



REVIEW OF RURAL AND REGIONAL BUS FARES FROM JANUARY 2021



Final Report
Transport

December 2020

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Tribunal Members

The Tribunal members for this review are:

Ms Deborah Cope, Acting Chair

Ms Sandra Gamble

Mr Mike Smart

Enquiries regarding this document should be directed to a staff member:

Ineke Ogilvy (02) 9290 8473

Courtney Barry (02) 9113 7732

Mariyan James (02) 9113 7791

Regina Choi (02) 9019 1942

Contents

| | |
|---|-----------|
| Tribunal Members | ii |
| 1 Overview | 1 |
| 1.1 Our final decisions | 2 |
| 1.2 Key themes from consultation | 4 |
| 1.3 Review process and timetable | 5 |
| 1.4 List of decisions and recommendations | 6 |
| 2 Why rural and regional bus services are important | 8 |
| 2.1 Rural and regional bus users are likely to have lower incomes and face greater transport disadvantage than the general population | 8 |
| 2.2 Rural and regional bus services are used for accessing essential services and connecting people to the community | 9 |
| 2.3 Bus services promote social inclusion in regional areas | 10 |
| 3 Maximum fares for regular route services from January 2021 | 12 |
| 3.1 Our decisions and recommendations on maximum fares for regular route services | 12 |
| 3.2 How the new fares differ from the current fares | 13 |
| 3.3 Ability to charge more for services with peak demand | 16 |
| 4 Maximum fares for on-demand services | 18 |
| 4.1 Our decisions and recommendations for on-demand services | 18 |
| 4.2 How the new fares differ from current fares | 18 |
| 4.3 Why we determined higher maximum fares for on-demand services | 19 |
| 4.4 Prioritising locations for on-demand services | 19 |
| 5 Recommendations on the availability of concession fares and discounts | 21 |
| 5.1 Recommendations | 21 |
| 5.2 Expanding concessions to NSW residents holding a Commonwealth Health Care Card | 22 |
| 5.3 Simplifying the concession application process | 24 |
| 5.4 Additional measures to assist vulnerable people | 25 |
| 5.5 Targeted options for making family travel more affordable | 26 |
| 6 Recommendations to improve transport services in rural and regional NSW | 27 |
| 6.1 Our recommendations to improve transport services in rural and regional NSW | 27 |
| 6.2 Introducing competition in services or contracts | 28 |
| 6.3 Reviewing contracts between TfNSW and bus operators | 30 |
| 6.4 Developing indicators of performance for bus operators | 32 |
| 6.5 Facilitating innovation in payments, ticketing and customer interface | 33 |
| 7 Expected impact on operator revenue | 37 |
| 7.1 The impact on fare revenue varies by operator | 37 |
| 7.2 Assessing adjustments to the contract price following changes in fare policy | 41 |
| 7.3 Estimating the contract price adjustment | 46 |

Appendices

| | | |
|----------|-----------------------------------|-----------|
| A | Referral from the Minister | 51 |
| B | Submissions received | 52 |
| C | Factors we must consider | 53 |

1 Overview

The Independent Pricing and Regulatory Tribunal (IPART) has reviewed fares for public bus services provided by private bus operators in rural and regional NSW. We have determined the maximum fares to apply for 5 years from 1 January 2021 to 31 December 2025.

In rural and regional NSW, public transport's major purpose is enabling people with limited transport options to engage with their community, educational opportunities, the local labour market and essential services such as health care. To fulfil this function it is important that fares are not a barrier to using buses. However, the consultation we have done for the review made it clear that for some people the cost of public transport is prohibitively high, which limits or restricts its use. The impact on use is likely to be greatest on those who are the most isolated and face the greatest levels of transport disadvantage.

Rural and regional areas tend to have higher unemployment, lower incomes and populations that are ageing faster than in Sydney. Local bus services in rural and regional areas are currently aimed at providing a basic transport service to people with limited transport options. A substantially higher proportion of fare paying passengers using these services travel on concession and pensioner fares compared with the Opal network in Sydney and surrounds.

Maximum fares for rural and regional bus services are currently higher than bus fares for the same distance in Sydney and surrounds, with the exception of very short bus trips occurring in peak periods. For longer distances, rural and regional bus fares also exceed coach fares for the Government funded TrainLink coach services and regional bus fares in Queensland, Victoria and the ACT.

Our new fare determination reduces maximum fares across all distances. Our main aim with these changes is to make fares more affordable and more consistent with those for similar services. We expect these fares to encourage greater use of existing rural and regional bus services, maximising their value to the community and making the services more cost effective. We have also made a number of other recommendations to change the way services are contracted and paid for in order to create room for greater fare equity across NSW.

Our determined maximum fares and recommendations to Transport for NSW are the same as those proposed in our draft report. We received widespread support for these during our consultation process. This final report sets out the reasons for our decisions, and summarises the feedback we have received during the review. Accompanying this report are six information papers that provide more detailed analysis on a number of issues.

1.1 Our final decisions

We have determined maximum fares for regular route services, which include:

- ▼ lower fares for all trip distances. The largest fare reductions are for long distance travel, where fares are up to 50% cheaper. Our determination could save passengers up to 30 cents a trip on shorter distance journeys and up to \$25 a trip on longer distance journeys.
- ▼ cheaper, simpler daily tickets, including a \$5 daily ticket for short distance trips (less than around 10km) and a maximum daily ticket price of \$30.

Our determination allows bus operators to apply to Transport for NSW for permission to charge more for certain peak services (ie services subject to overcrowding) and allows operators to charge up to \$5 more per trip (or \$10 for a daily ticket) for flexible, on-demand services.

We have also made a number of fare recommendations, including that the NSW Government:

- ▼ expand the availability of concessions to all people holding a Commonwealth Health Care Card and streamline access to concession fares.
- ▼ consider options for providing fare assistance to vulnerable people and making family travel more affordable
- ▼ require operators to offer daily tickets.

We consider the main purpose of providing taxpayer-subsidised bus services in rural and regional areas is to ensure people with limited travel options have reasonable access to transport within their local communities. To do this, we used an approach for setting fares that places significant weight on people's willingness and capacity to pay for the services. We assessed this by examining a range of evidence - including feedback from surveys and stakeholder consultations, comparisons of the current fares with those in metropolitan NSW, NSW TrainLink coach fares and bordering jurisdictions, and analysis of the expected elasticity of travel with respect to fares.

The new maximum fares are more consistent with fares for other Government funded bus services and with interstate regional bus fares. They are set at around 70% of the maximum peak period bus fares for Opal services in metropolitan and outer metropolitan regions, recognising that rural and regional bus services are more like off-peak services in metro and outer metro areas, which are priced at a 30% discount to the peak period fare. Providing greater consistency across NSW brings fares into line with people's expectations, reduces barriers to expanding electronic ticketing and trip planning (using apps including Google) and encourages use of public transport across NSW.

We have also made a number of recommendations aimed at improving the delivery of bus services in rural and regional NSW. These include that Transport for NSW consider:

- ▼ improving information for passengers about services and fares
- ▼ promoting efficient delivery of services through changes to contracting
- ▼ undertaking future transport planning that fully considers the economy wide benefits of transport in enabling people to access essential services like employment and healthcare

- ▼ targeting improved services (such as, more flexible on-demand buses) to areas where the need is greatest
- ▼ providing greater certainty to bus operators regarding coordination of electronic ticketing, customer interface and payment technologies, which would provide a more seamless customer experience across the State.

Box 1.1 An overview of rural and regional bus services in NSW

In rural and regional NSW, the NSW Government contracts private bus operators to provide public bus services. These bus operators provide 'dedicated school services' and 'regular passenger services'.^a Some operators exclusively provide dedicated school services while others provide a combination of both school services and regular passenger services. Currently, 513 operators deliver rural and regional bus services through 663 contracts. Regional NSW has close to 4,000 bus routes; nearly 90% of these are school routes.^b

Operators receive a regular contract payment from Transport for NSW as well as keeping any fare revenue collected. In the financial year 2019-20 the NSW government spent \$465 million on contract payments to rural and regional bus operators providing school bus and regular passenger services. The total fare revenue collected by operators was \$6 million; on average around 2% of the total revenue they received.

Regional bus transport is vitally important but significantly different from bus transport in metropolitan NSW and bordering jurisdictions. Around 1.8 million or 23% of the NSW population live in rural and regional areas.^c We estimate that around 5% of the population in rural and regional areas use regular passenger services and many of these people have limited alternatives.

Some other key features in regular rural and regional bus services are:

- ▼ The services are infrequent in many regions and sometimes operate only on school days.
- ▼ The buses often have very low utilisation.
- ▼ Around 80% of the non-school passengers travel on a concession fare (either a half fare concession or a Regional Excursion Daily ticket).
- ▼ The ticketing and payment systems differ by operator with most requiring cash payment.

a Sydney, Central Coast, Newcastle, the Hunter, Wollongong and Blue Mountains are covered by the metropolitan and outer metropolitan bus service contracts and are part of the Opal network. Rural and regional bus services operate outside of these areas.

b AECOM, *Efficient costs of rural and regional bus operators – Final Report*, December 2017 pp 4-5. This report informed our 2017 fare review.

c NSW Parliamentary Research Service: *Regional NSW: A demographic and economic snapshot, Briefing paper No 01/2020*, Chris Angus.

1.2 Key themes from consultation

We received written submissions on our two issues papers and our draft report. We also held an online public hearing following the release of the draft report. In addition, to this formal consultation, we met with a range of different stakeholders including interest groups, community groups, bus operators and Transport for NSW (TfNSW) during the review. We conducted an online survey to find out what people felt about bus fares and bus travel in rural and regional NSW and engaged a consultant to undertake a consumer survey and provide a report on their findings. We have considered all of the feedback from this consultation in making our final decisions.

The major themes from our consultation were:

Buses provide vital access to essential services for some people

- ▼ There are people in rural and regional areas who rely on public transport to access essential services such as health, education, employment and medical care.
- ▼ Some groups including older people, Aboriginal communities, large families and isolated children and youth are particularly vulnerable to social exclusion.

Fares are not affordable for everyone

- ▼ Long distance travel is too expensive.
- ▼ Not everyone who needs a discounted fare gets one.
- ▼ The \$2.50 Regional Excursion Daily (RED) ticket is good value.¹
- ▼ It's expensive for a whole family to travel on the bus.

People would use buses more if the services were better

- ▼ Services are not always frequent enough to rely on – eg, last bus back leaves too early, some services don't run in school holidays.
- ▼ Sometimes the bus stop is too far away or the bus isn't accessible for wheelchairs and prams.
- ▼ The level of service is the most important factor in determining whether and how much people use bus services.

There is support for electronic ticketing, contactless payments and improved information on services

- ▼ Some bus users would like electronic ticketing and contactless payments.
- ▼ Information about services and fares is sometimes a barrier – some people don't want to phone an operator to check how much it costs or whether a bus is wheelchair accessible, however, some people prefer not to get information online, so different options need to be available.

¹ The RED ticket provides unlimited local daily bus travel for \$2.50.

There is a lot of support for flexible, door to door booked local bus services

- ▼ If they are well designed, these types of services can substantially increase the use of buses, particularly by people who find it difficult to use regular route services.
- ▼ People may be willing to pay more for these types of services, but for many people, higher fares would be a barrier to use.
- ▼ These services are more expensive to provide, even where they are well targeted and used.

1.3 Review process and timetable

Our review process involved detailed analysis and public consultation:

- ▼ In July 2020 we released two Issues Papers which set out our proposed approach for the review. We received 16 submissions to the Issues Paper
- ▼ We appointed Orima Research to undertake a survey of rural and regional areas to understand current demand for public transport as well as the use of more flexible, on-demand services. Orima's report is available on [our website](#).
- ▼ We received 101 responses to our online survey, which closed on 30 October 2020.
- ▼ We released our Draft Report on 2 October 2020. We received eight submissions on the draft report
- ▼ We held a virtual public hearing on 20 October 2020.
- ▼ We consulted with 11 industry, consumer and community groups over the course of our review.

All non-confidential submissions and the notes from the public hearing are available on the [IPART website](#).

Timetable for the review

| Key milestone | Timing |
|--|--------------------------|
| Release Issues Papers | 7 July 2020 |
| Submissions on Issues Papers due | 7 August 2020 |
| Analysis and informal consultation | July to September 2020 |
| Release Draft Report | 2 October 2020 |
| Public hearing | 20 October 2020 |
| Submissions to Draft Report due | 30 October 2020 |
| Further analysis and informal consultation | October to December 2020 |
| Provide Final Report to Minister | 4 December 2020 |
| New maximum fare determination commences | 1 January 2021 |

1.4 List of decisions and recommendations

1.4.1 Decisions

- 1 Maximum (adult) fares for regular rural and regional buses be set at the values in Table 3.1. 12

Table 3.1 Maximum adult fares for regular route services 2021-2025 (inc GST)

| Fare band | Distance (sections) | Distance (kilometres) | Single fare (\$) | Daily ticket (\$) |
|-----------|---------------------|-----------------------|------------------|-------------------|
| 1 | 1-2 | 0-3 | 2.30 | 5.00 |
| 2 | 3-6 | 3-8 | 3.30 | |
| 3 | 7-15 | 8-20 | 4.20 | |
| 4 | 16-25 | 20-35 | 4.50 | 10.00 |
| 5 | 26-37 | 35-65 | 5.90 | |
| 6 | 38-56 | 65-90 | 7.50 | |
| 7 | 57-75 | 90-120 | 10.00 | 20.00 |
| 8 | 76-100 | 120-160 | 15.00 | |
| 9 | 101-125 | 160-200 | 20.00 | |
| 10 | 126+ | 200+ | 25.00 | 30.00 |

- 2 Maximum (adult) fares for services deemed 'peak' services (where there is excess demand) be set at the values in Table 3.2. 13

Table 3.2 Maximum adult fares for services deemed peak services 2021-2025 (inc GST)

| Fare band | Distance (sections) | Distance (kilometres) | Single fare (\$) | Daily ticket (\$) |
|-----------|---------------------|-----------------------|------------------|-------------------|
| 1 | 1-2 | 0-3 | 3.20 | 8.00 |
| 2 | 3-6 | 3-8 | 4.60 | |
| 3 | 7-15 | 8-20 | 6.00 | |
| 4 | 16-25 | 20-35 | 6.40 | 13.00 |
| 5 | 26-37 | 35-65 | 8.30 | |
| 6 | 38-56 | 65-90 | 10.70 | |

- 3 Maximum fares for on-demand bus services be set at the values in Table 3.1 plus a maximum additional \$5 for a single adult fare. 18
- 4 The maximum fare for a daily ticket incorporating on-demand services be set at the values in Table 3.1 plus a maximum additional \$10 for a daily adult fare. 18

1.4.2 Recommendations

- 1 That Transport for NSW amend schedule 7 of the rural and regional bus contracts, so that operators are required to make daily tickets available to passengers at or below the maximum price set in our determination. 13

-
- 2 Transport for NSW undertake work to value the additional social inclusion benefits provided by on-demand services and use this to prioritise locations for new on-demand services via cost-benefit analysis. 18
 - 3 Transport for NSW expand the availability of concession fares to NSW residents holding a current Commonwealth Health Care Card. 21
 - 4 Transport for NSW simplify the concession fare application process for rural and regional bus travel. 21
 - 5 Transport for NSW consider implementing additional measures to assist vulnerable people. 21
 - 6 Transport for NSW consider targeted options for making family travel more affordable. 21
 - 7 Transport for NSW consider using a competitive tender process when establishing permanent on-demand services, open to both bus operators and appropriate non-bus operators, in order to facilitate competitive neutrality, innovative service offerings and competitive pricing (and subsidy) offerings. 27
 - 8 Transport for NSW consider using a competitive tender process when bus operator contracts are renewed, open to both bus operators and appropriate non-bus operators, given potential benefits in terms of innovation and cost efficiencies. 27
 - 9 Transport for NSW consider revising the contract arrangements with bus operators to make them more consistent with those in metro and outer metro areas, with a view to moving to gross cost contracts in the future (with an incentive for increased patronage), rather than net cost contracts. 27
 - 10 Transport for NSW review contract provisions with bus operators to ensure they promote efficient delivery of services – for example that they reflect services that promote customer benefits (in terms of, eg, route and frequency); and that they encourage operators to provide these services in a cost effective way (eg, in terms of vehicle size, age, etc). 27
 - 11 Transport for NSW enhance its review of operator performance over the course of operator contracts, when contracts are renewed - by developing additional indicators of comparative performance and publishing an annual review of bus operator performance for large and medium operators. 27
 - 12 Transport for NSW provide greater certainty to bus operators regarding coordination of electronic ticketing, customer interface and payment technologies which would provide a more seamless customer experience across the State. 28

2 Why rural and regional bus services are important

Income and mobility related transport disadvantage is higher in regional NSW and the level of household income is lower, compared to Greater Sydney. With limited public transport options, the proportion of people's income that is spent on transport is higher for people in these regions.² Further, the population in regional NSW is ageing faster and the number of people needing assistance with core activities is higher.

In rural and regional NSW, public transport's major purpose is enabling people with limited transport options to engage with their community, educational opportunities, the local labour market and essential services such as health care. In addition to the personal benefits individuals receive from travelling, public transport use benefits the community by improving educational and health outcomes, reducing levels of unemployment, reducing the need for welfare support and health services and improving productivity. These benefits - described broadly as social inclusion benefits - are important community benefits of rural and regional bus services.

This chapter outlines who uses rural and regional buses and for what activities. It also discusses the importance of accessible, affordable bus services in rural and regional areas in order to ensure the community is able to benefit from them. More information on the affordability and community benefits of bus services is provided in the information papers accompanying this final report.

2.1 Rural and regional bus users are likely to have lower incomes and face greater transport disadvantage than the general population

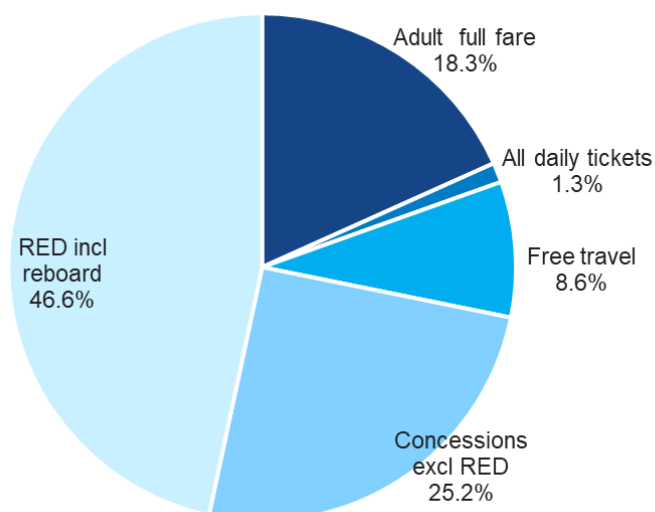
Orima Research conducted a survey of rural and regional bus use for our review. While most residents in rural and regional NSW do not use local bus services, the survey found that 5% of people had travelled by bus in the past six months, and that those people typically had lower incomes and faced greater transport disadvantage than the general population.

Full fare paying passengers account for around 20% of non-school student bus use in regional NSW. The remaining 80% of passengers are eligible for some sort of concession (primarily the \$2.50 regional excursion daily or RED ticket). Figure 2.1 shows non-school student travel on rural and regional buses by ticket type.

The composition of ticket types in rural and regional areas is very different from buses in metropolitan and outer metropolitan regions (that is, within the Opal network), where, the majority of people pay the full fare and a substantial proportion of trips are commuting to and from work.

² "The use of transport services is price sensitive among low income households with 40% of respondents indicating that they had forgone transport services due to financial constraints". NCOSS submission to IPART issues paper, August 2020, p 4.

Figure 2.1 Free and concession travel accounts for 80% of non-school student travel

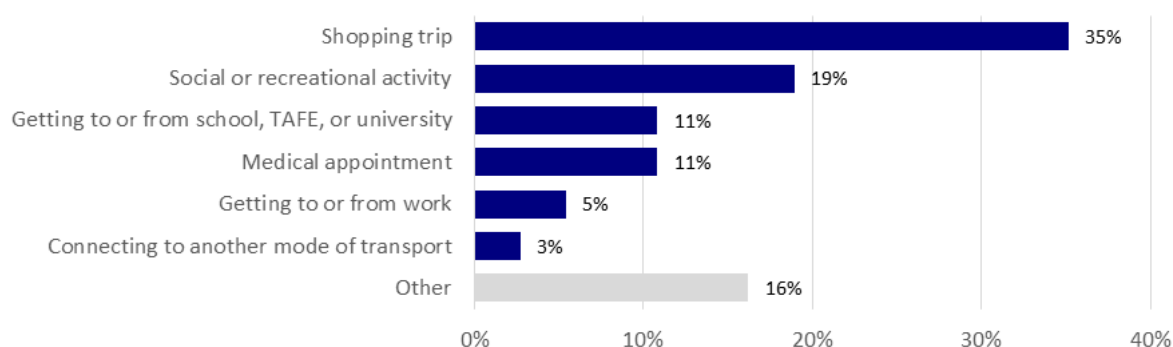


Source: Transport for NSW, rural and regional bus operator data for financial years 2019 and 2020 (average). Note that the data captured for each 'financial year' in this report refers to the equivalent financial reporting year data received per operator, as different operators have different reporting periods and frequency.

2.2 Rural and regional bus services are used for accessing essential services and connecting people to the community

The Orima survey found that across all bus users, shopping or social/recreational activities are the most common reasons for making bus trips across all bus users (Figure 2.2). For bus users receiving Centrelink or Department of Veterans Affairs (DVA) benefits, shopping and medical appointments were the most common purposes.

Figure 2.2 What was the purpose of your most recent bus journey? (Q20, n=37)



Source: Orima Research, *Survey of rural and regional buses and on-demand transport services*, August 2020, p 14.

2.3 Bus services promote social inclusion in regional areas

Affordable, available and accessible public transport enables greater participation in society which benefits both the individual and society. For example, public transport enables individuals to access and build social capital, thus gaining a sense of satisfaction, positive emotions and mental health. Transport also enables access to education, health services and employment. This access improves educational and health outcomes, lowers unemployment, reduces the need for welfare support and health services and ultimately improves productivity.

Public transport is especially important for low socio-economic or otherwise vulnerable groups to participate in society. This is particularly the case in rural and regional areas, where those without access to a car, or without the ability to drive, could be at risk of social exclusion or not being able to participate in society.³ Older people, young people (especially those living in rural settings), people with a disability, people with language difficulties (eg, recently arrived migrants), those on low incomes, and those with little or no car access are groups most at risk of social exclusion due to poor transport opportunities.⁴ In its submission to the Issues Paper, NCOSS submitted that 40% of people on low incomes had forgone travelling in order to cover other costs.⁵

Unaffordable, unavailable or inaccessible public transport can:

- ▼ Act as a barrier to employment by preventing people from attending interviews, leading people to apply for jobs in a narrow geographical area, and potentially resulting in people turning down jobs. As a result, affected job seekers may remain unemployed longer, costing society through higher benefit payments and reduced tax contributions.
- ▼ Mean that people miss health appointments and/or delay seeking treatment – both of which can impose significant costs on the individual and the community. This could occur across the range of services from general practitioners through local hospitals to major hospitals, medical specialists and allied health services such as dentistry and optometry. The costs to the individual include poorer health through missed appointments, late diagnosis or healthcare simply not being sought. Costs borne by the community include wasted resources through missed appointments and delayed discharge from hospital, unnecessary home visits and delayed treatment of illness in place of early intervention.
- ▼ Make it difficult for people to access reasonably priced food shops and supermarkets. This can result in poor dietary habits leading to poor health.

Participation in social, cultural, leisure and sporting activities is very important to people's quality of life and can play a major part in improving health, reducing crime and building cohesive communities. Finally, it is important for people to be able to access welfare and related services (including Centrelink, aged and other residential care, and police services).

³ Hensher, D, *Bus transport, Demand, economics, contracting and policy*, 2020, p 403.

⁴ Currie, G, Delbosc, A, *Transport disadvantage: a review*. In: Currie, G (Ed.), *New Perspectives and Methods in Transport and Social Exclusion Research*. Emerald Group Publishing Limited, U.K, 2011, pp 15-25.

⁵ NCOSS submission to IPART Issues Paper, August 2020, p 4.

2.3.1 Valuing social inclusion benefits assists in making decisions about services

Estimating the value of social inclusion benefits from rural and regional bus services is important. Given that taxpayers pay for these and other services, such estimates assist governments to know how and when to invest in services. It also helps the Government to decide which services to offer, for example, to inform the choice between regular, fixed route buses or on-demand services.

The costs of contract payments made to rural and regional bus operators amounted to around \$465 million in 2019-20.⁶ In 2019-20 around 43 million rural and regional bus trips were made, and so the average cost to taxpayers per trip was around \$11 (including both fare paying and non-fare paying trips).⁷ In 2019-20, the average adult fare was around \$3.20, and the average concession fare was half of this; around \$1.60.⁸

Research in Victoria aimed to provide an estimate of the social inclusion benefits of bus services. Based on an analysis of transport and social exclusion risks in regional Victoria, the authors of the study found that the social inclusion benefits of a regional bus trip for low-income households were \$19.53 per passenger.⁹ The authors note that the bus service presents 'significant social value, to both users at risk of exclusion and the wider society in terms of savings in flow-on costs, such as crime, unemployment, adverse health outcomes, etc.'¹⁰

Encouraging the use of rural and regional buses will maximise the social benefits of the existing services. One way to do this is to make bus use more affordable. The lower fares we have determined from January 2021 should significantly improve the affordability of rural and regional bus services. However, the new fares will only encourage greater use of bus services if people know about them. We expect operators to take the lead in promoting the fare changes within their local communities. At our public hearing, BusNSW suggested that promotion of services and fares should be undertaken by TfNSW and that operators are limited in what they can do.¹¹ During the review, we came across a number of innovative and low-cost strategies that operators have used to promote their on-demand services. We consider that it is both within the scope of their role, and in their own commercial interests, for operators to promote their regular route services as well.

⁶ Transport for NSW, rural and regional contract payment data for financial years 2019 and 2020 (average). Note that the data captured for each 'financial year' in this report refers to the equivalent financial reporting year data received per operator, as different operators have different reporting periods and frequency.

⁷ This includes adult and concession tickets, RED tickets, SSTS trips and School Term passes.

⁸ Calculated by dividing total adult fare revenue by the total number of adult trips, and total concession fare revenue by the total number of concession fare trips, respectively.

⁹ The authors quote \$18.50 in 2016. This number has been updated for inflation. Hensher, D, *Bus transport, Demand, economics, contracting and policy*, 2020, p 413.

¹⁰ Hensher, D, *Bus transport, Demand, economics, contracting and policy*, Elsevier, 2020, p 453.

¹¹ [Notes from online public hearing](#), 20 October 2020.

3 Maximum fares for regular route services from January 2021

As part of our review, we consulted widely with a range of different stakeholder groups. One of the main themes raised in this consultation was that for many people who rely on bus services, current fares are too high to enable connection with employment, health care and education. While many stakeholders considered that the fare for using buses was not as important as the level of service provided, we were given a number of examples, where people avoided bus travel as a result of the cost. Fares for longer distance journeys were a particular concern.

We have determined lower maximum fares across all trip distances to improve the affordability and equity of bus fares and make them more consistent with those of other Government provided transport services. The fares in our final determination are the same as the maximum fares proposed in our draft report. There was broad support for these fares from the range of different stakeholders we consulted with.¹²

3.1 Our decisions and recommendations on maximum fares for regular route services

Decisions

- 1 Maximum (adult) fares for regular rural and regional buses be set at the values in Table 3.1.

Table 3.1 Maximum adult fares for regular route services 2021-2025 (inc GST)

| Fare band | Distance (sections) | Distance (kilometres) | Single fare (\$) | Daily ticket (\$) |
|-----------|---------------------|-----------------------|------------------|-------------------|
| 1 | 1-2 | 0-3 | 2.30 | 5.00 |
| 2 | 3-6 | 3-8 | 3.30 | |
| 3 | 7-15 | 8-20 | 4.20 | 10.00 |
| 4 | 16-25 | 20-35 | 4.50 | |
| 5 | 26-37 | 35-65 | 5.90 | |
| 6 | 38-56 | 65-90 | 7.50 | 20.00 |
| 7 | 57-75 | 90-120 | 10.00 | |
| 8 | 76-100 | 120-160 | 15.00 | 30.00 |
| 9 | 101-125 | 160-200 | 20.00 | |
| 10 | 126+ | 200+ | 25.00 | |

¹² See for example, Council of the Ageing NSW submission to IPART Draft Report, October 2020, p 2. Action for Public Transport NSW submission to IPART Draft Report, October 2020, p 1. NSW Council of Social Services submission to IPART Draft Report, October 2020, p 1.

- 2 Maximum (adult) fares for services deemed 'peak' services (where there is excess demand) be set at the values in Table 3.2.

Table 3.2 Maximum peak adult fares for regular route services 2021-2025 (inc GST)

| Fare band | Distance (sections) | Distance (kilometres) | Single fare (\$) | Daily ticket (\$) |
|-----------|---------------------|-----------------------|------------------|-------------------|
| 1 | 1-2 | 0-3 | 3.20 | 8.00 |
| 2 | 3-6 | 3-8 | 4.60 | |
| 3 | 7-15 | 8-20 | 6.00 | 13.00 |
| 4 | 16-25 | 20-35 | 6.40 | |
| 5 | 26-37 | 35-65 | 8.30 | |
| 6 | 38-56 | 65-90 | 10.70 | 23.00 |

Recommendation

- 1 That Transport for NSW amend schedule 7 of the rural and regional bus contracts, so that operators are required to make daily tickets available to passengers at or below the maximum price set in our determination.

3.2 How the new fares differ from the current fares

For trips up to 56 sections (or around 90km), we have set maximum fares from 2021 to 2025 at 70% of the maximum Opal peak fares that applies in metropolitan and outer metropolitan regions. Maximum Opal fares apply to both peak and off-peak services, but in practice off-peak fares are charged at a reduced rate (70% of the peak time fare). While we support more consistent maximum fares, we consider that it would not be appropriate to set maximum fares for rural and regional bus services at the same level as maximum (peak) Opal fares. Our decision to set rural and regional bus fares at 70% of maximum Opal fares recognises that rural and regional bus services operate more like off-peak services and ensures that their fares reflect this difference.

For longer trips, we have set fares at rates that are similar to regional coach services provided by Transport for NSW. As most services require cash payments on the bus, we have simplified the fares to make this easier for drivers and passengers.

While the costs of delivering bus services differ between metropolitan Sydney and rural regional NSW the new fares balance the need to ensure affordable bus travel, the need to increase bus usage, the community benefits of social inclusion and the cost to taxpayers of providing the bus services. They also recognise that the majority of the buses are used to ensure school children get to and from school with fare paying passengers making up a very small proportion of users.

3.2.1 Single trip fares

The new determination includes lower single fares that we consider will increase consistency between rural and regional bus fares across different towns, and with the following services:

- ▼ buses in the ACT, regional Victoria and Queensland
- ▼ public transport in Sydney and its surrounds
- ▼ longer distance fares on regional coach services provided by Transport for NSW.

The fare reductions will also make fares more affordable, particularly for longer distance trips and reduce barriers to implementing state-wide electronic ticketing.

The new maximum fares for single trips are set out below compared with the current maximum fares (Table 3.3). The new fares are lower for every distance, with the largest reductions in place for long distance travel.

Table 3.3 Maximum fares – current and new rural and regional bus fares (inc GST)

| Fare band (sections) | Distance (km) | 2020 maximum fare (\$) | 2021-2025 maximum fare (\$) | Difference (\$) | Difference (%) |
|----------------------|---------------|------------------------|-----------------------------|-----------------|----------------|
| 1-2 | 0-3 | 2.40 | 2.30 | -0.10 | -4.2 |
| 3-6 | 3-8 | 3.60 | 3.30 | -0.30 | -8.3 |
| 7-15 | 8-20 | 5.10 | 4.20 | -0.90 | -17.6 |
| 16-25 | 20-35 | 7.60 | 4.50 | -3.10 | -40.8 |
| 26-37 | 35-65 | 10.10 | 5.90 | -4.20 | -41.6 |
| 38-56 | 65-90 | 15.10 | 7.50 | -7.60 | -50.3 |
| 57-75 | 90-120 | 21.90 | 10.00 | -11.90 | -54.3 |
| 76-100 | 120-160 | 30.70 | 15.00 | -15.70 | -51.1 |
| 101-125 | 160-200 | 40.70 | 20.00 | -20.70 | -50.9 |
| 126+ | 200+ | 50.60 | 25.00 | -25.60 | -50.6 |

Note: Sections are an average of 1.6km over the length of a bus route, but may vary between 1.0km and 1.9km.

Source: IPART, *Maximum fares for rural and regional bus services from 5 March 2018, Final report*, December 2017, pp 7-8; IPART, *Maximum fares for rural and regional bus services, 1 January 2018 to 30 December 2020, Draft determination*, October 2017, p 9; IPART analysis.

3.2.2 Daily ticket fares

Daily tickets for rural and regional bus services were introduced by IPART in 2018. These tickets were initially set at twice the single trip fare plus \$2.40 (a 1-2 section fare). These tickets have not had significant uptake, accounting for only 1.3% of patronage of regular passengers.¹³

Our 2021-2025 fare determination includes lower maximum fares for daily tickets. These fares have also been simplified by using rounded fares and consolidating the fare bands to make it easier for passengers to decide whether they are better off buying a daily ticket or purchasing

¹³ Transport for NSW, rural and regional bus operator data for financial years 2019 and 2020 (average).

individual tickets for each trip. The maximum fares for daily tickets start at \$5 (we expect a value of \$2.50 for concessions based on TfNSW's current policy of setting these fares at half the adult fare) and go up to a maximum price of \$30.00. Daily ticket fares for passengers who use defined 'peak' or on-demand services are set at a higher value, reflecting the higher base fare for these services.

The new maximum fares for daily tickets are set out below and compared with current maximum fares (Table 3.4). The new fares are lower for every distance, with the largest fare reductions for long distance travel.

Table 3.4 Comparison of current and new daily ticket fares (inc GST)

| Fare band | Distance (sections) | 2020 daily ticket (\$) | 2021-2025 daily ticket (\$) | Difference (\$) | Difference (%) |
|-----------|---------------------|------------------------|-----------------------------|-----------------|----------------|
| 1 | 1 to 2 | 7.20 | 5.00 | -2.20 | -30.6 |
| 2 | 3 to 6 | 9.60 | 5.00 | -4.60 | -47.9 |
| 3 | 7 to 15 | 12.60 | 10.00 | -2.60 | -20.6 |
| 4 | 16 to 25 | 17.60 | 10.00 | -7.60 | -43.2 |
| 5 | 26 to 37 | 22.60 | 10.00 | -12.60 | -55.8 |
| 6 | 38 to 56 | 32.60 | 20.00 | -12.60 | -38.7 |
| 7 | 57 to 75 | 46.20 | 20.00 | -26.20 | -56.7 |
| 8 | 76 to 100 | 63.80 | 30.00 | -33.80 | -53.0 |
| 9 | 101 to 125 | 83.80 | 30.00 | -53.80 | -64.2 |
| 10 | 126+ | 103.60 | 30.00 | -73.60 | -71.0 |

Source: IPART maximum fare determination for regional bus fares, 2018 and IPART analysis.

We consider that the current approach of having ten distance bands and both single tickets and daily fares rounded to the nearest ten cents may create a barrier to purchasing daily tickets as it is difficult to estimate which option is the most cost effective.

For trips less than 7 sections (around 10 kilometres), the new maximum fare for the daily ticket is \$5. At half the adult rate, we expect TfNSW would set the cost of a concession ticket at \$2.50 per day. While this would not cover longer distance travel, it should be sufficient to cover travel within a town. This concession fare is in line with the popular RED ticket, which stakeholders generally considered to be good value.

The new daily ticketing prices are between around 30% and 70% lower than the current daily ticket fares, depending on the distance travelled (Table 3.4). Currently there are very few people who purchase daily tickets, with virtually no long distance tickets sold.¹⁴ A cheaper, simpler range of daily tickets should be more attractive for bus users.

Currently not all operators offer the option of a daily ticket. We consider that in addition to including the maximum price of daily tickets in the fares order, TfNSW should include daily tickets in schedule 7 of the rural and regional bus contracts to ensure that operators are required make these tickets available to passengers. This will help make bus services more affordable for frequent bus users.

¹⁴ Transport for NSW, rural and regional bus operator data for financial years 2019 and 2020 (average).

3.3 Ability to charge more for services with peak demand

Rural and regional bus services typically resemble off-peak services in their level of utilisation, which is one of the main reasons that we have determined maximum fares at a 30% discount to Opal maximum fares, consistent with the discount offered on off-peak Opal fares. However, under our determination, bus operators will be able to seek Transport for NSW's agreement to charge a fare equal to the maximum Opal fare applying in Sydney and surrounding areas for services that are subject to overcrowding.

If a service becomes overcrowded, then the Government may either put on more services or try to manage that demand by encouraging passengers who can shift their time of travel to move onto services where overcrowding is not an issue. Higher 'peak' service fares is one way of encouraging this shift. Although we do not consider that any of the current services are likely to meet this criteria, the determination runs for several years and therefore, it is prudent to include this option. TfNSW would need to deem the service a 'peak' service before an operator could make use of this provision. To deem a service as 'peak' a bus service the operator would need to demonstrate that buses on that service are at full passenger capacity for a sustained period (at least 6 months).

In response to our draft report, we received two submissions that commented on our proposal to include this option.¹⁵ Stakeholders considered that there was not a current need for this but acknowledged that it would be prudent to include this option in a five year determination.¹⁶

We consider that only services below 56 sections (or around 90km) should be eligible to be deemed peak services. Overcrowding on long-distance regular bus services suggests that services to transport passengers could be better provided by long-distance coach or rail services.

Table 3.5 Comparison of current and new fares for services with excess demand

| Fare band | Distance (sections) | Current maximum fare (\$) | New maximum fare (\$) | Current daily ticket (\$) | New daily ticket (\$) |
|-----------|---------------------|---------------------------|-----------------------|---------------------------|-----------------------|
| 1 | 1 to 2 | 2.40 | 3.20 | 7.20 | 8.00 |
| 2 | 3 to 6 | 3.60 | 4.60 | 9.60 | |
| 3 | 7 to 15 | 5.10 | 6.00 | 12.60 | 13.00 |
| 4 | 16 to 25 | 7.60 | 6.40 | 17.60 | |
| 5 | 26 to 37 | 10.10 | 8.30 | 22.60 | |
| 6 | 38 to 56 | 15.10 | 10.70 | 32.60 | 23.00 |

Source: IPART maximum fare determination for regional bus fares, 2018 and IPART analysis.

3.3.1 Maximum fares should remain constant over the determination period

We are proposing that maximum fares remain constant over the next five years (for the period we are determining fares). This is to ensure that rural and regional bus fares remain consistent with off-peak Opal fares (which are set at the same level until June 2024) and reflects the fact

¹⁵ BusNSW submission to IPART Draft Report, October 2020 p 2. Action for Public Transport submission to IPART Draft Report, October 2020, p1.

¹⁶ Action for Public Transport submission to IPART Draft Report, October 2020, p1.

that fares are reducing rather than being based on cost changes which would typically involve some form of indexation over the period.

The rural and regional bus determination will apply until December 2025, which is 18 months beyond the Opal determination. It is open to us to reference maximum fares beyond June 2024 to the next Opal fare determination but we do not propose to do this as there is too much uncertainty regarding what level of fares would apply (for example, if we were to return to a weighted average price cap for maximum Opal fares this would have implications for determining the appropriate maximum fare for the purpose of the rural and regional buses determination).

3.3.2 Allowing the move to distance bands based on kilometres

Aligning rural and regional bus fares with Opal fares facilitates the rollout of consistent payment methods. However, it also means a move from section based ticketing to kilometre based ticketing. We are proposing to include a maximum fare schedule in the determination that will allow TfNSW to move to charging on this basis during the determination period. In the absence of any change to the basis for charging fares notified by TfNSW, the current 10 section-based fare bands will continue to apply.

As part of our last rural and regional bus fare review we proposed determining per kilometre distance based fares in our Draft Report. However in response, BusNSW and several operators raised concerns about implementing distance-based fares using existing ticketing systems.¹⁷ As we consider that future systems may be better able to implement distance-based fares, we have included both options in the determination.

¹⁷ IPART, Maximum fares for rural and regional bus services from 5 March 2018, Final report, December 2017, p 1.

4 Maximum fares for on-demand services

The Minister's referral asks IPART to consider the development of on-demand services in regional areas.¹⁸ On-demand public transport (also known as demand-responsive transport) differs from traditional public transport in that some aspects of the service vary according to customer needs and demand – for example it could be flexibility in departure time, pick-up point and/or drop-off point.

The potential to improve transport services by offering on-demand services for competitive tender is discussed in section 6.2. On-demand services are discussed in more detail in the accompanying Information Paper on on-demand services. This includes a discussion of the on-demand trials that have been undertaken in rural and regional NSW since our last review.

4.1 Our decisions and recommendations for on-demand services

Decisions

- 3 Maximum fares for on-demand bus services be set at the value in Table 3.1 plus a maximum additional \$5 for a single adult fare.
- 4 The maximum fare for a daily ticket incorporating on-demand services be set at the value in **Error! Reference source not found.**1 plus a maximum additional \$10 for a daily adult fare.

Recommendation

- 2 Transport for NSW undertake work to value the additional social inclusion benefits provided by on-demand services and use this to prioritise locations for new on-demand services via cost-benefit analysis.

4.2 How the new fares differ from current fares

IPART's 2017 review recommended that operators be able to set an optional surcharge of between \$0 and \$5 (including GST) for on-demand services, on top of the maximum fare allowed for a regular route service for the distance travelled.¹⁹ Our final decision is to continue to allow this.

To date, operators running the on-demand trials have not charged any surcharge for on-demand services above the fare that would have been charged for a regular route service of that distance, in most cases. Some operators currently charge well under the maximum fare allowed for the distance travelled for regular route services.

¹⁸ See Appendix A.

¹⁹ IPART, Maximum fares for rural and regional bus services from 5 March 2018, Final report, December 2017, p 5.

4.3 Why we determined higher maximum fares for on-demand services

On-demand transport benefits customers by responding more closely to their transport needs in terms of pick-up and drop-off locations, and in the timing of the service, reducing travel duration. Tailored pick-up and drop-off is of particular benefit to the elderly and others with limited mobility.

In many cases we do not think a higher fare for on-demand services will be appropriate. Where there is no traditional route service available as an alternative to an on-demand service, customers do not have the option of choosing a less convenient service for a lower fare. In its submission to our draft report, Action for Public Transport NSW submitted that a premium has discouraged the use of on-demand services in some locations.²⁰ Nonetheless, we think it is appropriate to provide flexibility for operators to charge up to \$5 extra per trip for an on-demand service in some circumstances, given the additional service offered relative to a standard route service.

Fares for on-demand services should take into account the external benefits generated, in terms of social inclusion, as well as the willingness of customers to pay for on-demand services. Setting fares as part of the tendering and negotiation process for each on-demand service will allow TfNSW to take these factors into account given the bespoke characteristics of each on-demand service.

We have also decided to set a higher maximum daily ticket price for services that include on-demand services. We set the maximum daily ticket at the fare for a regular route-based service of the same distance, plus \$10. Operators must be able to charge a higher fare for daily tickets that include on-demand services. Otherwise they will be effectively constrained from charging a surcharge for on-demand trips, as passengers can avoid paying the higher on-demand fare by purchasing a lower priced daily ticket.

On-demand services may:

- ▼ increase the number of journeys made by customers (meeting latent demand for transport)
- ▼ replace journeys that would have been made on the pre-existing bus route service, or
- ▼ replace other forms of transport such as car, walking, or taxis and rideshare services.

The potential for subsidised on-demand services to replace (to some extent) non-subsidised forms of transport highlights the importance of considering competitive neutrality when introducing on-demand services. TfNSW has indicated that ongoing on-demand services will be offered for competitive tender, to allow other bus operators and transport providers to bid to provide the service, and we support this approach.

4.4 Prioritising locations for on-demand services

The Information Paper on on-demand services provides a more detailed discussion of the benefits and costs of on-demand services. It notes that some of the on-demand trials in rural and regional NSW have been more successful than others, in terms of patronage and cost.

²⁰ Action for Public Transport submission to IPART Draft Report, October 2020, p 1.

Where the costs of existing route services are high (relative to an efficient benchmark), it may be possible to introduce on-demand services without significantly raising costs. Conversely, where an on-demand service generates significant benefits, this may more than offset any increase in the cost of service, and justify additional funding (subject to other funding priorities).

For these reasons we think it is important for TfNSW to undertake further analysis of the on-demand trials to understand why some have been more popular than others, and how they can be designed to offer the best value. We recommend that TfNSW prioritise locations for the introduction of on-demand services by assessing the likely increase in benefits compared to the current service, and given any increase in costs.

Our final decisions and recommendations on this chapter are unchanged from our draft fare decisions and recommendations. COTA NSW's submission to our draft report supported our recommendation to prioritise locations. The submission also pointed out the need to focus on educational programs to promote on-demand services among older people.²¹ NCOSS noted that, 'flexible, place-based approaches are particularly important for those areas with very limited regular route services and populations more at risk of transport disadvantage, social isolation etc'.²²

²¹ COTA submission to IPART Draft Report, October 2020 pp 3-4.

²² NCOSS submission to IPART Draft Report, October 2020 p 1.

5 Recommendations on the availability of concession fares and discounts

There are some groups within regional NSW who face particular transport disadvantage. For these people, access to public transport is especially important to ensure that they can engage with their community, educational opportunities, the local labour market and essential services (such as food shopping and health care).

Concession fares in NSW are available to people with access to the full rate of Centrelink benefits, or who are in full time study or apprenticeship. Transport for NSW currently sets concession fares at half the adult ticket price. While the same concession eligibility requirements apply across NSW, as fares increase with the distance travelled and there is no weekly cap on fares for rural and regional bus services,²³ concession fares are typically much higher in rural and regional areas compared to the Opal network.

Our consultation for the review suggests that for some people who do not have access to concessional or discounted fares the cost of public transport is prohibitively high and this limits how much people use it. Our recommendations on the availability of concession fares and discounts aim to make transport more affordable for these people.

5.1 Recommendations

Recommendations

- 3 Transport for NSW expand the availability of concession fares to NSW residents holding a current Commonwealth Health Care Card.
- 4 Transport for NSW simplify the concession fare application process for rural and regional bus travel.
- 5 Transport for NSW consider implementing additional measures to assist vulnerable people.
- 6 Transport for NSW consider targeted options for making family travel more affordable.

²³ Noting that some operators do offer a weekly ticket, eg Busways in the North Coast region (see [Busways, Ticketing and Opal – Rural and regional](#), accessed 31 August 2020).

5.2 Expanding concessions to NSW residents holding a Commonwealth Health Care Card

There are people who need assistance with the cost of public transport but who do not have access to concession bus fares. In addition, under the current concession arrangements, eligibility for Centrelink customers²⁴ is valid for 90 days only and some Centrelink customers move between 'eligible' and 'ineligible' within that period as their employment circumstances change. TfNSW undertakes routine checks for eligibility and removes concession entitlements if ineligibility is found. These aspects of the system impose costs on both TfNSW and the customers themselves.²⁵

We considered these issues in our 2019-20 Opal fare review where we recommended that, in addition to the existing concession fares, lower fares should be made available to Commonwealth Health Care Card holders. We considered that discounted travel should be offered to economically disadvantaged groups who find the cost of public transport prohibitive but are unable to access concession fares under the current system. We made our recommendation on the grounds that the existing system did not capture the full range of people who fall into this category (eg, people with sporadic employment).

After considering the likely cost of expanding concessions in rural and regional areas²⁶ and the degree of stakeholder support for extending eligibility for half fare concession tickets to Commonwealth Health Care Card holders,²⁷ we have also made this recommendation for rural and regional buses.

Aligning concession eligibility with a Health Care Card means that there will be fewer people becoming ineligible when their circumstances change – eg, when they pick up casual or intermittent work. It also provides an opportunity to reduce administrative costs as a more stable concession population means fewer concession cancellations and subsequent re-applications (where a person moves in and out of eligibility), and fewer re-applications from people who remain eligible throughout the year.

We consider that eligibility for a Health Care Card is a good identifier for people who need access to discounted fares and note that the Health Care Card is used to access public transport discounts in other parts of Australia (see Information Paper on affordability). We also recognise the potential economic benefits from increasing opportunities for social inclusion in this way (see Chapter 2).

²⁴ Eg, people receiving Job Seeker or Youth allowance payments.

²⁵ The 90-day validity was raised by Legal Aid NSW in its submission to our Issues Paper. See Legal Aid NSW, Submission to IPART Issues Paper, August 2020, p 3.

²⁶ We estimate that this recommendation could cost up to \$183,000 per year in lost fare revenue, a reduction in fare revenue of around 2.7%. This estimate has increased slightly from the one included in our Draft Report as we added some postcodes in rural and regional NSW that we did not initially include. More information on how we calculated the cost is provided in the information paper on affordability.

²⁷ See, eg, Legal Aid NSW, Submission to IPART Issues Paper, August 2020, pp 2-3. Kempsey Shire Council, Submission to IPART Issues Paper, August 2020, p 1. BusNSW, Submission to IPART Issues Paper, August 2020, p 10.

A number of stakeholders have argued for extending the availability of the RED ticket to a broader group of passengers.²⁸ For example, at the public hearing NCOSS and CPSA supported extending the RED ticket to jobseekers. They considered that access to the RED ticket would greatly assist jobseekers – especially for jobseekers wanting to travel longer distances.²⁹ We received similar comments in response to our draft report.³⁰

We acknowledge the views of those stakeholders that support expanding eligibility for the RED fare. However we consider that the lower fares we are recommending for all passengers, as well as an expansion in concession eligibility and a lowering of the price of daily tickets should be sufficient to address affordability concerns for most passengers.

We analysed the financial and other impacts of giving Jobseekers access to the RED ticket and we do not recommend extending the RED ticket to Jobseekers.

The key argument for our recommendation to extend concession fares to Commonwealth Health Care Card holders is that it will make services more affordable for vulnerable members of the community, thereby improving their economic involvement and reducing the costs associated with social exclusion. Further lowering the cost of travel for a subset of these passengers may not deliver substantial additional community benefits because:

- ▼ On average around 78% of bus users in rural and regional NSW travel in the first two fare bands (which we expect will be priced at a daily rate of \$2.50 anyway based on TfNSW's current policy of setting concession fares at half the adult fare).
- ▼ The determination involves significant fare reductions for all passengers, making concession fares for longer distances a lot more affordable already.

Giving only a subset of Health Care Card Holders, such as Jobseekers, access to the RED ticket would reduce the administrative savings that would be achieved by our recommendation to base concession eligibility on the more stable Commonwealth Health Care Card.³¹

Expanding access to the RED ticket would also be inconsistent with concession arrangements in the Opal network and with Victoria and Queensland, which is at odds with one of our key goals of making fares more consistent with fares for these services.

²⁸ See, eg, NCOSS, Submission to IPART Issues Paper, August 2020, pp 6-7. Lismore City Council, Submission to IPART Issues Paper, August 2020, p 1. Combined Pensioners and Superannuants Association submission to IPART Issues Paper, August 2020, p 4.

²⁹ Public hearing summary – Rural and regional bus fares, 20 October 2020, see IPART website.

³⁰ NCOSS, Submission to IPART Draft Report p 1 and Combined Pensioners and Superannuants Association submission to IPART Draft Report, October 2020, p 3.

³¹ As Health Care Cards remain valid for a year, it reduces the need to constantly review eligibility and for people to repeatedly fall in and out of concession eligibility. This is a particular issue for jobseekers who may lose their concession status if they pick up ad hoc work and then need to reapply.

5.3 Simplifying the concession application process

Currently, concession fares are available to Transport Concession Entitlement card holders. The card is applied for online or in person at a Service NSW centre and if the application is approved the card is then sent to the customer by mail. The Transport Concession Entitlement card is then shown to access concession fares (and apply for the Concession Opal card in metropolitan areas). We consider that this is a cumbersome process in metropolitan and outer-metropolitan areas and could be even more so in rural and regional areas.

Several submissions raised the issue of the length of time taken to apply for and receive a concession card³² and one submission suggested a temporary or interim card could be issued by Service NSW whilst waiting for the card to arrive:

The major problem for rural areas is getting the half fare concession cards. You have to apply online, then wait 7-10 days. The most needy time for these concession cards is immediate. Is there a way they can be printed at Services NSW as an interim whilst waiting for the card to arrive? People being released from Prison or mental health need these cards immediately not in 7-10 days time. They are on limited income and already in financial trouble. Let alone being charged full price for bus fares because they have to wait for the concession card.³³

Until customers are able to access consistent electronic ticketing in rural and regional areas, we recommend that TfNSW consider simplifying the concession fare application process for rural and regional bus travel. This could be achieved by:

- ▼ allowing Transport Concession Entitlement cards to be issued on the spot at Service NSW centres,³⁴ or
- ▼ allowing the purchase of a concession ticket on presentation of a current Commonwealth Health Care Card and photo ID.

³² See, eg, Legal Aid NSW, Submission to IPART Issues Paper, August 2020, p 3. In particular Legal Aid NSW highlights access to concession fares in regional areas for people who are leaving prison. Inmates cannot make an application for a Transport Concession Entitlement card before their release because they do not have access to the internet. In addition, inmates often do not know what their postal address will be on release. Legal Aid NSW submits that changing eligibility for concession fares so that they are automatically available to people who hold Commonwealth Health Care and Pension Cards could overcome a significant barrier for inmates who already face enormous challenges post release. Many inmates are assessed for eligibility for Commonwealth income assistance prior to leaving prison so that they can receive payment once they leave, and a Health Care Card is provided to recipients of income assistance.

³³ Anonymous, Submission to IPART Issues Paper, July 2020, p 1.

³⁴ We envisage this would require staff at Service NSW centres to confirm eligibility (against a current Commonwealth Health Care Card) and confirm the applicant does not already have a card (by checking against the TfNSW database).

We note that the second option is consistent with the current practice for obtaining a RED ticket, ie the passenger shows a card (eg, a NSW seniors card or pensioner concession card) on boarding a bus and purchasing a ticket.³⁵ It is also the practice in Victoria for access to concession fares on regional bus services that are not part of the Myki network (Myki is the Victorian equivalent of Opal).³⁶ The second option would also best address concerns raised in submissions (eg, the Legal Aid NSW submission referred to above, which notes that people being released from prison are assisted to get a Health Care Card before they leave but cannot apply for a Transport Concession Entitlement card). It also recognises that not every bus user may have easy access to a Service NSW centre, for instance, if they live in an isolated community that is some distance from a Service NSW centre.

This would reduce the time taken for eligible customers on the rural and regional bus network to access concession fares and it should be less costly to administer than current concession arrangements.

5.4 Additional measures to assist vulnerable people

While our recommendations would expand eligibility for discounted fares, we recognise that there are still vulnerable people who cannot afford public transport. In our 2019-20 review of Opal fares we noted that some community service organisations and charities currently provide Opal cards (with credit) or Opal card credit to their clients and we recommended that the NSW Government trials a program whereby community service organisations and charities can purchase discounted public transport passes to be provided at no cost to vulnerable people (similar to the trial undertaken in Victoria).

In our consultation for this review, stakeholders raised similar issues and emphasised the need to provide free travel cards for people in crisis or experiencing difficult circumstances who have difficulty affording public transport. Vulnerable young people experiencing homelessness or in the youth justice system and people experiencing domestic violence are groups that could benefit from pre funded travel arrangements.³⁷ We understand that some operators of rural and regional bus services currently provide discounted tickets to community service organisations and charities, at their own cost.³⁸ This suggests that similar issues exist for vulnerable people within the rural and regional bus network as for the Opal network.

³⁵ NSW Government, [Regional bus tickets and fares](#), accessed 19 August 2020.

³⁶ Victorian Government, [Concessions and Free Travel](#), accessed 18 August 2020. For non-Myki regional bus services a customer is required to show the relevant card (eg Health Care Card or Pensioner Concession Card) to pay the concession fare.

³⁷ See, eg, NSW Office of Advocate for Children and Young People submission to IPART Issues Paper, August 2020, p 4. Public hearing summary – Rural and regional bus fares, 20 October 2020, see IPART website.

³⁸ See, eg, Meeting with Sapphire Coast Buslines, 21 August 2020. We understand that this is up to the operator rather than a systemic approach across the rural and regional bus network.

In order to address these concerns, we recommend that TfNSW considers targeted programs for assisting vulnerable people to access rural and regional buses. In the long term, introducing other ticket options (ie, consistent with Opal) in rural and regional areas and then applying the same programs for vulnerable people across the state would be our preferred approach. However, the different contractual arrangements for rural and regional bus services may impact how such programs are implemented. TfNSW should engage and collaborate with the relevant parties, such as the organisations that help support vulnerable people, in the development of any trials or programs, to negotiate a satisfactory way of addressing these issues in rural and regional areas.

5.5 Targeted options for making family travel more affordable

Large families and children, including pre-school aged children, are two groups that can face transport disadvantage and would benefit from more affordable bus services.

Under the new maximum fares, the cost of using rural and regional bus services is likely to reduce substantially for children under 15 years, which should assist families with children. For example, a single trip fare of \$12.50 per child or a daily fare of \$15 is the maximum children with access to a half-fare would pay compared with the current fares, which could be up to \$51.80.

In addition to the new maximum fares, there are more targeted options that can assist families. We recommend that TfNSW consider options and undertake a cost benefit analysis to determine whether the benefits to society would outweigh the costs. Options may include:

- ▼ Special child fares. Large families would benefit from more affordable family outings, visiting family and friends and engaging in recreational activities if school aged children can travel more affordably during school holidays. NSW TrainLink coach services (provided by TfNSW) allow children to travel at a \$1 fare when accompanied by a full fare paying adult.³⁹ As there appears to be some overlap between these services and rural and regional bus services – there may be benefit in extending this to rural and regional bus services.
- ▼ Free travel for all pre-school aged children. In NSW, free travel for children is available up to three years of age. This means that four year olds accessing pre-school on public transport need to pay a child fare, as they do not have access to the free school student transport scheme. Like school aged children, pre-school aged children could also benefit from free travel if it enables them to engage in early learning opportunities. Research in regional South Australia found some regions had a high proportion of pre-school aged children with developmental delays. A significant contribution was found to be the lack of mobility opportunities for pre-school participation.⁴⁰ Victoria and Queensland allow free travel for children aged four years and under.⁴¹

³⁹ “The Child \$1 fare is available to children aged 15 years and under and entitles travel anywhere on the NSW TrainLink Regional network for \$1 each way. The \$1 fare can be booked for up to four children in any group when travelling with one or more adults who pay full. Adults and children need to be from the same household. Seats for additional children are charged at the current Child fare.” See TransportNSW, [Child and family fares bookings](#) accessed 28 September 2020.

⁴⁰ Hensher D, *Bus Transport Demand, Economics, Contracting, and Policy*, 2020 p 406.

⁴¹ Public Transport Victoria website, [Concessions: Children](#) and Queensland’s Translink website [Concessions: Children](#), accessed 29 September 2020.

6 Recommendations to improve transport services in rural and regional NSW

The efficient delivery of transport services includes providing services at efficient cost, and providing the right mix of services. Adopting new technology has the potential to improve both the level of service provided to customers, and the cost efficiency in delivering the same level of services.

This chapter discusses options to improve transport services in rural and regional NSW and makes recommendations in relation to:

- ▼ introducing competition in the delivery of services or bus contracts
- ▼ reviewing the contracts between bus operators and TfNSW
- ▼ enhancing the monitoring of operator performance, and
- ▼ facilitating innovation in payments, ticketing and customer interface.

6.1 Our recommendations to improve transport services in rural and regional NSW

Recommendations

- 7 Transport for NSW consider using a competitive tender process when establishing permanent on-demand services, open to both bus operators and appropriate non-bus operators, in order to facilitate competitive neutrality, innovative service offerings and competitive pricing (and subsidy) offerings.
- 8 Transport for NSW consider using a competitive tender process when bus operator contracts are renewed, open to both bus operators and appropriate non-bus operators, given potential benefits in terms of innovation and cost efficiencies.
- 9 Transport for NSW consider revising the contract arrangements with bus operators to make them more consistent with those in metro and outer metro areas, with a view to moving to gross cost contracts in the future (with an incentive for increased patronage), rather than net cost contracts.
- 10 Transport for NSW review contract provisions with bus operators to ensure they promote efficient delivery of services – for example that they reflect services that promote customer benefits (in terms of, eg, route and frequency); and that they encourage operators to provide these services in a cost effective way (eg, in terms of vehicle size, age, etc).
- 11 Transport for NSW enhance its review of operator performance over the course of operator contracts, when contracts are renewed - by developing additional indicators of comparative performance and publishing an annual review of bus operator performance for large and medium operators.

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- 12 Transport for NSW provide greater certainty to bus operators regarding coordination of electronic ticketing, customer interface and payment technologies which would provide a more seamless customer experience across the State.

6.2 Introducing competition in services or contracts

Competitive pressure can lead to cost savings and innovative service offerings, by encouraging a focus on customer needs and efficient costs. The following sections discuss the potential for introducing competition in the rural and regional bus sector, either for discrete services (such as an on-demand service) or for bus operator contracts.

6.2.1 Competitive tendering of defined services

TfNSW has undertaken several on-demand trials across NSW, in association with local bus operators. To date TfNSW has decided to make one of these trials an ongoing service – the Moree on-demand service – and invited tenders to provide the service for a period of three years.⁴² There was no restriction placed on who could tender.

Competitive tendering supports competitive neutrality by allowing a range of potential service providers, including local bus operators, taxi and ride-share companies, and bus operators from other areas. It also has the potential to facilitate innovative service offerings and competitive pricing (and subsidy) offerings.

We understand TfNSW will consider using competitive tenders when on-demand trial services are made permanent, unless there are identified operational efficiencies from having the same operator for on-demand and route services in the area. We support consideration of competitive tenders as there are likely to be significant potential benefits from increasing competitive pressure on bus operators.

One concern raised in our consultation process is the potential impact on the incentives for bus operators to innovate, if they know that any new services are likely to be put to competitive tender. BusNSW has suggested that innovation will be stifled if operators fear that any changes they propose will result in services being competitively tendered.⁴³

Bus operators may incur substantial costs when they develop new services, which would arise from testing new services, undertaking research and development, and building up patronage on a new service. When these contracts are competitively tendered, subsequent operators competing for the contract could benefit from the work that has been previously undertaken, and would avoid incurring these costs.

⁴² NSW Government, [Request for Proposal – Moree On Demand Public Transport](#) viewed 10 September 2020.

⁴³ BusNSW submission to IPART Issues Paper, 7 August 2020, p 14

Balancing these costs, the incumbent operator benefits from understanding the service to be provided, the cost of the service, and the customer profile. Furthermore, we would expect operators to recover the efficient costs of on-demand trials through payments from TfNSW, which reduces the risk borne by operators. It is important that payments from TfNSW for trial services accurately reflect the efficient costs of providing the service, so that the operator's efficient costs are recovered, and TfNSW does not face a "cost shock" if the new service is made permanent and competitively tendered.

6.2.2 Competitive tendering of bus operator contracts

Evidence suggests that there can be significant cost savings from an initial competitive tendering of publicly-owned transport.⁴⁴ The evidence is less conclusive if the incumbent is privately-owned - as is the case for rural and regional bus operators - and for subsequent tenders. In its submission to the Issues Paper BusNSW argued that the TfNSW procurement process, including the benchmarking of efficient costs, "ensured that the cost of providing services under current contracts is a fair market outcome".⁴⁵

A further rationale seen by some proponents of negotiated performance-based contracts is the belief that this contract form is most likely to support a trusting partnership between purchaser and provider, particularly for system planning.⁴⁶

The challenges of competitive tenders include the specification of the service provided, and dealing with uncertainties – though these must also be addressed in negotiated contracts.

Our draft report recommended that:

- ▼ Transport for NSW consider using a competitive tender process when bus operator contracts are renewed, open to both bus operators and appropriate non-bus operators, given potential benefits in terms of innovation and cost efficiencies.

In response to our draft recommendation that TfNSW consider using a competitive tender process when contracts are renewed, BusNSW submitted that:

- ▼ Academic studies and evidence support a negotiation model over competitive tendering
- ▼ Competitive tendering would be administratively difficult due to the large number of contracts involved
- ▼ The market is likely to be too shallow in some areas so competitive tendering may increase contract costs.⁴⁷

⁴⁴ Hensher, D, *Bus transport, Demand, economics, contracting and policy*, Elsevier, 2020, p 9 and p 142.

⁴⁵ BusNSW submission to IPART Issues Paper, 7 August 2020, p 7.

⁴⁶ Hensher, D, *Bus transport, Demand, economics, contracting and policy*, Elsevier, 2020, p 9.

⁴⁷ BusNSW submission to IPART Draft Report, October 2020, p 6.

Hensher published a recent analysis of the international evidence on bus contracting.⁴⁸ This work suggests that the benefits of competitive tendering are likely to be greatest where the incumbent operator is publicly owned, and for the first round of competitive tenders. Cost savings are likely to be lower where the incumbent is a private provider, and for second and subsequent rounds of tendering. Hensher concludes that a negotiated performance related contract is superior to routine competitive tendering and that two of the critical elements required for the success of this approach are ongoing performance monitoring and the threat of competition.

We took this information into account when making our draft recommendation, noting that rural and regional bus operators have not faced competitive pressures in the past, and it is likely that exposing them to competition could lead to cost savings. In 2017, AECOM's cost efficiency study identified significant scope for cost savings among rural and regional bus operators.⁴⁹ In addition to making general conclusions, AECOM's study identified outliers among operators who appear to have significantly higher cost structures than their peers.⁵⁰

It is unlikely to be feasible or cost effective to open up all rural and regional bus contracts to competitive tender in one go. There may also be contracts for which it would not be worthwhile to go to tender at all. Nevertheless we remain of the view that, in some regions, competitive tendering has the potential to reduce contracted costs significantly. A policy of reviewing contract costs and targeting high cost or poor performing operators for potential competitive tendering would be consistent with the suggested contracting approach in the literature and would not be difficult to administer. As a result, our final recommendation is the same as our draft recommendation.

Whether contracts are based on competitive tenders or are negotiated with incumbents, achieving benefits for customers depends on specifying the appropriate services to be provided, and ensuring that performance is effectively monitored during the contract period. This is discussed further below.

6.3 Reviewing contracts between TfNSW and bus operators

This section discusses two aspects of the contracts with bus operators – the form of contracting ('net' or 'gross'), and ensuring contract provisions promote efficient delivery of services.

⁴⁸ David A Hensher, *Bus Transport - Demand, Economics, Contracting and Policy*, 2020, pp 8-10, chapter 6.

⁴⁹ AECOM, *Efficient costs of rural and regional bus operators - Final Report*, December 2017, p iii

⁵⁰ AECOM, *Efficient costs of rural and regional bus operators - Final Report*, December 2017, p iii

6.3.1 Form of contracting

Most of the revenue received by rural and regional bus operators comes from payments under their contracts with TfNSW. A relatively small amount (less than 2% on average) comes from fare revenue (the 'farebox'), which operators retain.⁵¹ This is known as a 'net cost' contract as contract payments are negotiated at the start of the contract period with an understanding that operators' revenue will be 'topped up' by expected fare revenue. Operators are able to set their own fares subject to the maximum fares determined by IPART.

Net contracting effectively allocates patronage risk to bus operators – if fare revenue increases over the contract period, operators retain the revenue. If passenger numbers fall and fare revenue declines, then operators earn less revenue. In rural and regional bus contracts, the exception to this is where there is a 'material' reduction in farebox revenue resulting from a change in fare policy. In this situation the contracts between operators and TfNSW provide for an additional payment to be made to operators to compensate for this, as discussed in chapter 7 **Error! Reference source not found..**

This type of contract contrasts with those between TfNSW and bus operators in metro and outer metro areas, who are paid a monthly contract payment which does not depend on the value of fares collected (known as 'gross cost' contracting). This effectively allocates the patronage risk to TfNSW rather than bus operators. One disadvantage is that gross contracts reduce the incentive for bus operators to grow patronage and to ensure passengers pay the correct fare (because they do not keep the fare revenue). However, this can be offset by adding a 'patronage incentive payment' that rewards operators for increasing patronage on their services. The Sydney metro and outer-metro bus service contracts include a patronage incentive payment, which TfNSW could consider for rural and regional bus services.⁵²

Gross cost contracting gives TfNSW flexibility over fares and the ability to set fares to achieve social policy objectives, to reduce contract costs or to optimise service utilisation (eg. to vary the relativity between peak and off-peak fares or to integrate fares for different modes). It also recognises that TfNSW is responsible for network planning, so bus operators have limited ability to vary bus routes and frequency to increase patronage.

Moving to a gross cost contract regime for rural and regional buses would provide TfNSW with a greater ability to set consistent fares across NSW, which is important in facilitating a consistent electronic ticketing system.

In its submission to the Issues Paper BusNSW supported consideration of gross cost contracts when the current contracts are renewed, in order to reduce the impact on operators of changes to patronage from factors such as COVID-19; and to resolve disputes resulting from changes in Government fare policy.⁵³

⁵¹ Data from TfNSW, IPART analysis. Larger operators tend to earn a higher proportion of revenue from fares, but still only 4% on average.

⁵² See Transport for NSW, *Outer Sydney metropolitan bus contract*, schedule 3, paragraph 4.6, viewed 17 August 2020.

⁵³ BusNSW submission to IPART Issues Paper, 7 August 2020, p 6.

At the moment there is no centralised ticketing infrastructure, so it is difficult for TfNSW to ensure it receives accurate patronage and farebox information. This is a disadvantage for both net and gross contracting, since TfNSW does not have independently verified data on the level of fare revenue. This underlines the benefits that would flow from the roll-out of electronic ticketing.

6.3.2 Reviewing contract provisions to promote efficient delivery of services

The specification of services in the operator contracts can have a significant impact on the customer benefits that are generated. Many rural and regional bus routes are infrequent, circuitous and poorly patronised. The on-demand trials undertaken by TfNSW and bus operators have demonstrated that there is potential to improve customer benefits by re-specifying the service provided.

Consultation with bus operators suggests that some contract provisions may unnecessarily limit cost efficiencies, for example, the prescribed replacement of buses. They also suggest that contracts are relatively inflexible in relation to proposed changes in services aimed at increasing patronage (such as routes or timetables), or changes to the bus fleet which may reduce costs.⁵⁴

As part of contract negotiations when contracts are renewed, we recommend that TfNSW and bus operators review the terms of the contracts and consider opportunities to improve the efficiency of services provided. This could include issues that are bespoke to individual operators, such as bus routes and frequencies, as well as issues affecting all operators such as flexibility over bus renewals.

6.4 Developing indicators of performance for bus operators

Once a bus contract is established it is important that performance is monitored on an ongoing basis, to ensure contract requirements are met. Indicators of performance, including service standards, can also facilitate benchmarking across bus operators and over time.

The contracts between bus operators and TfNSW include key performance indicators (KPIs) to be met by the operator over the life of the contract. They are broken into 2 categories – breaches of class 1 KPIs require the operator to develop an incident report identifying remedial action, and operator performance is assessed against class 1 KPIs at governance meetings. Class 2 KPIs are measured and reported on a regular basis, and remedial action must be undertaken where necessary to continue to meet the KPI.⁵⁵

The KPIs listed in the bus operator contracts vary by the size of the operator and include:

- ▼ Punctuality rates
- ▼ Cancelled and incomplete trips
- ▼ Customer complaint resolution

⁵⁴ IPART meeting with BusNSW, 22 July 2020.

⁵⁵ For example, for small operators see TfNSW, [Rural and regional bus service contract \(small\)](#), schedule 4, clauses 4 and 8, viewed 30 September 2020.

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- ▼ Incidents due to failure of bus maintenance
 - ▼ Contract bus maintenance - major bus defects
 - ▼ Reporting and provision of information.

One difficulty is that many of these indicators are self-reported without independent verification (for example, punctuality rates). We see benefit in TfNSW continuing to develop meaningful performance indicators for bus operators, and publishing a regular comparative review for medium and large bus operators. Restricting publication to large and medium operators (at least in the first instance) will limit TfNSW's administration costs, and reduce problems of comparability which are likely to arise with operators of different size, operating in areas with different characteristics. To improve comparability between operators, TfNSW may need to consider aligning reporting periods across operators (as current reporting periods vary from operator to operator).

Over time, adopting new technology will enhance the potential for performance monitoring. For example, electronic ticketing will enable independent verification of patronage, and GPS tracking allows independent verification of on-time performance (which is currently self-reported).

In addition to technical performance indicators, performance could also be assessed through mechanisms such as customer surveys. While the trials of on-demand services included customer surveys, we understand there is no regular process for surveying rural and regional bus customers more generally. By contrast, customer satisfaction surveys are routinely undertaken and published for every mode of public transport in the metropolitan and outer metropolitan areas.⁵⁶

6.5 Facilitating innovation in payments, ticketing and customer interface

6.5.1 Contactless payments

Regional NSW currently has a ticketing system based on 'sections', and most operators use paper tickets. Unlike the Opal system used in metropolitan and outer metropolitan areas, ticketing is not integrated across different operators, modes of transport or locations.

Many operators require cash payments and do not accept credit or debit cards. This is inconvenient for customers where fares are an odd amount of change, and for longer distances where fares involve significant amounts of money. Several submissions to the Issues Paper supported the rollout of contactless payments systems, for example:

- ▼ Action for Public Transport (NSW) submitted that "the COVID pandemic has shown that the option of contactless payment is a necessity for the sake of public health".⁵⁷

⁵⁶ TfNSW, [Customer satisfaction index](#), November 2019, viewed 30 September 2020.

⁵⁷ Action for Public Transport (NSW) submission to IPART Issues Paper, August 2020, p 3.

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- ▼ F Honeyball noted that “if payment by card can be done in market stalls by part time traders surely a bus company could have a credit card reader on a bus to pay a fare – not having the correct fare or a \$5 note is sometimes a disincentive to catching the bus”.⁵⁸

In 2019 TfNSW trialled Account Based Ticketing technology with Kiama and Ulladulla bus services, which allowed customers to pay with their debit/credit card (as well as tracking regional buses in real time, showing occupancy levels and providing school students with an Opal Student card).⁵⁹

While individual bus operators may introduce their own contactless payment mechanisms, there is benefit in more consistent technology being adopted across the State, and developing and purchasing technology is likely to offer economies of scale.

We recommend that TfNSW provide bus operators with more certainty about the nature and timing of any coordinated contactless payment technology. This will reduce the risk that individual operators invest in technology that becomes obsolete if more uniform technology is introduced.

6.5.2 Electronic ticketing

Consistent electronic ticketing would enable more ticketing options, frequent-use discounts, and facilitate integration across transport modes and across different geographic areas in the State. This would be more convenient for customers, and encourage higher patronage by offering customers a more seamless experience. Tourists and other travellers would not need to investigate ticketing arrangements in each new location. It could also reduce travel time by allowing pre-payment and pre-checking of concession eligibility.

The roll-out of electronic ticketing received wide support in submissions to the Issues Paper. For example:

- ▼ BusNSW states that a state-wide ticketing management solution “could dramatically improve the customer’s experience in regional NSW and provide rural customers with a seamless integration to the Greater Sydney public transport network”.⁶⁰
- ▼ The Advocate for Children and Young People (ACYP) supports the introduction of electronic ticketing “to allow for innovation for vulnerable people to travel safely”.⁶¹ ACYP suggests this could facilitate provision of travel vouchers for disadvantaged people, allow remote topping up by homelessness services or caseworkers.
- ▼ Action for Public Transport (NSW) support the extension of the Opal system across NSW “to produce a predictable and seamless payment system”.⁶² Coffs Harbour City Council also supports introduction of the Opal system.⁶³

⁵⁸ F Honeyball submission to the Issues Paper, 4 August 2020.

⁵⁹ TfNSW, [Annual Report 2018-19](#), volume 1, p 49, viewed 23 September 2020.

⁶⁰ BusNSW submission to IPART Issues Paper, 7 August 2020, p 3.

⁶¹ NSW Office of Advocate for Children and Young People submission to IPART Issues Paper, 7 August 2020, p 1.

⁶² Action for Public Transport (NSW) submission to IPART Issues Paper, August 2020, p 6.

⁶³ Coffs Harbour City Council submission to IPART Issues Paper, 7 August 2020, p 2.

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- ▼ NCOSS submits there is community support for greater service integration and integration of fare arrangements to allow rural and regional customers to “access the benefits of the transport system integration currently enjoyed by their metropolitan counterparts”.⁶⁴

Adopting electronic ticketing also incurs costs, which may be prohibitive for individual operators, especially smaller operators. A number of rural and regional bus operators currently have electronic ticketing technology and we understand they are having trouble securing ongoing support for their system, given that the dominant ticketing platform in NSW is Opal.⁶⁵

TfNSW has also conducted a ticketing trial for school students, where an electronic ‘bag tag’ on school bags can be automatically read as students board and leave the bus, allowing more rapid boarding than would occur with a ‘tap-on tap-off’ system. TfNSW is planning to expand this trial to other areas.⁶⁶

Another potential innovation is the introduction of an account based digital ticketing platform, similar to Opal Connect. Opal Connect allows passengers to keep track of their public transport payments made through credit/debit cards or via the Opal card, and allows the operator to offer bundled services (for example, discounts for transferring from one transport mode to another). This would enhance the attractiveness of on-demand services offering ‘first and last mile’ links to trunk route services.⁶⁷

Given the benefits to customers from a consistent transport experience, and the economies of scale available by co-ordinating procurement, we recommend that TfNSW investigate centralised procurement and roll-out of ticketing technology. We also recommend that TfNSW provide clear guidance to bus operators regarding their intention and likely timing of a consistent State-wide ticketing approach, so that individual operators do not invest significant amounts of money in technology which will be rapidly superseded.

6.5.3 Customer interface and information technology

Similar to the roll-out of consistent electronic ticketing, there are likely to be significant benefits to customers from adopting consistent customer interface technology across NSW. This would allow a more seamless customer experience and promote increased patronage due to the increased convenience of public transport. These technologies include journey-planning, booking and payment options, and on-time running.

⁶⁴ NCOSS submission to IPART Issues Paper, August 2020.

⁶⁵ IPART meeting with BusNSW, 22 July 2020.

⁶⁶ TfNSW, *Ticketing solutions development, RFID Ticketing trial – stakeholder information deck*, unpublished TfNSW presentation, June 2020.

⁶⁷ See BusNSW submission to IPART Issues Paper, 7 August 2020, p 14 and p 16.

Many of these technologies are available on the Opal network, while a number of trials are being undertaken in regional NSW. TfNSW has introduced the “Transport connected bus” program to deliver vehicle tracking and passenger counting technology across regional NSW, which will allow customers to view timetable information and real-time trip updates using the TfNSW Trip Planner tool (via website or app), including an indication of how full the service is.⁶⁸

Several submissions to the Issues Paper commented on the need for improved trip information and journey planning in rural and regional areas. For example:

- ▼ Action for Public Transport (NSW) notes that information on local bus services is not always easy to find. They note:

APTNSW would like to see information about local bus services fully integrated with the TfNSW trip planner website. This should be the case for on-demand services (number and website for bookings and inquiries) as well as for scheduled services.⁶⁹

- ▼ NCOSS notes the ‘fragmentation’ of information on rural and regional bus services, and the need for investment in coordinated and centralised information provision, and the availability of real-time data, to support greater use of rural and regional buses.⁷⁰
- ▼ Coffs Harbour City Council suggests that timetable and route data is relatively accessible, but information on fares to get from one point to another is not, and it would be useful for trip apps to provide this information.⁷¹

At the same time, several submissions have noted that some passenger groups, such as the elderly, are not comfortable with accessing online information and booking services and prefer to pay in cash, and these preferences should be considered.⁷²

Adopting consistent ticketing and journey-finding technology across the State offers scale benefits. Many bus operators are too small to develop their own ticketing and information services. Customers, including tourists would benefit from improvements in journey-planning information, and seamless ticketing and payment options across the State. This has potential to increase patronage in rural and regional areas.

For these reasons we support the further roll-out by TfNSW of customer interface and payment technology across rural and regional NSW, including journey-planning, real-time trip information, and payment technology. We also support a continuation of non-digital sources of information and payment for those groups that do not have access to, or are less comfortable with, credit cards, phone applications and the internet.

⁶⁸ [Transport Connected Bus Program](#), viewed 19 August 2020.

⁶⁹ Action for Public Transport (NSW) submission to IPART Issues Paper, August 2020, p 1.

⁷⁰ NCOSS submission to IPART Issues Paper, August 2020.

⁷¹ Coffs Harbour City Council submission to IPART Issues Paper, 7 August 2020, pp 5-6.

⁷² For example, Combined Pensioners and Superannuants Association submission to IPART Issues Paper, August 2020, pp 3-4; Council on the Ageing (NSW) submission to IPART Issues Paper, July 2020, p 3.

7 Expected impact on operator revenue

While fare revenue is generally a small proportion of operators' total revenue, we have considered operators' ability to continue to recover efficient costs under the new maximum fares.

The service contracts provide a contract price adjustment mechanism which is triggered by material changes in fares. The mechanism provides that an operator and TfNSW will agree to an adjustment that reflects the impact of the change in fare revenue. Two conditions must be met before the parties are required to agree to an adjustment:

- a) TfNSW changes a fare (or fares) as a result of a change in Government Fare policy; and
- b) that change results in a material change in fare revenue received by the operator.

We understand that some operators have requested a contract price adjustment during the term of the current determination. BusNSW has advised that bus operators and TfNSW have not resolved adjustment requests arising from loss of fare revenue resulting from IPART's reduction in maximum fares in the 2017 review.⁷³

We have modelled the expected impact of our determination and recommendations on operators' total revenue and fare revenue. We have also proposed a framework to assist both bus operators and TfNSW with contract price adjustments that result from the changes to maximum fares.

7.1 The impact on fare revenue varies by operator

Although we have determined lower fares for all trip distances, on the whole, we expect that these fares will not have a substantial impact on total operator revenue. However, the impact on fare revenue is likely to vary for individual operators.

Under their service contracts with TfNSW, operators receive a regular contract payment for providing services. They also keep any revenue they collect from fares. In total, across all rural and regional bus operators, fare revenue collected in 2019-20 was around \$6 million – or less than 2% of the total revenue they received.⁷⁴

The importance of fare revenue varies across operators and depends on their size and the particular mix of services they provide (see Box 7.1). On average, small and very small operators receive less than 1% of their revenue from fares (as they largely provide dedicated school services), while medium operators receive around 2% and large operators receive around 4%.⁷⁵

⁷³ BusNSW submission to the Issues Paper, 7 August 2020, p 2.

⁷⁴ Information provided by TfNSW.

⁷⁵ Information provided by TfNSW.

Box 7.1 Rural and regional bus operator contracts

Currently, 513 operators deliver rural and regional bus services through 663 contracts.

The contract system with TfNSW includes four types of contracts – Large, Medium, Small and Very Small – based on the number of buses in the operator's contracted fleet.

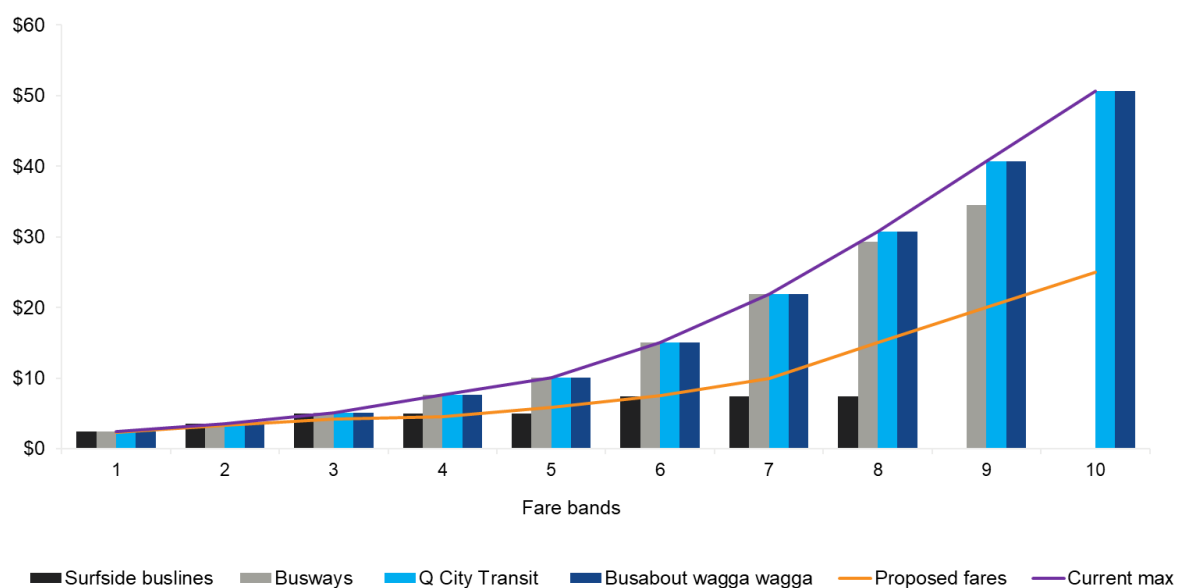
Around 94% of the contracts are either Very Small or Small contracts. The services provided under these contracts are predominantly dedicated school bus services.

The remainder, around 6%, are Medium or Large contracts. Most of these contracts include both school services and regular passenger services. Medium and large operators are likely to be the most impacted by any changes in maximum fares for rural and regional bus services.

Source: Information provided by TfNSW, 16 June 2020.

In addition to variations in the total size of fare revenue collected, the revenue impact experienced by operators who are currently pricing below the maximum will be lower. Currently not all bus operators charge the maximum fare, particularly for longer distances (as shown in Figure 7.1).

Figure 7.1 Comparison of current actual fares to new and current maximum fares (2020)



Note: Not all operators offer services across all fare bands.

Surfside Buslines advertises 'zone-based' fares.

Data source: Bus operator websites, IPART analysis.

Another important factor is the mix of trips that are taken. Our determined fares incorporate smaller reductions in fares for shorter distance trips and larger reductions in fares for longer distance trips (See Table 3.3). Most trips fall into the first two fare bands (less than 10km) with 97% of all trips being less than 40 kilometres. Very few people use rural and regional bus services to travel more than 90km. However, there is some variation among operators. Operators who currently sell more medium to long distance tickets are likely to see a larger reduction in their fare revenue than operators who sell mainly short distance tickets.

One of the other factors that will influence the impact on operators is the value of fare revenue that comes from tickets that are not set by IPART – on average, around 40% of fare revenue collected is not affected by IPART’s maximum fare determination. Most of this revenue comes from the Regional Excursion Daily (RED) tickets, which are priced at a flat daily rate of \$2.50. As we do not determine the price of RED ticket fares, and are not making any recommendations to TfNSW that would impact their pricing, having a larger proportion of passengers travelling on the RED ticket would reduce the revenue impact of any other fare changes.

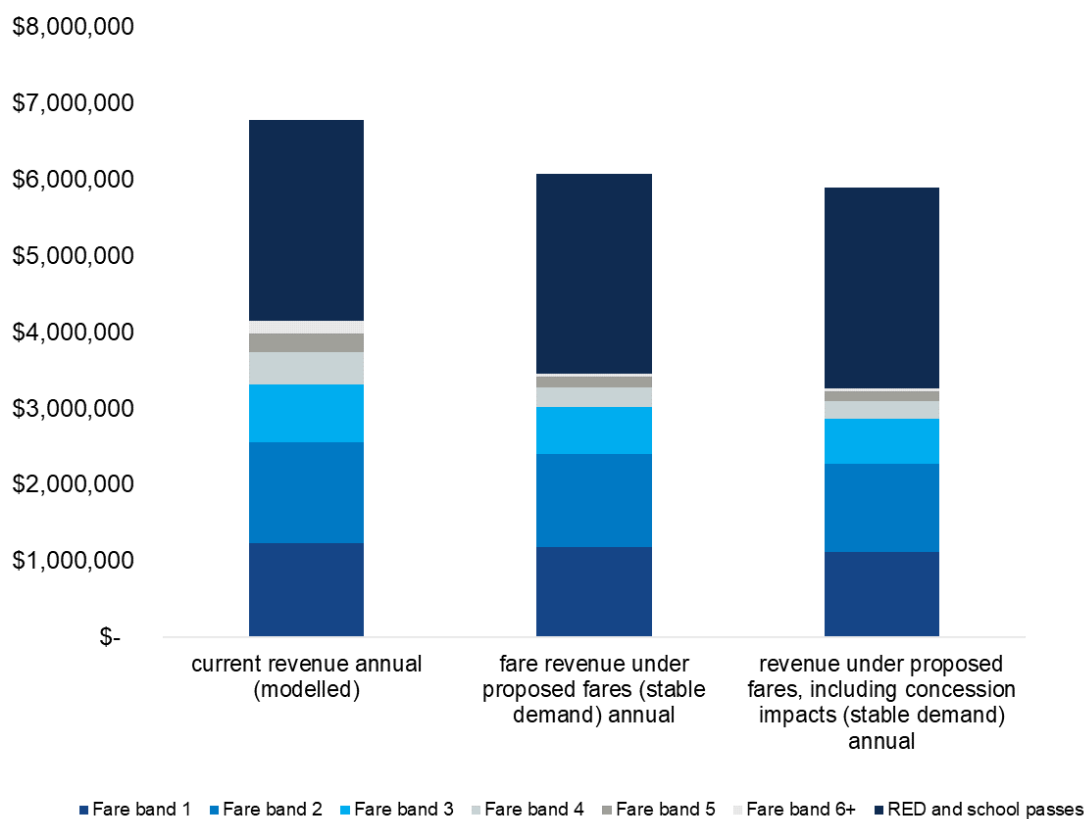
We modelled the likely impact of the lower fares on operators’ revenue, both on average across all operators and individually for operators with a significant proportion of fare revenue. This analysis includes the likely impact of our recommendation to broaden concession fare eligibility to people holding a Commonwealth Health Care Card (see Figure 7.2).

It is important to note that this analysis required us to make a number of assumptions which include:

- ▼ All operators currently charge the maximum fares, which we know is not the case particularly for long distance trips (where the largest fare reductions are). In practice, we expect that because many operators currently choose to set their fares below the maximum, the actual decrease in revenue to be less than our modelling suggests, particularly for the longer distance tickets. As such, we consider our modelled revenue impacts to be upper bound estimates of potential fare revenue losses to operators.
- ▼ Around 45% of section based ticket sales are for adult fares, and 55% are for concession fares across all operators.⁷⁶ In practice the proportion of adult and concession tickets are likely to vary by operator.
- ▼ Because the uptake of daily tickets has been very low, and daily ticket sales contribute to a very small proportion of total fare revenue, we have excluded these fares from the analysis.

⁷⁶ This is based on an average across all operators.

Figure 7.2 Modelled annual total fare revenue impacts – average across all operators



Note: Revenue from RED tickets and school term passes will not be impacted by our determination. The analysis excludes daily tickets as daily tickets account for a very small proportion of fare revenue

Modelled annual revenue based on current and new maximum fares, and applied to 2019-20 patronage.

Data source: Operator reported patronage by section data provided by TfNSW, IPART analysis.

We also considered two scenarios with different responses in bus use as a result of the fare changes (shown in Table 7.1). We found that:

- ▼ If the level of bus use does not increase in response to the reduction in fares, total fare revenue collected by all operators would fall by around 13% per year on average (an upper bound estimate of total loss in fare revenue across all operators of around \$890,000 per year).
- ▼ If the lower fares encourage greater use of bus services and demand increased by 5% fare revenue collected by operators would fall by around 10% per year (a total decrease in fare revenue across all operators of around \$680,000 per year).⁷⁷

Our modelled estimates of impacts on operator revenue have increased modestly from our Draft Report. This is because we have assumed that a higher number of customers would pay a concession fare as a result of our recommendation to expand the availability of concession fares than we did in our draft report (see Section 5.2 for more information).⁷⁸

⁷⁷ We do not have a robust estimate of price elasticity of demand for buses in rural and regional areas. We have used 5% as a 'high' case on the assumption that demand is unlikely to increase by more than this amount.

⁷⁸ In our Draft report we estimated that the total revenue loss across all operators would be around \$850,000 per year if demand was unchanged, and around \$640,000 per year if demand increased by 5%.

Our analysis is based on patronage by section data reported to TfNSW by operators in accordance with their contracts. The quality of reported data is poor, making it difficult to predict the impact on revenue with any certainty.

Table 7.1 (below) summarises the modelled impact of the new fares both annually and over the four year determination period. It also separates the impact of our fare changes only, from the combined impact of our fare changes and the recommendation to expand access to concession fares.

Table 7.1 Impacts on total fare revenue under new maximum fares and recommended changes to concessions eligibility – total across all operators assuming all operators currently charge the maximum fares

| Fare Revenue | Impact of new maximum fares only | | Impact of new fares and concession changes | |
|--|----------------------------------|---------------------|--|---------------------|
| | Assuming stable demand | +5% demand increase | Assuming stable demand | +5% demand increase |
| Annual change (\$) | -\$704,000 | -\$483,000 | -\$887,000 | -\$678,000 |
| Annual change (%) | -10% | -7% | -13% | -10% |
| 4 year determination change (\$) | -\$2.8m | -\$1.9m | -\$3.5m | -\$2.7m |
| 4 year determination change (%) | -10% | -7% | -13% | -10% |
| Contract revenue received by operators (\$2019-20) | \$464.9m | | | |

Note: Based on modelled fare revenue for all operators. Patronage assumptions are based on data for 2019-20. We have excluded fare revenue from daily ticket sales, because this currently accounts for a very small proportion of fare revenue.

Source: TfNSW data, IPART analysis

We have also undertaken analysis for large contract operators who typically receive the greatest share of their revenue from fares. We consider that for some operators, the reduction in fare revenue resulting from our decisions may be up to around 20%. However, when considering changes in total revenue for these operators (fare revenue and contract payments) we expect a much smaller reduction of around 1%.

7.2 Assessing adjustments to the contract price following changes in fare policy

We expect that TfNSW will receive applications from some operators for contract price adjustments, as a result of our determination. The contract provision for contract price adjustment does not include an explicit formula or mechanism to calculate the adjustment (Box 7.2).⁷⁹ In this context, we have set out some principles to assist the parties with this process. The following discussion provides IPART's advice on factors which could be taken into account in agreeing adjustments to contract payments, although it is not binding on the parties involved. Any adjustment is ultimately a matter for agreement between TfNSW and the operators.

⁷⁹ BusNSW submission to IPART Issues Paper, August 2020, pp 2, 5.

Box 7.2 Contract payment adjustment in the service contracts

The contract between TfNSW and bus operators includes a clause that provides that:

If TfNSW changes a Fare (or Fares) in the Fares and Ticketing Schedule as a result of a change in Government Fare policy, and the change results in a material change in the Fare revenue received by the Operator, the parties will agree an adjustment to the Annual Contract Price to reflect the impact of the change in the annual Fare revenue.^a

Bus operators sought changes to contract payments from TfNSW under this clause when maximum prices were reduced in 2018, but in some cases the parties have been unable to reach agreement. The BusNSW submission notes that

A negative experience for the industry has been the inability for TfNSW and the affected operators to agree to an adjustment of their Annual Contract Price to reflect the impact of the change in annual fare revenue that resulted from the implementation of new fares in March 2018.^b

As noted by BusNSW, while the contract provides for adjustments to the contract price, it does not include an explicit formula or mechanism to calculate the adjustment.

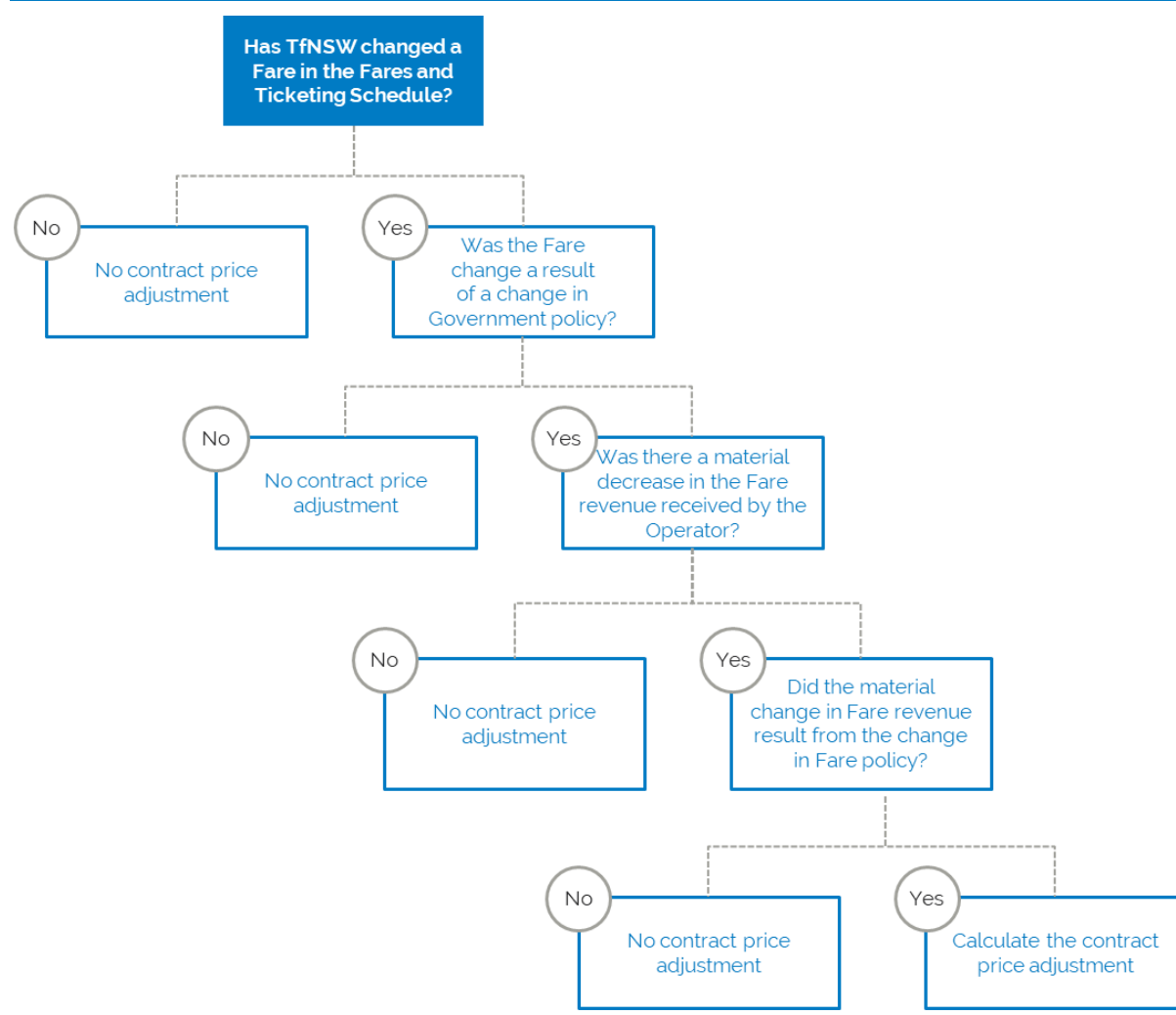
^a TfNSW, [Rural and regional bus service contract \(small\)](#), schedule 3, clause 4.8, viewed 11 September 2020.

^b BusNSW submission to the Issues Paper, 7 August 2020, p 2.

The elements of the contract price adjustment can be set out as a decision tree as shown in **Error! Reference source not found.**³. Note that a change in the fare schedule notified by TfNSW as a consequence of a change in Government Fare policy is a necessary pre-condition to the contract price adjustment.

The most substantive decision points are determining whether there has been a material reduction in fare revenue, and whether this was created by the change in policy.

Figure 7.3 Deciding whether there should be a contract price adjustment



Source: IPART analysis.

7.2.1 Determining what would constitute a material reduction in fare revenue

There is no definitive answer to what quantum of revenue reduction would be material. Generally a material change could be considered one that has a significant effect. TfNSW has indicated that its working assumption is that a 5% change in fare revenue would be considered 'material' for the purpose of this section.⁸⁰

The clause refers to 'fare' revenue, rather than total revenue, even though fare revenue represents less than 2% of the total revenue of bus operators on average (the balance being contract payments from TfNSW). The implication is that the contract price adjustment will be triggered by a material decrease in fare revenue, even if this does not reflect a material decrease in total revenue.

⁸⁰ TfNSW, *Price adjustment due to a material change in fares*, 7 September 2020, in email from TfNSW, 8 September 2020.

Australian Accounting Standards address what constitutes materiality and provide a useful starting point, but they no longer provide a quantitative value. They previously stated that materiality is subject to professional judgement, but that a change of less than 5% is presumed immaterial, and a change of greater than 10% is presumed material, unless there is evidence to the contrary.⁸¹ The revised accounting standards define materiality in the context of omissions or misstatements in financial statements. They specify that these would be material if they could influence the decisions that users make on the basis of those statements. The size and nature of an item needs to be judged in the surrounding circumstances.⁸²

Fare revenue reported by operators varies substantially from year to year with significant underlying variation in reported ticket sales. In our view, this underlying variation is relevant to the question of what constitutes a material change for the purpose of a contract price adjustment. We calculated average fare revenue for a sample of operators over time and found that annual fare revenue can fluctuate by up to around 25% (above or below the average).

Considering both the quantum of fare revenue in total and the underlying annual variation that occurs, we consider the threshold for a material change in fare revenue could likely be set somewhat higher than 5%. The materiality threshold could also be different for each operator recognising that the 'normal' variation in revenue that has been reported from year to year differs widely between operators. One option would be to consider any reduction in revenue outside the normal range of variation as material. For example, if an operator's revenue fluctuates by up to 15% from year to year, a reduction in revenue greater than 15% would be considered material. However, where there is very little variation from year to year, it would not be appropriate to adopt this method.

7.2.2 Determining a 'base' in fare revenue

Another issue with determining whether a material change has occurred is the 'base' from which the change in fare revenue is measured. Operators are required to regularly report their ticket sales and fare revenue to TfNSW. While this should be an ideal base from which to analyse the change in fare revenue from year to year, the data provided to TfNSW shows significant fluctuations in annual revenue and substantial variation in the number of tickets sold by distance and category. For most operators the distribution of ticket sales across each fare band varies substantially from year to year and it is not clear whether these reported changes reflect actual differences in ticket sales and fare revenue or result from inconsistencies in the way data was collected and reported.

Because maximum fares for longer distance trips typically cost a lot more than trips for shorter distances and the maximum fares for longer distances are reducing by a greater amount, even a relatively small change to the number of long distance trips can change the outcome significantly. Averaging ticket sales across several years is one way to deal with this variation.

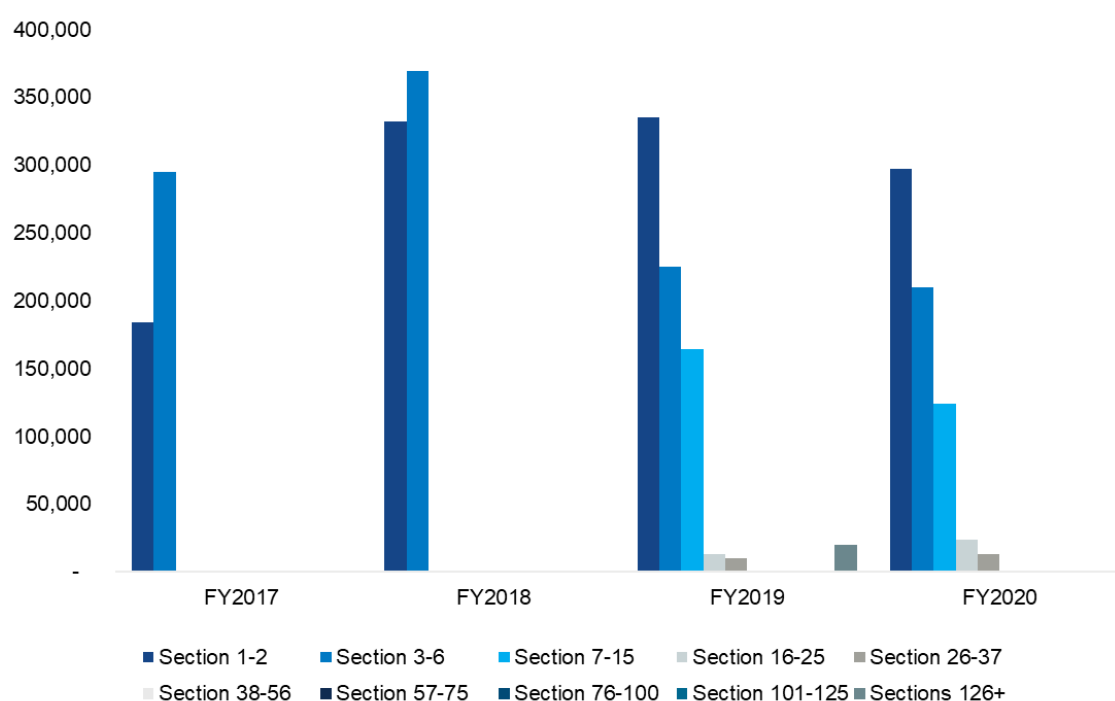
⁸¹ Australian Accounting Standard AASB 1031, *Materiality*, 2004, clause 15. This standard has since been withdrawn to avoid duplication of international accounting standards (see AASB 1031, *Materiality*, December 2013).

⁸² Australian Accounting Standard AASB 101, *Presentation of financial statements*, 31 December 2019, clause 7.

Error! Reference source not found.4 shows the number of ticket sales across each fare band for all large operators, and that the distribution has changed substantially in the last two years. While 2018-19 and 2019-20 show a number of ticket sales in the mid-longer distance fare bands, 2016-17 and 2017-18 show none. As a consequence, applying an average distribution of patronage in each fare band over time, as opposed to a single year (eg 2019-20), is likely to lead to a substantially different estimate of revenue reduction.

We have observed a general trend for most operators to report trips across a wider range of fare bands in more recent years. As a result, we consider that focusing on the most recent year is likely to be more accurate.

Figure 7.4 Distribution of patronage across fare bands – large operators



Note: Based on aggregated data across all large operators.

Some sections showed no reported ticket sales in a given year, and so they are not shown on the chart.

Data source: TfNSW data, IPART analysis.

7.2.3 Determining whether the reduction in fare revenue results directly from the change to fare policy

A reduction in fare revenue may be caused by a number of different events, some of which may be unrelated to the change in fares (for example, due to the drought, fires, or COVID-19). In order to qualify for a contract price adjustment, the decrease in fare revenue must result from the change to fare policy. The fluctuations in reported ticket sales suggest that there is likely to be significant variation in patronage as a result of other causes so it will be necessary to identify the reasons for a reported variation in revenue.

Some operators choose to charge fares below the maximum determined by IPART. Bus operators should not be compensated for any loss they suffer as a result of their own policy to charge fares below the maximum determined by IPART, either before or after a new fare determination. In the event that operators are not charging the maximum fares, it may be difficult for them to demonstrate that any change in revenue they have experienced results from the change in fare policy.

We understand that TfNSW has previously suggested there should not be any adjustment to contract prices if patronage has fallen following a reduction in fares. BusNSW considers the methodology proposed by TfNSW to calculate the adjustment, which includes a two-staged approach using boardings and revenue, does not meet the intent of the contract to compensate operators for a change to their fare revenue.⁸³

We consider that even if operators' patronage has fallen, they may still meet the criteria for the contract payment adjustment as some of the fall in revenue may result from the fare change. However, by simply comparing fare revenue before and after the change, it is likely that not all of any observed reduction in revenue results from the change in fare policy. One approach to estimating how much of the reduction in revenue results from the fare change is to consider what revenue would have been had the fare change not occurred and compare this with revenue under the new fares.

7.3 Estimating the contract price adjustment

This is something that TfNSW and operators will need to settle. However, we make some observations on what we consider the appropriate method of determining whether a contract price adjustment is warranted, and if so, how to quantify it. The process below is set out for a backward looking adjustment (where there is data available to verify what the actual impact on operator revenue was, following a change in Government fare policy).

However, we make some further comments underneath as to how this process could be altered for the 2021 determination to negotiate a contract price adjustment up-front so as to minimise the impact of the fare changes on operators. This method forecasts the loss in operator fare revenue based on an assumed level of patronage. It may differ from the actual impact that the operator experiences if the operator's actual patronage differs substantially from the patronage assumption.

7.3.1 Determine whether the operator has seen a material reduction in fare revenue

To consider whether an operator has experienced a material reduction in fare revenue, we recommend the following broad approach:

- ▼ Calculate the year on year change in total fare revenue reported by the operator compared to the revenue reported in the base year (2016-17 for the 2018 determination, and 2019-20 for the 2021 determination).
 - As the 2018 fare change occurred in March, it is important to isolate the point at which the fare policy changed from other changes in fare revenue which may

⁸³ BusNSW submission to IPART Issues Paper, August 2020, p 2.

have occurred throughout the financial year.⁸⁴ Large operators report quarterly patronage and revenue data to TfNSW, while medium operators report half yearly data. We suggest comparing year on year changes in quarterly revenue for large operators (or year on year changes in half yearly revenue for medium operators) to ensure that any losses in fare revenue that occurred before the change in fare policy are excluded.⁸⁵

- The change in revenue comparison should include all fare revenue (including non-section based tickets such as the RED ticket).
- ▼ Set a materiality threshold and test the measured changes in revenue against it. We consider that a materiality threshold of 5% to 10% would be reasonable, and that TfNSW should consider the typical revenue fluctuations for the individual operator that occurred prior to the fare changes when deciding what materiality threshold to apply. For example:
 - If an operator's fare revenue has historically fluctuated by up to 20% then a higher materiality threshold may be appropriate
 - If an operator's fare revenue has historically fluctuated by only a small amount (eg. 1 or 2%) then a lower materiality threshold may be appropriate.

7.3.2 Determine what reduction in fare revenue can be attributed to the change in fare policy

Estimate the loss in fare revenue caused by the change in fare policy. We suggest doing this by calculating the difference between:

- a) Section-based fare revenue expected under the previous fare policy (estimated patronage multiplied by the fare applicable under the former fare policy in each year)
- b) Section-based fare revenue expected under the new fare policy (estimated patronage multiplied by new fare applicable in each year).

We recommend using base year patronage (either 2016-17 or 2019-20) to do the calculation in step (a) and base year patronage plus an assumed increase in demand as a result of the fare reductions to do the calculation in step (b). The data reported by operators is highly variable and there does not appear to be any obvious uplift in patronage as a result of the 2018 fare changes. However, we consider that it would be reasonable to include anything up to a 5% increase in section-based boardings in step (b) for both the 2018 and 2021 fare changes, due to the significant fare reductions involved and considering the available evidence on responsiveness of bus demand to changes in fares.⁸⁶

⁸⁴ Because our 2018 determination took effect in March, any revenue losses experienced by operators in the first three quarters of 2017-18 should be excluded. Our 2021 determination will take effect in January 2021, and so any revenue losses experienced by operators in the first half of 2021-22 should be excluded

⁸⁵ Small and very small operators report annual patronage and revenue data to TfNSW. However, as discussed in Box 7.1, small and very small operators predominantly provide school-only services, and so we expect the impact of fare changes on small and very small operators' fare revenue would be minimal.

⁸⁶ Cambridge Economic Policy Associates and the Hensher Group (CEPA/Hensher Group), *Elasticity of Demand for Sydney Public Transport, Final Report*, October 2018, Annex E.

As discussed above, the contract price adjustment is calculated based on the difference between estimated fare revenue under the old fares and estimated fare revenue under the new fares (assuming a given level of patronage). As a consequence, applying an uplift in patronage to step (b), while retaining base year patronage in step (a), reduces the size of the contract price adjustment for bus operators. This approach provides greater incentives for operators to increase patronage (which they are not compensated for through the contract price adjustment). We consider that lack of passenger awareness about the fare reductions may have contributed to a lower demand response from the 2018 fare changes. Operators can undertake promotional activities to ensure that this is not the case for the 2021 fare changes.

BusNSW submitted that the “difference between new fares and original fares could be multiplied by the actual patronage [after the fare reduction] to establish the material change in fare revenue”. BusNSW argues that this would give operators what they would have received had there not been a change to fare policy, based on fluctuation in actual boardings.⁸⁷

We agree that to isolate the revenue loss caused by the fare change, it is necessary to estimate the amount of revenue operators would have received had the fare change not occurred. However, we do not agree that this should be done using actual ticket sales.

The approach suggested by BusNSW is predicated on the assumption that the same level of patronage would have occurred irrespective of which set of fares applied. With such significant fare reductions as occurred in 2018 and planned for 2021, we do not consider that this assumption is reasonable. In our view, higher ticket sales that occur after either of these fare reductions are likely to result from the lower fares and would not have occurred had the original fares remained in place. Higher ticket sales generated by the fare changes lessen the impact of the fare change on operator revenue and as such, should reduce the contract price adjustment required. Using the approach suggested by BusNSW would suggest a larger fall in operator revenue where ticket sales rise following the fare change, as all of the additional patronage is presumed to have occurred under the original fares, and would lead to a higher contract price adjustment.

Where ticket sales or boardings have fallen following a fare reduction, this could not have resulted from the fare reduction itself and as a result, should equally not be compensated for through the contract price adjustment.

7.3.3 Calculate an appropriate contract price adjustment

Where the adjustment is made on the basis that an actual reduction in fare revenue has occurred, we consider that it would be appropriate to set the contract price adjustment equal to the actual loss in section based revenue reported by the operator (in 7.3.1) up to a maximum of the value identified in 7.3.2 above. This ensures that operators are not compensated for losses that cannot be linked to the change in fare policy.

⁸⁷ BusNSW submission to IPART Draft Report, October 2020 p 2.

However, this approach of reviewing historical revenue impacts before making the contract price adjustment has two main drawbacks. The first is that it means there is a delay in operators receiving the adjustment, even where it is clear that changes in fare policy would have had an impact on their business. As fare revenue is a very small proportion of most operators' revenue, this may not be important to every operator but for some, it may be.

The second is that it removes any incentives the operators have to promote the fare changes to their passengers and to the community more broadly. The use of a demand uplift on base year patronage may help preserve this incentive.

An alternative to this approach is calculating a contract price adjustment for the 2021 period in advance. This could then be paid to the operators with their regular contract payments. If operators are able to reduce their losses by growing patronage above the assumed value they would retain the benefits of that.

Appendix

A Referral from the Minister

Passenger Transport Act 2014 Section 123(1)(a)

Referral

I, the Hon Paul Lawrence Toole MP, Minister for Regional Transport and Roads, with the approval of the Hon Victor Dominello MP, Minister for Customer Service and Minister administering the *Independent Pricing and Regulatory Tribunal Act 1992*, under section 123(1)(a) of the *Passenger Transport Act 2014*, refer to the Independent Pricing and Regulatory Tribunal (IPART) the following matter for investigation and report:

The determination of appropriate maximum fares for rural and regional bus services from 1 January 2021 to 31 December 2025.

In addition to the matters contained in s124 of the *Passenger Transport Act 2014*, in undertaking this investigation, IPART is, under s123(2)(b) of the *Passenger Transport Act 2014*, to consider:

1. The equity of current adult and concessional fares compared to Sydney metropolitan bus fares, particularly for medium and longer-distance journeys
2. Number of fares bands and day capping, and whether further simplification is recommended
3. Relativities between regional bus fares and coaches provided by NSW Trains taking into account service differences
4. The development of on demand services in regional areas
5. Customers' willingness and capacity to pay given demographics in urban and rural areas in regional NSW

IPART is to publicly consult on a draft report as soon as practicable.

IPART is to submit its final report and determination under this referral to the Minister for Regional Transport and Roads as soon as practicable but no later than 4 December 2020, or such later date as notified in writing by the Minister for Regional Transport and Roads.

Signed: 

The Hon Paul Toole MP
Minister for Regional Transport and Roads

Date: 15/4/20

Signed: 

The Hon Victor Dominello MP
Minister for Customer Service

Date: 17.4.20

B Submissions received

We received 16 submissions in response to our Issues Papers. All non-confidential submissions are available on our [website](#).

Table B.1 Submissions to our Issues Papers

| Submitter | Date received |
|---|----------------|
| Individual – B Stuart | 8 July 2020 |
| Ballina Shire Council | 15 July 2020 |
| Individual – Anonymous | 15 July 2020 |
| Individual – Anonymous | 22 July 2020 |
| Lismore City Council | 4 August 2020 |
| Individual – F. Honeyball | 4 August 2020 |
| Legal Aid NSW | 4 August 2020 |
| Kempsey Shire Council | 5 August 2020 |
| Individual – I Mondon | 6 August 2020 |
| Council on the Ageing NSW | 6 August 2020 |
| Combined Pensioners and Superannuants Association | 7 August 2020 |
| BusNSW | 7 August 2020 |
| Coffs Harbour City Council | 7 August 2020 |
| NSW Council for Social Services (NCOSS) | 7 August 2020 |
| Action for Public Transport NSW | 7 August 2020 |
| NSW Office of Advocate for Children and Young People (ACYP) | 11 August 2020 |

We received eight submissions in response to our Draft Report. All non-confidential submissions are available on our [website](#).

Table B.2 Submissions to our Draft Report

| Submitter | Date received |
|---|------------------|
| Directions Health Services (Confidential) | 16 October 2020 |
| NSW Council for Social Services (NCOSS) | 28 October 2020 |
| NSW Taxi Council (Confidential) | 30 October 2020 |
| Combined Pensioners and Superannuants Association | 30 October 2020 |
| BusNSW | 30 October 2020 |
| Action for Public Transport NSW | 30 October 2020 |
| Council on the Ageing NSW | 30 October 2020 |
| Carers NSW | 10 November 2020 |

C Factors we must consider

| What we must consider | Where this is addressed |
|---|--|
| The cost of providing the services | Final report chapters 2 and 3 Information paper – The efficient costs of providing rural and regional buses |
| The need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers | Final report chapter 6 |
| The protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standards of service | Final report chapters 2, 3, 4 and 5 Information paper – Comparison of regional bus fares with similar services |
| The social impact of the determination or recommendation | Final report chapters 2 and 5 Information Paper – Ensuring affordability of rural and regional buses Information paper – Maximising the community benefits of rural and regional buses |
| The impact of the determination or recommendation on the use of the public passenger transport network and the need to increase the proportion of travel undertaken by sustainable modes such as public transport | Final report chapters 2, 3, 4, 5 and 6 Information paper – Maximising the community benefits of rural and regional buses Information paper – Impact of 2018 changes to maximum fares |
| Standards of quality, reliability and safety of the services (whether those standards are specified by legislation, agreement or otherwise) | Final report chapters 2 and 6 Information paper – Comparison of regional bus fares with similar services |
| The effect of the determination or recommendation on the level of Government funding | Final report chapters 6 and 7 |
| The equity of current adult and concessional fares compared to Sydney metropolitan bus fares particularly for medium and longer distance journeys | Final report chapters 3 and 6 Information paper – Comparison of regional bus fares with similar services |
| Number of fare bands and day capping and whether further simplification is recommended | Final report chapter 3 Information paper – Comparison of regional bus fares with similar services Information paper – Impact of 2018 changes to maximum fares |
| Relativities between regional bus fares and coaches provided by NSW Trains taking into account service differences | Final report chapter 3 Information paper – Comparison of regional bus fares with similar services |
| The development of on-demand services in regional areas | Final report chapters 4 and 6, Information paper - On-demand transport services in rural and regional NSW |
| Customers' willingness and capacity to pay given demographics in urban and rural areas in regional NSW. | Final report chapter 2 Information paper – Ensuring affordability of rural and regional buses |