

CITYRAIL MAXIMUM FARES

Changes in CityRail maximum fares from January 2013

Based on *Review of maximum fares for CityRail services from January 2013 – Final Report*
November 2012

The Independent Pricing and Regulatory Tribunal of NSW (IPART) is responsible for regulating the maximum fares for CityRail's passenger rail services.¹ These include suburban Sydney rail services, as well as services in the Hunter, Central Coast, Blue Mountains, Southern Highlands and South Coast regions.

We have undertaken a review of the current fares, and have made a final determination on the maximum fares that should apply from January 2013 to December 2015. The determination applies to the maximum fares for CityRail single, return, periodical and off-peak return tickets, and for multi-mode tickets that can be used on CityRail services (ie, MyMulti and Newcastle TravelPass tickets).²

This fact sheet explains the maximum possible fare changes under the final determination, and what they mean for passengers, the Government and taxpayers. Transport for NSW will set fares for individual tickets so that they comply with our determination.

Maximum fare increases

For the first time, we have set a maximum average increase across all ticket types rather than a maximum price for each individual fare. The final determination establishes that CityRail fares can increase by a maximum average of 3.6% in 2013 and 3.8% per year in 2014 and 2015 (these include an estimate of inflation³). This 'price cap' approach gives Transport for NSW the flexibility to either increase all fares by the maximum average amount, or increase some fares by more and others by less than this average amount provided it ensures the overall

¹ In line with the requirements set out in section 15(1) of the *Independent Pricing and Regulatory Tribunal Act 1992* as well as section 16AE(5) and 28J(5) of the *Passenger Transport Act 1990*.

² It does not apply to fares for Pensioner Excursion Tickets (PETs) and the other concession fares that can be used on CityRail services, as these are set by the NSW Government.

³ We have used an estimate of 2.5% for the expected rate of inflation for 2014 and 2015.

average increase is no more than 3.6% per year in 2013 and 3.8% per year in 2014 and 2015. This flexibility may be required as Sydney's public transport e-ticket, Opal, is introduced over the next few years.

Over the 3-year determination period maximum fares will increase by 11.6% in nominal terms (or 4.0% above the rate of inflation).

The Government has indicated that fares for public transport will increase by no more than inflation until service quality improves.⁴ We consider that our approach to setting maximum fares by setting the appropriate balance between taxpayers and passengers should be maintained and our analysis implies that real fare increases are needed. Therefore we have made a determination of maximum fares that includes real fare increases. However, under the legislative framework Transport for NSW can set actual fares below the maximum we have determined.

How we set the average fare change

Like most public transport providers in the world, CityRail does not generate enough income from passenger fares to recover the costs of providing its 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 generate for the community as a whole (such as reduced road congestion and greenhouse gas emissions)⁵.

We have updated estimates of CityRail's efficient costs and external benefits. Based on these estimates we consider that passengers should fund around 28% of efficient costs and taxpayers should fund 72%.

How does our determination affect the NSW Government and taxpayers?

If the Government increases fares in line with the maximum average increase allowed under the final determination, then the fares collected from CityRail passengers should recover 28% of CityRail's estimated efficient costs.

However, if the Government chooses to increase fares in line with inflation only, we estimate that it will forego approximately \$56 million of fare revenue over the next 3 years.

⁴ Transport for NSW, Media Release – Public transport fare rise half IPART's recommendation, Available from: <http://www.transport.nsw.gov.au/media-releases/public-transport-fare-rise-half-iparts-recommendation>, Accessed 29 March 2012.

⁵ IPART, *Review of CityRail fares, 2009 -2012*, December 2008 (2009 determination).



In addition, if CityRail continues to spend more than the efficient costs we have identified, we estimate that foregone revenue and inefficient expenditure would amount to a total of \$1.5 billion which need not be collected through taxation or could be spent on other services.

What is the process for fares to change in January 2013?

Before fares change in January 2013, Transport for NSW will be required to submit a pricing proposal to IPART setting out the fares for each CityRail ticket. We will assess whether this pricing proposal complies with our final decision and publish the new fares on our website in December.