



Review of fares for Sydney Metropolitan Bus Services

From 2 January 2007

Transport - Report and Determination
December 2006

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Report No 11, 2006

Sydney Metropolitan Bus Services

**Independent Pricing and Regulatory Tribunal
of New South Wales**

Reference No: 06/34

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1 INTRODUCTION AND OVERVIEW

The Independent Pricing and Regulatory Tribunal of New South Wales (the Tribunal) has completed its 2006 review of fares for Sydney metropolitan bus services, and has determined the maximum fares that can be charged for these services from 2 January 2007. Sydney metropolitan bus services include all regular bus services for passengers offered by the publicly owned bus company, Sydney Buses, and by private bus operators in the Sydney metropolitan region. The Sydney metropolitan region includes the 15 bus contract regions in Sydney and the Liverpool to Parramatta Transitway.

Part way through 2005/06 bus operators in the Sydney metropolitan region moved onto new Metropolitan Bus Service Contracts (MBSC).¹ The contracts form part of the NSW Government's response to the Unsworth Review of Bus Services in NSW (2004), which highlighted that existing planning, contracting and funding arrangements were not providing for optimal service outcomes.

The contracts, administered by the Ministry of Transport, represent a marked change in the regulation of both public and private bus companies across the metropolitan region. For example, the Ministry of Transport indicated in its submission that under the contracts the "remuneration that bus operators receive has been decoupled from fares".² In addition, under the contracts operators receive direct subsidies that cover most, but not all, of their fixed and variable costs.

The Tribunal considered the implications of the new bus contracts, particularly the payment structure, on its fare determination in some detail. The Tribunal's analysis supports the Ministry's view, finding that under the contracts changes to fares have limited impact on the revenue received by bus operators. Hence the primary role for the Tribunal in setting fares is to strike a balance between user and taxpayer funding of metropolitan bus services.

The contracts provide for detailed financial and operating costs per region to be provided on an annual basis to the Ministry of Transport. For this review the Ministry only provided data for an eight month period for the contract areas operated by Sydney Buses.

For the next fare review the Tribunal expects the Ministry of Transport to provide the *financial and operational information* it gathers as a requirement of the contracts for each of the metropolitan bus operators.

1.1 Overview of determination

The Tribunal has determined that the increase in maximum fares charged by Sydney metropolitan bus operators will be 3.8 per cent before rounding. It is to be applied to the master fare schedule adopted by the Tribunal as part of last year's determination.³ The resulting prices are then to be rounded up or down, to the nearest 10 cents for single tickets

¹ The contracts became fully operational in November 2005.

² Submission from the Ministry of Transport, p 4.

³ In its 2005 review, the Tribunal indicated that future fares increases would be applied to the unrounded prices it determined (commonly known as 'master fares'). See IPART, *Report on the Determination of fares for Sydney Metropolitan Bus Services*, December 2005, p 21.

and the nearest dollar for adult TravelPass tickets. As a result of this rounding, the weighted average increase in maximum fares is 2.6 per cent.⁴

The Tribunal's determination means the price of section 1-2 single tickets will not change, and the price of other single tickets will increase by between 10 and 20 cents. The Tribunal has also decided to:

- maintain the discount for Sydney Buses' TravelTen tickets at a maximum of 20 per cent
- maintain the discount for T-way 10 tickets at 15 per cent
- calculate the price of both the above tickets by applying the discount to the price of 10 single tickets.

The Tribunal's determination is in line with the Ministry of Transport's proposal that fares be increased by 3.8 per cent. However, the Ministry proposed that this increase be applied to the actual fare schedule (not the master fare). The Tribunal prefers to apply fare increases to the master fare schedule (which represents the fares it determined the previous year before they were rounded), as it indicated in last year's determination. Stakeholders support this approach⁵. If the Ministry's proposal were adopted then the price of section 1-2 tickets would increase.⁶ By contrast, fares for section 1-2 tickets do not change as a result of the Tribunal's determination because the price was rounded down to the nearest 10 cents.⁷

Section 1-2 tickets represent a significant proportion of Sydney Buses' fare revenue. Because the price of these tickets will not increase from 2 January 2007, the weighted average increase in fares - 2.6 per cent - is less than the increase applied to the master fare schedule - 3.8 per cent. The Tribunal notes that the metropolitan bus operators benefited from last year's determination when section 1-2 tickets were rounded up.

The Tribunal is satisfied that its decision to increase maximum fares is justified because:

- costs in the bus industry have increased by more than the change in the CPI, largely due to increases in fuel prices
- there have been modest improvements in the quality of the services provided by metropolitan bus operators
- in the Tribunal's view, it is reasonable to require users of bus services to pay slightly more for these services to ensure that bus operators recover an appropriate proportion of their costs through ticket revenue.

The Tribunal is also satisfied that its price decisions will not have a significant adverse effect on Sydney's bus passengers or the environment.

The changes in maximum prices for adult fares charged by Sydney metropolitan bus operators that will result from these decisions are outlined below.

⁴ Based on a revenue weighted average.

⁵ Submission for Action for Public Transport, p 4.

⁶ The Tribunal notes that, as Director-General Mr Jim Glasson indicated at the public hearing, the Ministry of Transport's approach was "to get 10 cents on that first [section 1-2] fare", p 11, line 6.

⁷ The difference was noted by Action for Public Transport at the public hearing. See Transcript of proceedings from the public hearing, p 6, lines 25-34.

1.1.1 Changes in fares for Sydney Buses

For Sydney Buses, the maximum fares for:

- single tickets will rise by between zero and 20 cents
- TravelTen tickets will rise by between zero and \$1.60 (or by between zero and 16 cents per trip)
- two-mode (bus and ferry) TravelPass tickets will rise by either \$1.00 or \$2.00, and three-mode (bus, rail and ferry) TravelPass prices will not change⁸
- the BusTripper ticket will rise by 40 cents and the Daytripper ticket will not change
- the Sports Special return fare will rise by 20 cents and the School Student Term Pass will rise by \$1.50.

1.1.2 Changes in fares for Sydney metropolitan private bus

For private bus operators on Metropolitan Bus Service Contracts, the maximum fares for single tickets will rise by between zero and 20 cents.

1.1.3 Changes in the fares of Transitway services

For Transitway services, the maximum fares for:

- single tickets will rise between zero and 20 cents
- T-way 10 tickets will rise by between 40 cents and \$1.90 (or by between 4 and 19 cents per trip)
- T-way bus plus weekly tickets will rise by between 50 cents and \$2.30
- T-way weekly tickets will rise by between \$1.30 and \$2.30.

1.2 Overview of the new bus contracts

In 2005/06, the NSW Government introduced Metropolitan Bus Service Contracts across the Sydney metropolitan region as part of its bus reform program. These contracts specify the terms and conditions of an agreement between the Government, represented by the Ministry of Transport, and individual bus operators to provide bus services in the Sydney metropolitan area.

Under the contracts, Sydney is divided into 15 regions.⁹ A separate contract has been awarded for each region. While the general structure of the contracts is consistent across all regions, specific aspects of the contracts vary from region to region.¹⁰ Individual operators negotiated the exact nature of their contract with the Ministry of Transport, especially with regard to the various initial and ongoing payments.

⁸ The Tribunal determined fares for three mode (bus, ferry, rail) TravelPasses and DayTripper tickets in its recent Review of Fares for CityRail in NSW 2006, and so has not changed these fares as part of this review.

⁹ For a map of the contract regions see Attachment 1 of the Determination for Sydney Metropolitan Bus Services. The Determination follows this report.

¹⁰ A copy of the generic contract is available from: www.transport.nsw.gov.au/busreform/. Contracts negotiated between the Ministry of Transport and individual bus operators are not publicly available.

Sydney Buses, the only publicly owned metropolitan bus operator, was awarded contracts to operate four regions. The Ministry of Transport has indicated to the Tribunal that Sydney Buses is treated identically to private bus operators under the contract system.

Each contract has a term of seven years (2005 to 2012), and includes:

- service requirements
- compliance requirements
- payment conditions
- other general conditions.

The main source of revenue for operators under the contracts is a monthly payment from the Ministry of Transport. This payment is determined according to a formula, and comprises a variety of smaller payments designed to compensate operators for their fixed and variable costs, and their service obligations under their contract. Operators also effectively keep their passenger revenue, but the previous month's passenger revenue offsets their monthly contract payment from the Ministry of Transport.

In addition, operators may receive a range of other payments from the Ministry of Transport, or be required to pay penalties to the Ministry, at the end of the financial year. Examples of these payments (or penalties) include incentives for increasing patronage and arrangements to share advertising and charter revenue.

The contracts also include extensive requirements for operators to report information to the Ministry of Transport. Notably, operators must report both their financial and operational performance. The Ministry of Transport indicated to the Tribunal that much of this information was not available in time for this year's fare determination.

The Tribunal expects the Ministry to provide this detailed financial information to support of its future fare proposals. Specifically, the Tribunal expects detailed information on operators' costs, cost efficiency, productivity, revenue and cost recovery levels for each of the metropolitan bus operators. The Tribunal also expects the Ministry to provide it with the operational performance information it collects as part of the MBSC, including information on punctuality, complaints, patronage, fleet profile and safety incidents.

1.3 Structure of report

This report explains the Tribunal's determination in detail, including why it reached its decisions and what those decisions mean for key stakeholders. It is structured as follows:

- Chapter 2 explains the Tribunal's review and decision-making process
- Chapters 3 and 4 discuss two of the major factors the Tribunal considered in making its pricing decisions – the bus operators' costs and cost efficiency in providing the services concerned, and the service quality that they delivered
- Chapter 5 explains how the Tribunal applied its pricing decisions to determine the new fares for each ticket type
- Chapter 6 discusses the impact of the determination on metropolitan bus operators and the Ministry of Transport, bus passengers and the environment.

2 THE TRIBUNAL'S REVIEW AND DECISION-MAKING PROCESS

The Tribunal's role in regulating Sydney metropolitan bus fares is to set the maximum fares for services on regular passenger routes provided by Sydney Buses and private bus operators operating in the Sydney metropolitan contract regions, and along the Liverpool to Parramatta Transitway. Its determinations explicitly exclude fares for services that are deemed to fall outside the definition of regular passenger services, such as charter services. Its determinations also exclude the Pensioner Excursion Ticket; any changes to this fare are determined by the NSW Government.

The Tribunal's review process, and the matters it took into consideration in making its decisions are outlined below.

2.1 Review process

As part of its review, the Tribunal conducted public consultation and undertook its own research and analysis. In particular, it:

- invited the Ministry of Transport to make a submission to the review, including a proposal on how fares should change
- invited other interested parties to make submissions (see Appendix 1 for a list of respondents)
- collected information on operators' costs, revenues, performance and other matters from the State Transit Authority (STA), the Bus and Coach Association (BCA) and the Ministry of Transport
- held a public hearing on 20 October 2006 and invited some of the parties who made submissions to discuss relevant issues (see Appendix 1 for a list of participants).

The Tribunal then considered the Ministry's submission, which asked the Tribunal to "approve a fare increase for Sydney metropolitan bus services in keeping with the CPI", which it calculated as 3.8 per cent, and to apply this increase to actual fares. The Tribunal also considered the issues raised in other stakeholder submissions and the public hearing, and analysed the information it obtained from STA, BCA and the Ministry of Transport.

2.2 Matters considered

The Tribunal has made this determination under section 28J of the *Passenger Transport Act 1990* (PTA). In doing so, the Tribunal took account of each of the matters it is required to consider under the PTA. These matters, which are listed in full in Appendix 2, relate to:

- consumer protection—protecting consumers from abuses of monopoly power; standards of quality, reliability and safety of the services concerned; social impact of decisions
- economic efficiency—the need for greater efficiency in the supply of services
- financial viability—the cost of providing the services and the extent to which revenue recovers this cost

- environmental protection – the need to promote ecologically sustainable development via appropriate pricing policies.

Finally, the Tribunal took into account its decision as part of last year's determination to adopt a master fare schedule to calculate changes in bus fares within the Sydney metropolitan region.

3 METROPOLITAN BUSES' COSTS AND EFFICIENCY

One of the main factors the Tribunal considered in making its 2006 fare determination for Sydney metropolitan bus services was the cost bus operators incurred in providing these services. Section 28J of the PTA requires the Tribunal to consider this cost, as well as the need to improve efficiency.

The Tribunal analysed the financial information provided to it by the Ministry of Transport, STA and BCA to assess the trends in operators' costs, revenues, cost recovery levels and efficiency. However, because of the limited information available to it on private bus operators, most of its analysis relates to Sydney Buses. The Tribunal expects that a greater amount of financial and performance information for each of Sydney's bus contracts regions will be made available for next year's determination.

3.1 Costs for Sydney Buses

Sydney Buses' total costs were almost \$445 million in 2005/06, which represents an increase of 3.6 per cent since 2004/05 (Table 3.1). The largest cost items were labour (which comprised 60 per cent of total costs) and fleet running costs (which includes fuel and maintenance and comprised 16 per cent). Labour costs increased by only 2.5 per cent, which is less than Sydney's general rate of inflation.¹¹ However, fleet running costs grew by 22.6 per cent. The Ministry of Transport indicated that this increase was driven largely by significant increases in the price of fuel.

Table 3.1 Sydney Buses costs

	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Actual	Change 04/05 to 05/06 %
	\$'000s	\$'000s	\$'000s	\$'000s	
Labour costs	230,353	236,958	260,782	267,324	2.5
Fuel/fleet running costs	50,311	52,824	59,089	72,416	22.6
Other expenses ^a	36,564	39,491	48,375	45,114	-6.7
Corporate overheads	33,235	33,463	27,749	26,536	-4.4
Total operating costs	350,463	362,736	395,995	411,390	3.9
Depreciation & Amortisation	27,597	27,885	27,870	27,500	-1.3
Interest expense	1,503	1	5,523	5,872	6.3
Total costs^b	379,563	390,622	429,388	444,762	3.6

^a Includes insurance, security, green slips and other miscellaneous core expenditure.

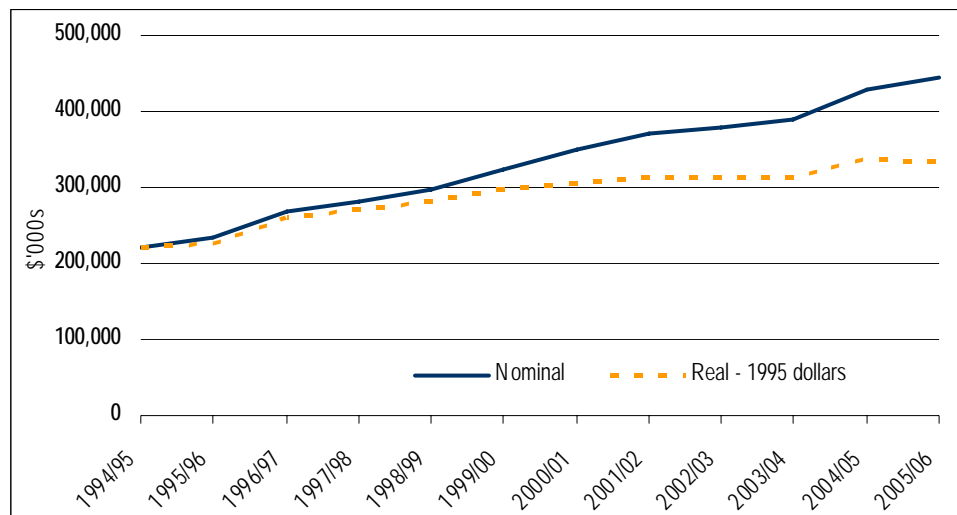
^b Sydney Buses has several non-core expenses including the cost of the disposal of fixed assets and actuarial adjustments to their superannuation liability. These items have not been included in the Tribunal's calculation of total costs.

Source: Sydney Buses.

¹¹ As defined at the end of the June quarter 2006. See Appendix 4 for more information about the Tribunal's methodology for calculating inflation.

Over the last five years, Sydney Buses' total costs have not increased by significantly more than the rate of inflation, despite it facing increased cost pressures from both labour and fuel (Figure 3.1).

Figure 3.1 Growth in Sydney Buses' total costs since 1994/95



Although Sydney Buses managed to contain its labour costs in 2005/06, the Ministry of Transport indicated in its submission that private operators' labour costs increased. In particular, drivers' wages for private operators increased by 4 per cent under the relevant Award in 2005/06, and are scheduled to increase again in 2007 and 2008.¹² This suggests that the Tribunal's analysis of Sydney Buses' costs may not be broadly indicative of the cost pressures for private bus operators.

3.2 The efficiency of Sydney Buses

The Tribunal looked at a number of indicators to analyse the efficiency of Sydney Buses' operations, including its cost efficiency, a comparison of its costs with private bus operators, and its productive efficiency. These indicators suggest there is scope for Sydney Buses to improve its efficiency in the coming years. The sections below provide an overview of the Tribunal's analysis.

The Ministry of Transport has indicated that it expects the move to the new bus contracts will result in improvements in efficiency throughout the metropolitan bus industry. The Tribunal anticipates that it will be in a better position to assess the efficiency of the industry and identify opportunities for improvement when it receives the first full-year financial and operational information on both public and private operators for next year's review.

¹² Submission from the Ministry of Transport, pp 6 and 30.

3.2.1 Cost efficiency analysis

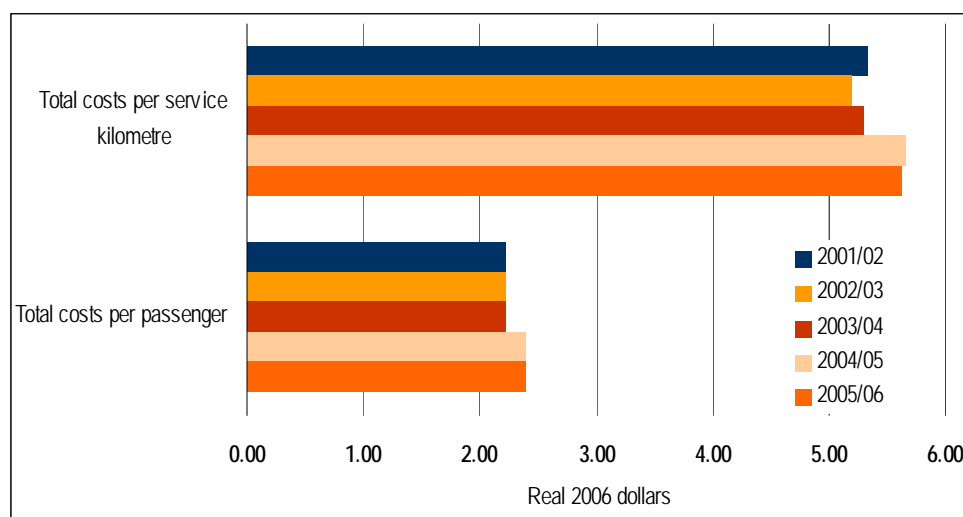
Cost efficiency measures the total costs per unit of output. Two measures of output for Sydney Buses are the number of service kilometres it travels, and the number of passengers it carries. The former is a measure of supply and the latter provides an indication of demand in response to the level of supply.

The Tribunal assessed changes in Sydney Buses' cost efficiency over the last five years using two measures – the changes in its total costs per service kilometre travelled and its total costs per passenger trip (Figure 3.2). The Tribunal defined total costs as including the items listed in Table 3.1. It adjusted each year's total costs for inflation to provide a comparable measure of the changes in cost efficiency.

This assessment indicates that Sydney Buses has maintained the cost efficiency of its services between 2004/05 and 2005/06. This is largely due to Sydney Buses' below-inflation increase in labour costs for 2005/06. However, Sydney Buses' cost efficiency is still slightly higher than the inflation-adjusted levels for 2001/02 to 2003/04.

The Tribunal notes that this approach has several limitations – for example, it does not consider all inputs and outputs in combination, and does not allow for impacts on costs from changes to the operating environment. Nevertheless, it provides a readily understandable and easily measurable indicator, and can be constructed with relatively limited data.

Figure 3.2 Changes in Sydney Buses' operating costs



3.2.2 Comparison of Sydney Buses' and private operators' costs

The Tribunal recognises that private bus operations are generally run more cost efficiently than Sydney Buses. For example, the 2003 Ministerial Inquiry into Sustainable Transport compared the costs of private operators and Sydney Buses and found that Sydney Buses' costs were significantly higher (Table 3.2).

Table 3.2 Sydney Buses' and Private bus operators' costs, 2001/02

	Sydney Buses	Private operators	Difference
Bus hourly cost element	\$/hr	\$/hr	%
Wages	30.77	21.65	42.1
Wages on-costs	6.38	3.44	85.5
Bus hourly cost	37.16	25.09	48.1
Bus kilometre cost element	\$/km	\$/km	%
Wages and on-costs	0.29	0.13	123.1
Other bus kilometre costs	0.65	0.49	32.7
Bus kilometre cost	0.94	0.62	51.6
Bus overhead cost element	\$/hr	\$/hr	%
Salaries and on-costs	9.47	4.54	108.6
Other overhead costs	10.30	7.24	42.3
Bus overhead cost	19.76	11.78	67.7
Capital costs	\$/bus	\$/bus	%
Bus	13,396	11,261	20.0
Non-bus	3,800	2,716	39.9
Total capital cost	17,196	13,977	23.0

Note: Totals may not add due to rounding.

Source: Ministerial Inquiry into Sustainable Transport, Final Report p 24, drawing on STA data and private operator data from Phase 1 Financial Viability Study of Private Commercial Contract Holders in Sydney, Newcastle and Wollongong by INDEC consulting 2003.

This comparison does not correct for differences in wage and employment conditions, congestion and infrastructure costs – all of which may be more expensive for Sydney Buses. However, the wide gaps between the two sets of data suggest that there is less scope for private operators to make efficiency gains than there is for Sydney Buses.

At the public hearing, the BCA provided a more current indication of the wage differential between private operators and Sydney Buses.¹³ The BCA stated that wages for private operators may be around 90 per cent of the wage levels for Sydney Buses. However, the BCA also noted that there were many differences in penalties and allowances that limited the usefulness of its comparison.

The Tribunal understands that more comparable data for public and private buses will be available once the new bus reform structure and performance measuring systems are in place across the metropolitan area. The Tribunal will use this data when comparing the costs of different operators in next year's fare review.

3.2.3 Multi-factor productivity analysis

In last year's fare determination, the Tribunal highlighted the performance of Sydney Buses' productivity over the last decade. For this year's review, the Tribunal updated its measure of multi-factor productivity (MFP) to ascertain if there were any significant changes in how efficiently Sydney Buses is using its inputs.¹⁴

An MFP index measures the ratio of output to a weighted share of inputs. This means that if output was unchanged and the weighted share of inputs was rising, the MFP would decline. The Tribunal constructed an MFP index using the following information:

- labour inputs, using the number of full-time equivalent (FTE) employees
- capital inputs, using the number of buses
- material inputs, using the value of expenditure on fuel, tubes and tyres deflated by the ABS price indices for 'automotive fuel' and 'automotive parts and accessories' respectively
- output, using the number of service kilometres.

It weighted the inputs based on the expenditure on labour and materials, and the user cost of capital.¹⁵ It also used a slightly different definition of output to the one it used in last year's review.¹⁶ This change did not have a material impact on the Tribunal's MFP analysis.

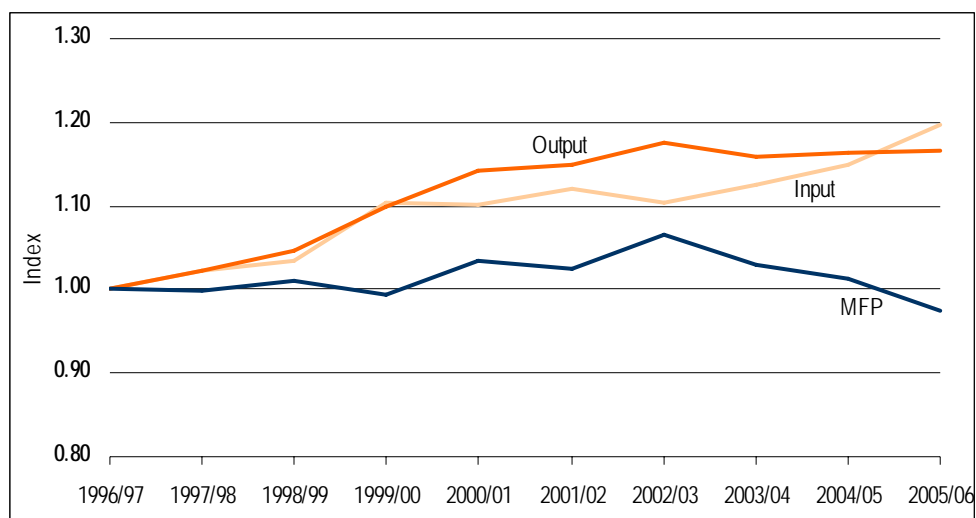
The Tribunal's MFP index suggests there was an annualised decline of 1.2 per cent in Sydney Buses' productivity from 2000/01 to 2005/06 (Figure 3.3). This trend indicates a small and continuing decline in the productive efficiency of Sydney Buses. If the trend were to continue it would be likely to cause increasing cost pressures for Sydney Buses in the future. It is important to note that the overall trends in the MFP index are more relevant than particular year-to-year changes.

¹³ At the public hearing, the Bus and Coach Association's Executive Director Mr Darryl Mellish compared labour costs between public and private operators. Transcript p 16, lines 26-33.

¹⁴ Previous "quality" adjustments were not included in this year's MFP analysis.

¹⁵ The user cost of capital was determined by applying a weighted average cost of capital (WACC) of 6.5 per cent to the value of Sydney Buses' fixed assets, and then adding depreciation.

¹⁶ Output now measures service kilometres, whereas previously it measured *adjusted* passenger numbers. For more details see IPART 2005, *Report on the Determination of Fares for Sydney Metropolitan Bus Services*.

Figure 3.3 Multi-factor productivity index for Sydney Buses

The Tribunal also considered several single-factor productivity measures in its analysis. It focused particularly on labour productivity: this factor provides perhaps the most relevant single-factor productivity measure because labour represents such a large component of Sydney Buses' costs (around 60 per cent of total costs).

The Tribunal found that between 2000/01 to 2005/06, Sydney Buses' labour productivity declined at an annualised rate of 1.0 per cent. In comparison, labour productivity in the Australian economy as a whole grew by an annualised rate of 1.6 per cent over the same time period.¹⁷

The Tribunal's productivity analysis suggests that the productive efficiency of Sydney Buses' operations has declined over the last five years, which is counter to the productivity improvements observed in the economy as a whole. While the Tribunal recognises the limitations of the MFP analysis, it considers that there is scope for Sydney Buses to improve its productive efficiency.

3.3 Revenue for Sydney Buses and private bus operators

Sydney Buses' total revenue increased by 7.8 per cent in 2005/06, largely due to the structure of the new bus contracts. Under the MBSC, Sydney Buses no longer receives some of the revenue items it used to receive. Specifically, it no longer receives revenue related to Pricing, Service and Free and concessional revenue Community Service Obligations. Instead, for the eight months that the contract system was in operation in 2005/06, Sydney Buses (like other metropolitan bus operators) received MBSC payments from the Ministry of Transport.

In addition, under the new contract system, Sydney Buses and other metropolitan bus operators effectively keep their fare revenue. But their monthly MBSC payments are offset by their previous month's fare revenue. That is, when their fare revenue goes up, their

¹⁷ Source: ABS *Australian National Accounts National Income, Expenditure and Product*, Cat no. 5206.0, June Quarter 2006, Table 3.

MBSC payment goes down. This means that increases in fare revenue have a negligible effect on operators' total revenue over time.

Sydney Buses' revenue from regulated fares increased by 7.5 per cent in 2005/06. Its revenue from unregulated fares remained largely unchanged: although revenue from the Pensioner Excursion Ticket increased by 21.5 per cent, this was offset by a 21.8 per cent decrease in revenue from other fares or hirings. Sydney Buses' 'other business revenue' fell by 11.1 per cent, primarily due to a decrease in revenue from advertising.

Overall, Sydney Buses received 52 per cent of its total revenue from MBSC payments during the contract system's eight month's of operation. The Tribunal understands that MBSC payments represented a greater portion of revenue for private operators.

3.4 Sydney Buses' cost recovery

In making determinations, the Tribunal focuses on changes in the cost recovery ratio rather than the overall level of cost recovery. For this year's determination, the Tribunal changed its methodology for calculating Sydney Buses' cost recovery ratio to reflect changes to the structure of payments under the new bus contract system. The Tribunal considers that farebox cost recovery provides a more relevant measure of cost recovery under this system.¹⁸

Farebox cost recovery is defined as total passenger revenue (from regulated and unregulated fares) divided by total costs.¹⁹ Farebox cost recovery shows the proportion of Sydney Buses' total costs directly funded by users. The balance of Sydney Buses' costs must be recovered either through MBSC payments or other revenue sources (for example, advertising revenue). Other revenue sources are relatively small – accounting for less than 4 per cent of total revenue in 2005/06. Therefore, deterioration in farebox cost recovery would typically increase taxpayers' funding of Sydney Buses.

Over the last five years, Sydney Buses has generally recovered just over 50 per cent of its total costs through its farebox revenue (see Table 3.3). In 2005/06, its farebox cost recovery was slightly higher than in the previous year (51.3 per cent compared to 49.9 per cent). This increase was mainly driven by strong growth in its revenue from regulated fares (see section 3.3 above), and was achieved despite the sharp increase in Sydney Buses' fuel costs.

Table 3.3 Sydney Buses' farebox cost recovery (%)

1998/1999	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
56.9	57.0	53.9	51.5	50.2	51.1	49.9	51.3

¹⁸ Historically, the Tribunal has measured an agency's level of cost recovery by calculating its relevant revenue – passenger revenue plus the free and concessional payment from Government – and dividing this by its total costs. However, the comparison is no longer valid because much of the revenue that Sydney Buses now obtains through MBSC payments would have previously been obtained through CSOs and some of these were not included in the Tribunal's previous cost recovery methodology.

¹⁹ As has been noted previously, total costs are defined as operating costs plus depreciation and interest expenses.

To put Sydney Buses' cost recovery in perspective, in the eight months of the MBSC's operation in 2005/06 the funding by taxpayers in NSW for Sydney Buses was around \$62 per household. For both Sydney Buses and private metropolitan bus operators, this funding was \$106 per household.

3.5 Private bus operators' costs and efficiency

The Tribunal has not been provided with information on the absolute levels of costs in the private bus industry. However, it does regard the Bus Industry Cost Index (BICI) as indicative of the likely magnitude of input cost changes in the metropolitan private bus industry, in fact the BICI partly includes input costs of private metropolitan bus operators.

The BICI is discussed in some detail in the Tribunal's report to the Minister on non-metropolitan private bus fares.²⁰ In essence, this index measures the change in the cost of a basket of goods and services, which are considered representative of the input costs of private bus operators in NSW. In 2005/06, the BICI rose 5.3 per cent. This rate of increase in input costs is significantly higher than the rate of increase in Sydney Buses' total costs (3.6 per cent, discussed in section 3.1).

The Tribunal notes that the form of regulation for private non-metropolitan commercial operators – operators regulated by the BICI²¹ – uses a unit-based cost index to measure changes in costs. The Tribunal applies a productivity adjustment to the labour component of the index so that productivity gains can be shared between operators and consumers. The regulation for metropolitan buses is different because a unit-based cost index is not used. Moreover, the farebox revenue that metropolitan bus operators' receive does not cover their costs.

²⁰ IPART, *Report on Non-metropolitan Fares for Private Buses in NSW*, December 2006, section 3.1.

²¹ For more information see IPART, *Report on Non-metropolitan Fares for Private Buses in NSW*, December 2006.

4 SERVICE QUALITY AND PATRONAGE

The Tribunal considered standards of quality, reliability and safety delivered by metropolitan bus operators over 2005/06. It also considered changes in patronage over this period, to ascertain whether higher petrol prices for motorists caused passengers to increase their use of buses and to consider whether service levels were having an impact on passenger numbers.

The Tribunal received limited data on the service quality delivered by private bus operators. The Ministry of Transport has indicated that once the contracts have been operating for a full financial year it will be able to provide the Tribunal with more information on service quality for both public and private operators. For this review, the Tribunal focused its analysis on Sydney Buses, particularly the overall level of service quality this operator provided during 2005/06. It also considered the Ministry of Transport's submission, which argued that there were specific service improvements in Sydney metropolitan bus services during 2005/06.

4.1 Sydney Buses' service quality over 2005/06

The Ministry of Transport provided information on Sydney Buses' performance against a range of key performance indicators (KPIs) that relate to aspects of service quality, including reliability, safety, comfort, convenience, and customer service (Table 4.1). This information indicates that Sydney Buses achieved its targets for most of these KPIs. However, its performance relative to 2004/05 only improved in some areas.

Table 4.1 Sydney Buses' physical key performance indicators

KPI (target in brackets)	2001/02	2002/03	2003/04	2004/05	2005/06
Reliability					
On-time running (>95%)	96.2%	95.9%	95.9%	95.0%	95.0%
Service reliability (>99%)	99.5%	99.5%	99.4%	99.4%	99.5%
Mechanical reliability (<15 bus changeovers per 100,000 km)	17.60	16.15	16.13	15.26	13.87
Traffic reliability (<4 bus changeovers per 100,000 km)	4.64	4.41	4.53	3.98	3.58
Safety (per million passenger trips)					
Safety Incidents (<2.0)	1.44	1.75	1.67	2.11	2.18
Security Incidents (<1.0)	0.41	0.61	0.80	0.73	0.70
Comfort					
Average Bus Age (<12 years)	11.7	12.2	13.0	12.8	12.7
Convenience					
Total km '000s	78,852	77,426	78,593	78,993	79,117
Passenger revenue km '000s	60,157	61,551	60,680	60,989	61,085
Customer Service					
Complaints per 100,000 passenger trips (<15)	8.6	11.7	11.3	11.6	12.3

Sydney Buses replaced some of its older vehicles with new buses during 2005/06, causing a small reduction in the average age of its bus fleet and a notable improvement in mechanical reliability. Passenger complaints increased but remained below Sydney Buses' target levels. Sydney Buses should seek to reverse this trend by focusing on improving its customer service.

The Tribunal considers that Sydney Buses' KPIs (which are set by the STA) are not well designed to measure the aspects of service quality that matter most from a customer's perspective. For example, 'total service kilometres' is used to measure 'convenience'. The Tribunal doesn't consider this measure to be very relevant to customers' perceptions of a convenient bus service. The Tribunal hopes that with the new reporting requirements under the MBSC, the Ministry of Transport will enhance the relevance of the KPIs it presents to both the public and the Tribunal.

As it noted last year, the Tribunal also considers the on-time running KPI to be inadequate. This KPI currently measures the percentage of a sample of buses that leave the depot to start their run up to five minutes *after* the scheduled time.²² It would be more meaningful to measure both the proportion of buses that leave the depot/terminus not more than three minutes late, and to survey the on-time running performance at random locations on the bus network rather than simply at the depot.

4.2 Improvements in service and outcomes for customers

In its submission, the Ministry of Transport argued that metropolitan bus services had achieved six key improvements in its service performance and outcomes for customers. The improvements cited by the Ministry of Transport include:

- harmonised single ticket fares across metropolitan Sydney
- the adoption of a schedule for replacing and refurbishing the metropolitan bus fleet
- improved ability to increase capacity in response to demand
- improved customer focus and community accountability
- improved performance against many KPIs
- the development and roll out of service networks.

The Tribunal considers that the metropolitan bus contracts have not been in place for a sufficient period of time to demonstrate many of the improvements in service quality and outcomes for customers that the Ministry of Transport's submission suggests. Nevertheless, there is preliminary evidence to suggest that service improvements may become more apparent in 2006/07.

The Tribunal noted the KPIs provided by the Ministry of Transport in its submission.²³ However, it preferred to focus on the longer time series, as it considered this provided a more accurate comparison of changes in the service quality of Sydney Buses in 2005/06. The Tribunal expects that the KPIs gathered under the MBSC reporting requirements will be used in future fare determinations. It encourages both public and private operators to improve performance to the standards set by the most efficient operators.

²² IPART, *Report on Sydney metropolitan bus services*, December 2005, p 18.

²³ Ministry of Transport submission, pp 21-28.

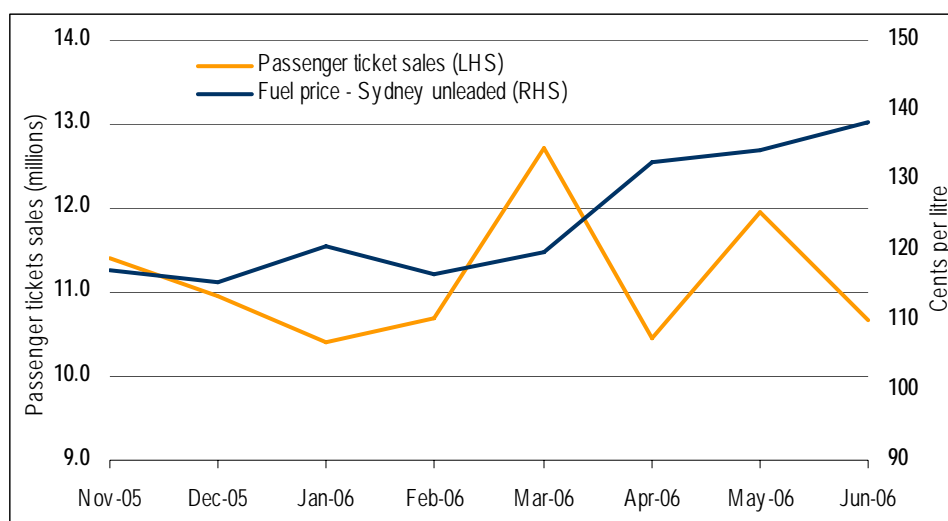
4.3 Patronage

Changes in patronage can provide an indirect indication of changes in service levels. It can also reflect the impact of external factors, such as higher petrol prices, which affect a person's choice of transport mode. Aspects of service quality that are of particular relevance to passengers include frequency, punctuality, safety, speed, comfort and cleanliness. The Tribunal considered information on patronage to ascertain whether such non-fare factors and recent fare changes were having a significant effect on passenger numbers.

The Tribunal found that patronage has remained relatively stable at around 155 million boardings per year for Sydney Buses over the last five years (excluding STSS). Passenger boardings for both adults and concessions increased in 2005/06, but total boardings declined modestly due to a fall in pensioner concession boardings.

There is little evidence to support the view of some stakeholders that petrol prices have led to a sustained increase in patronage (see Figure 4.1). Patronage ticket sales across the Sydney bus network spiked in March and May but then subsided in April and June despite the continued increase in petrol prices. Moreover, as the Ministry of Transport noted in its submission, bus operators typically experience a seasonal patronage spike around March when schools and universities restart for the year. That said, the Tribunal notes that Sydney Buses' passenger numbers have increased by around 500,000 in the three months to the end September 2006 when compared to the same period in 2005.²⁴

Figure 4.1 Total passenger ticket sales across all Sydney operators²⁵



²⁴ Interview with the Minister Assisting the Minister for Transport, 5 December 2006.

²⁵ The fuel price is the average retail monthly price for Sydney unleaded petrol (Source: Australian Automobile Association, 'Petrol prices', <http://www.aaa.asn.au/issues/petrol.htm>, accessed 10 November 2006).

5 FARES FOR 2006

Having considered changes in the costs of Sydney Buses and private bus operators, the level of cost recovery for Sydney Buses, and the modest improvements in service quality under the new bus contracts, the Tribunal has determined that the maximum bus fares that Sydney metropolitan bus operators can charge for public transport services will increase by 3.8 per cent before rounding from 2 January 2007. It is to be applied to the master fare schedule adopted by the Tribunal as part of last year's determination.²⁶ The resulting prices are then to be rounded up or down, to the nearest 10 cents for single tickets and the nearest dollar for adult TravelPass tickets.²⁷ The weighted average increase in metropolitan bus fares after rounding is 2.6 per cent.

The Tribunal's determination means the price of section 1-2 single tickets will not change, and the price of other single tickets will increase by between 10 and 20 cents. The Tribunal has also decided to:

- maintain the discount for Sydney Buses' TravelTen tickets at a maximum of 20 per cent
- maintain the discount for T-way 10 tickets at 15 per cent
- calculate the price of both the above tickets by applying the discount to the price of 10 single tickets.

The impact of these decisions on the different tickets available within the Sydney metropolitan region is outlined below.

5.1 Single tickets in metropolitan Sydney

As a result of the Tribunal's determination:

- single fares for section 1-2 tickets will not change
- single fares for sections 3-5 and 10-15 will increase by 10 cents
- single fares for sections 6-9 and 16+ will increase by 20 cents.

²⁶ In its 2005 determination, the Tribunal indicated that future fares increases would be applied to the unrounded prices it determined (commonly known as 'master fares'). See IPART, *Report on the Determination of fares for Sydney Metropolitan Bus Services*, December 2005, p 21.

²⁷ The unrounded prices are presented in Appendix 3.

Table 5.1 shows the new single ticket fares, and the percentage and absolute change in these fares as a result of the Tribunal's determination.

Table 5.1 Metropolitan single ticket bus fares

Singles ticket type	2006 Ticket Price \$	2007 Ticket Price \$	Percentage Change %	Absolute Change \$
1-2 Sections	1.70	1.70	-	-
3-5 Sections	2.80	2.90	3.6	0.10
6-9 Sections	3.70	3.90	5.4	0.20
10-15 Sections	4.50	4.60	2.2	0.10
16+ Sections	5.40	5.60	3.7	0.20

5.2 TravelTen tickets on Sydney Buses

As a result of the Tribunal's determination, TravelTen tickets for section 1-2 will not increase; other TravelTen tickets will increase by between \$0.80 and \$1.60 (Table 5.2).

Table 5.2 TravelTen fares

TravelTens	2006 Ticket Price \$	2007 Ticket Price \$	Percentage Change %	Absolute Change \$
1-2 Sections	13.60	13.60	-	-
3-5 Sections	22.40	23.20	3.6	0.80
6-9 Sections	29.60	31.20	5.4	1.60
10-15 Sections	36.10	36.80	1.9	0.70
16+ Sections	44.20	44.80	1.4	0.60

The Tribunal notes that, according to the Ministry of Transport, TravelTen (and most other multi-ride) ticket products are only available in the contract regions served by Sydney Buses; they are not available on private bus services. The Ministry informed the Tribunal that no private buses will be obliged to offer a multi-ride ticket product until the commencement of T-card. This was expected to be introduced in early 2007, but has now been delayed until mid 2007.

At the public hearing, representatives of private bus operators indicated that they wish to provide multi-ride ticket options but do not currently have the technological capability to do so.²⁸ The Tribunal recognises that the impending introduction of T-card undermines incentives for private operators (or the Ministry) to invest in technology that could handle TravelTen tickets.

²⁸ See Transcript of proceedings from the public hearing, p 11, lines 44-47 and p 12, lines 1-4.

5.3 TravelPass fares on Sydney Buses

The fares for two-mode (bus and ferry) TravelPasses and single mode (bus) TravelPasses will increase by between \$0.40 and \$2.00 (Table 5.3). Please note that the Tribunal determined fares for three-mode (bus, ferry, rail) TravelPasses and DayTripper tickets in its recent *Review of Fares for CityRail in NSW 2006*, and so has not changed these fares as part of this review.

Table 5.3 TravelPass fares

TravelPasses	2006 Ticket Price \$	2007 Ticket Price \$	Percentage change %	Absolute change \$
Red	33.00	33.00	-	-
Green	41.00	41.00	-	-
Yellow	45.00	45.00	-	-
Pink	48.00	48.00	-	-
Purple	55.00	55.00	-	-
Blue	30.00	31.00	3.3	1.00
Orange	37.00	38.00	2.7	1.00
Pittwater	51.00	53.00	3.9	2.00
2 Zone	30.00	31.00	3.3	1.00
Daytripper	15.40	15.40	-	-
Bustripper	11.30	11.70	3.5	0.40

5.4 Other tickets on Sydney Buses

Sydney Buses has two other tickets for which the Tribunal determines maximum fares – the Sports Special Return Ticket, and the School Term Pass. The Sports Special Return Ticket is a product sold to attendees of major sporting events. It covers return travel from key locations (such as Central station) to and from the sporting venue. The School Term Pass is a bus pass product sold to students who do not meet eligibility requirements for free bus travel under the School Student Travel Scheme (SSTS).

The Tribunal did not increase the price of these products last year, in line with the STA's request. This year the Ministry of Transport sought an increase in fares for these products. The Tribunal decided to increase their price in line with the change in other ticket prices.

As a result of this decision, the price of the Sports Special ticket will increase by 20 cents, and the School Term Pass will increase by \$1.50 (Table 5.4).

Table 5.4 Other ticket fares

	2006 Ticket Price \$	2007 Ticket Price \$	Percentage Change %	Absolute Change \$
Sports Special	5.00	5.20	4.0	0.20
School Term Pass	40.00	41.50	3.8	1.50

5.5 Transitway 10 fares and weekly fares

The STA owns Western Sydney Buses, which operates regular services on the Liverpool/Parramatta Transitway (T-way). T-way offers single fares, T-way 10 fares (similar to TravelTens) and weekly tickets. The single fares for Western Sydney Buses are the same price as the single fares for other Sydney metropolitan bus services (see Table 5.1 above).

Tables 5.5 and 5.6 show the new prices for T-way 10 fares and T-way weekly fares as a result of the Tribunal's decision.²⁹ Please note that while the Tribunal decided that the discount for T-way 10 fares will be 15 per cent, this discount could not be achieved exactly for all fares due to rounding. Where this was the case, the Tribunal rounded the fare to the amount that most closely reflected the 15 per cent discount.

Table 5.5 T-way 10 fares

T-way 10	2006 Ticket price \$	2007 Ticket price \$	Percentage change %	Absolute change \$
1-2 Sections	14.10	14.50	2.8	0.40
3-5 Sections	23.80	24.70	3.8	0.90
6-9 Sections	31.70	33.20	4.7	1.50
10-15 Sections	37.90	39.10	3.2	1.20
16+ Sections	45.70	47.60	4.2	1.90

²⁹ A discount of exactly 15 per cent could not be achieved for all fares due to rounding. In such circumstances the Tribunal rounded the fare to the amount that most closely reflected the 15 per cent discount.

Table 5.6 Weekly fares for T-way

	2006 Ticket price \$	2007 Ticket price \$	Percentage change %	Absolute change \$
T-way bus plus weekly				
1-2 Sections	12.70	13.20	3.9	0.50
3-5 Sections	23.70	24.60	3.8	0.90
6-9 Sections	33.70	35.00	3.9	1.30
10-15 Sections	48.40	50.30	3.9	1.90
16+ Sections	61.50	63.80	3.7	2.30
T-way weekly				
North Zone	33.70	35.00	3.9	1.30
South Zone	33.70	35.00	3.9	1.30
North + South Zone	61.50	63.80	3.7	2.30

6 IMPLICATIONS FOR FARE REVENUES, BUS PASSENGERS, AND THE ENVIRONMENT

Before finalising its determination, the Tribunal considered the likely implications of its pricing decisions on metropolitan bus operators' revenue and the Ministry of Transport's MBSC payments, passengers on the metropolitan bus network, and the environment.

6.1 Bus operators' revenue and the Ministry of Transport's payments

As a result of the Tribunal's determination, the total farebox revenue collected from passengers by both Sydney Buses and private operators is expected to rise by around 2.6 per cent if patronage remains at 2005/06 levels. The total farebox revenue collected from Transitway passengers is expected to rise by between 2.8 and 3.3 per cent if patronage does not change. Therefore, the determination is likely to assist the Ministry of Transport in funding metropolitan bus services because it would lower the amount of its monthly MBSC payments.

To the extent that "the remuneration that bus operators receive has been decoupled from fares",³⁰ the financial viability of each operator is not heavily linked to the fare determination. The financial soundness of operators should primarily relate to the base level of their MBSC payments, with increases in costs compensated for through cost indices in the contracts.³¹

6.2 Implications for passengers

The Tribunal considered the income levels of passengers using metropolitan bus services, and the financial burden that fare increases might place on them. It considers that the fare increases it has determined are not excessive, particularly given the average increases in fares in recent years and the current level of inflation (Table 6.1).

Table 6.1 Average percentage fare rises in recent years

	2001/02	2002/03	2003/04	2004/05	2005/06
Sydney Buses	4.8	1.9	5.0	3.9	2.6
Private Buses	4.1	4.2	5.6	3.8	2.6
Inflation (Sydney)	3.0	2.8	2.2	2.5	3.0

³⁰ Ministry of Transport submission, p 4.

³¹ The base level of the MBSC payment excludes the fare revenue offset.

A selection of specific fare changes also suggests that the increases are not likely to place significant financial pressure on passengers (Table 6.2).

Table 6.2 Specific examples of fare changes

Agency	Trip Description	Single Journey		TravelTen	
		Old Fare \$	New Fare \$	Old Fare \$	New Fare \$
Sydney Buses	Gladesville to Rozelle	2.80	2.90	22.40	23.20
	Malabar to City (Market St)	3.70	3.90	29.60	31.20
	Avalon to Nth Sydney	5.40	5.60	44.20	44.80
Sydney Private Buses	Merrylands to Parramatta	1.70	1.70	N/A	N/A
	Kellyville to City	5.40	5.60	N/A	N/A
Transitway	Bonnyrigg to Miller	2.80	2.90	23.80	24.70
	Liverpool to Smithfield	4.50	4.60	37.90	39.10

Public transport passengers tend to earn a wide range of incomes, partly because public transport is used by both commuters and non-commuters. The income profile of users who pay the full adult fare indicates that Sydney Buses passengers have a higher median household income than private bus passengers (Table 6.3).

Table 6.3 Income profile of public transport users

Mode	Trips No.	Average personal income \$	Average household income \$	Median household income \$
CityRail	484,876	53,385	99,621	83,980
Sydney Ferries	24,959	77,848	129,745	137,800
Sydney Buses	268,118	47,701	92,410	74,672
Private Buses - Sydney	66,817	32,044	74,688	56,732

Source: TPDC Household Travel Survey 2004, average weekday.

Passenger income also varies by type of ticket purchased (Table 6.4). Of Sydney Buses' passengers, purchasers of TravelTens have the highest average personal incomes, while purchasers of single tickets have considerably lower incomes. Purchasers of TravelPass tickets fall in between these. Purchasers of 'other' tickets include those who use the Pensioner Excursion Ticket, which explains their lower personal incomes.

Table 6.4 Income by Sydney Buses ticket type

Ticket type	Average personal income \$
Single	37,505
TravelTen	52,849
TravelPass	47,289
Other	35,238
Sydney Buses overall	47,701

Source: TPDC, Household Travel Survey 2004.

6.3 Implications for the environment

As a general principle, encouraging public transport at the expense of private car travel benefits the environment by contributing to reduced levels of pollution, carbon emissions and traffic congestion. However, given the scale of the fare determination, and the relatively limited affects it will have in changing consumer behaviour, the Tribunal considers that its environmental effects will be negligible.

APPENDIX 1 LIST OF SUBMISSIONS AND HEARING PARTICIPANTS

The Tribunal received submissions from the following organisations and individuals:

Organisations

Action for Public Transport
Blue Mountains Commuter and Transport Users Association
Commuter Council of NSW
Lower Hunter Councils Transport Group
Ministry of Transport
NSW Council of Social Service
Older Women's Network NSW

Individuals

Mr Randall Millington
Mr Kevin Eadie
Mr Todd Robinson
Mr Peter Bentley
Ms Ana Corpuz
Mr Mitchell Geddes
Mr Ian Page
Mr Robert Lutton
Mr Roland Pok
Mr Matt Mushalik
Mr Greg Priestley
Ms Kath Sund
Mr Peter Hopper and Ms Sharon Lambert
Mr Peter Blake
Ms Margaret Broadfoot
Ms Natalie Chabin
Mr Paul Stonestreet
Mr Jacques Boutelet
Mr Andrew Burton
M de Solom (2 submissions)
NM Lee
Julie-Anne
Angi
Joanne
Anne
Anon

The following organisations and individuals attended the public hearing held at the Tribunal's offices on 20 October 2006.

Representatives from IPART

Dr Michael Keating AC, Chairman
Mr James Cox, CEO and Full-time Member
Ms Sibylle Krieger, Part-time Member
Ms Fiona Towers
Mr Aaron Murray

Roundtable participants

Action for Public Transport (Mr Allan Miles)
Bus and Coach Association (Mr Darryl Mellish)
Bus and Coach Association (Mr Frank D'Apuzzo)
Commuter Council of NSW (Mr Kevin Parish)
Ministry of Transport (Mr Jim Glasson)
Ministry of Transport (Ms Catherine Reilly)
NSW Council for Social Services (Mr Warren Gardiner)
State Transit Authority (Mr Roger Wilson)
State Transit Authority (Mr Paul Schuman)
Western Sydney Regional Organisation of Councils (Mr Alex Gooding)

Other attendees

Mr Ivan Gantar
Mr Peter McCallum (Inner Metropolitan Transport Forum)
Mr Paul Trevaskis (Blue Mountains Commuter and Transport Users Association)
Mr John Webb (Parents and Citizens Association)

APPENDIX 2 EXCERPT FROM PASSENGER TRANSPORT ACT 1990

28J Determination of maximum fare pricing policy for regular bus services

- (1) This section applies to any service contract for a regular bus service that authorises or otherwise permits the holder (or a person providing the service for the holder under a subcontract or other arrangement) to charge passengers of the service a fare for the use of the service.
- (2) The Independent Pricing and Regulatory Tribunal (the *Tribunal*) is to conduct investigations and make reports to the Minister on the following matters:
 - (a) the determination of appropriate maximum fares for regular bus services supplied under service contracts to which this section applies,
 - (b) a periodic review of fare pricing policies in respect of such services.
- (3) In respect of an investigation or report under this section, the Minister may require the Tribunal to consider specified matters when making its investigations.
- (4) Division 7 of Part 3 of the [Independent Pricing and Regulatory Tribunal Act 1992](#) is taken to apply to an investigation under this section in the same way as it applies to an investigation under Part 3 of that Act.
- (5) In making a determination under this section, the Tribunal is to consider the following matters:
 - (a) the cost of providing the services concerned,
 - (b) the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standards of service,
 - (c) the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers,
 - (d) the need to maintain ecologically sustainable development (within the meaning of section 6 of the [Protection of the Environment Administration Act 1991](#)) by appropriate pricing policies that take account of all of the feasible options to protect the environment,
 - (e) the social impact of the determination,
 - (f) standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise) and any suggested or actual changes to those standards,
 - (g) contractual arrangements prevailing in the industry,
 - (h) such other matters as the Tribunal considers relevant.
- (6) A service contract to which this section applies is taken to include a term to the effect that:
 - (a) the holder of the contract must not charge a passenger of the service a fare that exceeds the maximum fare determined under this section from time to time for the provision of such a service to a passenger of that kind, and

- (b) if the regular bus service is to be provided for the holder by another person – the holder must ensure (whether by contract or other means) that the person providing the service for the holder is not permitted to charge a passenger of the service a fare that exceeds the maximum fare determined under this section from time to time for the provision of such a service to a passenger of that kind.
- (7) Any contravention of the term implied in a service contract by subsection (6) may be remedied at law or in equity as though the term were an essential term to which the parties had by contract agreed.
- (8) A service contract to which this section applies may make provision for maximum fares for the provision of the regular bus service concerned to passengers pending the first determination of maximum fares under this section.
- (9) Any provision of the kind referred to in subsection (8) ceases to have effect as part of the service contract on and from the first determination of maximum fares under this section that applies to the provision of the kind of regular bus services to which the contract relates.

Table A2.1 Consideration of section 28J matters by Tribunal for the metropolitan Sydney bus fare determination

Section 28J	Report reference
Cost of providing the services	Chapter 3
Protection of consumers from abuse of monopoly power	Section 6.2
Improved efficiency in supply of services	Sections 3.2 and 3.5
Ecologically sustainable development	Section 6.3
Social impact	Section 6.2
Standards of quality, reliability and safety of the services	Chapter 4
Contractual arrangements prevailing	Sections 1.1 and 6.1
Any other matters	

APPENDIX 3 THE NEW FARES AND THE MASTER FARES

The ticket prices determined by the Tribunal are set out in this appendix both before and after rounding.

Table A3.1 Single fares for Sydney Buses, Private Buses and Transitway Buses

Ticket Type	Class	2006 Ticket Price \$	2007 Master Fare \$	2007 Ticket Price \$
Single ride fares				
1-2 Sections	ADULT	1.70	1.72	1.70
3-5 Sections	ADULT	2.80	2.90	2.90
6-9 Sections	ADULT	3.70	3.87	3.90
10-15 Sections	ADULT	4.50	4.62	4.60
16+ Sections	ADULT	5.40	5.58	5.60
1-2 Sections	CONC	0.80	-	0.80
3-5 Sections	CONC	1.40	-	1.40
6-9 Sections	CONC	1.80	-	1.90
10-15 Sections	CONC	2.20	-	2.30
16+ Sections	CONC	2.70	-	2.80

Table A3.2 TravelTen fares for Sydney Buses

Ticket Type	Class	2006 Ticket Price \$	2007 Ticket Price \$	Discount %
TravelTen				
1-2 Sections	ADULT	13.60	13.60	20.0
3-5 Sections	ADULT	22.40	23.20	20.0
6-9 Sections	ADULT	29.60	31.20	20.0
10-15 Sections	ADULT	36.10	36.80	20.0
16+ Sections	ADULT	44.20	44.80	20.0
1-2 Sections	CONC	6.80	6.80	
3-5 Sections	CONC	11.20	11.60	
6-9 Sections	CONC	14.80	15.60	
10-15 Sections	CONC	18.00	18.40	
16+ Sections	CONC	22.10	22.40	

Table A3.3 TravelPass fares for Sydney Buses

Ticket Type	Class	2006 Ticket Price \$	2007 Master Fare \$	2007 Ticket Price \$
TravelPass – Bus and Ferry, Bus only				
Blue	ADULT	30.00	31.16	31.00
Orange	ADULT	37.00	38.36	38.00
Pittwater	ADULT	51.00	52.92	53.00
2 Zone	ADULT	30.00	31.16	31.00
Blue	CONC	15.00	-	15.50
Orange	CONC	18.50	-	19.00
Pittwater	CONC	25.50	-	26.50
2 Zone	CONC	15.00	-	15.50

Table A3.4 Other fares for Sydney Buses

Ticket Type	Class	2006 Ticket Price \$	2007 Master Fare \$	2007 Ticket Price \$
Other				
BusTripper	ADULT	11.30	11.71	11.70
BusTripper	CONC	5.60	-	5.80
Sports Special	ADULT	5.00	5.19	5.20
Sports Special	CONC	2.50	-	2.60
School Term Pass	CONC	40.00	41.52	41.50

Table A3.5 T-way 10 fares for Transitway

Ticket Type	Class	2006 Ticket Price \$	2007 Ticket Price \$	Discount %
T-way 10				
1-2 Sections	ADULT	14.10	14.50	14.7
3-5 Sections	ADULT	23.80	24.70	14.8
6-9 Sections	ADULT	31.70	33.20	14.9
10-15 Sections	ADULT	37.90	39.10	15.0
16+ Sections	ADULT	45.70	47.60	15.0
1-2 Sections	CONC	7.00	7.20	
3-5 Sections	CONC	11.90	12.30	
6-9 Sections	CONC	15.80	16.60	
10-15 Sections	CONC	18.90	19.50	
16+ Sections	CONC	22.80	23.80	

Table A3.6 Weekly fares for Transitway

Ticket Type	Class	2006 Ticket Price \$	2007 Master Fare \$	2007 Ticket Price \$
T-way bus plus weekly				
1-2 Sections	ADULT	12.70	13.21	13.20
3-5 Sections	ADULT	23.70	24.60	24.60
6-9 Sections	ADULT	33.70	35.02	35.00
10-15 Sections	ADULT	48.40	50.28	50.30
16+ Sections	ADULT	61.50	63.82	63.80
1-2 Sections	CONC	6.30	-	6.60
3-5 Sections	CONC	11.80	-	12.30
6-9 Sections	CONC	16.80	-	17.50
10-15 Sections	CONC	24.20	-	25.10
16+ Sections	CONC	30.70	-	31.90
T-way weekly				
North Zone	ADULT	33.70	35.02	35.00
South Zone	ADULT	33.70	35.02	35.00
North + South Zone	ADULT	61.50	63.82	63.80
North Zone	CONC	16.80	-	17.50
South Zone	CONC	16.80	-	17.50
North + South Zone	CONC	30.70	-	31.90

APPENDIX 4 CALCULATING CHANGES IN CPI

The Tribunal uses a year on year (or period on period) definition in calculating the change in CPI, as opposed to quarter on quarter definition. In essence, this methodology uses the average Sydney CPI of four quarters over the average of previous four quarters:

$$\begin{aligned}
 \Delta CPI &= \left(\frac{CPI_{Sep2005} + CPI_{Dec2005} + CPI_{Mar2006} + CPI_{Jun2006}}{CPI_{Sep2004} + CPI_{Dec2004} + CPI_{Mar2005} + CPI_{Jun2005}} \right) - 1 \\
 &= \left(\frac{150.5 + 151.0 + 152.2 + 154.7}{146.2 + 147.3 + 148.2 + 149.0} \right) - 1 \\
 &= 0.03 \\
 &= 3.0\%
 \end{aligned}$$

Note the Tribunal's methodology differs from the change in CPI quoted by the ABS. The percentage change figure on the ABS website measures the latest quarter's CPI divided by the CPI for the same quarter one year earlier. This is referred to as the quarter on quarter methodology. For example, following the release of the September quarter CPI data for 2006, the quarter on quarter calculation of Sydney's CPI is:

$$\begin{aligned}
 \Delta CPI &= \left(\frac{CPI_{Jun2006} - CPI_{Jun2005}}{CPI_{Jun2005}} \right) \times 100 \\
 &= \left(\frac{154.7 - 149.0}{149.0} \right) \times 100 \\
 &= 0.038 \\
 &= 3.8\%
 \end{aligned}$$

APPENDIX 5 ABBREVIATIONS USED IN THIS REPORT

ABS	Australian Bureau of Statistics
BCA	The Bus and Coach Association of New South Wales. The BCA is the peak industry organisation for the NSW private bus and coach sector.
BICI	Bus Industry Cost Index, an index representing the change in costs in the private bus industry
CPI	Consumer Price Index, measures changes in the price of a 'basket' of goods and services which account for high proportion of expenditure by the index's population group (that is, metropolitan households)
HTS	Household Travel Survey
MBSC	Metropolitan Bus Service Contract
MoT	The Ministry of Transport, formerly the Transport Co-ordination Authority, formerly the Department of Transport
PTA	Passenger Transport Act 1990
RTA	Roads and Traffic Authority, NSW
SSTS	The School Student Transport Scheme. It provides subsidised travel for eligible school students on government rail, government and private bus and ferry services and long distance coaches. The scheme can only be used for travel between home and school.
STA	The State Transit Authority. It is the government-owned provider of bus and ferry services in Sydney and Newcastle.
TPDC	The Transport Population and Data Centre. It is the major source of transport data for the Sydney Statistical District (Sydney, Wollongong, Blue Mountains, Central Coast and Newcastle). The TPDC is a division of the Department of Planning.

Determination No 11, 2006

Sydney Metropolitan Bus Services

**Independent Pricing and Regulatory Tribunal
of New South Wales**

Reference No: 06/481

1. Background

- (a) Section 28J(2) of the Passenger Transport Act, permits the Tribunal to conduct investigations and make reports to the Minister on the determination of the maximum fares for Regular Bus Services supplied under a Service Contract (**Regulated Services**).
- (b) In investigating and reporting on the maximum fares for the Regulated Services, the Tribunal has had regard to a broad range of matters, including the criteria set out in section 28J(5) of the Passenger Transport Act.

2. Application of this determination

- (a) This determination fixes the maximum fares for Regulated Services¹.
- (b) This determination commences on the later of 2 January 2007 and the date that it is published in the NSW Government Gazette (**Commencement Date**).
- (c) The maximum fares in this determination apply from the Commencement Date to the date that this determination is replaced.

3. Replacement of Determination No. 12 of 2005 and Determination No 7 of 2006

This determination replaces:

- (a) Determination No. 12 of 2005; and
- (b) so much of Determination No 7 of 2006 which relates to STA Sydney Buses,

from the Commencement Date. The replacement does not affect anything done or omitted to be done, or rights or obligations accrued, under Determination No. 12 of 2005 or Determination No 7 of 2006 prior to its replacement.

4. Monitoring

The Tribunal may monitor the Regulated Services for the purposes of:

- (a) establishing and reporting on the level of compliance of those services with this determination; and
- (b) preparing a periodic review of pricing policies for those services.

5. Schedules

Schedules 1, 2 and 3 and the Tables in those schedules set out the maximum fares for Regulated Services.

¹ For this review, the Tribunal:

- determined the prices for tickets for the Bus and Ferry TravelPass tickets and the prices for those tickets are listed in Table 2;
- did not determine the prices for the Bus, Ferry and Train TravelPass tickets as those were determined by the Tribunal as part of the CityRail 2006 Review. However the prices for those tickets are also listed in Table 2.

6. Definitions and Interpretation

Definitions and interpretation provisions used in this determination are set out in Schedules 4 and 5.

Schedule 1

Maximum fares for single ride tickets

1. Application

This schedule sets the maximum fares for single ride tickets for Regulated Services.

2. Maximum fares for single ride tickets

The maximum fares that may be charged for single ride tickets are set out in Table 1.

Table 1

Maximum fares for single ride tickets

Tickets	Maximum fares	
	Adult (\$)	Concession (\$)
Single ride fares		
1-2 Sections	\$1.70	\$0.80
3-5 Sections	\$2.90	\$1.40
6-9 Sections	\$3.90	\$1.90
10-15 Sections	\$4.60	\$2.30
16+ Sections	\$5.60	\$2.80

Schedule 2

Maximum fares (other than fares for single ride tickets) charged by STA Sydney Buses

1. Application

This schedule sets the maximum fares (other than fares for single ride tickets) that STA Sydney Buses may charge for Regulated Services.

2. Maximum fares (other than fares for single ride tickets)

The maximum fares (other than fares for single ride tickets) that may be charged by the STA Sydney Buses for a ticket in column 1 of Table 2 are the corresponding fares in columns 2 and 3 of Table 2.

Table 2**Maximum fares (other than fares for a single ride ticket) charged by STA Sydney Buses**

Tickets	Maximum fares	
	Adult ² (\$)	Concession ³ (\$)
TravelTen		
1-2 Sections ⁴	\$13.60	\$6.80
3-5 Sections	\$23.20	\$11.60
6-9 Sections	\$31.20	\$15.60
10-15 Sections	\$36.80	\$18.40
16+ Sections	\$44.80	\$22.40
TravelPass – Bus only⁵		
2 Zone	\$31.00	\$15.50
TravelPass – Bus and Ferry		
Blue	\$31.00	\$15.50
Orange	\$38.00	\$19.00
Pittwater	\$53.00	\$26.50
TravelPass – Bus, Ferry and Train⁵		
Red	\$33.00	\$16.50
Green	\$41.00	\$20.50
Yellow	\$45.00	\$22.50
Pink	\$48.00	\$24.00
Purple	\$55.00	\$27.50
Other tickets		
BusTripper	\$11.70	\$5.80
DayTripper	\$15.40	\$7.70
Sports Special	\$5.20	\$2.60
School Term Pass		\$41.50

² Children up to their 4th birthday are entitled to travel free on all Sydney Buses.

³ Information on concession beneficiaries on www.sydneybuses.info/tickets/concession.php applies to this determination.

⁴ A section is approximately 1.6 kilometres.

⁵ A quarterly TravelPass = 11 x weekly fare and yearly TravelPass = 40 x weekly fare.

Schedule 3

Maximum fares (other than fares for single ride tickets) charged by Western Sydney Buses

1. Application

This schedule sets the maximum fares (other than fares for single ride tickets) that Western Sydney Buses may charge for Regulated Services.

2. Maximum fares (other than fares for single ride tickets)

The maximum fares (other than fares for single ride tickets) that may be charged by Western Sydney Buses for a ticket in column 1 of Table 3 are the corresponding fares in column 2 and 3 of Table 3.

Table 3**Maximum fares (other than fares for single ride tickets) charged by Western Sydney Buses**

Tickets	Maximum fares	
	Adult (\$) ⁶	Concession (\$) ⁷
T-way 10		
1-2 Sections	\$14.50	\$ 7.20
3-5 Sections	\$24.70	\$12.30
6-9 Sections	\$33.20	\$16.60
10-15 Sections	\$39.10	\$19.50
16+ Sections	\$47.60	\$23.80
T-way bus plus weekly		
1-2 Sections	\$13.20	\$6.60
3-5 Sections	\$24.60	\$12.30
6-9 Sections	\$35.00	\$17.50
10-15 Sections	\$50.30	\$25.10
16+ Sections	\$63.80	\$31.90
T-way weekly		
Northern zone Parramatta to Prairiewood (section 1-10)	\$35.00	\$17.50
Southern zone Prairiewood to Liverpool (section 10-19)	\$35.00	\$17.50
North & South zones (section 1-19)	\$63.80	\$31.90

⁶ Children up to their 4th birthday are entitled to travel free on all Sydney Buses.

⁷ Information on concession beneficiaries on www.sydneybuses.info/tickets/concession.php applies to this determination.

Schedule 4

Definitions and Interpretation

1. Definitions

1.1 General definitions

In this determination:

Commencement Date means the Commencement Date as defined in clause 2(b) of section 1 (**Background**) of this determination.

GST means the Goods and Services Tax as defined in *A New Tax System (Goods and Services Tax) Act, 1999*.

Passenger Transport Act means the *Passenger Transport Act, 1990*.

Regulated Services means the services defined in clause 1(a) of section 1 (**Background**) of this determination.

Regular Bus Service has the meaning given to that term in the Passenger Transport Act.

Service Contract means a contract complying with section 16 of the Passenger Transport Act and entered into for the provision of a Regular Bus Service for a Sydney Metropolitan Contract Region.

STA means the State Transit Authority of New South Wales constituted under the *Transport Administration Act 1988*.

STA Sydney Buses means the Sydney Buses business owned and operated by the STA.

Sydney Metropolitan Contract Region means region 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 or 15, each identified in attachment A to this determination.

Western Sydney Buses means the body corporate constituted under section 33 of the *Transport Administration Act 1988* and the *Transport Administration (General) Amendment (Western Sydney Buses) Regulation 2002* to operate the Liverpool-Parramatta Transitway Services.

1.2 Ticket definitions

Categories of tickets set out in Schedule 5 of this determination apply to this determination.

2. Interpretation

2.1 General provisions

In this determination:

- (a) headings are for convenience only and do not affect the interpretation of this determination;
- (b) a reference to a schedule, annexure, clause or table is a reference to a schedule, annexure, clause or table to this determination;
- (c) words importing the singular include the plural and vice versa;
- (d) a reference to a law or statute includes all amendments or replacements of that law or statute; and
- (e) a reference to a person includes any company, partnership, joint venture, association, corporation, other body corporate or government agency.

2.2 Explanatory notes

Explanatory notes or footnotes do not form part of this determination, but in the case of uncertainty may be relied on for interpretation purposes.

2.3 Fares inclusive of GST

Fares or charges specified in this determination include GST.

Schedule 5 Ticket definitions

In this determination:

BusTripper means the BusTripper ticket which provides the holder with unlimited travel on all regular Sydney Buses services until 4am.

DayTripper means the DayTripper ticket which provides the holder with unlimited travel until 4am on:

- (a) all regular Sydney Buses services;
- (b) all regular Sydney Ferries services;
- (c) all CityRail services in the suburban area.

Sports Special means the sports special return ticket which provides the holder with a return travel from key locations (such as Central station) to and from the venue of a major event.

School Term Pass means a school term pass ticket which provides the holder with unlimited travel between the holder's home and school.

Sydney Buses Zones means the zones as set out in the State Transit TravelPass Map as at the Commencement Date.

TravelPass - Bus only

TravelPass	Sydney Buses Zones
2 Zone	Combination of any 2 adjacent zones (except Zone 1)

TravelPass - Bus and Ferry

TravelPass	Sydney Buses Zones	Sydney Ferries Wharf Boundaries
Blue	1, 3, 6, 7	All wharves except Manly, Homebush, Rydalmere & Parramatta
Orange	1 – 8 (Includes all areas except Pittwater Region, north of Jacksons Rd North Narrabeen)	All except Manly JetCat
Pittwater	All	All except Manly JetCat

TravelPass - Bus, Ferry and Train

TravelPass	Sydney Buses Zones	CityRail Station Boundaries	Sydney Ferries Wharf Boundaries
Red	1, 3, 6, 7	Bondi Junction, Rockdale, Bardwell Park, Canterbury, Croydon and Chatswood.	All wharves except Manly, Homebush, Rydalmere & Parramatta
Green	1 - 8 (Includes all areas except Pittwater Region, north of Jacksons Rd, North Narrabeen)	Bondi Junction, Kogarah, Kingsgrove, Regents Park, Bankstown (via Lidcombe or Sydenham), Epping, Chatswood and Olympic Park.	All except Manly JetCat
Yellow	1 - 8 (Includes all areas except Pittwater Region, north of Jacksons Rd, North Narrabeen)	Bondi Junction, Waitara (via North Sydney), Epping (via North Strathfield), Camellia, Parramatta, Chester Hill, Panania, Jannali and Olympic Park	All except Manly JetCat
Pink	1 - 8 (Includes all areas except Pittwater Region, north of Jacksons Rd, North Narrabeen)	Bondi Junction, Hornsby (via Epping or North Sydney), Carlingford, Seven Hills, Liverpool, Holsworthy (via East Hills), Engadine, Caringbah and Olympic Park	All except Manly JetCat
Purple	All	Bondi Junction, Cowan, Carlingford, Richmond, Emu Plains, Macarthur, Otford and Cronulla	All except Manly JetCat

ATTACHMENT A

Sydney Metropolitan Contract Regions



Sydney Metropolitan Contract Regions 2005

(c) Map produced by Transport and Population Data Centre (Req 05/184)



