

# Review of Fares for CityRail in NSW 2006


From 2 July 2006

Transport - Determinations and Report  
June 2006



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**Determinations No 6 and 7, 2006**

**June 2006**

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# **Determination No 6, 2006**

**CityRail**

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**Independent Pricing and Regulatory Tribunal  
of New South Wales**

**Reference No: 06/94**



## 1. Background

- (1) Section 11 of the *Independent Pricing and Regulatory Tribunal Act 1992* (**IPART Act**) provides the Tribunal with a standing reference to conduct investigations and make reports to the Minister on the determination of the pricing for a government monopoly service supplied by a government agency specified in schedule 1 of the IPART Act.
- (2) Rail Corporation New South Wales (**RailCorp**) is listed as a government agency for the purposes of schedule 1 of the IPART Act. The services of RailCorp declared as monopoly services under the *Independent Pricing and Regulatory Tribunal (Passenger Transport Services) Order 1998* (**Order**) are the railway passenger services supplied under the name of "CityRail" by RailCorp excluding the services supplied in accordance with the ticket known as the "SydneyPass" (**Monopoly Services**). Accordingly, the Tribunal may determine the prices for RailCorp's Monopoly Services.

[Note: The Order applies to RailCorp by operation of clause 122, Schedule 7 of the Transport Administration Act 1988]

- (3) In investigating and reporting on the pricing of RailCorp's Monopoly Services, the Tribunal has had regard to a broad range of matters, including the criteria set out in section 15(1) of the IPART Act.
- (4) In accordance with section 13A of the IPART Act, the Tribunal has fixed a maximum price for RailCorp's Monopoly Services or has established a methodology for fixing the maximum price.
- (5) By section 18(2) of the IPART Act, RailCorp may not fix a price below that determined by the Tribunal without the approval of the Treasurer.

## 2. Application of this determination

- (1) This determination fixes the maximum prices (or sets a methodology for fixing the maximum prices) that RailCorp may charge for the Monopoly Services.
- (2) This determination commences on the later of 2 July 2006 and the date that it is published in the NSW Government Gazette (**Commencement Date**).
- (3) The maximum prices in this determination apply from the Commencement Date until this determination is replaced.

## 3. Replacement of Determination No. 5 of 2003

This determination replaces Determination No. 5 of 2003 from the Commencement Date. The replacement does not affect anything done or omitted to be done, or rights or obligations accrued, under Determination No. 5 of 2003 prior to its replacement.

#### **4. Monitoring**

The Tribunal may monitor the performance of RailCorp for the purposes of:

- (a) establishing and reporting on the level of compliance by RailCorp with this determination; and
- (b) preparing a periodic review of pricing policies in respect of the Monopoly Services supplied by RailCorp.

#### **5. Schedule**

Schedule 1 and the Tables in that schedule set out the maximum prices that RailCorp may charge for the Monopoly Services.

#### **6. Definitions and Interpretation**

Definitions and interpretation provisions used in this determination are set out in Schedule 2.



# Schedule 1

## Maximum prices

### 1. Application

This schedule sets the maximum prices that RailCorp may charge for the Monopoly Services.

### 2. CityRail tickets (other than tickets described in clauses 3 to 6 of this Schedule 1)

The maximum price that may be charged by RailCorp for:

- (a) a rail ticket for a given distance band listed in column 1 of Table 1 is the corresponding price shown in columns 2 to 8 (as applicable) of Table 1;
- (b) the category of Child Off-Peak ticket listed in column 1 of Table 2 is the corresponding price shown in column 2 (as applicable) of Table 2; and
- (c) a TravelPass ticket listed in column 1 of Table 3 is the corresponding price shown in columns 2 to 5 (as applicable) of Table 3.

### 3. FlexiPass tickets

3.1 The price of a FlexiPass ticket for a given distance band (listed in column 1 of Table 1) must not exceed the price calculated as follows:

$$PN = R * (3.66 + K * x - L * y)$$

where:

- PN = FlexiPass ticket price (before rounding off)
- R = Weekly ticket price for the relevant distance band
- N = Number of days of validity (from 28 to 366)
- x = N - 28
- y = N - 90; for N > 90  
0; for N ≤ 90
- K = 0.12
- L = 0.011

3.2 The FlexiPass ticket price determined in clause 3.1 above must be rounded off to the nearest whole dollar.

3.3 The price of a half fare FlexiPass ticket must not exceed half of the appropriate FlexiPass ticket price as determined in clause 3.1.

#### **4. CityHopper tickets**

- 4.1 The price for the category of CityHopper ticket listed in column 1 of Table 4 (when purchased within the CityHopper zone) must not exceed the corresponding price shown in column 2 of Table 4.
- 4.2 The price of a CityHopper ticket (when purchased outside the CityHopper zone) must not exceed the price of the appropriate return ticket (peak or off-peak) (set out in Table 1) for travel to the CityHopper zone plus an additional sum of \$2.20 (for an adult) or \$1.10 (for a child).

#### **5. DayTripper tickets**

- 5.1 The price of a DayTripper ticket must not exceed \$15.40.
- 5.2 The price of a DayTripper child ticket must not exceed \$7.70.

#### **6. Link tickets and Intermodal Destination tickets**

- 6.1 RailCorp offers tickets comprising of travel partly by means of the Monopoly Services and partly by other means of transport that are not Monopoly Services (including by bus or by ferry) (**Link or Intermodal Destination tickets**), that include but are not limited to:
  - (a) Olympic Park tickets;
  - (b) BlueMountains ExplorerLink tickets;
  - (c) Moore Park tickets;
  - (d) Manly tickets; and
  - (e) Bondi Beach tickets.
- 6.2 The price of the Monopoly Services component for a Link or Intermodal Destination ticket must not exceed the corresponding price in Table 1 for the appropriate rail ticket for the distance from the station of origin to the Interchange Station (specified for the Link or Intermodal Destination ticket type).

#### **7. New or additional charges**

RailCorp must not levy any new or additional charges for the Monopoly Services, other than in accordance with this determination.

**Table 1****Maximum prices for CityRail distance based tickets**

<b>Distance up to (Km)</b>	<b>Single (\$)</b>	<b>Half Fare Single (\$)</b>	<b>Return (\$)</b>	<b>Half Fare Return (\$)</b>	<b>Weekly (\$)</b>	<b>Half Fare Weekly (\$)</b>	<b>Off-Peak Return (\$)</b>
5	2.40	1.20	4.80	2.40	19.00	9.50	3.40
10	2.80	1.40	5.60	2.80	23.00	11.50	4.00
15	3.20	1.60	6.40	3.20	26.00	13.00	4.40
20	3.60	1.80	7.20	3.60	29.00	14.50	5.00
25	4.00	2.00	8.00	4.00	32.00	16.00	5.60
30	4.40	2.20	8.80	4.40	34.00	17.00	6.20
35	4.40	2.20	8.80	4.40	35.00	17.50	6.20
45	5.20	2.60	10.40	5.20	38.00	19.00	7.20
55	6.20	3.10	12.40	6.20	41.00	20.50	8.60
65	6.80	3.40	13.60	6.80	45.00	22.50	9.60
75	8.20	4.10	16.40	8.20	48.00	24.00	11.40
85	9.00	4.50	18.00	9.00	51.00	25.50	12.60
95	10.00	5.00	20.00	10.00	53.00	26.50	14.00
105	10.40	5.20	20.80	10.40	55.00	27.50	14.60
115	11.60	5.80	23.20	11.60	57.00	28.50	16.20
125	13.00	6.50	26.00	13.00	60.00	30.00	18.20
135	13.20	6.60	26.40	13.20	66.00	33.00	18.40
155	15.20	7.60	30.40	15.20	72.00	36.00	21.20
175	17.40	8.70	34.80	17.40	76.00	38.00	24.40
195	21.00	10.50	42.00	21.00	83.00	41.50	29.40
215	21.00	10.50	42.00	21.00	83.00	41.50	29.40
235	25.00	12.50	50.00	25.00	97.00	48.50	35.00
255	25.00	12.50	50.00	25.00	97.00	48.50	35.00
305	29.00	14.50	58.00	29.00	110.00	55.00	40.60
305+	29.00	14.50	58.00	29.00	110.00	55.00	40.60

**Table 2****Maximum prices for Child Off-Peak tickets**

<b>Tickets</b>	<b>Maximum price (\$)</b>
Sydney Suburban	2.50
Newcastle Suburban	2.50
Outer Metropolitan	3.60
CityRail Network	5.90

**Table 3****Maximum prices for TravelPass tickets**

<b>Tickets</b>	<b>Weekly (\$)</b>	<b>Quarterly (\$)</b>	<b>Yearly (\$)</b>	<b>Half Fare (\$)</b>
Sydney TravelPass Red	33.00	363.00	1320.00	16.50
Sydney TravelPass Green	41.00	451.00	1640.00	20.50
Sydney TravelPass Yellow	45.00	495.00	1800.00	22.50
Sydney TravelPass Pink	48.00	528.00	1920.00	24.00
Sydney TravelPass Purple	55.00	605.00	2200.00	27.50
Newcastle TravelPass Yellow	45.00	495.00	1800.00	22.50
Newcastle TravelPass Pink	48.00	528.00	1920.00	24.00

**Table 4****Maximum prices for CityHopper tickets purchased within the CityHopper zone**

<b>Tickets</b>	<b>Maximum price (\$)</b>
CityHopper	7.00
CityHopper off-peak	5.00
CityHopper child	3.50
CityHopper child off-peak	2.50

## Schedule 2

### Definitions and Interpretation

#### 1. Definitions

##### 1.1 General definitions

In this determination:

**Commencement Date** means the Commencement Date as defined in clause 2(2) of this determination.

**IPART Act** means the *Independent Pricing and Regulatory Tribunal Act 1992*.

**Monopoly Services** means the Monopoly Services defined in clause 1(2) of this determination.

**RailCorp** means Rail Corporation New South Wales defined in clause 1(2) of this determination, constituted under the *Transport Administration Act 1988*.

**Tribunal** means the Independent Pricing and Regulatory Tribunal of New South Wales established under the IPART Act.

##### 1.2 CityRail ticket definitions

Categories of tickets not defined in this determination are described in the *CityRail Passenger Fares and Coaching Rates Handbook* made available by RailCorp at [www.cityrail.nsw.gov.au](http://www.cityrail.nsw.gov.au).

#### 2. Interpretation

##### 2.1 General provisions

In this determination:

- (a) headings are for convenience only and do not affect the interpretation of this determination;
- (b) a reference to a schedule, annexure, clause or table is a reference to a schedule, annexure, clause or table to this determination;
- (c) words importing the singular include the plural and vice versa;
- (d) a reference to a law or statute includes all amendments or replacements of that law or statute; and
- (e) a reference to a person includes any company, partnership, joint venture, association, corporation, other body corporate or government agency.

##### 2.2 Clarification

The Tribunal may publish a clarification notice in the NSW Government Gazette to correct any manifest error or to clarify any part of this determination as if that clarification notice formed part of this determination.

##### 2.3 Prices inclusive of GST

Prices specified in this determination include GST.



## **Determination No 7, 2006**

### **TravelPass – Bus, Ferry & Train & DayTripper (Sydney Ferries, State Transit Authority)**

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**Independent Pricing and Regulatory Tribunal  
of New South Wales**

**Reference No: 06/94**





## 1. Background

### Sydney Ferries & STA Newcastle Services under the IPART Act

- (1) Section 11 of the *Independent Pricing and Regulatory Tribunal Act 1992* provides the Tribunal with a standing reference to conduct investigations and make reports to the Minister on the determination of the pricing for a government monopoly service supplied by a government agency specified in schedule 1 of the IPART Act.
- (2) In making this determination, the Tribunal has had regard to a broad range of matters, including the criteria set out in section 15(1) of the IPART Act.
- (3) Sydney Ferries (**Sydney Ferries**) is listed as a government agency for the purposes of schedule 1 of the IPART Act. The services of Sydney Ferries declared as monopoly services under the *Independent Pricing and Regulatory Tribunal (Passenger Transport Services) Order 1998 (Order)* are regular passenger services (within the meaning of the *Passenger Transport Act 1990*) excluding the services supplied in accordance with the ticket known as the "SydneyPass" (**Sydney Ferries Monopoly Services**). Accordingly, the Tribunal may determine the prices for the Sydney Ferries Monopoly Services.

[Note: The Order applies to Sydney Ferries by operation of clause 135, Schedule 7 of the *Transport Administration Act 1988*]

- (4) State Transit Authority (the **STA**) is listed as a government agency for the purposes of schedule 1 of the IPART Act. The services of the STA declared as monopoly services under the Order are the regular passenger services (within the meaning of the *Passenger Transport Act 1990*) supplied by the STA but excluding the following:
  - (a) services supplied in accordance with the ticket known as the "SydneyPass";
  - (b) the bus service known as the "Airport Express";
  - (c) the bus service known as the "Sydney Explorer", the bus services known as the "Bondi & Bay Explorer" and any other similar bus services operating in any other areas.
- (5) The declared monopoly services of the STA under clause 1(4) (above) include the services provided by the STA in the Newcastle area to which this determination applies (**STA Newcastle Monopoly Services**).
- (6) Accordingly, the Tribunal may determine the prices for the Sydney Ferries Monopoly Services and the prices for the STA Newcastle Monopoly Services.
- (7) In accordance with section 13A of the IPART Act, the Tribunal has fixed a maximum price for the Sydney Ferries Monopoly Services and for the STA Newcastle Monopoly Services under this determination.
- (8) By section 18(2) of the IPART Act, neither Sydney Ferries nor the STA may fix a price below that determined by the Tribunal without the approval of the Treasurer.

## **STA Sydney Buses under the Passenger Transport Act**

- (9) Section 28J(2) of the *Passenger Transport Act 1990*, permits the Tribunal to conduct investigations and make reports to the Minister on the determination of the maximum fares for Regular Bus Services supplied under a Service Contract. This includes the maximum fares for Regular Bus Services provided by STA Sydney Buses (**STA Sydney Monopoly Services**).
- (10) In making this determination, the Tribunal has had regard to a broad range of matters, including the criteria set out in section 28J(5) of the *Passenger Transport Act*.

## **2. Application of this determination**

- (1) This determination fixes:
  - (a) the maximum prices for the tickets described in Schedule 1 (and Table 1 to that Schedule) that Sydney Ferries may charge for the Sydney Ferries Monopoly Services;
  - (b) the maximum prices for the tickets described in Schedule 2 (and Table 2 to that Schedule) that the STA may charge for the STA Newcastle Monopoly Services; and
  - (c) the maximum fares for the tickets described in Schedule 3 (and Table 1 to that Schedule) that STA Sydney Buses may charge for the STA Sydney Monopoly Services.
- (2) This determination commences on the later of 2 July 2006 and the date that it is published in the NSW Government Gazette (**Commencement Date**).
- (3) The maximum prices and maximum fares in this determination apply from the Commencement Date until this determination is replaced.

## **3. Replacement of part of Determinations No's. 10, 11 and 12 of 2005**

- (1) From the Commencement Date this determination replaces only:
  - (a) the maximum prices for the five Bus, Ferry and Train TravelPass tickets (Red, Green, Yellow, Pink and Purple) and the DayTripper tickets set out in Table 2, Schedule 1 of Determination No. 10 of 2005 (*Sydney Ferries*);
  - (b) the maximum prices for the two TravelPass – yellow and TravelPass – pink tickets set out in Table 1, Schedule 1 of Determination No. 11 of 2005 (*Newcastle Services*); and
  - (c) the maximum fares for the five TravelPass – Bus, Ferry and Train tickets (Red, Green, Yellow, Pink and Purple) and the DayTripper tickets set out in Table 2, Schedule 2 of Determination No. 12 of 2005 (*Sydney Metropolitan Bus Services*).
- (2) Nothing in this determination affects, replaces or amends anything in Determination No's 10, 11 and 12 of 2005 other than those items described in clause 3(1) (above) and those determinations otherwise continue in full force and effect within their terms.

- (3) The replacement described in this clause 3 does not affect anything done or omitted to be done, or rights or obligations accrued, under Determinations No's 10, 11 and 12 of 2005 prior to the replacement of those items described in clause 3(1) (above).

#### **4. Monitoring**

The Tribunal may monitor the performance of any of Sydney Ferries, the STA and/or STA Sydney Buses for the purposes of:

- (a) establishing and reporting on the level of compliance by the relevant agency with this determination; and
- (b) preparing a periodic review of pricing policies in respect of the Sydney Ferries Monopoly Services, the STA Newcastle Monopoly Services and/or the STA Sydney Monopoly Services.

#### **5. Definitions and Interpretation**

Definitions and interpretation provisions used in this determination are set out in Schedule 4.

## **Schedule 1**

### **Maximum prices for Bus, Ferry and Train TravelPass tickets and DayTripper tickets charged by Sydney Ferries for Sydney Ferries Monopoly Services**

#### **1. Application**

This schedule sets the maximum prices for the tickets described in clauses 2 and 3 (below) that Sydney Ferries may charge for the Sydney Ferries Monopoly Services.

#### **2. Bus, Ferry and Train TravelPass tickets (Red, Green, Yellow, Pink and Purple)**

The maximum price that may be charged by Sydney Ferries for a ticket in column 1 of Table 1 is the corresponding fare in columns 2 to 5 (as applicable) of Table 1.

#### **3. DayTripper tickets**

3.1 The price of a DayTripper ticket must not exceed \$15.40.

3.2 The price of a DayTripper child ticket must not exceed \$7.70.

**Table 1**

**Maximum prices charged by Sydney Ferries for TravelPass – Bus, Ferry and Train**

<b>Tickets</b>	<b>Weekly (\$)</b>	<b>Quarterly (\$)</b>	<b>Yearly (\$)</b>	<b>Half Fare (\$)</b>
Red	33.00	363.00	1320.00	16.50
Green	41.00	451.00	1640.00	20.50
Yellow	45.00	495.00	1800.00	22.50
Pink	48.00	528.00	1920.00	24.00
Purple	55.00	605.00	2200.00	27.50

[Note: A Quarterly TravelPass = 11 x weekly price and a Yearly TravelPass = 40 x weekly price. The same multipliers apply to the other TravelPass tickets listed in column 1 of Table 2, Schedule 1 to Determination No. 10, 2005 (*Sydney Ferries*). ]

## **Schedule 2**

### **Maximum prices for TravelPass tickets charged by the STA for STA Newcastle Monopoly Services**

#### **1. Application**

This schedule sets the maximum prices for the tickets described in clause 2 (below) that the STA may charge for the STA Newcastle Monopoly Services.

#### **2. TravelPass – Yellow and TravelPass – Pink tickets**

The maximum price that may be charged by the STA for a ticket listed in column 1 of Table 2 is the corresponding price in columns 2 to 5 (as applicable) of Table 2.

**Table 2**

**Maximum prices for TravelPass tickets for STA Newcastle Monopoly Services**

<b>Tickets</b>	<b>Weekly (\$)</b>	<b>Quarterly (\$)</b>	<b>Yearly (\$)</b>	<b>Half Fare (\$)</b>
Newcastle TravelPass Yellow	45.00	495.00	1800.00	22.50
Newcastle TravelPass Pink	48.00	528.00	1920.00	24.00

[Note: As explained in the Note to Table 1, Schedule 1 to Determination No. 11, 2005 (*Newcastle Services*) a Quarterly TravelPass = 11 x weekly fare and a Yearly TravelPass = 40 x weekly fare. ]

## Schedule 3

### Maximum fares for Bus, Ferry and Train TravelPass tickets and DayTripper tickets charged by STA Sydney Buses for STA Sydney Monopoly Services

#### 1. Application

This schedule sets the maximum fares for the tickets described in clauses 2 and 3 (below) that STA Sydney Buses may charge for the STA Sydney Monopoly Services.

#### 2. Bus, Ferry and Train TravelPass tickets (*Red, Green, Yellow, Pink and Purple*)

The maximum fare that may be charged by STA Sydney Buses for a ticket listed in column 1 of Table 3 is the corresponding fare in columns 2 to 5 (as applicable) of Table 3.

#### 3. DayTripper tickets

3.1 The price of a DayTripper ticket must not exceed \$15.40.

3.2 The price of a DayTripper child ticket must not exceed \$7.70.



**Table 3****Maximum fares charged by STA Sydney Buses for TravelPass – Bus, Ferry and Train**

<b>Tickets</b>	<b>Weekly (\$)</b>	<b>Quarterly (\$)</b>	<b>Yearly (\$)</b>	<b>Half Fare (\$)</b>
Red	33.00	363.00	1320.00	16.50
Green	41.00	451.00	1640.00	20.50
Yellow	45.00	495.00	1800.00	22.50
Pink	48.00	528.00	1920.00	24.00
Purple	55.00	605.00	2200.00	27.50

[Note: A Quarterly TravelPass = 11 x weekly fare and a Yearly TravelPass = 40 x weekly fare. The same multipliers apply to the TravelPass - Bus and Ferry, Bus only tickets listed in column 1 of Table 2, Schedule 2 to Determination No. 12, 2005 (*Sydney Metropolitan Bus Services*). ]

## Schedule 4

### Definitions and Interpretation

#### 1. Definitions

##### 1.1 General definitions

In this determination:

**Commencement Date** means the Commencement Date as defined in clause 2(2) of this determination.

**IPART Act** means the *Independent Pricing and Regulatory Tribunal Act 1992*.

**Passenger Transport Act** means the *Passenger Transport Act, 1990*.

**Regular Bus Service** has the meaning given to that term in the Passenger Transport Act.

**Service Contract** has the meaning given to that expression in section 16 of the Passenger Transport Act and entered into by STA Sydney Buses for the provision of a Regular Bus Service.

**STA** means the State Transit Authority defined in clause 1(4) of this determination, constituted under the *Transport Administration Act 1988*.

**STA Newcastle Monopoly Services** is defined in clause 1(5) of this determination.

**STA Sydney Buses** means the Sydney Buses business owned and operated by the STA.

**STA Sydney Monopoly Services** is defined in clause 1(9) of this determination.

**Sydney Ferries** means Sydney Ferries defined in clause 1(3) of this determination, constituted under the *Transport Administration Act 1988*.

**Sydney Ferries Monopoly Services** is defined in clause 1(3) of this determination.

**Tribunal** means the Independent Pricing and Regulatory Tribunal of New South Wales established under the IPART Act.

## **2. Interpretation**

### **2.1 General provisions**

In this determination:

- (a) headings are for convenience only and do not affect the interpretation of this determination;
- (b) a reference to a schedule, annexure, clause or table is a reference to a schedule, annexure, clause or table to this determination;
- (c) words importing the singular include the plural and vice versa;
- (d) a reference to a law or statute includes all amendments or replacements of that law or statute; and
- (e) a reference to a person includes any company, partnership, joint venture, association, corporation, other body corporate or government agency.

### **2.2 Explanatory Notes**

Explanatory notes do not form part of this determination, but in the case of uncertainty may be relied upon for interpretation purposes.

### **2.3 Clarification**

The Tribunal may publish a clarification notice in the NSW Government Gazette to correct any manifest error or to clarify any part of this determination as if that clarification notice formed part of this determination.

### **2.4 Prices inclusive of GST**

Prices specified in this determination include GST.



# **Review of Fares for CityRail in NSW 2006**

**From 2 July 2006**

## **Report**

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**Independent Pricing and Regulatory Tribunal  
of New South Wales**



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# 1 INTRODUCTION AND OVERVIEW

In the past, the Independent Pricing and Regulatory Tribunal of NSW (the Tribunal) has made a determination on CityRail fares once every year. However, its last determination for these fares was in 2003. In May 2004, the then Premier asked the Tribunal to defer the 2004/05 determination until further notice, due to concerns about CityRail's performance. As a result, CityRail's fares have not increased in nominal terms since 2003, and have fallen in real terms due to the effects of inflation.

In February 2006, Premier Morris Iemma wrote to the Tribunal, asking it to review CityRail fares and make a determination by June 2006 (see Appendix 1). The Premier noted that CityRail is implementing strategies and making significant capital investments to improve its performance.

The Tribunal has completed this review, and has determined the maximum fares that CityRail can charge for public transport services from July 2006.

## 1.1 Overview of determination

The Tribunal has determined that most standard ticket fares increase on average by 2.9 per cent before rounding, and that the off-peak discount may be reduced from an average of 39 to around 30 per cent. The average 2.9 per cent increase in fares is consistent with RailCorp's<sup>1</sup> proposed changes for CityRail fares, however, the Tribunal decided to limit the decrease in off-peak fares from 39 to 30 per cent, compared to RailCorp's proposal of 25 per cent. At the next review the Tribunal will consider further reductions to the off-peak discount.

This means that after rounding, fares for:

- Many suburban single trips do not increase at all,<sup>2</sup> and most of the remainder may increase by 20 cents. The exceptions are fares for distances of 175 km (which may increase by 40 cents) and for distances of 305 km or more (which may increase by no more than \$1.00)
- TravelPasses may increase by no more than \$1.00
- Weekly tickets for distances up to 125 km may increase by no more than \$1.00
- Off-peak return fares for distances up to 85 km may increase by no more than \$1.80.

In reaching its decision on fares, the Tribunal weighs the relative interest of public transport stakeholders. For example, public transport passengers seek affordable public transport and ongoing improvements in service quality. RailCorp, as a public transport agency, seeks prices that will provide a suitable level of cost recovery and the ability to enhance services. The general community seeks to minimise the public subsidy of public transport and to maximise the benefits of these services to the environment and the economy. The diversity of these interests and concerns means that the Tribunal must trade-off passenger affordability concerns, service quality expectations and social and environmental benefits against the financial viability of RailCorp and public funding requirements.

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<sup>1</sup> Rail Corporation NSW (RailCorp) was established on 1 January 2004 to deliver a unified single rail agency to assume all functional responsibility of CityRail and CountryLink rail passenger services.

<sup>2</sup> CityRail proposed not to increase some single adult fares at all.

In making its decision the Tribunal took the following into account:

- There have been no fare increases since August 2003. In this time inflation has increased by 7.8 per cent.<sup>3</sup>
- CityRail's costs<sup>4</sup> have increased by 22 per cent in nominal terms since August 2003.
- Revenues from fares are recovering a declining level of CityRail's costs and hence there is an increasing public transport subsidy provided by government.

Since 2003, CityRail's costs have increased as it has implemented some major initiatives to increase the quality, reliability and safety of its passenger services. For example, CityRail's on-time running has improved since the introduction of the September 2005 timetable. Quality of service such as train cleanliness and availability of ticket machines have also improved. RailCorp and the NSW Government are currently undertaking a major capital investment program to further improve these services. These service initiatives must be funded by users of the rail system or by an increased government subsidy or both.

In making its decision on off-peak fares the Tribunal considered that:

- the return journey of off-peak tickets is often made during the afternoon peak period
- the cost of providing off-peak services is at least as high as that of providing peak services
- around 70 per cent of CityRail services are run during off-peak times, but off-peak ticket sales account for just 13 per cent of total fare revenue
- off-peak fares are relatively inexpensive, and
- other modes of public transport do not have off-peak fares.

These factors helped to persuade the Tribunal to allow a fare increase, to help support CityRail's long-term financial viability.

The Tribunal considers this decision is not likely to lead to a major shift from public transport to cars, which means that the impact on the environment will be minimal.

## 1.2 Structure of this report

This report explains the Tribunal's determination in detail, including why it reached its decisions, and what those decisions mean for RailCorp, CityRail passengers, the community in general and the environment. It is structured as follows:

- Chapter 2 explains the Tribunal's review and decision-making process, and outlines the factors that guided its decision making
- Chapters 3 and 4 discuss two of the major factors the Tribunal considered in making its pricing decisions - CityRail's costs in providing the services concerned and the standard of these services
- Chapter 5 provides a complete list of the new fares

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<sup>3</sup> Change in CPI June to June except for 2005/06 which is from June quarter 2003 to March quarter 2006 (average of four quarters). ABS CPI weighted eight capital cities including GST.

<sup>4</sup> Operating costs and depreciation.

- Chapter 6 summarises the Tribunal's analysis of the implications of its pricing decisions for CityRail passengers, the government and community in general, and the environment
- Chapter 7 outlines what information the Tribunal requires from RailCorp for future fare determinations.



## 2 TRIBUNAL'S REVIEW AND DECISION-MAKING PROCESS

The Tribunal has made its 2006 determination on CityRail fares under the *Independent Pricing and Regulatory Act, 1992* (the IPART Act). In doing so, it had regard to each of the matters it is required to consider under this Act. It also took into account a letter from the then Premier dated 18 May 2004, which asked it to consider a range of matters raised in the 2003 Ministerial Inquiry into Sustainable Transport (the Parry Inquiry) as part of its public transport fare reviews. In addition, it considered the pricing proposal submitted by RailCorp and the views of other stakeholders. The scope of the determination, and Tribunal's review and decision-making processes are outlined in more detail below.

### 2.1 Scope of the determination

The Tribunal's role is to set maximum fares for CityRail's regular passenger services. These services include:

- Single, return and half fares.
- Off-peak fares (adult and child).
- Periodical tickets.
- TravelPasses.
- Cityhopper.
- Daytripper.
- The CityRail part of any combined ticket (for example, the Bondi Beach ticket and TramLink).

The Tribunal does not set prices for the Pensioner Excursion Ticket and the SydneyPass. Neither does the Tribunal determine eligibility for concessions.

### 2.2 Tribunal's review process

The Tribunal's review process included undertaking its own research and analysis, and conducting public consultation. As part of this review, the Tribunal:

- invited RailCorp to make a submission to the review, including a proposal how CityRail fares should change
- invited other interested parties to make submissions, and received 253 submissions from individuals and organisations representing passengers (see Appendix 2)
- collected detailed financial and service quality information from CityRail
- held a public hearing on 5 May 2006 and invited some of the parties who made submissions to present their views at this hearing (see Appendix 3 for a list of participants).

The Tribunal then considered RailCorp's submission and the issues raised in other stakeholder submissions and the public hearing. It also analysed the information it obtained from CityRail, and took into account its requirements under the IPART Act, and the matters raised in the Parry Inquiry.

The Tribunal members for this review are Dr. Michael Keating AC, *Chairman*; James Cox, *Full Time Member and CEO*; and Cristina Cifuentes, *Part Time Member*.

### 2.2.1 Overview of RailCorp's submission

RailCorp's submission asked the Tribunal to consider:

- increasing CityRail standard fares including TravelPasses by an average 2.9 per cent before rounding (as 2.9 per cent is RailCorp's estimate of the change in inflation for the 12 months to June 2006)
- not increasing all fares by the same proportion:
  - some fares are proposed to not increase due to rounding to the nearest 20 cents
  - other fares increase by 2.9 per cent but are rounded up as they have not increased for up to 6 years and
  - some fares do not increase as past price increases are relatively high compared to other tickets
- reducing the off-peak discount from 39 per cent to 25 per cent.

RailCorp argued that the proposed increase in single fares is justified because CityRail's fares have not increased since 2003. As a result, CityRail fares have fallen in real terms over the last two years. RailCorp has had to absorb the impact of this fall.

In addition, RailCorp noted that CityRail's costs are forecast to continue to increase over the coming year. For example, it has budgeted for a 11.5 per cent increase in costs<sup>5</sup> in 2005/06 compared to 2004/05, and has forecast a further increase of 8.3 per cent for 2006/07.<sup>6</sup>

RailCorp also noted that although CityRail's patronage has remained at the same level over the last three years, it is forecast to grow by 1.4 per cent on average in the medium term. It has forecast an increase in passenger journeys from 270 million in 2004/05 to 290 million in 2009/10.

Further, RailCorp argued that service quality, safety and reliability have improved. In particular, it provided information that showed that:

- The number of complaints has decreased by 15 per cent from 2003/04 to 2004/05. Average monthly complaints have fallen by approximately 20 per cent since the introduction of the new timetable in September 2005.
- On-time running has improved by 20 per cent since 2003/04, and when compared to selected operators, on-time running is now approaching international best practice.

RailCorp also argued that the proposed reduction in the off-peak discount will:

- better align CityRail's off-peak discounts with rail services in other states
- better align discounts with other transport modes
- improve the equity of off-peak compared with full fares
- improve cost recovery levels.

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<sup>5</sup> For this review, these costs are defined as the operating expenditure and depreciation CityRail incurs in providing rail passenger services and maintaining infrastructure.

<sup>6</sup> Source: RailCorp.

## 2.2.2 Requirements under the IPART Act

In reaching its decision on fares, the Tribunal explicitly considered all the matters it is required to consider under section 15 of the IPART Act. These matters relate to:

- **Consumer protection** – protecting consumers from abuses of monopoly power; standards of quality, reliability and safety of the services concerned; social impact of decisions; effect on inflation.
- **Economic efficiency** – encouraging greater efficiency in the supply of services; the need to promote competition; effect of functions being carried out by another body.
- **Financial viability** – ensuring an appropriate rate of return on public sector assets, including dividend requirements.
- **Environmental protection** – promoting ecologically sustainable development via appropriate pricing policies; considering demand management and least-cost planning.

In addition, it considered the then Premier Bob Carr's request<sup>7</sup> under section 13(1)(c) of the IPART Act that, when making investigations into fares for all public transport modes, the Tribunal consider the following matters arising from the Parry Inquiry (see section 2.2.3 below):

- making fare increases up to the CPI subject to operators achieving efficiency gains
- making fare increases above the CPI subject to operators delivering clearly demonstrated customer benefits through improvements in service quality linked to specific initiatives.

## 2.2.3 Parry Inquiry

The 2003 Ministerial Inquiry into Sustainable Transport in New South Wales (the Parry Inquiry) made 45 recommendations to assist in providing a framework for improving the funding and delivery of sustainable public transport in NSW. The recommendations most relevant to this CityRail determination relate to delivering better services, and fair fares and efficient subsidies.

To deliver better services, the Inquiry recommended that:

- public transport operators be required to demonstrate their performance against a set of carefully chosen Key Performance Indicators (KPIs)
- the proposal to establish five rail clearways within the CityRail network be implemented.

To ensure fair fares and efficient subsidies, the Inquiry recommended that:

- public transport operators be required to pursue efficiency gains
- fare increases be used to fund improvements in services of direct benefit to particular modal passenger groups
- a CPI+X approach to fare regulation be adopted to make the relationship between fare increases and service improvements transparent

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<sup>7</sup> In a letter to the Tribunal, dated 18 May 2004.

- CityRail fares increase modestly in real terms to help fund better services, and the base fare for journeys of up to 50–60 kilometres be adjusted towards a constant per kilometre price.

In making its determination, the Tribunal recognised that some of the recommendations of the Parry Inquiry, such as demonstrating performance against a set of KPIs, will take time to be implemented by CityRail. As a consequence, it took into account CityRail's progress towards implementing these recommendations. The Tribunal also provided RailCorp with a comprehensive list of information that it will require to conduct a comprehensive assessment of CityRail's progress towards implementing the recommendations of the Parry Inquiry in future price reviews (see Chapter 7).



### 3 COSTS OF PROVIDING CITYRAIL'S SERVICES

One of the main factors the Tribunal considered in making its 2006 determination on CityRail fares was the cost of providing the services concerned. For this review, these costs are defined as the operating expenditure and depreciation CityRail incurs in providing rail passenger services and maintaining infrastructure. This definition is different to the one used in the last review, when the Tribunal considered CityRail's 'above rail' costs only, which exclude the costs of maintaining track infrastructure.<sup>8</sup>

RailCorp's submission indicated that CityRail's costs have risen sharply in recent years, and are forecast to continue to rise. RailCorp forecasts costs to grow by 11.5 per cent in 2005/06, and by 8.3 per cent in 2006/07 (Table 3.1), to reach a total \$2.4 billion for that year. CityRail's costs increase due to some major initiatives to increase the quality, reliability and safety of its passenger services. For example, CityRail's on-timing running has improved since the introduction of the September 2005 timetable (see chapter 4, Figure 4.1).

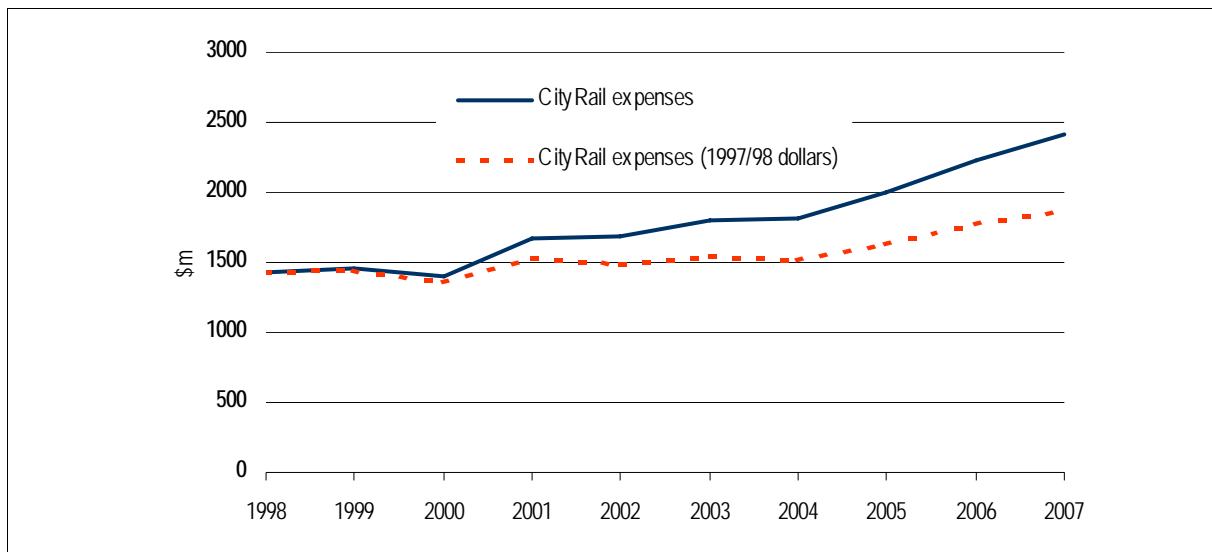
**Table 3.1 Changes in CityRail's costs**

<i>Year</i>	<i>Increase in costs (nominal) %</i>	<i>Increase in costs (real) %</i>
1998/1999	1.9	0.6
1999/2000	-3.6	-5.9
2000/2001	19.4	12.6
2001/2002	0.4	-2.4
2002/2003	7.3	4.0
2003/2004	0.3	-2.0
2004/2005	10.4	7.8
2005/2006	11.5	8.8
2006/2007	8.3	5.6

<sup>a</sup> CPI forecast of 2.5 per cent used to calculate 2005/06 and 2006/07 real increases in costs.  
Source: RailCorp, ABS CPI weighted eight capital cities including GST.

It is difficult to analyse the trend in CityRail's costs over a longer period of time, because the agency was significantly restructured on 1 January 2004. However, if the access fee that CityRail paid to use track infrastructure prior to 2004 was cost reflective and is included in CityRail's costs, then its costs appear to have risen in both nominal and real terms over the period 1997/98 to now (Figure 3.1).

<sup>8</sup> The change in the definition of costs is a result of the restructuring of State Rail into RailCorp.

**Figure 3.1 CityRail actual and forecast costs**

Note: The access fee paid for infrastructure prior to 1 January 2004 is assumed to be representative of the below-rail costs of CityRail. 2005/06 figure is budgeted costs and 2006/07 figure is forecast costs.

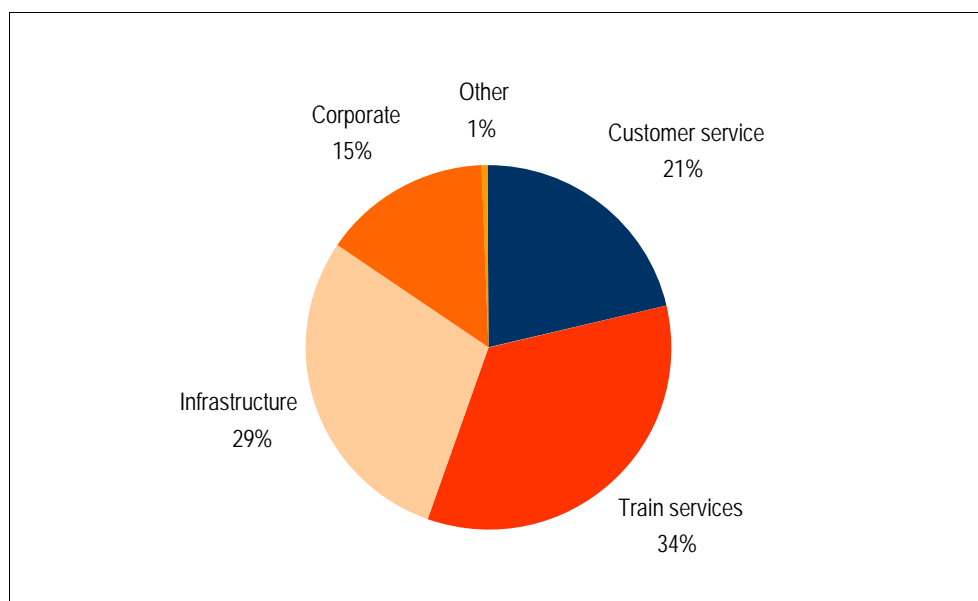
Data source: RailCorp, ABS CPI weighted eight capital cities including GST.

RailCorp indicated to the Tribunal that CityRail's costs are expected to increase from 2004/05 to 2006/07 due to rises in the level of maintenance undertaken on rollingstock and tracks, as well as higher wages and increases in the number of front-line staff.<sup>9</sup> The total increase in costs over this period is expected to be \$414 million. Labour costs, which represent about 50 per cent of costs, are expected to rise moderately between 2004/05 and 2006/07. Non-labour costs, which comprise 31 per cent of costs, are expected to grow rapidly over the same period. The Tribunal notes that RailCorp's proposed fare increases, which forecast an increase in fare-box revenue of 6.6 per cent<sup>10</sup>, do not cover the expected increases in costs.

RailCorp also provided the Tribunal with information on CityRail's 2005/06 operating costs by service area (Figure 3.2). This information indicates that the train services represent the largest share of these costs, followed by infrastructure costs.

<sup>9</sup> Source: RailCorp.

<sup>10</sup> This forecast includes the proposed 2.9 per cent increase in standard fares and the proposed reduction in the off-peak discount from 39 to 25 per cent.

**Figure 3.2 CityRail's operating costs by service area, 2005/06**

Data source: RailCorp.

In analysing the cost information provided by RailCorp the Tribunal particularly considered:<sup>11</sup>

- the efficiency of the costs
- the level of cost recovery through the fare-box
- the extent to which fares reflect the costs of providing the services concerned.

Each of these issues is discussed below.

### 3.1 Efficiency of costs

The Tribunal considered the extent to which CityRail's costs are efficient, taking into account the requirements under the IPART Act, and the request by the then Premier for it to consider making fare increases up to the level of the CPI subject to efficiency gains.<sup>12</sup>

The Tribunal considers that it is unlikely that CityRail is operating at the lowest possible cost, and that this imposes a greater financial burden on both taxpayers and users. However, the magnitude of the gap between its current costs and efficient costs is unclear.

The Tribunal is also concerned that CityRail's efficiency may have deteriorated since the time of its last review. On the one hand, the agency's costs have risen significantly, without there being a commensurate increase in services or passenger numbers. In addition, many of the efficiency measures within CityRail's KPIs show significant deterioration since the start of 2004. On the other hand, it seems that at least some of its increased costs are due to higher levels of maintenance than occurred in the past.

<sup>11</sup> The Tribunal also considered "the impact on pricing policies of any arrangements that CityRail has entered into for the exercise of its functions by some other person or body" as required under the IPART Act. CityRail periodically enters into arrangements to replace rail with buses on weekends.

<sup>12</sup> Letter from Premier Bob Carr to the Tribunal, 18 May 2004.

In its submission, RailCorp did not identify specific examples of how CityRail has increased its efficiency or productivity. However, during consultations with the Tribunal, it cited reduced staffing levels as an indicator of efficiency gains. In addition, in its submission it identified several processes that it has put in place (or is putting in place) to improve CityRail's efficiency in the future.<sup>13</sup> These include:

- implementing a KPI efficiency measurement framework, and
- investing in benchmarking initiatives, including joining the Comet/Nova international consortium of rail networks.

The Tribunal expects these projects to provide very useful information to CityRail on its current level of efficiency. CityRail should use this information to help it identify how it can make efficiency gains, and to set appropriate targets for these efficiency gains. In addition, it should integrate this information into its decision-making and business planning process.

RailCorp has indicated that the KPI information is already being integrated into its business planning, but that this process will take a number of years. The Tribunal expects to see evidence of progress at its next review. RailCorp has also indicated that the initial investment in benchmarking is being used to improve decisions. The Tribunal expects to see evidence of continued use of this information, and of particular efficiency improvements that have resulted from this project at its next review.

The Tribunal is not able to use information from the KPI and benchmarking projects to conclusively assess CityRail's efficiency for this review, because the KPI project has only been implemented for a short time, and CityRail has yet to join the benchmarking groups. For this reason, it has conducted its own benchmarking of CityRail costs against those of a group of international rail network operators.<sup>14</sup>

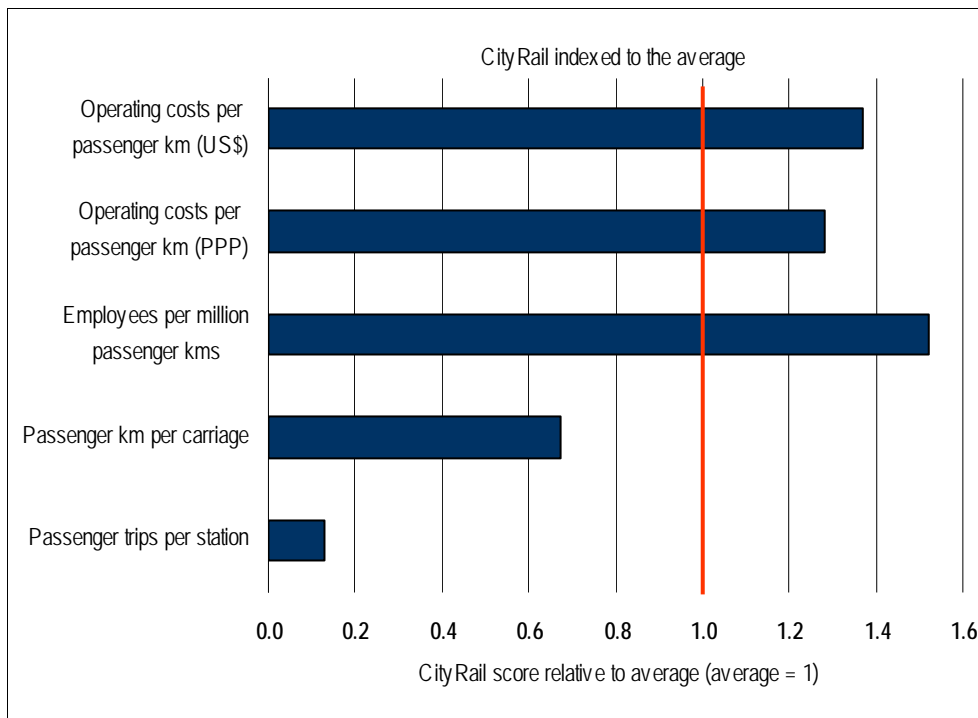
The Tribunal's benchmarking indicates that CityRail's average costs and employees per passenger kilometre are higher than the average for the group, while its utilisation of assets (such as rollingstock and stations) is lower than average (Figure 3.3). However, as with any benchmarking exercise, it is important to recognise that differences in the network structures, density of cities, service standards and other factors influence the costs of rail operator. The extent to which CityRail can match the efficiency of other networks will at least partly depend on legacy decisions that relate to its network, particularly legacy decisions related to capital investment.

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<sup>13</sup> RailCorp submission.

<sup>14</sup> Networks that had data on costs and employees per passenger kilometre included the London Underground, New York Subway, New York Long Island and Metro North rail roads, Hong Kong MTRC, Hong Kong, KTRC, Singapore MRT, Lisbon Metropolitana and San Francisco BART.

**Chart 3.3 Benchmarking CityRail’s performance**



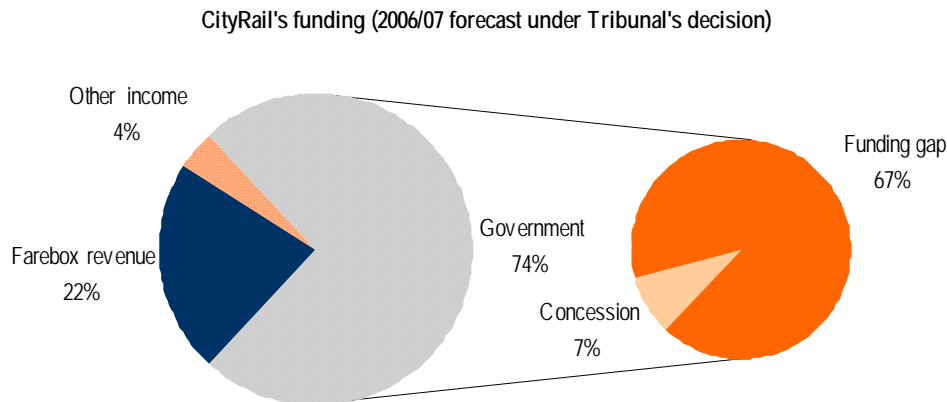
Data source: Various including Annual Reports and web sites. Data from latest available years from different countries.

It is also important to note that improving efficiency does not only mean lowering costs. CityRail may make efficient decisions that increase costs, but that increase revenue by a greater amount. Such decisions might include improving service standards or raising other revenues such as rent, advertising and property development.

### 3.2 Cost recovery through fare box revenue

The level of cost recovery refers to the proportion of CityRail’s total costs that is funded directly by users (through fare-box revenue) and other revenues such as rent and maintenance for other rail providers. A fall in this level indicates that a greater share of CityRail’s costs is being funded by the general community through government expenditure.

The Tribunal’s 2006 determination means that in 2006/07, cost recovery is expected to be 26.0 per cent. Fare-box revenue is expected to fund 22 per cent of CityRail’s total costs, while other revenue to fund an additional 4 per cent of costs. Government expenditure is expected to fund the remaining 74 per cent (including concession and free travel funding) (Figure 3.4). This level of government expenditure is equal to around \$707 per household in NSW.

**Figure 3.4 Sources of funding for CityRail in 2006/07**

Note: Other income includes revenue from CityRail activities such as rent and the use of CityRail maintenance gangs by other businesses. Concession relates to payments made to the agency for concession and free fares it provides for students and pensioners.

Data source: RailCorp. 2006/07 farebox revenue forecast calculated by the Tribunal.

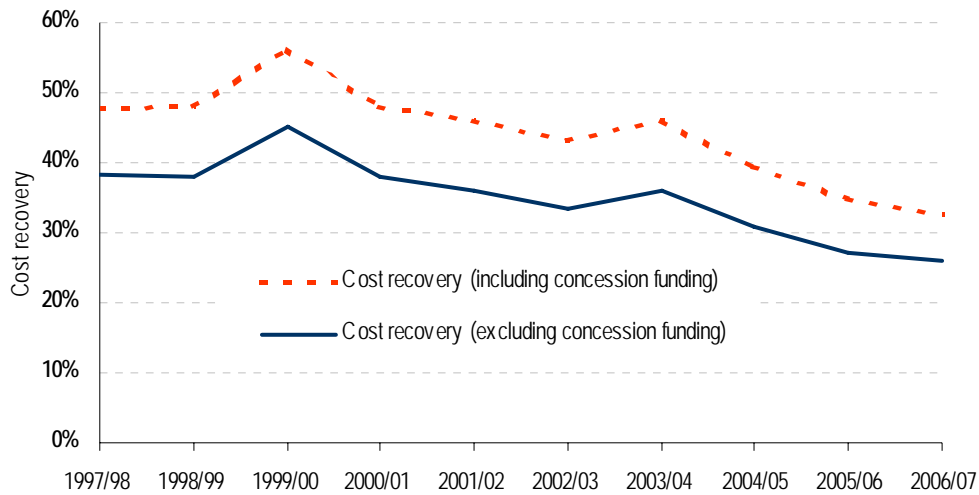
The appropriate sources of funding for CityRail is a complex issue that should be considered within the framework of the government's broader transport policy for Sydney and NSW.<sup>15</sup> In making its determination, the Tribunal focused on changes in CityRail's level of cost recovery, the level of cost recovery for other modes of public transport, and changes in the determinants of the appropriate level of cost recovery.

As noted above, the definition of costs has changed since the Tribunal's last review and now includes below-rail costs (the costs associated with track maintenance). This means that for this review, the level of cost recovery has been calculated using a larger cost base, and is not directly comparable to the level of cost recovery discussed in previous reports. To enable some comparison with previous years, the Tribunal has estimated CityRail's cost recovery for 1997/98 to 2003/04 including below-rail costs, and by assuming that the access fees paid by CityRail prior to 1 January 2004 were reflective of these costs.

This analysis shows that CityRail's cost recovery has fallen since the Tribunal's last determination in 2003 (Figure 3.5). This fall is due partly to the sharp rise in costs discussed above, and partly to modest growth in revenues. This modest revenue growth reflects subdued passenger growth, and the fact that there has been no change in fares since 2003.

<sup>15</sup> Many of the participants at the public forum noted the holistic nature of transport decisions.

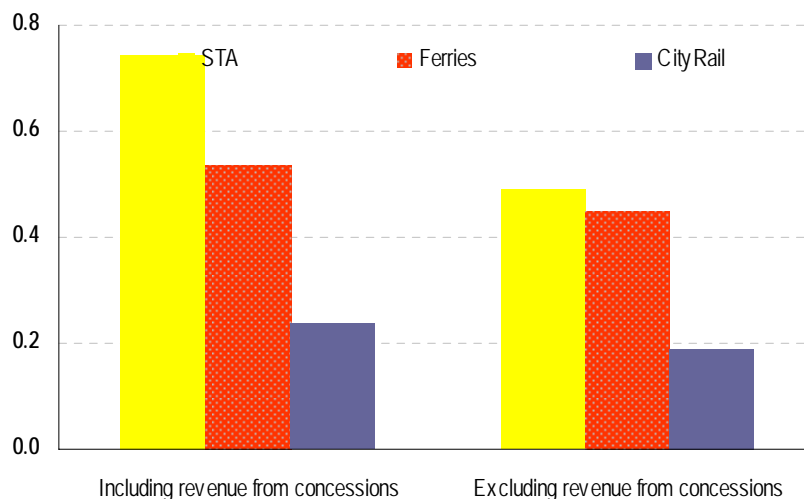
**Figure 3.5 Cost recovery of CityRail**



Note: Prior to the establishment of RailCorp, access fees are assumed to be reflective of below-rail costs. Cost recovery or 2005/06 uses budgeted revenues and costs. 2006/07 uses forecast revenues and costs under the Tribunal’s decision.  
 Data source: RailCorp.

The Tribunal also compared CityRail’s level of cost recovery with that of other public transport agencies in Sydney (Sydney Buses and Sydney Ferries). This comparison took into account CityRail’s above and below rail costs and the other agencies’ total costs, including an assessment of the return each agency could have earned on its capital base.<sup>16</sup> This analysis suggests that CityRail’s cost recovery is significantly lower than the other public transport agencies’ (Figure 3.6).

**Figure 3.6 Cost recovery of various modes of public transport in Sydney**



Data source: RailCorp.

<sup>16</sup> For CityRail and Sydney Ferries, the capital base used was taken from the Annual Reports of RailCorp and Sydney Ferries respectively. For Sydney buses, a share of net capital from the RTA Annual Reports was allocated to Sydney buses, as well as the net capital from the STA Annual Report.

The Tribunal considers that the following factors are important in deciding on an appropriate level of cost recovery for CityRail:

- cost recovery in other modes of public transport – large differences between the cost recovery of modes of transport may affect consumer decisions on modes of travel and government decisions on future investment in infrastructure
- externalities from different modes of transport – rising externalities such as road congestion would tend to suggest greater subsidisation of CityRail may be appropriate
- the level of efficient costs relative to expected costs – rising costs due to inefficiency should be borne by government rather than by users
- legacy costs – costs arising from previous government decisions that were not based on purely financial return should not be borne by users
- the marginal costs of providing additional services – changes in marginal costs may impact on the economically efficient funding of CityRail, and
- equity considerations – government may change social priorities that affect the amount of subsidy provided for CityRail.

The Tribunal does not consider that changes in these factors justify the fall in cost recovery for CityRail that would occur if fares remained unchanged. Indeed since 2003 revenues from fares have been recovering a declining level of CityRail's costs, hence there has been an increasing public transport subsidy provided by government. The Tribunal has therefore sought to allow CityRail increased scope for revenue collection through the fare-box in making its decision. The Tribunal notes though that RailCorp's proposed fares are forecast to increase fare-box revenue by 6.6 per cent<sup>17</sup> relative to fare-box revenue if fares remain unchanged. This forecast additional revenue would not reverse the trend of declining cost recovery of CityRail.

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<sup>17</sup> This is a weighted average increase including the 2.9 per cent increase in all standard fares and a reduction in the off-peak discount from 39 to 25 per cent.



### 3.3 Cost reflectivity

Cost reflectivity is a measure of the extent to which the price of a particular service reflects the costs incurred in providing that service. For a network service, such as CityRail's passenger rail services, it is hard to establish the costs of a particular service, because there are joint costs incurred in providing CityRail's services. However, the prices of particular CityRail services should at least be set to recover the additional (or marginal) costs of extra passengers using those services.<sup>18</sup>

In considering cost reflectivity, it is also important to take account of CityRail's ability to collect revenue from a particular service. This will depend on the utilisation of the service, the fares and the sensitivity of users to changes in fares.

It is important that prices are cost reflective, because this helps to encourage the efficient use of services. If there is significant cross-subsidisation between services, transport users may make decisions that impose greater costs on government and/or CityRail. For example, if return tickets were more heavily subsidised than weekly tickets (so that a weekly was more expensive than five return tickets), then transport users might choose to use returns instead of weeklies. This could increase CityRail's costs by requiring it to invest in more staff and ticketing machines. Cross-subsidisation of particular services also has implications for consumer choices and government costs across the entire transport network.

Cost reflectivity is useful in considering pricing issues such as the off-peak discount, relative fares of long distance versus short distance trips, fares for different regions and discounts for weekly tickets and TravelPasses compared to return tickets. However, it is not the only consideration – others include demand management and revenue maximisation.

For this review, RailCorp requested only one significant change in relative fares – the reduction in the off-peak discount. RailCorp was not able to provide information on the breakdown of its costs by service. This reflects the difficulties of allocating the costs of jointly used assets, such as a carriage, between a number of services that use that asset.

RailCorp did provide indicative information that suggests that weekend services (a major part of off-peak services) are relatively more costly than weekday services and collect relatively less revenue.<sup>19</sup> It noted that front-line staff receive Saturday and Sunday loadings of 50 per cent and 100 per cent respectively for weekend shifts. In addition, because some staff are required regardless of the number of services that are available, such as some signal box staff, staff costs per service are higher on days with fewer services, such as weekends.

Weekend services also currently collect less revenue than weekday services due to lower patronage and the off-peak discount. Given that usage is not estimated to respond strongly to price, raising off-peak fares could help collect more revenue from these services.

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<sup>18</sup> Note that cost reflectivity does not mean that fares recover all the costs of providing the services (see the discussion of cost recovery in section 3.2). Rather, it is concerned with differences in the costs of different types of services and passengers.

<sup>19</sup> Letter to IPART from RailCorp, 11 May 2006 and correspondence with RailCorp 23 and 24 May 2006.

Off-peak services also include many weekday services. Disentangling costs and revenues is much more difficult here. While it noted the information on cost reflectivity of off-peak services, the Tribunal considered that there is a case for reducing the level of discount on off-peak fares as a large proportion of journeys using off-peak tickets are made during CityRail's weekday afternoon peak times of between 4 and 6 pm (Chapter 6, Figure 6.3)

Improved information on joint costs and the costs of each service could provide useful supporting the structure of CityRail's fares in future reviews. Such structural changes could include changes to relative fares of peak and off-peak, longer distance and shorter distance, for particular lines or regions and for weekly tickets versus singles and returns. In particular, the Tribunal notes that CityRail's fares do not rise as quickly as other international rail operators, as distance travelled increases.<sup>20</sup>

***Off-peak services comprise around 70 per cent of services but off-peak tickets raise 13 per cent of revenue***

One proxy of the costs of running services (be they peak or off-peak) is the number of services in operation. Off-peak services cover over 60 per cent of the hours in a standard weekday and 65 per cent of weekday services. There are approximately two thirds as many services run on a weekend day, all of which are off-peak services. Overall, around 70 per cent of CityRail services are run during off-peak times.

Conversely, off-peak ticket sales account for just 13 per cent of total fare revenue. The Tribunal recognises that a number of off-peak journeys are travelled on other fare types such as the Pensioner Excursion ticket or other concessions, but this is equally true for peak services. On the other hand, the Tribunal noted that up to a quarter of off-peak tickets are used to travel during CityRail's weekday afternoon peak times of between 4 and 6 pm.

In making its decision on off-peak fares the Tribunal considered that:

- the return journey of off-peak tickets is often made during the afternoon peak period
- the cost of providing off-peak services is at least as high as that of providing peak services
- around 70 per cent of CityRail services are run during off-peak times, but off-peak ticket sales account for just 13 per cent of total fare revenue
- off-peak fares are relatively inexpensive, and
- other modes of public transport do not have off-peak fares.

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<sup>20</sup> RailCorp submission, section 4.5.2.

## 4 STANDARDS OF QUALITY, RELIABILITY AND SAFETY

Another major factor that the Tribunal considered was the standards of quality, reliability and safety of the services concerned. The Tribunal's 2003 determination raised a number of issues related to these standards for consideration at the next review, including:

- developing better performance criteria and reporting
- developing strategies to increase passenger volumes.<sup>21</sup>

The Parry Inquiry also recommended that "any fare increases must be clearly linked to improvements in the quality of service"<sup>22</sup> and proposed that public transport operators be given five years to demonstrate their levels of performance against key performance indicators (KPIs). In addition, the NSW Auditor-General noted in 2005, that RailCorp "needs to make a quantum leap to focus the business more on responding to passenger needs and achieving service excellence".<sup>23</sup>

The Tribunal notes that since its last review, the Independent Transport Safety and Reliability Regulator has been established to administer rail safety legislation and report on the reliability of publicly funded transport services.<sup>24</sup> The Tribunal considers that public reporting of accurate data and trend information on various aspects of CityRail's customer service performance can act as an incentive for CityRail to continue to improve services to passengers.

For this review, the Tribunal considered whether CityRail had made any improvements in the standards of quality, reliability and safety of its services. In its submission, RailCorp reported that significant improvements have been achieved, including improvements in safety, security, and on-time running, and reductions in cancellations and skipped stops.<sup>25</sup> As discussed in the previous chapter these improvements in quality, reliability and safety have increased CityRail's costs.

However, other stakeholders expressed dissatisfaction with CityRail's performance in relation to a range of quality issues, including late running trains, overcrowding, the reduced frequency of services, faulty or non-existent air conditioning, cancellations, poor communication from CityRail staff, longer journey times and dirty trains. For example, one stakeholder submitted that "since the new timetable, ... I have experienced regular delays and cancellation of services".<sup>26</sup> Another wrote that they "no longer bother catching trains on weekends or public holidays ... since it now takes an hour or longer to travel from the central coast."<sup>27</sup>

RailCorp included a copy of CityRail's Customer Service Commitment in its submission. This document describes what passengers can expect when they travel with CityRail – including a safe and comfortable journey, clean and reliable trains, access for the disabled,

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<sup>21</sup> IPART, *Report on the Determination of NSW Public Transport Fares CityRail and State Transit Authority - From 31 August 2003*, Determinations 5 and 6, 2003, August 2003, p 41.

<sup>22</sup> Thomas G Parry, *Ministerial inquiry into sustainable transport in New South Wales A framework for the future Final Report*, December 2003, p viii.

<sup>23</sup> Auditor-General of NSW, *Managing Disruptions to CityRail Passenger Services*, June 2005, p 2.

<sup>24</sup> [www.transportregulator.nsw.gov.au](http://www.transportregulator.nsw.gov.au)

<sup>25</sup> Submission from RailCorp, February 2006, p 3.

<sup>26</sup> Submission from M Edwards, 20 March 2006, p 1.

<sup>27</sup> Submission from M. King, 3 April 2006, p 1.

and the provision of information on fares, timetables and any disruptions to services.<sup>28</sup> However, the submission does not say what consultation was involved in the development of the Commitment, or how it is being communicated to customers.

The Tribunal has considered the information provided in submissions. It notes that RailCorp has undertaken several new initiatives to support improved standards of services, such as maintaining more detailed on-time running data, and providing additional performance statistics on CityRail's website. However, it still considers that there is room for improvement in CityRail's performance. More detailed analysis of the standards of quality, reliability and safety of CityRail's services and other service improvement initiatives it has undertaken is provided in the sections below.

#### **4.1.1 Quality of services**

RailCorp's submission noted that in relation to the quality of services:

- CityRail has improved the cleanliness of trains by introducing 60 cleaning rovers by the end of 2004/05.
- CityRail has invested over \$60 million since 2002/03 upgrading stations to improve access for passengers with special needs.
- CityRail is currently providing 99.5 per cent of ticket devices in operational order at all times.
- Customer complaints have decreased by around 15 per cent from 2003/04 to 2004/05.

While some submissions indicate that passengers are still concerned about the cleanliness of trains and the accessibility of services, the Tribunal considers that RailCorp has invested in improving the overall quality of services provided, compared to 2003 when the Tribunal made its last determination.

In addition, the Tribunal notes that RailCorp has implemented a KPI framework which includes a number of indicators relating to service quality. While the KPI framework may not have an immediate impact on the quality of the services CityRail delivers, it is expected to have a positive impact in the future. The Tribunal will continue to monitor CityRail's performance in this area.

#### **4.1.2 Service reliability**

In its submission, RailCorp stated that on-time running has improved since the introduction of the new timetable in September 2005. However, other stakeholders expressed concern that on-time running still seems to be poor in the afternoon peak, and suggested that it is equally important to consider the number of services that are cancelled.

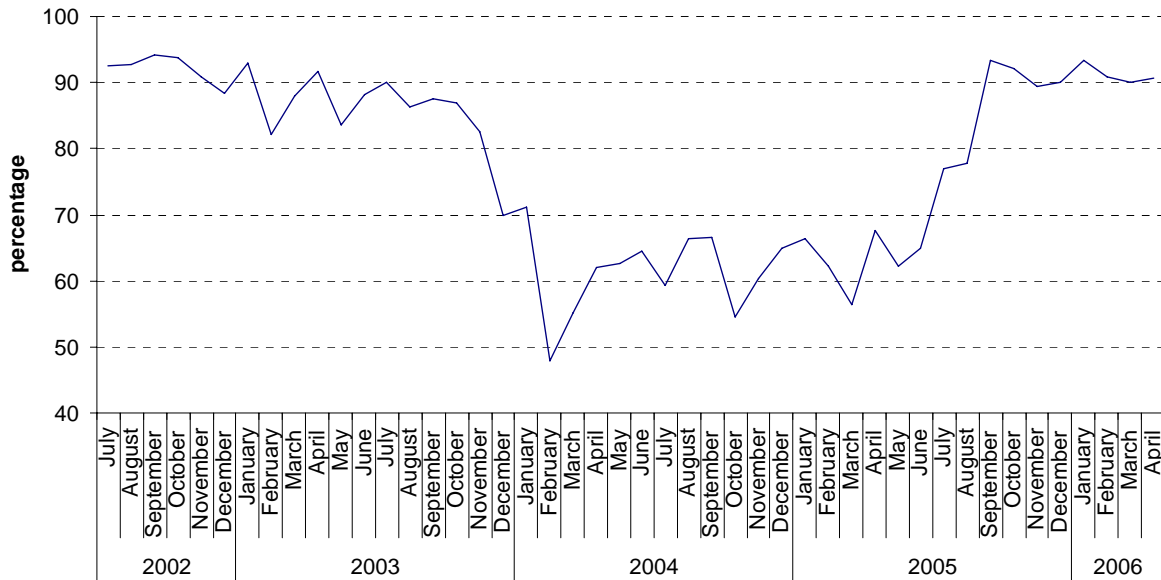
The Tribunal conducted its own research on on-time running and the number of services cancelled. Its findings indicate since the introduction of the new timetable in September 2005, CityRail's performance in the on-time running of train services has improved considerably (Figure 4.1). However, the proportion of trains cancelled during the peak period also appears to have increased around this time, and remained higher than historical levels over 2005/06 (Figure 4.2).

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<sup>28</sup> Submission from RailCorp, February 2006, pp 17-19.

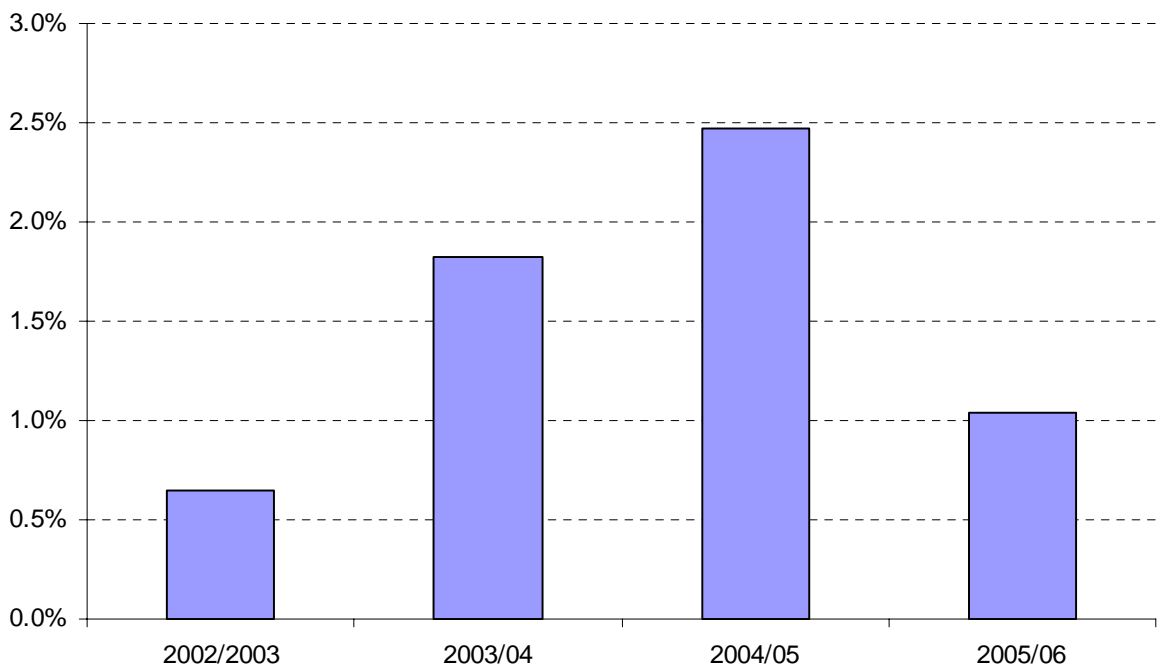
In addition, although on-time running has improved during both the morning and afternoon peak periods, it is less reliable in the afternoon peak period (Figure 4.3). The Tribunal also notes that CityRail changed its definition of on-time running on 1 July 2005 - from 3:59 minutes within the scheduled time to 5:00 minutes within this time.

**Figure 4.1 CityRail – on-time running during morning and afternoon peak periods**



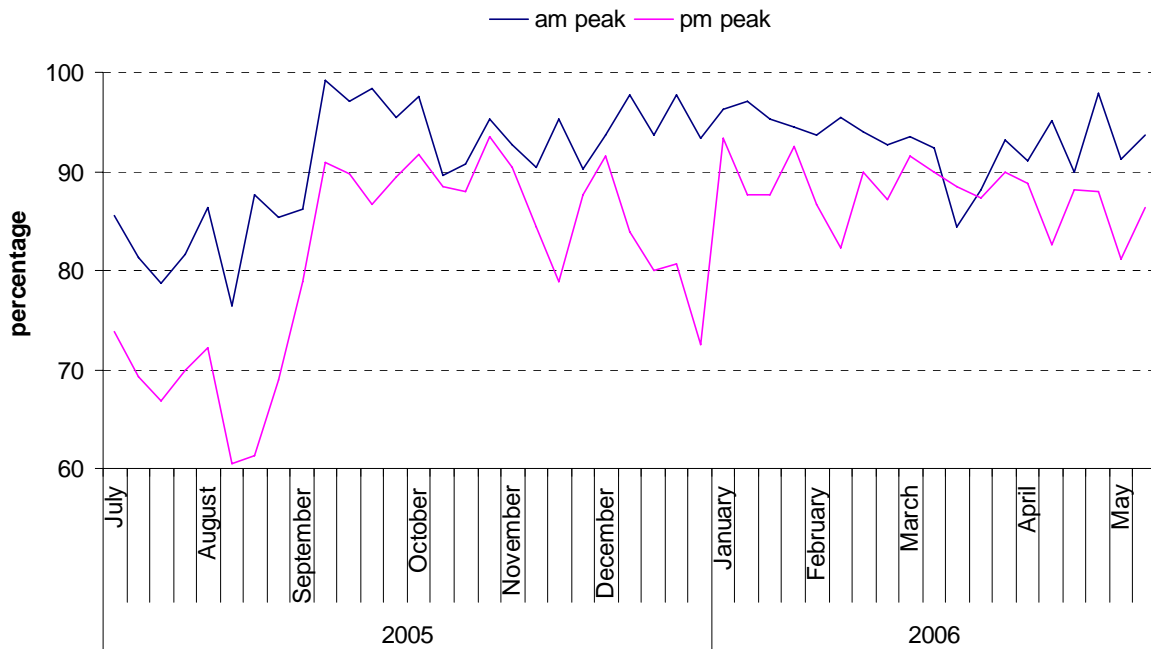
Source: CityRail website. On-time running defined as arriving at destination within 5min (after July '05), 3min 59sec (before July '05) of timetable.

**Figure 4.2 CityRail – proportion of trains cancelled during peak periods**



Source: CityRail website. 2005/06 is a year to date (April 2006) percentage.

**Figure 4.3 CityRail – on-time performance for morning and afternoon peak suburban services**



Source: CityRail website. On-time running figures are unadjusted for force majeure events. Please note that from 1 July 2005 the on-time running benchmark for suburban has changed from 3.59 to five minutes. The Tribunal therefore included only data from 1 July 2005.

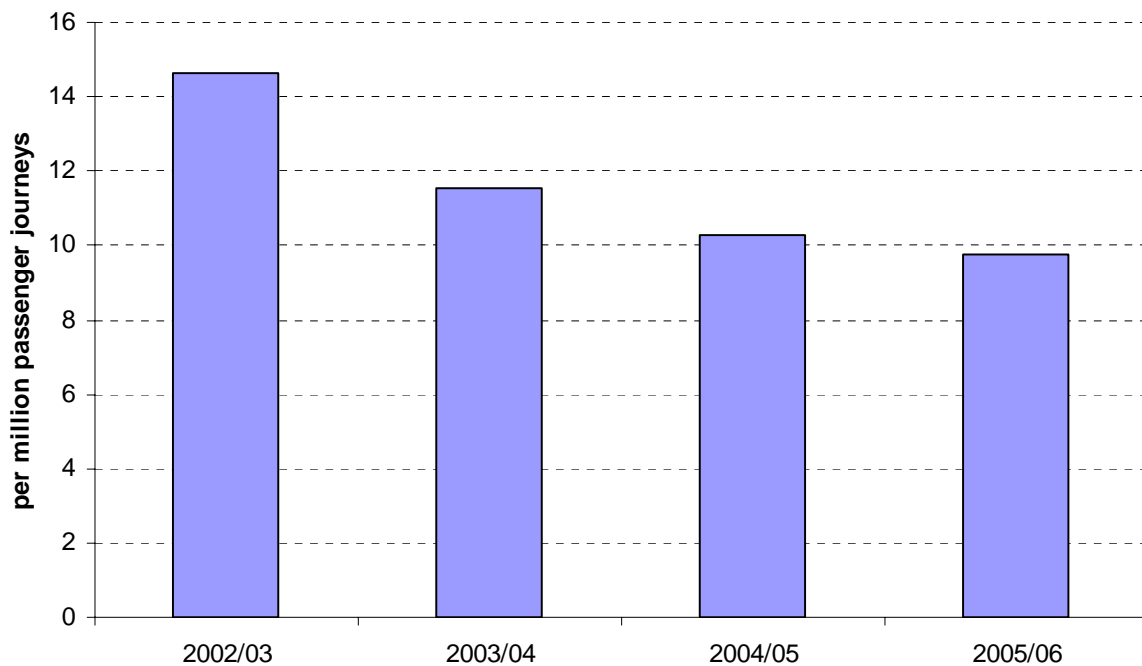
Overall, the Tribunal considers that CityRail has put effort into improving the reliability of its services. It also recognises that some initiatives that are currently underway, such as the clearways program, are likely to have a positive impact in the future. The Tribunal will continue to monitor the on-time running performance of morning and afternoon peak services in the future. It further notes that no on-time running data for off-peak services was available at the time it made this determination.

#### 4.1.3 Safety of services

In relation to the safety of CityRail's services, RailCorp's submission noted that:

- The 600 transit officers that have been introduced and extended CCTV coverage have improved the security on trains and stations for customers.
- To date, 60 of the 88 recommendations of the Waterfall Inquiry related to RailCorp have been implemented.

The Tribunal also notes that CityRail has begun to report on safety incidents on its website. The data reported indicates that the number of safety incidents has fallen since 2002/03 (Figure 4.4). The Tribunal welcomes this initiative.

Figure 4.4 CityRail – security incidents<sup>29</sup>

Source: CityRail webpage. 2005/06 is a year to date figure.

#### 4.1.4 Other service improvement initiatives

The Tribunal also notes that the number of complaints about CityRail staff have fallen by 8 per cent between 2002/03 and the first quarter of 2005/06. In addition, several other initiatives are underway to improve the quality of services delivered:

- RailCorp is implementing a KPI measurement framework to promote management behaviour consistent with the stated corporate objectives of RailCorp
- RailCorp is continuing to invest in rail infrastructure to untangle the network and ease capacity complaints
- CityRail is taking the necessary steps to deliver improved passenger information in the future.

Further, the Independent Transport Safety and Reliability Regulator (ITSRR) has recently released the results of a mini-survey on passenger perceptions.<sup>30</sup> The findings of this telephone survey of 1006 rail users indicate that there have been improvements in passenger perceptions, particularly since the introduction of the new CityRail timetable in September 2005. For aspects of service related to the timetable, there are substantial decreases in the proportion of customers whose expectations are not being met, and increases in the proportion whose expectations are being met.

<sup>29</sup> Includes assault, robbery, sexual assault, and theft.

<sup>30</sup> ITSRR, *Mini Survey of CityRail Customers: The Impact of the September 2005 Timetable*, February 2006.

Accessible on :

[http://www.transportregulator.nsw.gov.au/publications/reports/cityRail\\_mini\\_survey06/MiniSurveyReport.pdf](http://www.transportregulator.nsw.gov.au/publications/reports/cityRail_mini_survey06/MiniSurveyReport.pdf)

The Tribunal also notes that since it received Railcorp's submission, the Premier has announced that approximately 600 new carriages will be added to CityRail's rollingstock by 2013. The Tribunal expects that this will eventually increase CityRail's service reliability as well as quality as all new cars will be air conditioned.

On balance, the Tribunal considers that RailCorp has provided information that demonstrates that CityRail service standards as measured by on time running, number of services cancelled, and security has improved over the past two years. The Tribunal recognises that passenger's perception of the quality of service provided by CityRail may differ from the evidence provided by RailCorp, but it notes that CityRail has experienced two particularly difficult years in terms of service reliability and that services have started to improve.



## 5 THE NEW FARES

In reaching its decision on fares, the Tribunal weighs the relative interest of public transport stakeholders. For example, public transport passengers seek affordable public transport and ongoing improvements in service quality. RailCorp, as a public transport agency, seeks prices that will provide a suitable level of cost recovery and the ability to enhance services. The general community seeks to minimise the public subsidy of public transport and to maximise the benefits of these services to the environment and the economy. The diversity of these interests and concerns means that the Tribunal must trade-off passenger affordability concerns, service quality expectations and social and environmental benefits against the financial viability of RailCorp and public funding requirements.

In making its decisions, the Tribunal took into account the fact that under RailCorp's proposal, the overall increase requested was very modest and fares for some of the most frequently used distance bands would not increase. It also took into account RailCorp's view that the current off-peak discount of 39 per cent is too large, given that the return journey of off-peak tickets is often made during the afternoon peak period, and the cost of providing off-peak services is at least as high as that of providing peak services.

On balance, the Tribunal found that:

- CityRail's requested fare increase of an average 2.9 per cent is reasonable given the current level of general price inflation and the absence of fare increases in recent years.
- There is a case for reducing the level of discount on off-peak fares as a large proportion of off-peak journeys are made during CityRail's weekday afternoon peak times of between 4 and 6 pm. From July 2006 the discount on off-peak fares will reduce from 39 to 30 per cent. At the next review the Tribunal will consider further reductions to the off-peak discount.

In making its decision the Tribunal took the following into account:

- There has been no fare increases since August 2003. In this time inflation has increased by 7.8 per cent<sup>31</sup>
- CityRail's costs<sup>32</sup> have increased by 22 per cent in nominal terms since August 2003.
- Revenues from fares are recovering a declining level of CityRail's costs and hence there is an increasing public transport subsidy provided by government.

The increase in CityRail costs are related to major initiatives to increase the quality, reliability and safety of its passenger services (see chapter 4). RailCorp and the NSW Government are currently undertaking a major capital investment program to further improve these services. These service initiatives must be funded by users of the rail system or an increased government subsidy or both.

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<sup>31</sup> Change in CPI June to June except for 2005/06 which is from June quarter 2003 to March quarter 2006 (average of four quarters). ABS CPI weighted eight capital cities including GST.

<sup>32</sup> Operating costs and depreciation

RailCorp provided indicative information that suggests that weekend services (a major part of off-peak services) are relatively more costly than weekday services and collect relatively less revenue.<sup>33</sup> It noted that front-line staff receive Saturday and Sunday loadings of 50 per cent and 100 per cent respectively for weekend shifts. In addition, because some staff are required regardless of the number of services that are available, such as some signal box staff, staff costs per service are higher on days with fewer services, such as weekends.

In making its decision on off-peak fares the Tribunal considered that:

- the return journey of off-peak tickets is often made during the afternoon peak period
- the cost of providing off-peak services is at least as high as that of providing peak services
- around 70 per cent of CityRail services are run during off-peak times, but off-peak ticket sales account for just 13 per cent of total fare revenue
- off-peak fares are relatively inexpensive, and
- other modes of public transport do not have off-peak fares.

The Tribunal has determined that single ticket fares increase by an average of 2.9 per cent before rounding, and that the off-peak discount may be reduced from 39 to 30 per cent. This means that after rounding, fares for:

- Many suburban single trips do not increase at all,<sup>34</sup> and most of the remainder may increase by 20 cents. The exceptions are fares for distances of 175 km (which may increase by 40 cents) and for distances of 305 km or more (which may increase by no more than \$1.00)
- TravelPasses may increase by no more than \$1.00
- Weekly tickets for distances up to 125 km may increase by no more than \$1.00
- Off-peak return fares for distances up to 85 km may increase by no more than \$1.80.

The Tribunal has adopted RailCorp's proposal regarding how individual fares should vary. 10 out of 25 single fares will not increase while the other single fares increase by 2.9 per cent rounded to the nearest 20 cents. The Tribunal considers that RailCorp should be better placed to determine individual fare movements given it should have an enhanced understanding of its customer preferences, willingness to pay, and the cost of providing various services to customer groups.

The exact prices that the Tribunal has determined are presented below, along with the percentage change and absolute change in each fare.

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<sup>33</sup> Letter to IPART from RailCorp, 11 May 2006 and correspondence with RailCorp 23 and 24 May 2006.

<sup>34</sup> CityRail proposed not to increase some single adult fares at all.

## 5.1 CityRail's single journey tickets

CityRail's new single journey fares are shown in Table 5.1. The new return fares, which are twice the single fare ticket price, are shown in Table 5.2. Half fares are half the corresponding single ticket price.

**Table 5.1 CityRail's single journey tickets**

Distance up to (km)	2005/06		2006/07		
	Fare (\$)	Fare (\$) unrounded	Fare (\$) rounded	(\$ change)	(% change)
5	2.20	2.26	<b>2.40</b>	0.20	9.1%
10	2.80	2.88	<b>2.80</b>	0.00	0.0%
15	3.00	3.09	<b>3.20</b>	0.20	6.7%
20	3.60	3.70	<b>3.60</b>	0.00	0.0%
25	4.00	4.12	<b>4.00</b>	0.00	0.0%
30	4.40	4.53	<b>4.40</b>	0.00	0.0%
35	4.40	4.53	<b>4.40</b>	0.00	0.0%
45	5.20	5.35	<b>5.20</b>	0.00	0.0%
55	6.00	6.17	<b>6.20</b>	0.20	3.3%
65	6.60	6.79	<b>6.80</b>	0.20	3.0%
75	8.00	8.23	<b>8.20</b>	0.20	2.5%
85	8.80	9.06	<b>9.00</b>	0.20	2.3%
95	9.80	10.08	<b>10.00</b>	0.20	2.0%
105	10.20	10.50	<b>10.40</b>	0.20	2.0%
115	11.40	11.73	<b>11.60</b>	0.20	1.8%
125	12.80	13.17	<b>13.00</b>	0.20	1.6%
135	13.00	13.38	<b>13.20</b>	0.20	1.5%
155	15.00	15.44	<b>15.20</b>	0.20	1.3%
175	17.00	17.49	<b>17.40</b>	0.40	2.4%
195	21.00	21.61	<b>21.00</b>	0.00	0.0%
215	21.00	21.61	<b>21.00</b>	0.00	0.0%
235	25.00	25.73	<b>25.00</b>	0.00	0.0%
255	25.00	25.73	<b>25.00</b>	0.00	0.0%
305	28.00	28.81	<b>29.00</b>	1.00	3.6%
305+	28.00	28.81	<b>29.00</b>	1.00	3.6%

Table 5.2 CityRail's return journey tickets

Distance up to (km)	2005/06		2006/07	
	Fare (\$)	Fare (\$)	(\$ change)	(% change)
5	4.40	<b>4.80</b>	0.40	9.1%
10	5.60	<b>5.60</b>	0.00	0.0%
15	6.00	<b>6.40</b>	0.40	6.7%
20	7.20	<b>7.20</b>	0.00	0.0%
25	8.00	<b>8.00</b>	0.00	0.0%
30	8.80	<b>8.80</b>	0.00	0.0%
35	8.80	<b>8.80</b>	0.00	0.0%
45	10.40	<b>10.40</b>	0.00	0.0%
55	12.00	<b>12.40</b>	0.40	3.3%
65	13.20	<b>13.60</b>	0.40	3.0%
75	16.00	<b>16.40</b>	0.40	2.5%
85	17.60	<b>18.00</b>	0.40	2.3%
95	19.60	<b>20.00</b>	0.40	2.0%
105	20.40	<b>20.80</b>	0.40	2.0%
115	22.80	<b>23.20</b>	0.40	1.8%
125	25.60	<b>26.00</b>	0.40	1.6%
135	26.00	<b>26.40</b>	0.40	1.5%
155	30.00	<b>30.40</b>	0.40	1.3%
175	34.00	<b>34.80</b>	0.80	2.4%
195	42.00	<b>42.00</b>	0.00	0.0%
215	42.00	<b>42.00</b>	0.00	0.0%
235	50.00	<b>50.00</b>	0.00	0.0%
255	50.00	<b>50.00</b>	0.00	0.0%
305	56.00	<b>58.00</b>	2.00	3.6%
305+	56.00	<b>58.00</b>	2.00	3.6%

## 5.2 CityRail's off-peak fares

Adult off-peak fares are sold as return fares only, generally available from 9:00 am weekdays, and all day on weekends and on public holidays. In this determination, the Tribunal has reduced the off-peak discount from 39 to 30 per cent. The new adult off-peak fares, compared to the existing fares are shown in Table 5.3. The new child off-peak fares are shown in Table 5.4.

**Table 5.3 CityRail's adult off-peak return tickets**

Distance up to (km)	2005/06	2006/07			
	Fare (\$)	Fare (\$) unrounded	Fare (\$) rounded	(\$ change)	(% change)
5	2.60	3.36	<b>3.40</b>	0.80	31%
10	3.40	3.92	<b>4.00</b>	0.60	18%
15	3.60	4.48	<b>4.40</b>	0.80	22%
20	4.40	5.04	<b>5.00</b>	0.60	14%
25	4.80	5.60	<b>5.60</b>	0.80	17%
30	5.40	6.16	<b>6.20</b>	0.80	15%
35	5.40	6.16	<b>6.20</b>	0.80	15%
45	6.40	7.28	<b>7.20</b>	0.80	13%
55	7.40	8.68	<b>8.60</b>	1.20	16%
65	8.00	9.52	<b>9.60</b>	1.60	20%
75	9.80	11.48	<b>11.40</b>	1.60	16%
85	10.80	12.60	<b>12.60</b>	1.80	17%
95	12.00	14.00	<b>14.00</b>	2.00	17%
105	12.40	14.56	<b>14.60</b>	2.20	18%
115	14.00	16.24	<b>16.20</b>	2.20	16%
125	15.60	18.20	<b>18.20</b>	2.60	17%
135	15.80	18.48	<b>18.40</b>	2.60	16%
155	18.40	21.28	<b>21.20</b>	2.80	15%
175	21.00	24.36	<b>24.40</b>	3.40	16%
195	26.00	29.40	<b>29.40</b>	3.40	13%
215	26.00	29.40	<b>29.40</b>	3.40	13%
235	31.00	35.00	<b>35.00</b>	4.00	13%
255	31.00	35.00	<b>35.00</b>	4.00	13%
305	34.00	40.60	<b>40.60</b>	6.60	19%
305+	34.00	40.60	<b>40.60</b>	6.60	19%

Table 5.4 CityRail off-peak child fares

Fare zone	2005/06	2006/07			
	Fare (\$)	Fare (\$) unrounded	Fare (\$) rounded	(\$ change)	(% change)
Sydney suburban	2.40	2.47	<b>2.50</b>	0.10	4.2%
Newcastle suburban	2.40	2.47	<b>2.50</b>	0.10	4.2%
outer metropolitan	3.50	3.60	<b>3.60</b>	0.10	2.9%
CityRail network	5.70	5.87	<b>5.90</b>	0.20	3.5%

### 5.3 CityRail periodicals

CityRail periodical tickets are the weekly tickets allowing unlimited journeys between the stations shown on the ticket for 7 consecutive days. The new fares for weekly ticket products compared to the existing fares are shown in Table 5.5.

Table 5.5 CityRail weekly tickets

Distance up to (km)	2005/06	2006/07			
	Fare (\$)	Fare (\$) unrounded	Fare (\$) rounded	(\$ change)	(% change)
5	18.00	18.52	<b>19.00</b>	1.00	5.6%
10	22.00	22.64	<b>23.00</b>	1.00	4.5%
15	25.00	25.73	<b>26.00</b>	1.00	4.0%
20	28.00	28.81	<b>29.00</b>	1.00	3.6%
25	31.00	31.90	<b>32.00</b>	1.00	3.2%
30	33.00	33.96	<b>34.00</b>	1.00	3.0%
35	34.00	34.99	<b>35.00</b>	1.00	2.9%
45	37.00	38.07	<b>38.00</b>	1.00	2.7%
55	40.00	41.16	<b>41.00</b>	1.00	2.5%
65	44.00	45.28	<b>45.00</b>	1.00	2.3%
75	47.00	48.36	<b>48.00</b>	1.00	2.1%
85	50.00	51.45	<b>51.00</b>	1.00	2.0%
95	52.00	53.51	<b>53.00</b>	1.00	1.9%
105	54.00	55.57	<b>55.00</b>	1.00	1.9%
115	56.00	57.62	<b>57.00</b>	1.00	1.8%
125	59.00	60.71	<b>60.00</b>	1.00	1.7%
135	64.00	65.86	<b>66.00</b>	2.00	3.1%
155	70.00	72.03	<b>72.00</b>	2.00	2.9%
175	74.00	76.15	<b>76.00</b>	2.00	2.7%
195	82.00	84.38	<b>83.00</b>	1.00	1.2%
215	82.00	84.38	<b>83.00</b>	1.00	1.2%
235	96.00	98.78	<b>97.00</b>	1.00	1.0%
255	96.00	98.78	<b>97.00</b>	1.00	1.0%
305	108.00	111.13	<b>110.00</b>	2.00	1.9%
305+	108.00	111.13	110.00	2.00	1.9%

## 5.4 TravelPasses

TravelPasses are available for unlimited travel on the CityRail and State Transit Services for the zone specified on the ticket purchased. The new prices for these products compared to existing prices are shown in Table 5.6.

**Table 5.6 TravelPasses (weekly)**

	2005/06	2006/07			
	Fare (\$)	Fare (\$) unrounded	Fare (\$) rounded	(\$ change)	(% change)
Red	32.0	32.93	<b>33.00</b>	1.00	3.1%
Green	40.0	41.16	<b>41.00</b>	1.00	2.5%
Yellow	44.0	45.28	<b>45.00</b>	1.00	2.3%
Pink	47.0	48.36	<b>48.00</b>	1.00	2.1%
Purple	54.0	55.57	<b>55.00</b>	1.00	1.9%

CityRail offers TravelPasses for Newcastle services for two different zones (yellow and pink). These products are linked to the Sydney area product for the yellow and pink zones, and consequently the new fares for these Newcastle TravelPasses are the same as the fares for these zones shown in Table 5.6 above.

## 5.5 CityHopper fares

CityHopper tickets are valid for unlimited travel within the CityHopper zone on the day purchased and up to 4 am the following day. If CityHopper tickets are purchased outside the CityHopper zone, an add-on must be purchased. The new prices for CityHopper tickets compared to existing prices are shown in Table 5.7.

**Table 5.7 CityHopper fares**

<i>Ticket type</i>	2005/06	2006/07	\$ change	% change
CityHopper	6.80	<b>7.00</b>	0.20	2.9%
CityHopper off-peak	4.80	<b>5.00</b>	0.20	4.2%
CityHopper child	3.40	<b>3.50</b>	0.10	2.9%
CityHopper child off-peak	2.40	<b>2.50</b>	0.10	4.2%
CityHopper add-on	2.00	<b>2.20</b>	0.20	10.0%
CityHopper add-on child	1.00	<b>1.10</b>	0.10	10.0%

## 5.6 DayTripper fares

DayTripper tickets are valid for unlimited travel on CityRail, Sydney Buses and Sydney Ferries within the boundaries of the Pink TravelPass zone on the day purchased and up to 4 am the following day. The new prices for DayTripper tickets compared to existing prices are shown in Table 5.8.

Table 5.8 DayTripper fares

<i>Ticket type</i>	2005/06	2006/07	\$ change	% change
DayTripper	15.00	<b>15.40</b>	0.40	2.7%
DayTripper child	7.50	<b>7.70</b>	0.20	2.7%

## 5.7 CityRail other fares

CityRail offers a number of other fares that use more than one transport mode such as the Moore Park ticket (train and bus) or the Manly ticket (train and ferry). These tickets are calculated as the sum of the single/return price of the relevant distance fare (as set out in Tables 5.1 and 5.2) travelled on the CityRail network plus the ad-on fare for the other transport mode used in the relevant Link ticket.

The fares for these tickets will increase from July 2006, in proportion to the distance travelled on the CityRail network based on the type of fare used and the fares applying from July 2006 (for example adult single or return). For Link tickets using public busses or ferries, the add-on proportion of the fare is dependent on the Tribunal's relevant determinations of public buses and ferries.



## 6 IMPLICATIONS FOR CITYRAIL PASSENGERS, GOVERNMENT FUNDING, AND THE ENVIRONMENT

Before finalising its determination, the Tribunal analysed the likely impact of its pricing decisions on CityRail's passengers, the government and general community, and the environment as required under section 15 of the IPART Act. These different stakeholders have different interests and concerns, so the Tribunal aimed to ensure that its decisions achieved an appropriate balance between these interests. Overall, it is satisfied that its determination meets this goal.

### 6.1 Implications for CityRail passengers

CityRail is a monopoly provider of passenger rail services in and around metropolitan Sydney, which carries 270 million passenger journeys each year. In considering the implications of its pricing decisions, the Tribunal took into account the impact of fare increases on individuals, and their impact on CityRail's ability to provide services that meet acceptable standards of quality, reliability and safety.

The Tribunal noted that CityRail fares have not increased markedly since its 1999 fare review, which resulted in an increase in nominal fares of 13.8 per cent in 2000. Since then fare increases have been modest with no fare increases approved for the past 3 years (Table 6.1). In real terms, fare increases have been minor or negative. In this context, the Tribunal considers that its 2006 pricing decisions will result in a modest increase in fares that is not expected to pose an unacceptable burden on rail users, or put any short or medium term pressure on general price inflation.

**Table 6.1 IPART approved weighted average fare increases in recent years**

Year	CityRail weighted average price increase <sup>a</sup> %	CPI <sup>35</sup> %	Real change %
2001/02	3.3	2.9	0.4
2002/03	2.0	3.1	-1.1
2003/04	5.0	2.4	2.7
2004/05	0.0	2.4	-2.4
2005/06	0.0	2.8 <sup>36</sup>	-2.8
5 year average	2.1	2.7	-0.6
5 year cumulative change	10.6	14.4	-3.3
Proposed 2006	5.1		

While the 2006 determination will result in modest average increases in fares, there is some variation in its impact across ticket types (Table 6.2). Most fares will rise by less than the weighted average of 5.1 per cent, which reflects the combined impact of the 2.9 per cent increase in base fares and the reduction in the off-peak discount for adult fares from 39 to 30 per cent.

<sup>35</sup> June to June, average of four quarters.

<sup>36</sup> Change in CPI June 2005 to March 2006.(average) ABS CPI weighted eight capital cities including GST.

Single journey tickets will rise by a maximum of 20 cents for journeys up to 155 km, and a maximum of \$1.00 for tickets for distances of 305 km and more. Weekly tickets will rise by \$1 or \$2 dollars (Table 6.2). TravelPasses will increase by no more than \$1.00 (Table 6.3).

The maximum increase for off-peak return tickets for distances up to 85 km is \$1.80. The maximum increase in off-peak return tickets for distances over 305 km is \$6.60. While this \$6.60 increase may seem large to some customers, the Tribunal notes that a relatively small number of passengers purchase these tickets, and in percentage terms, this increase is lower than the increase for short distance off-peak return fares (19 per cent compared to an increase of 31 per cent for off-peak return tickets for distances up to 5 km as shown in Table 5.3 in chapter 5 of this report).

**Table 6.2 Increase in fares by ticket type 2006/07**

<b>Distance up to (km)</b>	<b>Single and return journey \$ change</b>	<b>Weekly tickets \$ change</b>	<b>Adult off-peak journey \$change</b>
5	0.20	1.00	0.80
10	0.00	1.00	0.60
15	0.20	1.00	0.80
20	0.00	1.00	0.60
25	0.00	1.00	0.80
30	0.00	1.00	0.80
35	0.00	1.00	0.80
45	0.00	1.00	0.80
55	0.20	1.00	1.20
65	0.20	1.00	1.60
75	0.20	1.00	1.60
85	0.20	1.00	1.80
95	0.20	1.00	2.00
105	0.20	1.00	2.20
115	0.20	1.00	2.20
125	0.20	1.00	2.60
135	0.20	2.00	2.60
155	0.20	2.00	2.80
175	0.40	2.00	3.40
195	0.00	1.00	3.40
215	0.00	1.00	3.40
235	0.00	1.00	4.00
255	0.00	1.00	4.00
305	1.00	2.00	6.60
305+	1.00	2.00	6.60

Table 6.3 TravelPasses

	2005/06	2006/07			
	Fare (\$)	Fare (\$) unrounded	Fare (\$) rounded	(\$ change)	(% change)
Red	32.0	32.93	33.00	1.00	3.1%
Green	40.0	41.16	41.00	1.00	2.5%
Yellow	44.0	45.28	45.00	1.00	2.3%
Pink	47.0	48.36	48.00	1.00	2.1%
Purple	54.0	55.57	55.00	1.00	1.9%

The impact of fare increases on individual passengers is likely to depend on their overall income level. If we look at the statistical profile of the Sydney district as a whole, weekday rail users are more likely to be middle aged, to work full time, and to have a higher annual income than the wider Sydney population (Figure 6.1). This reflects the heavy use of rail services by commuters, and the urban development (including employment and income growth) of the outer fringe where the share of rail use is particularly high (Figure 6.2).

On the other hand, weekend rail users are more likely to have lower than average incomes and be part-time or casual workers or students.

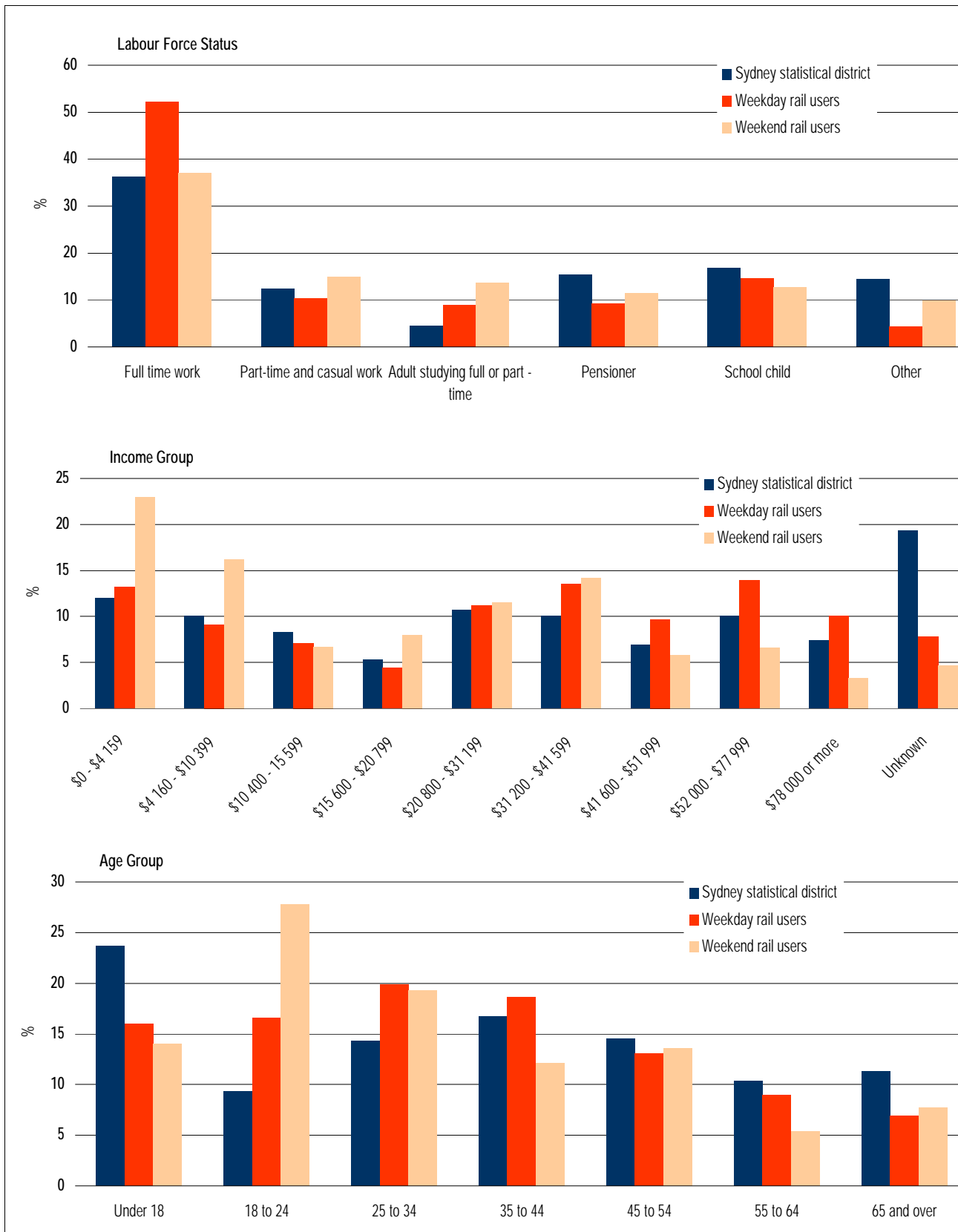
In general, the sensitivity of off-peak ticket holders to the increase in off-peak fares is likely to be higher (weekend travellers and weekday passengers travelling after 9.00am). However, the absolute level of fares remains heavily discounted for these ticket holders and off-peak fares are a relatively inexpensive form of public transport. As shown in Table 6.4, most passengers travelling between 6.00am and 9.00am on a weekday work full-time (77 per cent excluding school children who travel for free) compared to 54 per cent for weekday off-peak travellers and 43 per cent for weekend travellers. However, not all passengers travelling on off-peak services will face the higher off-peak fare rises. Approximately 60 per cent of passengers travelling on services outside the 3-hour morning peak travel on off-peak tickets. The rest travel on child or other concession fares that are either free, or not subject to fare increases.

Table 6.4 Labour force status of peak and off-peak travellers excluding school children<sup>a</sup>

	Weekday off-peak ticket holders %	Weekend off-peak ticket holders %	AM peak ticket holders %
Full-time work	53.6%	42.5%	77.1%
Part-time & casual work	13.4%	17.7%	9.1%
Adult studying full or part-time	12.0%	13.6%	7.6%
Pensioner	14.4%	14.0%	4.2%
Other	6.6%	12.3%	2.0%

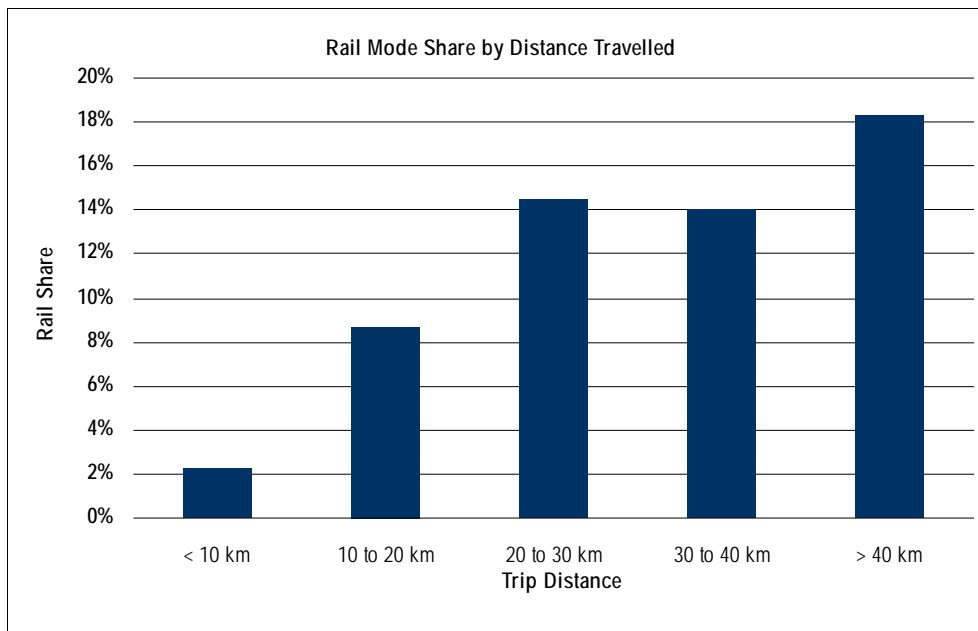
<sup>a</sup> AM peak is defined as the 3 hour morning peak. Weekday off-peak is defined as weekday travel outside the 3 hour AM peak.

**Figure 6.1 Demographic characteristics of rail users compared to the Sydney population**



Data source: Transport and Population Data Centre 2006.

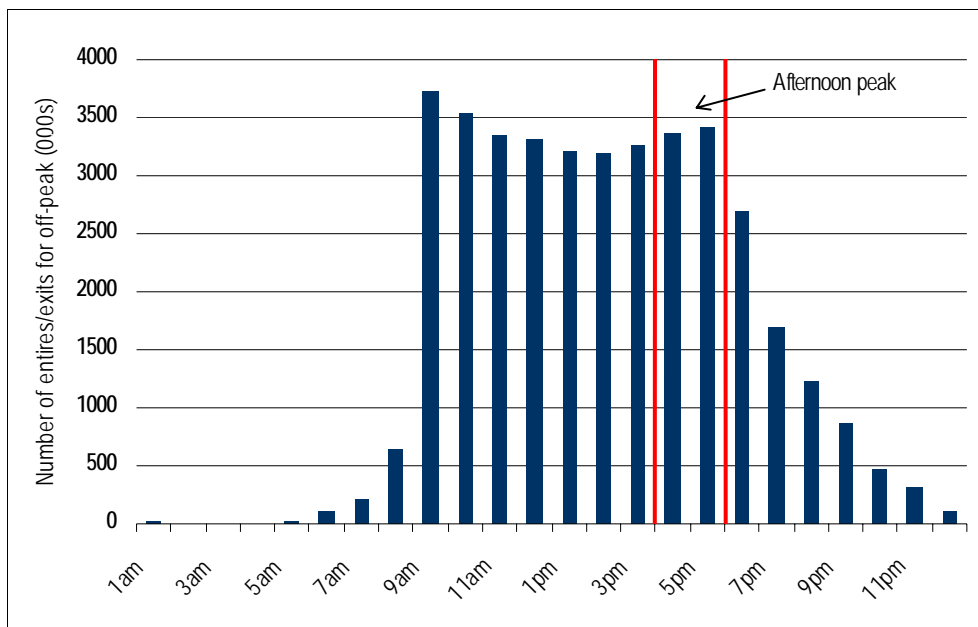
**Figure 6.2 Rail’s share of total trips by distance travelled, average weekday 2003**



Data source: CityRail compendium of Railway Stats 2006.

In terms of the use of rail services during the afternoon weekday peak, there is little to distinguish off-peak ticket holders from other passengers, with the frequent use of off-peak tickets during the busier time of the afternoon (Figure 6.3).

**Figure 6.3 Usage of off-peak tickets by time of day (weekday)<sup>37</sup>**



Data source: RailCorp.

The financial impact of fare increases on passengers is not expected to affect overall patronage levels because of the low elasticity (or sensitivity) of patronage to fares, particularly for minor fare adjustments.

<sup>37</sup> Based on 2004/05 figures.

## 6.2 Implications for government and the general community

The Tribunal's pricing decisions have implications for the government in terms of its budget position, and for the general community as taxpayers.

Section 15(1)(c) of IPART Act requires the Tribunal to take into account the appropriate rate of return on public sector assets, including appropriate payment of dividends to the Government for the benefit of the people of NSW. However, given CityRail's low level of cost recovery, rate of return considerations are subordinate to the Section 15(1)(g) requirement that the Tribunal consider the impact of pricing policies on borrowing, capital and dividend requirements, and the Section 16 requirement that the Tribunal report on the likely impact to the Consolidated Fund if fares were not increased to the maximum permitted.

The Tribunal's analysis indicates that in 2005/06, CityRail's overall level of cost recovery is likely to be 27.3 per cent<sup>38</sup>. As a result of the 2006 determination, this level is expected to fall slightly to 26.0 per cent in 2006/07 (Table 6.5).<sup>39</sup> This is because forecast increases in expenses (associated with rising labour costs and investment in passenger service and safety improvements) will be higher than forecast increases in revenue from fare increases. As a result, the level of funding that must come from the Consolidated Fund will increase.

The level of government funding required for CityRail (including CSOs) in 2006/07 will be equivalent to \$707 per household, or \$1.78 billion of total government funding<sup>40</sup> compared to \$717 per household or \$1.81 billion of total government funding if fares were not increased (unless CityRail generates efficiency gains to reduce costs). These estimates assume that patronage levels are unaffected by rising fares.

The Tribunal considers that its decision to allow an increase in CityRail fares is consistent with the findings of the Parry Inquiry, which found that the low and falling levels of cost recovery for public transport are unsustainable, and that there is a strong case for transport users to contribute a greater share.<sup>41</sup>

**Table 6.5 Impact of the determination on farebox revenue<sup>42</sup>**

	<b>2006/07 forecast</b>
Total revenue (\$000)	525,000
Increase in revenue due to the fare increase (\$000)	26,000
Level of cost recovery with the fare increase (%)	26.0
Change in cost recovery due to fare increase <sup>a</sup> (%)	+1.1

<sup>a</sup> Increase in cost recovery relative to the expected level of costs for 2006/07 with existing fare revenue.

<sup>38</sup> Farebox revenue and other revenue (excludes CSOs).

<sup>39</sup> Farebox revenue and other revenue (excludes CSOs).

<sup>40</sup> Government funding is the Tribunal's estimate of CityRail's required government funding for operating costs and depreciation. The actual government funding required will be lower than the numbers stated in this report.

<sup>41</sup> Ministerial Inquiry into Sustainable Transport in NSW: A Framework for the Future, 2003.

<sup>42</sup> Forecast based on the Tribunal's own calculations.

Section 15(1)(d) requires the Tribunal to consider the general effect on price inflation over the medium term. There is no evidence that the Tribunal's decision will affect general price inflation. Public transport comprises a small component of the CPI, and the trend in the transportation component of the basket of goods is likely to be dominated by the recent rise in automotive fuel.

### 6.3 Impact on the environment

In making its determination, the Tribunal is required to consider the need to maintain ecologically sustainable development by pricing policies that take account of all feasible options available to protect the environment. Rail use is commonly considered to have beneficial environmental implications, due to the lower level of external costs associated with rail use, such as reduced greenhouse gas emissions, noise and air pollution, road damage, accidents, and congestion.<sup>43</sup>

The external benefits of greater rail use particularly apply to the morning and afternoon peak period when road transport alternatives are subject to congestion and associated pollution. Theoretically, any increase in the subsidy for CityRail should correspond to an increase in the external benefits associated with rail use. Recent work on transport infrastructure suggests that external costs associated with road congestion are rising (implying the benefits of rail are increasing) and are likely to continue to rise as car numbers outpace growth in the road system.<sup>44</sup> These studies indicate similar scenarios for other externality costs such as accidents and greenhouse gas emissions. Rising externalities could be one justification for falling cost recovery of CityRail.

However, attempts to estimate the costs of these externalities vary widely. For example, estimates of the cost of congestion for a variety of regions and time periods range from 3 cents to \$1.04 per car kilometre.<sup>45</sup> Evidence on changes in these costs is even more uncertain. Moreover, rail's share of weekday trips in Sydney has been gradually deteriorating while the use of cars (and associated negative externalities) has been increasing (Table 6.6). Rail's share of trips for weekend travel has also fallen from 2.1 per cent to 1.6 per cent from 1991 to 2004.

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<sup>43</sup> RailCorp's submission to the review provides one estimate of the external costs of various transport modes, which indicates that rail use imposes costs of 5.43 cents per car kilometre, compared to the costs of car use of 15.26 cents and bus use of 33.37 cents (RailCorp 2006, p 47).

<sup>44</sup> Centre for International Economics, *Sydney's Transport Infrastructure: the real economics*, September 2005  
Gargett, D. and Gafney, J. 2004, *Traffic Growth in Australian Cities: Causes, Prevention and Cure*, Paper presented at the Conference 'Towards Sustainable Land Transport', 21–24 November, Wellington, New Zealand.

<sup>45</sup> Centre for International Economics, *Subsidies and the social costs and benefits of public transport*, prepared for IPART, March 2001.

Table 6.6 Mode shares for an average weekday

Mode	1991 %	1999 %	2000 %	2001 %	2002 %	2003 %	2004 %
Vehicle driver	46.2	48.0	48.1	48.4	48.9	49.0	49.0
Vehicle passenger	20.7	21.8	21.9	21.8	21.3	21.1	21.5
Total vehicle	66.9	69.8	69.9	70.1	70.2	70.1	70.5
Train	5.0	4.9	4.9	4.9	4.8	4.7	4.6
Bus	6.7	6.2	5.9	5.6	5.5	5.4	5.3
Ferry	0.2	0.2	0.2	0.2	0.3	0.3	0.3
Total public transport	11.9	11.3	11.0	10.7	10.5	10.4	10.2
Walk only	19.6	17.4	17.4	17.2	17.3	17.4	17.2
Bicycle	0.7	0.6	0.5	0.6	0.7	0.7	0.7
Taxi	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Other	0.1	0.3	0.4	0.5	0.6	0.7	0.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

<sup>a</sup> Excludes total walk trips to access another mode.

Source: Transport Population and Data Centre 2006.

Ultimately, the environmental benefits of rail use relate principally to the advantages of transferring passenger journeys from other modes (with higher external costs) to rail. With respect to this determination, the modesty of the proposed fare increase (particularly in an environment of rising petrol prices) should not encourage the transfer of trips away from rail, and therefore should not have any adverse environmental effects. In its submission, RailCorp argued that increased fare revenue would allow it to provide better services and therefore lower environmental and congestion costs.



## 7 THE NEXT FARE REVIEW

Assessing the efficiency and equity impacts of adjustments in CityRail fares is made difficult by the lack of data on efficient costs, and any variance in costs by ticket type and/or distance. Since the last review, RailCorp has developed several Key Performance Indicators (KPIs) which provide some guidance on performance outcomes but fall short of setting efficiency or performance standards. RailCorp is seeking to develop its benchmarking capabilities to assist in this regard and the Tribunal encourages these efforts. It would also encourage the public distribution of KPIs to facilitate public acceptance of investment and restructuring efforts that affect the cost of service provision, and the quality of those services.

To assist the Tribunal in its next determination, it would like to receive information from CityRail on the following issues in addition to the material provided to the 2006 fare review.

Information on the tickets affected by proposed fare increases.

- A comprehensive list of all tickets that are affected directly or indirectly by proposed fare increases should be provided, including periodical tickets, Newcastle TravelPass, and all other affected tickets.
- For all tickets affected by a proposed fare increase, data should be provided on the number of tickets sold per annum, and revenue per ticket type.

### 7.1 Patronage forecasts

- Provide passenger forecasts for the period in which the proposed fare increase would apply.

### 7.2 Efficient costs

- Efficient benchmarks or targets for KPIs should be set or a process for setting them needs to be established with clear milestones progressed towards determining target outcomes, including efficiency gains. At a minimum, a timeframe for when targets will be available should be available.
- A strategy needs to be provided to indicate how KPIs are going to be used by CityRail and integrated into management decisions. Consideration should also be given to the kind of cost savings and/or performance enhancements that might be generated.
- New or revised KPIs should be developed for on time running and the number of skipped stops that covers a 24 hour period, rather than just the peak period as is currently measured. If fare increases are proposed for intercity or regional services in addition to suburban services KPIs should be inclusive of these services.
- Pursue entry to benchmarking studies to discover ways to improve efficiency. If successful, provide information on CityRail's efficiency and performance relative to other networks.
- Examine the scope to reduce the number of ticket products and/or combine products or discount arrangements to enable the easier introduction of Smart Card services.

### 7.3 Cost recovery

- Undertake to assess the cost of providing various services and the level of cost recovery across major regions or product types where appropriate. This would serve to highlight differences in the cost of service delivery across routes, regions, or operating segment.
- Explore ways to reduce labour costs for weekend services and ensure that labour resources are fully utilised for the entire duration of all operational shifts.
- Consider the appropriateness of grouping off-peak weekday and weekend services in the same discount scheme when the passenger groups, reasons for travel, and possibly elasticities may differ. This may involve some aligning the fare treatment and discount schemes available to all weekday passengers.
- Consider revising the distance bands within the fare schedule such that the distance component of each fare reflects that actual distance travelled.
- For future increases in off-peak fares in excess of non-off-peak fares, demonstrate improvements in the quality of service during off-peak times. Developing KPIs relating to service standards over a 24 hour period as suggested above would be one mechanism for measuring such a change.

### 7.4 Medium term price path

- Consider applying for a medium term price path (for at least a 3 year period) to improve the level of cost recovery for efficient costs. This would also allow for the phasing in of any substantive changes to the number of tickets and the eligibility criteria for various discounts as appropriate.

## APPENDIX 1 LETTERS FROM PREMIER IEMMA

07-FEB-2006 TUE 15:48

TCO-EDB

FAX NO. +61 2 9228 4242

P. 02



Premier and Treasurer of New South Wales  
Australia

**COPY**  
posted 7/2/06

**7 FEB 2006**

TCO/17131

Dr Michael Keating AC  
Chairman  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB Post Office NSW 1230

Dear Dr Keating

I am writing in relation to IPART's standing reference for the determination of passenger rail fares.

As you are aware, in May 2004 the former Premier directed that the 2004-05 fare review process for CityRail be deferred until further notice.

Having regard to the strategies being implemented by RailCorp to improve the performance of CityRail services and the significant capital investment that is occurring, I now revoke this direction and request IPART to undertake a fare review for CityRail.

I also request, pursuant to section 13(1)(a) of the *Independent Pricing and Regulatory Tribunal Act 1992*, that the Tribunal provide its report to me by 5 June 2006.

If your officers wish to discuss these matters, they should contact Ms Angela Woo, A/Policy Manager, Economic Development Branch, at The Cabinet Office on (02) 9228 4930.

Yours sincerely

**Morris Iemma MP**  
Premier and Treasurer



Premier of New South Wales  
Australia

6 APR 2006

Dr Michael Keating AC  
Chairman  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB Post Office NSW 1230



Dear Dr Keating

I am writing regarding the Independent Pricing and Regulatory Tribunal's request for an extension to the reporting date for the current review of CityRail fares.

Further to my previous advice of 7 February 2006, I hereby specify a revised reporting date for the review and, pursuant to section 13(1)(a) of the *Independent Pricing and Regulatory Tribunal Act 1992*, require that the Tribunal provide its report to me by 23 June 2006.

If your officers wish to discuss these matters, they should contact Ms Zoe de Saram, Policy Manager, Economic Development Branch, at The Cabinet Office on 9228 4930.

Yours sincerely

**Morris Iemma MP**  
Premier

## APPENDIX 2 SUBMISSIONS TO THIS REVIEW

The Tribunal received public submissions from the following organisations and individuals.

### Organisations

Action for Public Transport (NSW)  
Blue Mountains Commuter & Transport Users Association  
Combined Pensioners & Superannuants Association  
Commuter Council 1  
Commuter Council 2 - Blue Mountains  
Commuter Council 3 - Hunter  
Commuter Council 4 - Hunter  
Commuter Council 5 - Northern Suburbs  
Commuter Council 6 -Illawarra  
Commuter Council 7 Central Coast  
Commuter Council 8 - Illawarra  
Independent Transport Safety & Reliability Regulator  
Illawarra Commuter Association  
Lower Hunter Councils Transport Group  
Ministry of Transport  
Newsagents Association of NSW & ACT  
NCOSS  
Skills, Training & Resource Service  
Sydney Division of Engineers, Transport Panel  
Western Sydney Community Forum  
Western Sydney Regional Organisation of Councils

### Individuals

The Tribunals also received 232 submissions from Individuals.

## **APPENDIX 3 PUBLIC HEARING – PARTICIPANTS**

CityRail – Vince Graham and Craig Webster

Action for Public Transport – Kevin Eadie

Blue Mountains Commuter and Transport Users Assoc – Paul Trevaskis

Commuter Council of NSW – Kevin Parish

Illawarra Commuter Association – Kirk Bendall

Individual – Philip Laird

NCOSS – Dinesh Wadiwe

Western Sydney Regional Organisation of Councils (WSROC) – Sharon Fingland

## APPENDIX 4 IPART ACT REQUIREMENTS

### *Section 15 requirements*

Section 15 of the IPART Act 1992 details the matters to be considered by the Tribunal when making a determination. The section is reproduced in full below.

#### **(15) Matters to be considered by Tribunal under this Act**

- (1) In making determinations and recommendations under this Act, the Tribunal is to have regard to the following matters (in addition to any other matters the Tribunal considers relevant):
  - (a) the cost of providing the services concerned,
  - (b) the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services,
  - (c) the appropriate rate of return on public sector assets, including appropriate payment of dividends to the Government for the benefit of the people of New South Wales,
  - (d) the effect on general price inflation over the medium term,
  - (e) the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers,
  - (f) the need to maintain ecologically sustainable development (within the meaning of section 6 of the *Protection of the Environment Administration Act 1991* ) by appropriate pricing policies that take account of all the feasible options available to protect the environment,
  - (g) the impact on pricing policies of borrowing, capital and dividend requirements of the government agency concerned and, in particular, the impact of any need to renew or increase relevant assets,
  - (h) the impact on pricing policies of any arrangements that the government agency concerned has entered into for the exercise of its functions by some other person or body,
  - (i) the need to promote competition in the supply of the services concerned,
  - (j) considerations of demand management (including levels of demand) and least cost planning,
  - (k) the social impact of the determinations and recommendations,
  - (l) standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise).
- (2) In any report of a determination or recommendation made by the Tribunal under this Act, the Tribunal must indicate what regard it has had to the matters set out in subsection (1) in reaching that determination or recommendation.
- (3) To remove any doubt, it is declared that this section does not apply to the Tribunal in the exercise of any of its functions under section 12A.
- (4) This section does not apply to the Tribunal in the exercise of any of its functions under section 11 (3).

*Section 16 requirements*

Section 16 of the IPART Act requires the Tribunal to report on the likely impact to the Consolidated Fund if fares were not increased to the maximum permitted.