

## FACT SHEET

# Changes in metropolitan and outer metropolitan maximum bus fares from January 2014

Based on *Review of fares for metropolitan and outer metropolitan bus services from January 2014 – Draft Report*  
September 2013

The Independent Pricing and Regulatory Tribunal (IPART) is responsible for setting maximum fares for metropolitan and outer metropolitan bus services in NSW. This includes services provided by the NSW Government owned State Transit Authority (STA) and private operators under contracts with Transport for NSW in Sydney, Newcastle, the Central Coast, Wollongong, the Blue Mountains and Hunter regions.

We are currently reviewing fares for these services, and have made a draft determination on the maximum fares that should apply from 2014 to 2017. The draft determination applies to the maximum fares for MyBus single and TravelTen tickets, special event sports tickets, school term passes and all Newcastle time-based tickets and the Newcastle Orange TravelPass. It does not set the fares for MyMulti or concession tickets (including student fares or the Pensioner Excursion Ticket).<sup>1</sup>

This fact sheet explains the maximum possible average fare changes under the draft determination and what they mean for passengers, the Government and taxpayers. Our draft determination provides for Transport for NSW to set fares for individual tickets within the limits set out in our draft determination.

We are now seeking feedback on the draft determination. We invite written submissions by 25 October 2013. We are also holding a public hearing on 15 October 2013, which anyone interested in the review may attend. Further information on how to make a submission and about the public hearing is available from our website ([www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au)). We will consider all comments received before making a final determination in December.

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<sup>1</sup> MyMulti tickets are set under the CityRail determination, and Pensioner Excursion Tickets (PETs) and the other concession fares that can be used on bus services are set by the NSW Government.

## Maximum fares for bus tickets under our draft determination

Under the draft determination, metropolitan and outer metropolitan bus fares can increase by 2.8% or 0.3% above the rate of inflation, on average, in each year over the 4-year determination period.<sup>2</sup>

We have set a maximum average price cap across all ticket types rather than a maximum price for each individual ticket. This gives Transport for NSW the flexibility to either increase or decrease fares for individual tickets, so long as the overall average increase is no more than 2.8% or 0.3% plus inflation. An increase of 2.8% would mean, for example, an increase of 10 to 20 cents per single ticket and \$0.80 to \$1.60 for 10 trips on a TravelTen.

## How we set the average fare change in our draft determination

Metropolitan and outer metropolitan buses do not generate enough income from passenger fares to recover the full costs of providing bus services. Therefore, the NSW Government – or taxpayers – subsidise these costs. We consider that taxpayers should fund a share of the efficient costs that is broadly equal to the value of the external benefits these services generated for the community as a whole (such as reduced road congestion and greenhouse gas emissions).

We estimated the efficient costs and benefits associated with providing bus services, which yielded an average fare increase of 2.8% (0.3% real per annum).

## How does our draft determination affect the NSW Government?

The maximum average price cap gives Transport for NSW the flexibility to change the structure and level of fares to facilitate the introduction of Sydney's public transport electronic ticket, Opal, over the next few years.

If the Government increases fares in line with the maximum average increase allowed under the draft determination, then the fares collected from passengers should recover around 40% of the estimated efficient costs of providing bus services. Taxpayers will be contributing 40% in line with our estimate of external benefits attributable to bus services, and a further 20% for the cost of concession tickets.

## What is the process for fares to change in January 2014?

Before fares change in January 2014, Transport for NSW will be required to submit a pricing proposal to IPART setting out the fares for each bus ticket. We will assess whether this pricing proposal complies with our final decision and publish the new fares on our website in December.

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<sup>2</sup> We have used an estimate of 2.5% for the expected rate of inflation over the determination period.