

## 2008 REVIEW OF BUS AND FERRY FARES

# Newcastle buses and the Stockton ferry – summary of proposals and review process

September 2008

This fact sheet explains IPART's 2008 review of fares for Newcastle buses and the Newcastle (Stockton) Ferry and the fare proposal that has been received for these services. The fact sheet is designed to help interested parties understand the process and put together submissions.

### **What the review covers**

IPART will set maximum fares for Newcastle bus services and the Stockton Ferry. IPART will also set the maximum fare for bus only and bus and ferry TravelPasses that apply in Newcastle.

IPART will not consider TravelPasses with a rail component as these will be set as part of IPART's 2008 rail fare review. IPART will not set or recommend the availability or percentage discount applied to pensioner or student concession tickets or determine the cost of the Pensioner Excursion Ticket.

### **How the review will be conducted**

IPART will conduct its review in parallel with its review of fares for other bus services. However, IPART will separately consider the issues associated with Newcastle services and will produce a separate report and determination for these fares.

To commence the review process, IPART requested a fare proposal from the Ministry of Transport. The fare proposal is available from IPART's website ([www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au)) and is explained in more detail below.

IPART is now seeking submissions to inform its decisions. Submissions are due by close of business on Friday 3 October 2008. In November, IPART will hold a public hearing to discuss the issues raised. All members of the public are welcome to attend the public hearing. Details of the hearing and an agenda will be circulated in advance and more information will be available from the IPART website in October.

IPART expects to finalise decisions in December in time for fare changes at the beginning of January 2009. IPART will provide a public report of its decision, which will be available from the IPART website and which will be mailed to all people and groups that make a submission to the review or request a copy.

### **What submissions should address**

IPART is obliged to consider a number of factors in making its decision (such as the cost of providing services and the impact of fare increases on passengers) so it is helpful if submissions address those factors.

While IPART will take into account all available information in making its decision on fare changes, it will use the fare proposal it received from the Ministry of Transport as a starting point. It is useful if submissions refer to the fare proposal and indicate any specific areas of support or concern.

More information on these issues is provided below to help interested parties to put together submissions. Information on how to make a submission is available from IPART's website under 'How to make a submission'.

### **Factors that IPART must consider when making its decision**

IPART sets maximum fares for these services under section 28J of the Passenger Transport Act. The Act specifies the factors that IPART must consider when setting fares. These factors are:

- ▼ the cost of providing the services
- ▼ the protection of consumers from abuses of monopoly power
- ▼ the need for greater efficiency in the supply of services
- ▼ the need to maintain ecologically sustainable development
- ▼ the social impact of the determination
- ▼ standards of quality, reliability and safety of the services
- ▼ contractual arrangements prevailing in the industry
- ▼ other matters IPART considers relevant.

## **How Newcastle bus services are provided and paid for**

Across Sydney and outer metropolitan areas, including Newcastle, the Ministry of Transport pays bus operators to provide bus services in a particular region. There are 15 metropolitan contract regions and 10 outer metropolitan contract regions – Newcastle is an outer metropolitan contract region. Most bus services are privately operated. Newcastle Buses is the only Government owned operator that provides services in the outer metropolitan contract regions.

The payments made by the Ministry of Transport to bus operators are governed by the contract between the bus operator and the Ministry of Transport. The amount paid to operators includes ‘shadow’ fares to encourage patronage growth, as well as service, patronage and fixed payments, the latter of which are largely independent of the number of passengers carried and the fares charged. The Ministry of Transport uses the fare revenue collected from passengers to reduce the cost of the contract payments to taxpayers.

Fares are currently the same in every contract region except Newcastle. The value of fares collected relative to the cost of providing bus services varies significantly. In the Sydney metropolitan area, fares from bus passengers pay for around 40 per cent of the cost of providing bus services, with the remaining 60 per cent being funded by taxpayers. Like other outer metropolitan contract regions, Newcastle passengers contribute less than this, with fares paying for around 15 per cent and the remaining 85 per cent being funded by taxpayers.

## **The Ministry of Transport’s fare proposal**

The Ministry of Transport has proposed the following fare changes in January 2009:

- ▼ time based bus fares in Newcastle should increase by 5.45 per cent (this is between 10 cents and 20 cents a ticket depending on the length of time the ticket applies for and 70 cents for a TimeTen)
- ▼ Weekly TravelPasses should increase by between \$2 and \$3
- ▼ Fares for the Stockton Ferry should increase in line with IPART’s recommendations for private ferry fares.

Appendix A sets out what Newcastle bus fares would be under the Ministry of Transport’s proposal.

## **Newcastle Buses**

The Ministry of Transport's proposed fare increase for Newcastle buses is in line with the proposed increase to metropolitan and outer metropolitan fares. As Newcastle bus passengers pay approximately the same proportion of the cost of providing those bus services as passengers in other outer metropolitan areas the Ministry states that the increase proposed provides parity with the increases for these services.

The Ministry of Transport proposal notes that during 2008 Newcastle Buses undertook a comprehensive service review which has led to service changes scheduled for introduction in October. The changes are designed to improve interconnectivity between major hubs including Newcastle University, John Hunter Hospital, Charlestown Square and Glendale. The Ministry submits that the changes will remove service duplication, improve service frequency and travel times.

The fare proposal also notes that an integrated bus review is planned for 2009, which will involve Newcastle Buses and other local operators Hunter Valley Buses, Rover Coaches and Port Stephens Coaches. The aim of the review is to integrate local bus services.

## **Stockton Ferry**

The Ministry of Transport proposes that IPART apply the same percentage increase to the Stockton Ferry as IPART recommends for private ferry fares. This is consistent with the approach taken by IPART in 2007. Primarily, IPART decided on this approach last year because of the lack of information provided in relation to the costs of running the Stockton Ferry.

The Commercial Vessel Association (CVA) has proposed an 8.7 per cent increase in private ferry fares – see fact sheet for the 2008 review of private ferry fares for more detailed information. An 8.7 per cent increase would result in a 2009 fare of \$2.30 – an increase of 20 cents.

IPART has not yet reviewed the CVA's fare proposal or considered the reasonableness of the increase proposed but will do so during the course of the review.

## A Fares proposed by the Ministry of Transport

The Ministry of Transport has proposed the following fares to apply to Newcastle bus services:

**Table A.1 Increase in fares under MoT fare proposal – adult time based fares**

<b>Time</b>	<b>2008 fare (\$)</b>	<b>2009 fare (\$)</b>	<b>Change (\$)</b>	<b>Change (%)</b>
1 hour	3.00	3.20	0.20	6.7
4 hour	5.90	6.20	0.30	5.1
Time Ten 1 hour	24.70	26.10	1.40	5.7
All Day	9.00	9.50	0.50	5.6

**Table A.2 Increase in fares under MoT fare proposal – bus/ferry TravelPass fares**

<b>Section</b>	<b>2008 fare (\$)</b>	<b>2009 fare (\$)</b>	<b>Change (\$)</b>	<b>Change (%)</b>
Orange	39.00	41.00	2.00	5.1