-17 is 3.0%.

We have assessed this proposal and confirmed that the increase in Average Adult Fares is less than 6.6% and so complies with our determination. Specifically we have:

- ▼ approved TfNSW's proposed Trip Distribution for 2015-16,
- ▼ confirmed that the Average Adult Fare for 2015-16 calculated using the Approved Trip Distribution is \$2.49,
- ▼ approved TfNSW's proposed Trip Distribution for 2016-17, and
- ▼ confirmed that the average Adult Fare for 2016-17 calculated using the Approved Trip Distribution is \$2.56.

As part of our assessment, we engaged Frontier Economics to undertake a Quality Assurance (QA) check of TfNSW's pricing proposal. Frontier Economics reviewed the data, logic, calculations and assumptions underlying the pricing proposal. It confirmed that TfNSW assumptions are reasonable as well as tested the sensitivity of key assumptions affecting the increase in Average Adult fares for 2016-17.

Frontier Economics provided assurance that that the Average Adult Fares for 2015-16 and 2016-17 in TfNSW's pricing proposal have been calculated appropriately.

Frontier Economics concluded that the proposed increase in the Average Adult Fare does not exceed 6.6% and that the TfNSW Pricing Proposal complies with our Determination. We agree that TfNSW pricing proposal complies with our determination

A copy of Frontier's report is available on our website.

For future price proposals we will continue to require an independent QA check of TfNSW's pricing proposal.

We also note that TfNSW's pricing proposal relates only to the three Fare Change Events listed above. If TfNSW proposes to make any further changes to fares in 2016-17 it will be required to submit a further pricing proposal to IPART.