

FACT SHEET

Maximum fares for rural and regional buses from 1 January 2016

November 2015

The Independent Pricing and Regulatory Tribunal (IPART) is responsible for setting the maximum fares that can be charged by rural and regional bus operators for regular passenger services outside metropolitan and outer metropolitan regions. The services covered include regular routes in country towns and some town to town and village to town services.¹

Maximum fares for rural and regional bus services will not change on 1 January 2016. We estimate that in total there has been no change to the costs of providing rural and regional bus services over the past year. While a number of individual costs increased, those increases were offset by a fall in the cost of fuel.

Context for this year's increase

In 2012, IPART put in place a 5-year fare determination for rural and regional bus services. The determination sets out maximum fares as at January 2013 and the method for varying them over the subsequent four years. The determination relates to maximum fares for full fare tickets, for each section travelled up to 220 sections (approximately 350 km). We do not set the discount applied to pensioner or student concession fares provided or the price or availability of Regional Excursion Daily tickets, which are all subject to Government policy.

This determination established that there would be annual changes to maximum fares based on the change in cost, as estimated by the Bus Industry Cost Index (BICI) including an adjustment for improved productivity.

At the time the determination was put in place the Government had announced changes to the superannuation guarantee rate, which was to progressively rise from 9% to 12% from 1 July 2014. While only the first of the planned increases has been implemented, our determination continues to include a small annual cost increase associated with this policy.²

¹ For more information on the services covered see: IPART, *Rural and regional bus fares from January 2013 – Final Report*, December 2012, p 6.

² We would need to make a new determination in order to remove this. As the adjustment has such a small impact on fares we consider that the cost of bringing forward a new determination would outweigh the benefits.

Bus operators can charge less than the maximum fares determined by IPART, and many do.

Estimated change the cost of providing bus services

We estimate the change in the cost of providing bus services using a Bus Industry Cost Index (BICI) and then apply an adjustment to it to account for the expected increase in the superannuation guarantee rate over the course of the determination.

The BICI provides an estimate of the change in costs over a 12-month period. The BICI includes a weighting for each cost and an inflator, as set out in our 2012 determination. It also includes a -0.3% adjustment to account for productivity improvements. For a more detailed explanation of how the BICI works, see Appendix A at the end of this Fact Sheet.

Using the BICI calculation specified in our 2012 determination and the superannuation adjustment of 0.1% we estimate that the total cost of providing rural and regional bus services has not changed over the 12 months to June 2015. This is represented in Table 1.

Table 1 Bus Industry Cost Index 2014-15 and superannuation adjustment

Cost item	Current weight (%)	Inflator	Inflator value 2015 (%)	Contribution to change (%)
Salaries and wages	43.8	WPI	2.3	1.0
Workers compensation	1.6	WPI	2.3	0.0
Superannuation	3.7	WPI	2.3	0.1
Payroll tax	2.1	WPI	2.3	0.0
Bus fuel and lubricants	10.4	FUELtrac Data	-11.8	-1.2
Bus repair & maintenance	4.5	CPI – Repair and Servicing	-1.5	-0.1
Insurance	2.2	CPI – Insurance	3.0	0.1
Bus lease costs	17.1	Bus lease payment	-0.3	0.0
Other	14.6	CPI	1.9	0.3
Sub-total	100			0.2
Productivity adjustment				0.3
Bus Industry Cost Index				-0.1
Superannuation adjustment				0.1
Total cost change				0.0

Note: Totals may not add due to rounding.

Source: IPART.

Maximum fares

The current maximum fare schedule will continue to apply from January 2016. A full list of the maximum fares is available in Appendix B.

A How the BICI works

The BICI estimates the percentage change in the overall cost of providing bus services in the previous year. It is composed of a basket of bus cost items – including fuel, labour, bus costs and insurance costs. These items are weighted according to their proportion of the overall cost of providing bus services. The weights currently used in the BICI are derived from a 2007 industry survey conducted by Indec consulting, though each item has been subsequently inflated using estimates of their relative price changes over time.³

Each cost item has a relevant ‘inflater’ from a publicly available, independent data source. The inflators are selected on the basis that they provide the best available indication of how the cost item’s price changes over time. For example, the change in salaries and wages is represented by change in the Australian Bureau of Statistic’s wage price index.

When updating the BICI, we establish the changes in inflators over the 12-month review period from June in the previous year to June in the current year. We then multiply the change in each inflator by the weighting of the relevant cost item to establish the contribution of any increase or decrease in the cost item since the beginning of the review period. The contributions are added together and adjusted for productivity to calculate the overall change in costs.

³ In general, weights updated annually through indexation would be expected to diverge from the actual cost weights over time because inflators do not exactly represent the changes in costs, and the industry may use different levels of inputs because of the changes in relative prices or technology.

B Proposed maximum fares

Table B.1 Maximum adult rural and regional bus fares for 2016 (inc GST)

Sections	Master (unrounded) fare 2016 \$	Maximum adult fare 2016 \$
1	2.32	2.30
2	3.43	3.40
3	4.29	4.30
4	5.03	5.00
5	5.69	5.70
6	6.34	6.30
7	6.88	6.90
8	7.42	7.40
9	7.94	7.90
10	8.40	8.40
11	8.83	8.80
12	9.29	9.30
13	9.68	9.70
14	10.13	10.10
15	10.51	10.50
16	10.83	10.80
17	11.24	11.20
18	11.63	11.60
19	11.94	11.90
20	12.33	12.30
21	12.65	12.60
22	13.02	13.00
23	13.33	13.30
24	13.63	13.60
25	13.97	14.00
26	14.24	14.20
27	14.57	14.60
28	14.84	14.80
29	15.11	15.10
30	15.43	15.40
31	15.69	15.70
32	16.01	16.00
33	16.29	16.30
34	16.55	16.50
35	16.80	16.80
36	17.09	17.10
37	17.30	17.30
38	17.60	17.60
39	17.86	17.90
40	18.12	18.10

Sections	Master (unrounded) fare 2016 \$	Maximum adult fare 2016 \$
41	18.34	18.30
42	18.60	18.60
43	18.84	18.80
44	19.08	19.10
45	19.28	19.30
46	19.57	19.60
47	19.79	19.80
48	20.03	20.00
49	20.28	20.30
50	20.49	20.50
51	20.73	20.70
52	20.92	20.90
53	21.18	21.20
54	21.38	21.40
55	21.57	21.60
56	21.82	21.80
57	22.01	22.00
58	22.26	22.30
59	22.42	22.40
60	22.71	22.70
61	22.87	22.90
62	23.10	23.10
63	23.30	23.30
64	23.45	23.40
65	23.75	23.80
66	23.93	23.90
67	24.10	24.10
68	24.28	24.30
69	24.46	24.50
70	24.72	24.70
71	30.08	30.10
72	30.08	30.10
73	30.08	30.10
74	30.08	30.10
75	30.08	30.10
76	30.08	30.10
77	30.08	30.10
78	30.08	30.10
79	30.08	30.10
80	30.08	30.10
81	31.16	31.20
82	32.23	32.20
83	32.23	32.20

Sections	Master (unrounded) fare 2016 \$	Maximum adult fare 2016 \$
84	32.23	32.20
85	32.23	32.20
86	34.39	34.40
87	34.39	34.40
88	34.39	34.40
89	34.39	34.40
90	34.39	34.40
91	37.61	37.60
92	37.61	37.60
93	37.61	37.60
94	37.61	37.60
95	37.61	37.60
96	40.82	40.80
97	40.82	40.80
98	40.82	40.80
99	40.82	40.80
100	40.82	40.80
101	40.82	40.80
102	40.82	40.80
103	42.98	43.00
104	42.98	43.00
105	42.98	43.00
106	42.98	43.00
107	42.98	43.00
108	45.13	45.10
109	45.13	45.10
110	45.13	45.10
111	45.13	45.10
112	45.13	45.10
113	45.13	45.10
114	47.27	47.30
115	47.27	47.30
116	47.27	47.30
117	47.27	47.30
118	47.27	47.30
119	47.27	47.30
120	47.27	47.30
121	47.27	47.30
122	47.27	47.30
123	47.27	47.30
124	47.27	47.30
125	48.35	48.40
126	48.35	48.40

Sections	Master (unrounded) fare 2016 \$	Maximum adult fare 2016 \$
127	48.35	48.40
128	48.35	48.40
129	48.35	48.40
130	48.35	48.40
131	48.35	48.40
132	48.35	48.40
133	48.35	48.40
134	48.35	48.40
135	48.35	48.40
136	48.35	48.40
137	48.35	48.40
138	48.35	48.40
139	48.35	48.40
140	48.35	48.40
141	48.35	48.40
142	48.35	48.40
143	48.35	48.40
144	48.35	48.40
145	48.35	48.40
146	48.35	48.40
147	48.35	48.40
148	48.35	48.40
149	48.35	48.40
150	49.43	49.40
151	49.43	49.40
152	49.43	49.40
153	49.43	49.40
154	49.43	49.40
155	49.43	49.40
156	49.43	49.40
157	49.43	49.40
158	49.43	49.40
159	49.43	49.40
160	49.43	49.40
161	49.43	49.40
162	49.43	49.40
163	49.43	49.40
164	49.43	49.40
165	49.43	49.40
166	49.43	49.40
167	49.43	49.40
168	49.43	49.40
169	51.57	51.60

Sections	Master (unrounded) fare 2016 \$	Maximum adult fare 2016 \$
170	52.65	52.60
171	52.65	52.60
172	52.65	52.60
173	52.65	52.60
174	52.65	52.60
175	52.65	52.60
176	52.65	52.60
177	52.65	52.60
178	52.65	52.60
179	52.65	52.60
180	52.65	52.60
181	52.65	52.60
182	52.65	52.60
183	52.65	52.60
184	52.65	52.60
185	52.65	52.60
186	52.65	52.60
187	52.65	52.60
188	52.65	52.60
189	52.65	52.60
190	52.65	52.60
191	52.65	52.60
192	52.65	52.60
193	52.65	52.60
194	52.65	52.60
195	52.65	52.60
196	52.65	52.60
197	52.65	52.60
198	53.72	53.70
199	53.72	53.70
200	53.72	53.70
201	53.72	53.70
202	53.72	53.70
203	53.72	53.70
204	53.72	53.70
205	53.72	53.70
206	53.72	53.70
207	53.72	53.70
208	53.72	53.70
209	53.72	53.70
210	55.87	55.90
211	55.87	55.90
212	55.87	55.90

Sections	Master (unrounded) fare 2016 \$	Maximum adult fare 2016 \$
213	55.87	55.90
214	55.87	55.90
215	55.87	55.90
216	55.87	55.90
217	55.87	55.90
218	55.87	55.90
219	55.87	55.90
220	60.17	60.20

Note: Maximum adult fares are equal to the master (unrounded) fare rounded to the nearest 10 cents.