

## FACT SHEET

# Maximum bus fares in Sydney and surrounding areas from January 2014

Based on *Review of fares for metropolitan and outer metropolitan bus services from January 2014 – Final Report*  
November 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 have determined the maximum fares for these services that will apply from 2014 to 2017. The 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, NightRide or concession tickets (including the Pensioner Excursion Ticket).<sup>1</sup>

This fact sheet explains the fare changes allowed under the determination and what they mean for passengers, the Government and taxpayers.

### How maximum fares will change under our determination

The determination allows bus fares to increase by an average of 2.6% in January 2014 and 3.0% each year to 2017 (0.5% above expected inflation in each year).<sup>2</sup>

Transport for NSW can set fares for individual tickets within the limits set out in our determination. This gives Transport for NSW the flexibility to increase or decrease fares for individual tickets, so long as the average increase across all tickets is no more than 0.5% above inflation each year. For example, applying the average increase of 2.6% in 2014 to any MyBus single ticket would mean an increase of 10 cents, while a TravelTen would increase by between 50 cents to 80 cents.

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<sup>1</sup> MyMulti tickets are set under the CityRail determination. Pensioner Excursion Tickets (PETs) and the other concession tickets that can be used on buses are set by Transport for NSW.

<sup>2</sup> We have used an inflation rate of 2.1% in 2014 and an estimated rate of 2.5% for the remainder of the determination period.



Our determination is largely consistent with our draft determination released in September 2013. However, we updated our estimates of the weighted average cost of capital (WACC) and inflation. These updates increased the annual price change slightly from 0.3% to 0.5% above inflation.

### **Why maximum fares have increased**

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).

Under the maximum fares in our determination, passengers would fund around 40% of the benchmark efficient costs of providing bus services in each year of the determination.<sup>3</sup> Taxpayers would fund around 60% of the efficient costs - 40% representing the external benefits attributable to bus services and 20% representing a subsidy for school student and concession tickets.

The main contributor to these fare increases is the cost of an ongoing government program of bus fleet expansion and replacement. The program aims to benefit passengers by providing more bus services and replacing aging buses with new, safer, air-conditioned, wheelchair accessible buses fitted with the latest safety technology.

Even after accounting for the increased costs associated with fleet expansion and replacement, fare increases for buses are only 0.5% above inflation per year, reflecting the improved cost control for bus services and appropriate levels of cost recovery from bus users.

### **The process for fares to change in January 2014**

Before fares change in January 2014, Transport for NSW is 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 determination and publish the new fares on our website in December.

### **Further information**

Further information and a copy of the final report and determination are available from our website [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au).

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<sup>3</sup> Our estimate of efficient costs is based on analysis of the 4 largest contract regions.