

Review of fares for metropolitan and outer metropolitan bus services for 2009

Government and private bus services in Sydney,
Newcastle, the Central Coast, Wollongong,
the Blue Mountains and Hunter regions

Transport — Report and Determination
December 2008

Review of fares for metropolitan and outer metropolitan bus services for 2009

**Government and private bus services in Sydney,
Newcastle, the Central Coast, Wollongong,
the Blue Mountains and Hunter regions**

Transport — Report and Determination
December 2008

© Independent Pricing and Regulatory Tribunal of New South Wales 2008

This work is copyright. The *Copyright Act 1968* permits fair dealing for study, research, news reporting, criticism and review. Selected passages, tables or diagrams may be reproduced for such purposes provided acknowledgement of the source is included.

ISBN 978-1-921328-71-8

Determination No. 7, 2008

The Tribunal members for this review are:

Dr Michael Keating, AC, Chairman

Mr James Cox, Chief Executive Officer and Full Time Member

Ms Sibylle Krieger, Part Time Member

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

Ineke Ogilvy (02) 9290 8473

Fiona Towers (02) 9290 8420

Independent Pricing and Regulatory Tribunal of New South Wales

PO Box Q290, QVB Post Office NSW 1230

Level 8, 1 Market Street, Sydney NSW 2000

T (02) 9290 8400 F (02) 9290 2061

www.ipart.nsw.gov.au

Contents

1	Introduction and executive summary	1
1.1	Overview of fare outcomes under the determination	1
1.2	Structure of report	3
2	IPART's approach to the review	4
2.1	Review process	5
2.2	Matters considered	7
3	Cost of bus services and farebox revenue	8
3.1	Actual increases in payment costs and farebox revenue in the past year	8
3.2	Forecast increases in payment costs over the coming year	9
3.3	Level of farebox cost recovery	13
4	Bus patronage	18
4.1	Usage of bus services in 2007/08	18
4.2	Actual increases in patronage in the past year	20
4.3	Forecast patronage growth for the next 12 months	22
5	Service quality	23
5.1	Available measures of service quality	23
5.2	Changes in service quality over 2007/08	24
6	Fares for 2009	33
6.1	Overview of IPART's decisions on bus fares from 4 January 2009	33
6.2	Single trip tickets, Bus Tripper, Sports Special and School term pass	34
6.3	TravelTens, T-WayTens and private bus weekly tickets	35
6.4	TravelPasses	37
6.5	Bus tickets in Newcastle	41
7	Social impact of the fare determination	43
7.1	Profile of passengers	43
7.2	Relative costs of bus fares	48
7.3	Concession fares and PET	51
8	Environmental impact of the fare determination	54

Appendices	57
A List of submission and participants at the hearing	59
B Requirements of the Passenger Transport Act	61
C Map of metropolitan and outer metropolitan contract regions	63
D 2009 fares and the master fare schedule	65

1 Introduction and executive summary

The Independent Pricing and Regulatory Tribunal of New South Wales (IPART) has determined the maximum fares bus service providers in the Sydney metropolitan and outer-metropolitan regions can charge from 4 January 2009. IPART's determination covers all regular passenger services in the 15 metropolitan bus contract regions and the 10 outer-metropolitan bus contract regions (including Newcastle).

All regular passenger services in the Sydney metropolitan area – including both public and private companies – are provided under Metropolitan Bus Service Contracts administered by the Ministry of Transport. Services in the outer metropolitan areas are provided under similar Outer-Metropolitan Bus Service Contracts. Under these contracts, operators agree to provide specified services in a given contract region. The Ministry of Transport makes monthly payments to operators to cover the fixed and variable costs of providing these services. Each operator's previous month's farebox revenue (that is, the fares collected by the operator) is deducted from its monthly payment.

This payment approach means that changes to maximum fares have little impact on operators' revenue. Instead, because fare revenue is significantly less than the cost of the contract payments, this revenue reduces the real cost of the services to the NSW Government. Therefore, IPART's determination on maximum fares for bus services effectively allocates the amount payable under the bus service contracts between passengers and NSW taxpayers.

1.1 Overview of fare outcomes under the determination

After considering the Ministry of Transport's fare proposal, stakeholder comments and other information, IPART has determined a weighted average fare increase of 5.5 per cent for the Sydney metropolitan and outer metropolitan contract regions.¹ The increase in fares reflects the increase in the cost of providing the bus services for the 12 months to June 2008 (which ranged from 4.8 per cent to 5.6 per cent depending how it is measured). IPART expects that the fare increase it has determined will maintain the current allocation of the costs of providing bus services between taxpayers and passengers. IPART does not expect the fare increase to have a

¹ Based on a revenue weighted average.

significant effect on the use of bus services or the environmental benefits that bus services provide.

This weighted average increase reflects the fact that over the past 12 months:

- ▼ the Ministry's actual contract payment costs increased by 5.2 per cent
- ▼ contract payment costs less farebox revenue increased by 4.8 per cent
- ▼ contract payment costs less farebox and other revenue in the Sydney metropolitan area only increased by 5 per cent
- ▼ the Bus Industry Cost Index (BICI) increased by 5.6 per cent, excluding the additional costs of the new rural and regional bus contracting regime. Although the BICI has been developed to measure the change in the cost of providing rural and regional bus services, it provides an indication of the increase in the cost of providing bus services generally.

Fares are rounded to the nearest dollar for TravelPasses and the nearest 10 cents for other types of tickets. In line with an average increase of 5.5 per cent, after rounding, IPART determined that the maximum price for individual tickets will change as follows:

- ▼ **Single trip tickets** will increase by 5.5 per cent before rounding. After rounding, this will mean the price of a single ticket will increase by between 10 cents and 30 cents, depending on the length of the trip.
- ▼ **TravelTen tickets** will continue to be priced based on the cost of 10 single tickets less a 20 per cent discount. This will mean that the price of Blue TravelTens will increase by 80 cents; Brown, Red and Green TravelTens will increase by \$1.60; and Orange TravelTens will increase by \$2.40.
- ▼ **T-Way 10s** (10 bus trips on the Liverpool to Parramatta Transitway) will transition towards a price based on 10 single T-Way tickets minus a 20 per cent discount over time. For most T-Way 10s this will mean no fare change this year (as the current level of discount for these tickets is less than 20 per cent). However, the price for a 3-5 section ticket will increase by 10 cents.
- ▼ **Weekly TravelPasses** will increase by up to \$3.00. Blue and 2-Zone TravelPasses will increase by \$2.00, and Orange and Pittwater TravelPasses will increase by \$3.00.
- ▼ **Time-based bus fares in Newcastle** will increase by 5.5 per cent before rounding. After rounding this will mean price increases of between 20 cents and 30 cents for a single ticket (depending on the length of time the ticket applies) and \$1.40 for a TimeTen.
- ▼ **The Orange weekly bus/ferry TravelPass in Newcastle** will be reduced by \$5.00 to better reflect the level of service provided compared with Sydney TravelPasses.

IPART's decision on the weighted average fare increase and most of the maximum fares it determined are consistent with the Ministry of Transport's fare proposal.

1.2 Structure of report

The following chapters explain IPART'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 IPART's approach to the review, including the matters it considered
- ▼ Chapter 3 discusses the costs of providing bus services and farebox revenue from these services
- ▼ Chapter 4 focuses on the patronage of bus services, and the changes in patronage that occurred over the past year and forecast for the coming year
- ▼ Chapter 5 discusses the information on the quality of bus services provided under the contracts
- ▼ Chapter 6 sets out the fares of 2009 in detail
- ▼ Chapters 7 and 8 discuss the social and environmental impacts of the fare determination.

Appendix D provides a complete list of all new fares, including the master fares (before rounding) and ticket prices (after rounding).

2 | IPART's approach to the review

Under the new bus system contracts, IPART's role in regulating metropolitan and outer-metropolitan bus fares is limited to determining maximum full-fare prices. At present, half-fare and concession prices change automatically, in line with the changes to full-fare prices determined by IPART. The NSW Government decides on the relationship between concession and full-fare prices, and sets other concession fares, such as pensioner excursion tickets, and charges under the School Student Transport Scheme.

Under the bus contracts, the Ministry of Transport pays bus operators to provide services within their contract area. This means that IPART's fare determinations do not directly affect operators' revenue, and so cannot provide signals or incentives for an operator to increase its efficiency or restructure its services to better meet the needs of its passengers. Instead, these incentives are provided through the terms of the operator's service contract with the Ministry of Transport. IPART has no role in setting or enforcing this service contract, and therefore cannot make orders or set targets in relation to aspects of service (such as patronage, efficiency or service standards).

The Ministry of Transport effectively collects all fare revenue for bus services. Under the current level of fares, this revenue does not provide a profit for the NSW Government. Rather, the fare revenue goes some way to reducing the cost of payments under bus service contracts to taxpayers. Therefore, IPART's role in setting maximum fares for metropolitan and outer-metropolitan bus services is effectively to allocate the cost of providing these services between bus passengers and taxpayers.

IPART has recently reviewed its approach to determining fares for CityRail passenger services. The revised approach is more rigorous and robust, and provides significantly more scope to create effective incentives for CityRail to improve its economic efficiency. IPART adopted a building block approach² to determine CityRail's annual revenue requirement. In establishing the shares of the revenue requirement to be recovered from CityRail passengers and from taxpayers it estimated the value of the external benefits generated by CityRail services, and considering potential impacts on fare affordability and patronage levels.

² That is, IPART has determined that CityRail's annual revenue requirement should include efficient operating costs, a return of capital or depreciation, a return on capital and a return on working capital.

In its fare proposal, the Ministry of Transport indicated that it would support the introduction of such a framework for regulating metropolitan and outer metropolitan buses. Commencing in early 2009, IPART intends to review its approach to regulating fares for bus services.

However, for the 2008 review IPART has followed a similar process to that undertaken in previous years. The sections below explain the process IPART followed in undertaking its 2008 review of maximum fares for metropolitan and outer-metropolitan bus fares and the matters it took into consideration in reaching its decisions. Box 2.1 provides an overview of the contract regime for these services.

For information on the areas covered by each metropolitan and outer-metropolitan bus service region contract see Appendix C.

2.1 Review process

To commence the review, IPART wrote to the Ministry of Transport and asked for a fare proposal for Sydney metropolitan and outer-metropolitan bus services and supporting information. The Ministry of Transport's proposal was posted on the IPART website in late August 2008.

IPART advertised the review in the Sydney Morning Herald, Daily Telegraph, Newcastle Herald and Illawarra Mercury on Wednesday 3 September. It invited stakeholders including members of the public to make submissions on the Ministry of Transport's fare proposal by 3 October. It held a public hearing on 6 November. (A list of stakeholders who made submissions and attended the public hearing is provided in Appendix A.)

In making its determination, IPART carefully considered the submissions it received and comments made at the public hearing. It also considered additional information provided by the Ministry of Transport. This included information on contract payments, farebox and other revenue, and cost recovery levels for each of the 25 contract regions. It also included some operational performance information the Ministry of Transport collects as part of the contracts, including information on punctuality, complaints and patronage.

Box 2.1 Overview of the bus contract regime

In 2005/06, the NSW Government introduced new Bus Service Contracts across 15 Sydney metropolitan regions as part of its bus reform program. Since then, it has extended similar contracts to 10 outer metropolitan regions, including Newcastle. A separate contract applies to each of the 25 contract regions.

Each contract specifies the terms and conditions of an agreement between the Government, represented by the Ministry of Transport, and the individual bus operator to provide bus services in a given contract region. While the general structure of the contracts is consistent across all regions, specific aspects of the contracts vary from region to region. Individual operators negotiated the exact nature of their contract with the Ministry of Transport, especially with regard to the various initial and ongoing payments.

Sydney Buses, which is part of the State Transit Authority (STA) and is the only publicly owned metropolitan bus operator, was awarded contracts to operate four metropolitan regions. Newcastle Buses and Ferries Services (also part of the STA) was awarded the contract in Newcastle. All other operators are privately owned. The Ministry of Transport has indicated to IPART that the STA is treated identically to private bus operators under the contract system.

Each contract has a term of seven years, 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. The fare revenue each operator collects is used to reduce the amount of the monthly payment it receives from the Government.

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. Much of this information is provided to the Ministry of Transport on a commercial-in-confidence basis. To date, IPART has been unable to access cost and financial information from the Ministry of Transport for use in its fare reviews.

2.2 Matters considered

IPART made this fare determination in accordance with section 28J of the *Passenger Transport Act 1990*. The matters IPART is required to consider under this Act are detailed in full in Appendix B. In summary, these matters 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—promotion of ecologically sustainable development via appropriate pricing policies.

Table 2.1 sets out the matters IPART considered and their location in the report.

Table 2.1 IPART's considerations of section 28J matters

Section 28J requirement	Location in report
a) cost of providing the services concerned	Chapter 3
b) protection of consumers from abuse of monopoly power	Chapters 3 and 7
c) the need for greater efficiency in the supply of services	The cost and the nature of services provided are fixed by the bus service contracts (see Box 2.1). IPART's role is limited to allocating these costs between passengers and taxpayers – see chapters 3 and 4
d) the need to maintain ecologically sustainable development	Chapter 8
e) social impact of the determination	Chapter 7
f) standards of quality, reliability and safety	Chapter 5
g) contractual arrangements prevailing in the industry	Chapters 2 and 3

3 Cost of bus services and farebox revenue

As Chapter 2 discussed, the Ministry of Transport makes payments to each contracted bus operator for providing bus services within a specified region, and uses the fare revenue the operator collects to offset some of the costs of these payments. In its submission, the Ministry proposed a 5.45 per cent increase in bus fares on the basis that it expects the cost of its payments to bus operators to increase by 5.5 per cent over the next year. It noted that such a fare increase would maintain the current allocation of costs between passengers and taxpayers.

In considering the Ministry of Transport's fare proposal, IPART reviewed the actual increases in the Ministry's payment costs and bus operators' farebox revenues in the past year, and examined the Ministry's forecast cost increases for the coming year, and considered the level of farebox cost recovery. IPART concluded that as a number of the components of the Ministry's payment costs are difficult to forecast with any accuracy, it is more appropriate for it to base its fare determination on the increases in actual payment costs over the past year.

3.1 Actual increases in payment costs and farebox revenue in the past year

In 2007/08, the Ministry of Transport made payments of \$883 million to bus operators.³ Most of these payments – some \$734 million – were for services in the Sydney metropolitan area. The remainder of around \$149 million related to services in outer metropolitan areas.

As Table 3.1 shows, the overall cost of the Ministry of Transport's payments increased by 5.2 per cent compared to the previous year. However, bus operators' farebox revenue rose slightly more than payments – by 5.9 per cent. When this revenue is taken into account, the net increase in the Ministry's payment costs was 4.8 per cent. In Sydney metropolitan regions, the net increase in payment costs was 5 per cent, while in outer metropolitan regions, it was 4.3 per cent.

³ Ministry of Transport supporting information – adjusted contract payments for 2007/08.

Table 3.1 Change in costs – 2006/07 to 2007/08

	Sydney metro	Outer metro	Total
Contract payments			
2006/07	\$696m	\$143m	\$839m
2007/08	\$734m	\$149m	\$883m
Percentage change	5.5%	4.0%	5.2%
Farebox revenue			
2006/07	\$286m	\$22m	\$308m
2007/08	\$303m	\$22m	\$326m
Percentage change	6.2%	2.2%	5.9%
Costs net of farebox			
2006/07	\$411m	\$121m	\$532m
2007/08	\$431m	\$126m	\$557m
Percentage change	5.0%	4.3%	4.8%
Costs net of farebox and advertising and charter revenue			
2006/07	\$403m	(unavailable)	(unavailable)
2007/08	\$423m	\$126m	\$549m
Percentage change	5.0%		

Note: All figures exclude GST. Payments for outer metropolitan regions in 2006/07 have been annualised. Advertising and charter revenue for outer metropolitan regions for 2006/07 is unavailable as payments are made annually and for most regions, a full year's worth of payments is not available.

Source: Ministry of Transport supporting information – adjusted contract payments.

As a comparison, IPART estimates that the costs of providing bus services in rural and regional NSW increased by 5.6 per cent over the same period. This estimate is based on the cost increases measured by the industry-specific Bus Industry Cost Index⁴ (BICI), and excluding costs associated with implementation of the new rural and regional contracting regime. (For further information on the BICI refer to IPART's report on the review of rural and regional buses, December 2008.)

3.2 Forecast increases in payment costs over the coming year

The Ministry of Transport forecasts an increase in its payment costs for 2008/09 of 5.5 per cent (Table 3.2). The main drivers of this increase in percentage terms are:

- ▼ the new fleet component, which is forecast to increase by 48.6 per cent overall, (45.0 per cent in Sydney metropolitan regions and 65.9 per cent in outer metropolitan regions), and
- ▼ the fuel component, which is forecast to increase by 11.5 per cent.

⁴ This estimate in the change in bus costs for rural and regional services has not been adjusted for potential productivity changes.

Table 3.2 Ministry of Transport - forecast growth in costs under contracts

Payment component	Estimate 2007/08	Growth & Indexation	Budget 2008/09
	\$m	%	\$m
Sydney metropolitan regions			
Fixed	171.7	3.9	178.4
New fleet	21.5	45.0 ^a	31.2
Depreciation	29.9	-4.0 ^b	28.7
Service	246.7	3.9	256.4
Fuel	61.1	11.5	68.1
Patronage ^c	197.6	3.9	205.3
Labour reconciliation	8.3	3.9	8.6
Other	13.0	3.9	13.5
Total metropolitan cost	749.8	5.4	790.3
Outer metropolitan regions			
Fixed	32.1	3.9	33.3
New fleet	4.4	65.9 ^a	7.4
Depreciation	6.1	-4.1 ^b	5.8
Service	64.2	3.9	66.7
Fuel	16.5	11.5	18.4
Patronage ^c	22.2	3.9	23.1
Labour reconciliation	2.7	3.9	2.8
Other	0.3	3.9	0.3
Total outer metropolitan cost	148.5	6.3	157.9
Total costs			
Fixed	203.7	3.9	211.7
New fleet	26.0	48.6	38.6
Depreciation	36.0	-4.0	34.5
Service	310.9	3.9	323.1
Fuel	77.6	11.5	86.5
Patronage ^c	219.8	3.90	228.4
Labour reconciliation	11.0	3.9	11.4
Other	13.3	3.9	13.8
Total metropolitan and outer metropolitan cost	898.3	5.5	948.1

^a See assumptions underlying new fleet payments below.

^b Depreciation payments on existing vehicles decreases in July each year as the number of existing buses more than 15 years old increases.

^c The patronage component includes a patronage benchmark sub-component and a patronage change sub-component.

Note: All figures exclude GST.

Source: Ministry of Transport, information supporting fare proposal.

Under the contracts, the Ministry of Transport inflates each component of the payments each year by a specified 'multiplier', to account for growth and indexation over the previous year. For most of the components, the multiplier is based on some combination of the change in the Consumer Price Index (CPI) and labour cost indices. However, the service component may also be affected by changes in the service requirements under the contract. In addition:

- ▼ the multiplier for the fuel component is based on actual diesel prices
- ▼ the multiplier for the new fleet component is based on the number and type of new buses the operator has bought, and the interest rate⁵
- ▼ the multiplier for the patronage change sub-component is based on the change in the CPI and the actual change in the level of patronage during the previous year.

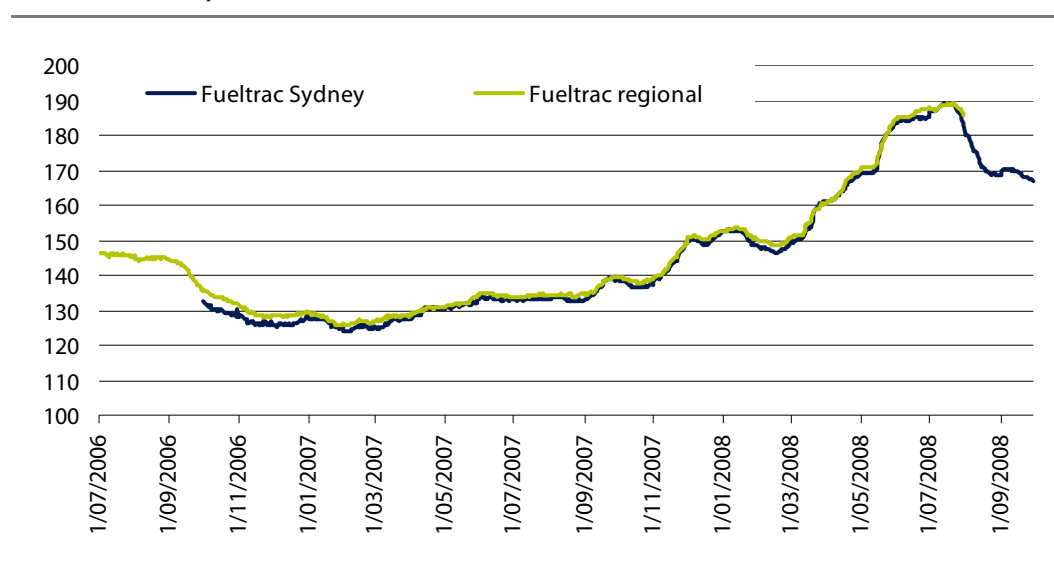
In preparing its fare proposal, the Ministry of Transport forecast the change in its payment costs over the coming year by inflating each component by the forecast change in the relevant multiplier. IPART notes that changes in the new fleet and fuel components are likely to be the most difficult to forecast with accuracy. Together, these components comprise around 12 to 15 per cent of the payments.

3.2.1 Fuel component

In its submission, the Ministry noted that while fuel prices have dropped recently, it does not anticipate any substantial or sustained reduction in fuel prices. IPART has previously noted the difficulties with forecasting fuel prices in relation to other modes of transport (see for example, the draft and final reports for IPART's 2008 review of taxi fares).

Based on Fueltrac diesel price data, regional diesel prices increased by 16.1 per cent over the 12 months to 30 June 2008 – this is the data used for the BICI for rural and regional buses. However, while there were substantial increases in fuel prices over the past twelve months prices have now started to decline.

⁵ Under the contracts, monthly new fleet payments are calculated as a monthly loan repayment for the bus over a 15-year period using the 10-year bond plus a contract specific margin as the rate of interest. This rate is currently around 6.5 per cent pa.

Figure 3.1 Diesel average daily price – 1 July 2006 to 30 September 2008 (cents per litre)

Data source: Fueltrac, regional is average daily diesel price for 35 towns in rural and regional NSW.

3.2.2 New fleet component

The forecast change in new fleet payments is based on the current payments for this component plus the expected additional buses set out in Table 3.3. For each additional bus an operator purchases, it is paid about \$4,000 per month for a period of 15 years. For articulated buses, the payment is around \$6,500 per month.

Table 3.3 Assumptions on the number of new buses to be bought over 2008/09

	MBSC	OMBSC	Total
Private operators (inc. 40 growth buses)	89	52	141
State Transit Authority	113	9	122
Total	202	61	263

Source: Ministry of Transport.

The recent State mini-budget allocated \$170 million to buy an extra 300 buses and brought forward the purchase of 150 articulated buses worth \$115 million.⁶ The mini-budget indicated that the 300 extra buses will be funded by new tolling arrangements on the Sydney harbour crossings. These extra buses and articulated buses have not been included in the Ministry of Transport's fare proposal. However, if this expenditure is incurred in 2008/09, the new fleet payments forecast by the Ministry are likely to underestimate future contract payments.

⁶ NSW Government, *2008-09 Mini-Budget*, 11 November 2008, p 4-8.

3.2.3 Patronage component

As noted on Table 3.2, the patronage component comprises two sub-components. The largest of these is the patronage benchmark payment. This accounts for a significant proportion of bus operators' overall payment under their contract (around 25 per cent for operators in Sydney metropolitan regions and around 15 per cent for those in outer metropolitan regions). The initial (bid) level of these payments was determined through the contract negotiations. The payments are inflated by the change in the CPI each year, and are not affected by actual changes in patronage.

The second sub-component is the patronage change payment. This is provided to operators as an incentive to increase the number of passengers using their services. In its submission, the Ministry noted that it expected patronage change payments to increase. However, as patronage change payments do not comprise a significant proportion of bus operators' overall payment under their contract, this has little effect on the forecast increase in its total payment costs for the coming year. For example, even in one metropolitan contract region where patronage rose by more than 10 per cent in the year to June 2007, the patronage change payment made to that operator in 2007/08 was very small compared with the total payments it received.⁷

3.3 Level of farebox cost recovery

For this report, the level of farebox recovery means the extent to which an operator's farebox revenue offsets the Government's costs in providing bus services (ie, the cost of contract payments made to the operator). The Ministry's submission put the view that its proposed fare increases would maintain farebox cost recovery at its current level, and so maintain the current allocation of costs between passengers and taxpayers. The Ministry provided supporting information that shows that the forecast increase in the costs of payments under the contracts for 2008/09 and the forecast increase in farebox revenue under the proposed fare increase are roughly equal (the change in forecast revenue comes out slightly below the change in forecast costs).

IPART notes that the current level of farebox cost recovery varies significantly across the different contract regions. Typically, this level is higher in the Sydney metropolitan regions and lower in the outer metropolitan regions. One of the reasons for the variation in farebox cost recovery levels is the different make-up of bus passengers in the regions. Passengers in outer metropolitan areas tend to include a high proportion of non-fare-paying passengers, whereas those in the Sydney metropolitan area include a much greater proportion of adult full-fare-paying passengers. As a result, the farebox revenue collected by operators in the metropolitan areas offsets a higher proportion of the payments they receive from the Government. (See Chapter 4 for a comparison of patronage (bus trips) by ticket type.)

⁷ Ministry of Transport, supporting information on adjusted contract payments for 2007/08.

IPART also notes that the level of farebox cost recovery can be measured in a number of different ways, depending whether or not the cost of providing free and concession fares is explicitly identified. For some modes of transport, such as rail, the Government provides separate concession funding to compensate operators for providing certain passengers with free or concession travel, in line with government policy. Therefore, the costs associated with this are explicitly identified. However, under the bus contracts, operators who provide free or concession travel simply collect less farebox revenue than they would if all passengers paid full fares, and so the Government is able to use this revenue to offset a lower proportion of their contract payment costs.

IPART estimated the cost to the Government of providing free and concession travel to bus passengers by estimating the value of foregone fare revenue, to allow comparison with levels of cost recovery in other modes of transport and more clearly identify what the Government is paying for. As Table 3.4 shows, IPART found that, depending on whether it considered farebox revenue only, or farebox plus concession funding, fare-paying bus passengers contributed between 37 per cent and 50 per cent of the Government's total costs of \$883 million in 2007/08. In the Sydney metropolitan regions, it found that the level of farebox cost recovery is between 41 per cent and 51 per cent. In the outer metropolitan regions, it is between 15 per cent and 24 per cent.

Please note that in some regions, the Government's costs in providing bus services are further reduced, as advertising and charter revenue generated by bus operators are also used to offset government payments under contracts. However, this revenue has not been shown on Table 3.4, as it does not make a significant difference to the overall level of farebox cost recovery.

Table 3.4 Estimated farebox cost recovery – 2007/08

	Sydney metro	Outer metro	Total
Cost to Government:			
Total cost of providing services	\$734.5m	\$148.5m	\$883.0m
(ex Newcastle)	-	\$104.8m	\$839.3m
Estimated school student travel funding	\$47.8m	\$30.9m	\$78.7m
(ex Newcastle)	-	\$27.3m	\$75.1m
Estimated concession funding	\$95.9m	-	n/a ^b
(ex Newcastle)	-	\$14.3m	\$110.1m
Fare revenue received:			
Farebox revenue	\$303.5m	\$22.3m	\$325.7m
(ex Newcastle)	-	\$15.0m	\$318.4m
Farebox cost recovery:			
Farebox revenue as a % of total costs	41%	15%	37%
Farebox revenue as a % of total costs less school student travel funding	44%	19%	41%
Farebox revenue as a % of total costs less school student travel and concession funding ^a	51%	24%	50%

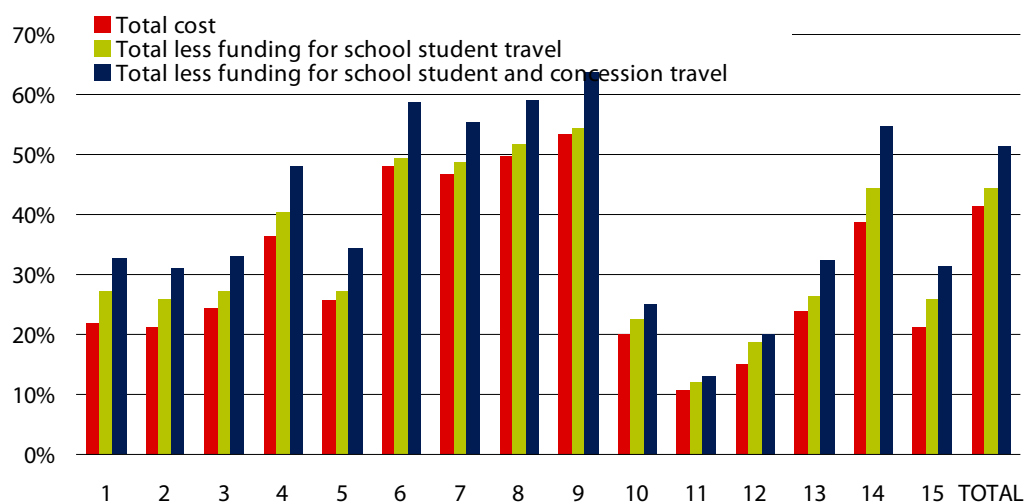
^a Excludes Newcastle, as comparable data by ticket type is not available for this region.

^b Cannot calculate total estimated concession funding as information was not provided for the OMBSC regions.

Note: SSTS is payments relating to SSTS and additional school kilometre payments. Concession funding is estimated as the difference between farebox revenue assuming all passengers pay average adult fare and current farebox revenue.

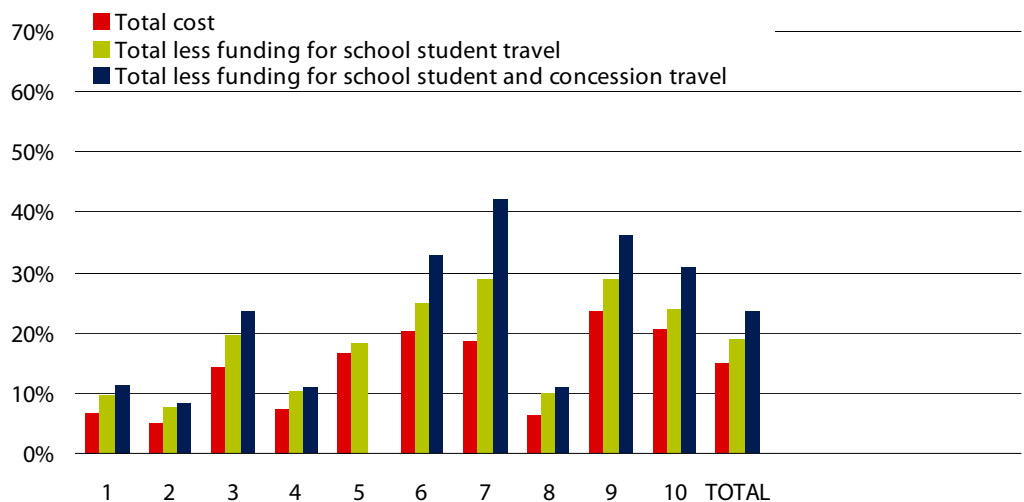
Source: Ministry of Transport data on contract payments and patronage, IPART calculations.

As noted above, the level of farebox cost recovery is typically higher in the Sydney metropolitan area and lower in outer metropolitan areas. However, there is also a significant variation across the individual contract regions in each area. As Figure 3.2 and Figure 3.3 below show, whichever measure is used, the level of farebox cost recovery in 2007/08 was highest in the four contract regions surrounding the Sydney CBD (those operated by Sydney Buses – Sydney's inner west, lower north shore, eastern suburbs and northern beaches). Farebox cost recovery was lowest in outer metropolitan region 2 (the Maitland area, just north of Newcastle) and outer metropolitan region 8 (the Blue Mountains). (See Appendix C for a map of the contract regions.)

Figure 3.2 Farebox cost recovery – metropolitan bus regions 2007/08


Note: Bus services in regions 6 to 9 are provided by Sydney Buses. Other regions are provided by private operators.

Data source: Ministry of Transport data on contract payments and patronage, IPART calculations.

Figure 3.3 Farebox cost recovery – outer metropolitan bus regions 2007/08


Note: Region 5 is Newcastle. Newcastle fares are time based. It was not possible to estimate concession funding for Region 5 based on the information provided.

Data source: Ministry of Transport data on contract payments and patronage, IPART calculations.

Over the past three years, the level of farebox cost recovery has remained stable in both the Sydney metropolitan and outer metropolitan contract areas. In the Sydney metropolitan area, total farebox revenue as a proportion of total Government payments was 41 per cent in 2005/06, 2006/07 and 2007/08. In the outer metropolitan area, this measure was 15 per cent in 2006/07 and 2007/08. (Due to the introduction of the new contract regime, comparable data prior to these dates is not available.)

Over the coming 12 months, the level of farebox cost recovery will depend on:

- ▼ the bus fares determined by IPART as part of this determination
- ▼ the actual costs incurred by the Ministry of Transport over these 12 months, and
- ▼ the number of passengers using bus services (patronage).

IPART notes that in making its 2007 determination, it decided to increase fares in line with the actual change in the Government's payments. Over the past 12 months, the reported level of farebox cost recovery remained roughly the same, despite the fact that patronage grew. This was because the actual costs incurred by the Ministry of Transport increased by more than forecast at last year's fare review.

4 Bus patronage

The Ministry of Transport's payments to a bus operator are only partly based on the number of passengers who use its services (the level of patronage). However, as the Ministry uses the fare revenue collected from passengers to offset the costs of these payments, the level of patronage does affect how much the Government and thus taxpayers ultimately pay for the provision of bus services. Higher patronage levels will mean that passengers pay a higher proportion of the costs of providing bus services, while lower patronage levels will mean that taxpayers pay a higher proportion of these costs.

In its submission, the Ministry proposed a 5.5 per cent increase in bus fares on the basis that it expects such a fare increase to keep the proportion of costs paid for by taxpayers at its current level. In considering this fare proposal, IPART examined the usage of bus services over the past year, the actual patronage growth in the past year, and the Ministry's forecast patronage growth for the next 12 months.

4.1 Usage of bus services in 2007/08

In 2007/08 passengers took approximately 271 million bus trips in the Sydney metropolitan and outer metropolitan areas. Most of these trips – around 85 per cent – occurred in the Sydney metropolitan area.

Table 4.1 Passenger trips in 2007/08

	Sydney metro	Outer metro	Total
Total number of passengers	236 million trips	34 million trips	271 million trips
Total number of school student trips ^a	42 million trips	20 million trips	63 million trips
Total fare revenue received	\$303m	\$22m	\$326m
Average fare per passenger (all trips)	\$1.28	\$0.65	\$1.20
Average fare per passenger (non school student trips)	\$1.56	\$1.60	\$1.57

^a Ministry of Transport estimate of students accessing the School Student Transport Scheme.

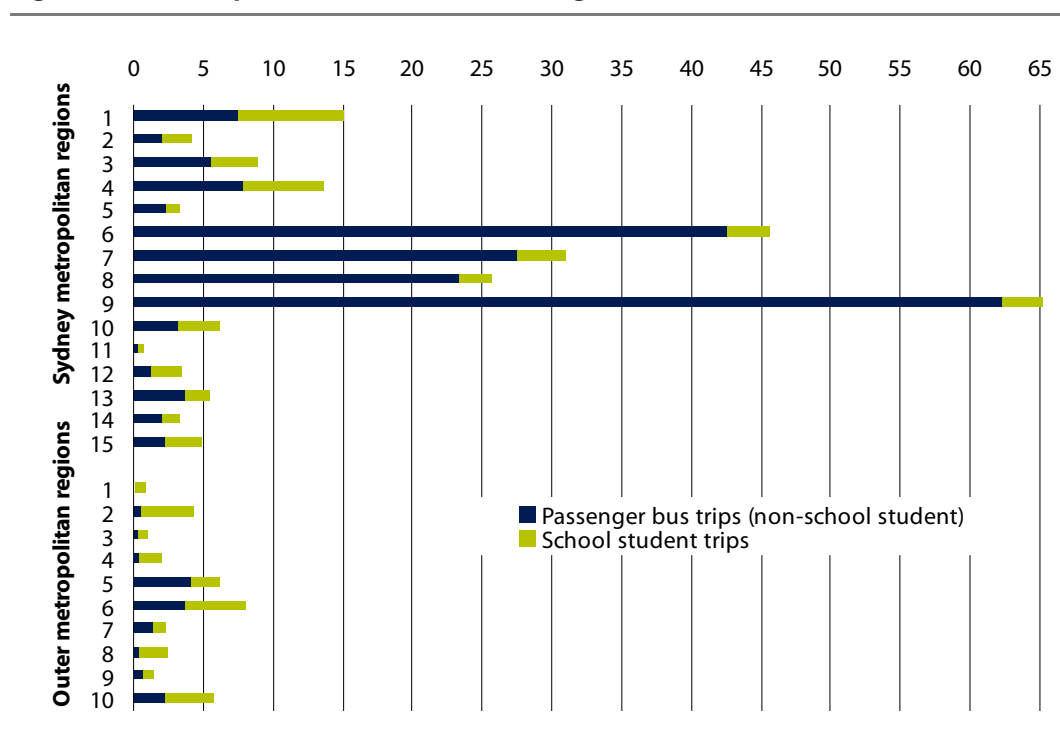
Source: Ministry of Transport.

Trips made by non-fare-paying school students are a significant proportion of all trips taken in outer metropolitan areas, but a much lower proportion of trips taken in the Sydney metropolitan area. This is reflected in the average fare per passenger figure shown on the table above, which differs between these regions significantly

when school student travel is included but is similar when school student travel is excluded. As the number of non-fare-paying passengers is significantly higher in outer metropolitan areas, the average contribution per passenger is only around half that of the Sydney metropolitan area, despite the fact that single fares are now equal in all regions (except Newcastle).

The vast majority of bus trips were made in the four Sydney metropolitan contract regions operated by Sydney Buses (Sydney's inner west, lower north shore, northern beaches and eastern suburbs). See Appendix C for a map of the 25 contract regions.

Figure 4.1 Bus trips made in each contract region – 2007/08 (millions)



Data source: Ministry of Transport.

In the Sydney metropolitan area, most fare-paying passengers purchased either single/return fares or TravelTens. Together, these tickets accounted for around three-quarters of total fare revenue in this area. TravelPasses accounted for around 17 per cent of fare revenue, and most of the passengers who purchased these tickets bought a three mode (rail, bus and ferry) TravelPass rather than a two mode (bus and ferry) TravelPass.

In the outer metropolitan areas, single/return fares made up almost half of all fare revenue. Newcastle time-based tickets were also a significant contributor to fare revenue, and accounted for around 25 per cent of total fare revenue in the outer metropolitan regions. Pensioner Excursion Tickets also accounted for a significantly higher proportion of fare revenue in the outer metropolitan areas than in the Sydney metropolitan area.

Table 4.2 shows the breakdown of bus farebox revenue by ticket types for 2007/08.

Table 4.2 Fare revenue by ticket type – 2007/08

Ticket type	Sydney metropolitan area	Outer metropolitan areas
Single/Return Fares ^a	43.1%	49.2%
TravelTen / Weekly Stored Value	30.8%	0.4%
TravelPass (Rail / Bus / Ferry)	12.0%	-
TravelPass (Bus / Ferry)	4.9%	-
PET (except Newcastle)	8.3%	16.3%
Other	1.0%	1.3%
Newcastle Time-Based	-	24.5%
Newcastle TravelPasses	-	0.1%
Newcastle PET	-	8.3%
Total	100%	100%

^a Return bus fares are available on selected bus routes only.

Note: Columns may not add due to rounding.

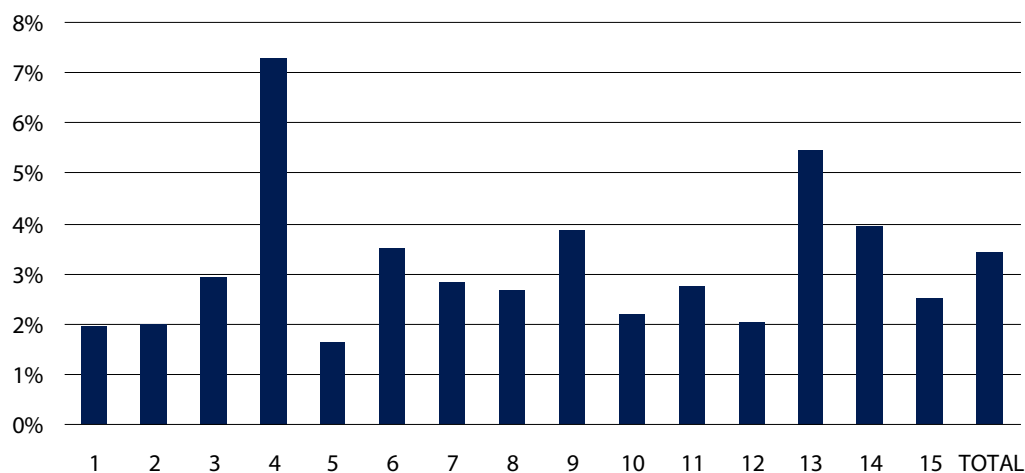
Source: Ministry of Transport supporting information.

4.2 Actual increases in patronage in the past year

The Ministry of Transport submitted that over the past 12 months, patronage increased by an average of almost 3 per cent across the Sydney metropolitan regions and 2 per cent in the outer metropolitan regions.

The Ministry also submitted patronage growth figures for each contract region over the past year. However, it later advised IPART that the figures for some metropolitan regions contained errors. The Ministry's submission also noted that data integrity issues in region 6 (Sydney Buses southern region) meant that passenger boarding data for 2007/08 is not available for that region. The Ministry estimated that patronage in region 6 probably grew between 3 and 4 per cent (based on growth in similar regions and increases in farebox revenue collected).

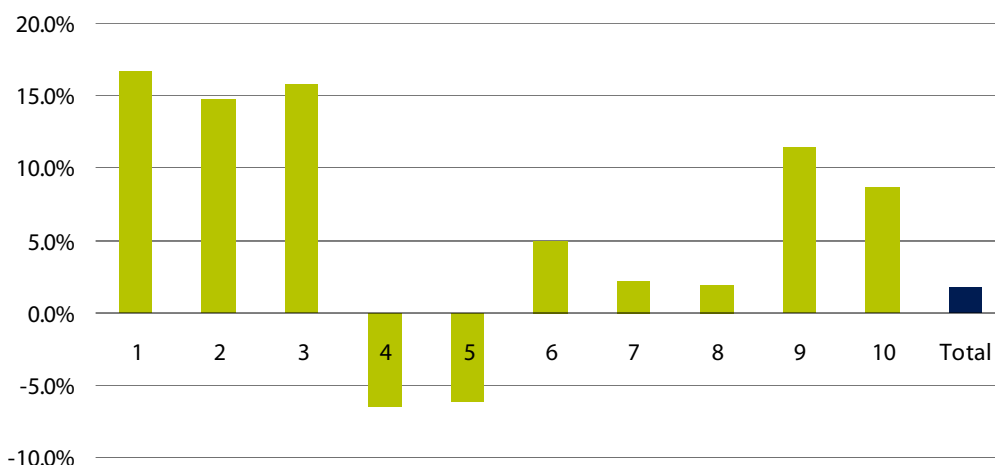
Supporting data provided by the Ministry of Transport indicates that patronage in the Sydney metropolitan area grew by 3.4 per cent over the past year, assuming a 3.5 per cent patronage increase in region 6. This figure is consistent with the recent increases in CityRail patronage. Figure 4.2 shows the patronage change in each of the metropolitan contract regions.

Figure 4.2 Patronage change in metropolitan regions – 2006/07 to 2007/08

Note: Patronage for region 6 has been amended based on the estimate in the Ministry of Transport's fare proposal.

Data source: Ministry of Transport submission and supporting data.

The available outer metropolitan patronage data provided by the Ministry gives patronage changes in line with the Ministry's fare proposal. Figure 4.3 shows the patronage change in each of the outer metropolitan contract regions. Note that full year data is not available for 2006/07 in outer metropolitan regions as the new bus system contracts were entered into progressively during that year.

Figure 4.3 Patronage change in outer metropolitan regions – 2006/07 to 2007/08

Note: Where only part year data was available for 2006/07 it was compared with data for the same period in 2007/08. The total compares data for the final six months of 2006/07 with the final six months of 2007/08.

Data source: Ministry of Transport supporting information (outer metropolitan contract region KPI data).

4.3 Forecast patronage growth for the next 12 months

In its submission, the Ministry of Transport forecast a 2.25 per cent increase in patronage in the Sydney metropolitan area and a 2 per cent increase in patronage in outer metropolitan areas. The Ministry noted that these forecasts are broadly based on patronage growth over the past 12 months.

Stakeholders argued that IPART's fare determinations should encourage increased use of public transport, and IPART should determine changes in bus fares for the next 12 months with this in mind.⁸ One of the assumptions underlying this view is that higher fares will lead to lower patronage, and lower (or even free) fares will increase patronage significantly.

There is no doubt that the level of fares is one contributor to the level of patronage for bus services. However, previous analysis undertaken for IPART found that the bus patronage is relatively insensitive to changes in fares. In particular, this analysis estimated that the price elasticity of demand for bus travel was around -0.38.⁹ This suggests that a one per cent increase in fares would reduce patronage by 0.38 per cent, other things being equal.¹⁰

In addition, the level of fares is not the only determinant of bus usage. Other important factors include household incomes, population, location of employment, service quality, and the price of alternative means of transport. The available experience on providing free bus services supports the view that these non-fare factors are important, and may even outweigh the effect of fares. For example, despite the introduction of a fare free zone in the Newcastle CBD a couple of years ago, stakeholder submissions to IPART's bus fare reviews continue to point out that many buses travel through the Newcastle CBD with few, if any, passengers.¹¹

As bus patronage is relatively price inelastic, IPART considers that modest fare increases are unlikely to have a significant impact on the level of bus patronage, particularly in an environment of increasing traffic congestion, increasing rail fares, high fuel costs, increased tolls and CBD parking costs.

⁸ S Wishart submission, September 2008, G Carrard submission October 2008.

⁹ IPART, *Estimation of Public Transport Fare Elasticities in the Sydney Region*, October 1996.

¹⁰ The price elasticity of demand indicates how sensitive bus users are to a change in the fare. It measures the percentage change in patronage as a result of a one per cent change in the fare.

¹¹ R Banyard submission, October 2008, p 7.

5 Service quality

IPART is required to consider standards of quality, reliability and safety of bus services when making its fare determination. However, it is important to note that service standards – that is, the quantity and quality of bus service – are regulated by the Ministry of Transport under the bus contracts.

For this review, IPART examined the available measures of service quality, as well as changes in patronage as an indicator of service quality, and submission comments. IPART found little evidence to conclude that service performance has improved in the year 2007/08.

5.1 Available measures of service quality

The quality of service each bus operator is required to provide is specified in its service contract with the Ministry of Transport. This means the incentives for maintaining or improving service quality are not affected by IPART's fare determination.

The bus service contracts require bus operators to provide a substantial amount of information to the Ministry of Transport. However, operators have not provided all the required information for the 2007/08 financial year. The Ministry has stated that it does not publish this information because currently the information is self-reported and a robust method of collecting the information is not available.¹² However, at IPART's public hearing, the Ministry did indicate that it was investigating how it could improve the quality of the information provided in the future.

The lack of reliable information has prevented IPART undertaking a comprehensive analysis of the quality of bus services provided over the past year. It also means transparent information on the quality of these services is not available to passengers and other stakeholders.

IPART considers transparent information is central to accountability and a foundation of good regulation. An effective service contract should provide for full transparency in relation to the quantity and quality of service bus operators provide, and any service targets they are required to meet. This will ensure that bus

¹² IPART, *Public hearing into fares for buses across NSW, private ferries and Newcastle ferry services*, Transcript, pp 10-11, November 2008.

passengers and taxpayers know the level of performance they should expect under the bus contracts, and allow them to form a view of the adequacy of operators' performance and any trends in this performance. IPART acknowledges the Ministry of Transport's willingness to address this issue. However, it stresses the importance of resolving the identified problems quickly and satisfactorily, so reliable information can be made available to all stakeholders in future years.

In the 2007 review of bus fares, IPART noted it was concerned that measures of full buses in particular were not available for Sydney Buses. Inaccessibility of services due to full buses is of concern to bus passengers.¹³ IPART considers that the full buses measure is an important piece of service quality data for bus passengers who travel in peak periods, particularly those in the high patronage regions around the Sydney CBD. IPART again urges the Ministry of Transport to ensure that this data is reported by all operators in future years.

IPART notes that from 2008/09, the Independent Transport Safety and Reliability Regulator (ITSRR) will be conducting an annual bus customer satisfaction survey. IPART considers this a positive development as it will provide independent information on bus user experiences, which is useful in analysing changes in service performance.

Submissions to the review were critical of the level of information on service quality provided by the Ministry in its fare proposal. In particular, a number of stakeholders agreed with the concern IPART expressed in its 2007 report, that the Ministry has not provided information on the number of full buses.¹⁴ Action for Public Transport and The Council of Social Services in NSW also noted that this information is readily available for Brisbane bus operations.

Action for Public Transport also raised concern that the performance requirements of operators with regard to on-time running are too lax. It notes that if 95 per cent of buses leave their origin on time this allows for 375,000 services which do not commence on time and if 20 per cent of buses are late halfway through the journey, this results in 1.5 million bus services running late.¹⁵

5.2 Changes in service quality over 2007/08

IPART analysed available information on increases in patronage and bus operators' performance against the key performance indicators (KPIs) specified in the bus service contracts for 2007/08. It also examined customer feedback data from the 131 500 infoline for 2007/08. In addition, where possible, IPART has compared this information to comparable data for previous years. However, information on a number of KPIs was not available for all regions.

¹³ Action for Public Transport submission, September 2008.

¹⁴ Action for Public Transport submission, 20 September 2008; NCOSS submission, 29 September 2008; R Thomson submission, 3 October 2008.

¹⁵ Action for Public Transport submission, September 2008, p 3.

5.2.1 Increases in patronage

As Chapter 4 discussed, IPART estimates that bus patronage in the metropolitan bus regions grew by around 3.4 per cent in 2007/08 compared to the previous 12 months. The Ministry of Transport largely attributes patronage growth to service improvements and gains from the introduction of integrated networks.

In its submission, the Ministry noted several specific examples of increased patronage due to investments in service quality. In particular, it claimed that:

- ▼ the 13.2 per cent increase in patronage in region 4 (the Hills district) is due to improvements on the M2 strategic bus corridor and the opening of the North-West T-Way
- ▼ the 6.6 per cent increase in patronage in region 14 is largely due to improvements in Route 270 which benefited from additional buses, including high-capacity articulated buses, and limited stop services
- ▼ the 8.5 per cent increase in patronage in region 13 is partly due to the implementation of an integrated network plan as the new routes mature.

The Ministry also noted that patronage is likely to continue to grow due to factors such as higher petrol prices and greater awareness of the environmental impacts of private car use. IPART considers it likely that at least part of the increase in patronage in 2007/08 was due to these factors, rather than exclusively from service improvements, particularly given that on-time running and customer feedback information do not suggest there was a significant improvement in service quality (see section 5.2.3 below).

5.2.2 Key performance indicators

In general, bus operators provided information for more of the KPIs in their service contracts in 2007/08 than they did last year. However, as the information provided in each year is slightly different, direct comparison of their performance against some of these KPIs is difficult. IPART considers it particularly important that the information provided from year to year be consistent so a time series can be constructed. This will allow for an analysis of trends in service quality over time. In addition, information against only a few KPIs was provided by all bus operators in the 15 bus contract regions.

Table 5.1 below summarises the information available in 2006/07 and 2007/08.

Table 5.1 KPIs for which information was provided in 2006/07 and 2007/08

2006/07	2007/08
	Accessible bus timetabled but not operated
Bus full	Bus full
Cancelled/missed	Cancelled
Early/late	Early
	Late
	Incomplete
	Late due to rail connection
Trips	Scheduled services
	Timetabled accessible

Note: The KPIs for which information was provided for all 15 bus contract regions are, early/late and trips (for 2006/07), and late and scheduled services (for 2007/08).

When considered on a region-by-region basis, the available KPI information suggests that service quality varies significantly between regions, particularly with regard to accessibility for less mobile passengers. Table 5.2 below summarises the range of service outcomes across regions for selected KPIs. Definitions of the KPIs are included in the Glossary attached to this report.

Table 5.2 Service outcomes across regions for selected KPIs

	Minimum	Maximum	Median
Number of trips (000's)	45.1	1,654.9	374.5
Service kilometres (million km)	0.5	19.1	4.5
Timetabled accessible/number of trips (%)	2.3	29.8	12.9
Cancelled trips/ number of trips (%)	0.00	0.47	0.02
Incomplete routes/ number of trips (%)	0.001	1.137	0.009
Late buses/ number of trips (%)	0.1	1.5	0.3

Source: Ministry of Transport.

On-time running

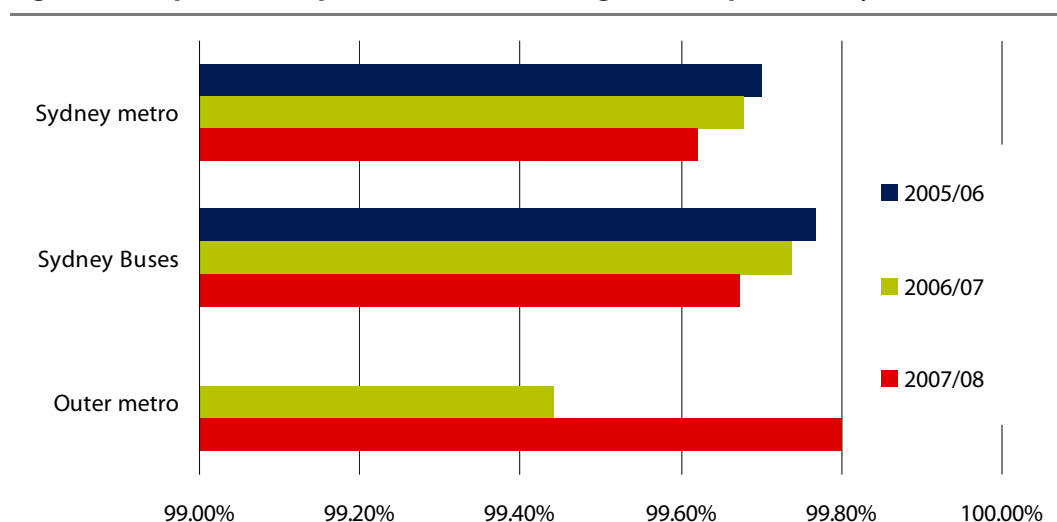
Measures of on-time running are largely limited to recording whether the bus leaves the depot on time. IPART has previously noted that this is not a good indicator of the bus network's actual on-time running performance or the level of service actually experienced by passengers.¹⁶ IPART considers that the inadequacy of this measure makes it difficult to form a meaningful judgement of the change in on-time running performance. The Ministry of Transport has advised that it is commencing a survey process in order to obtain more robust data on on-time running.

¹⁶ IPART, *Review of Fares for metropolitan and outer metropolitan bus services from 2 January 2008*, December 2007.

In 2007/08, the number of services running on time decreased slightly as a proportion of total services across all regions as a whole, and across the regions served by Sydney Buses in particular (which account for most of bus patronage).¹⁷ This is the second consecutive year in which on-time running performance has experienced a slight deterioration. However, the proportion of late services was still very small relative to the total number of services – over 99 per cent of services were reported to have left the depot on time, comfortably above the Ministry of Transport’s target of 95 per cent across the network.

Figure 5.1 summarises operators’ reported ‘on-time running’ performance for metropolitan (both total and Sydney Buses only) and outer metropolitan bus services. Prior to 2007/08, on-time running included early and late buses. For this reason, the 2007/08 figures reported separately for early and late services have been aggregated.

Figure 5.1 Operators’ reported on-time running over the past three years

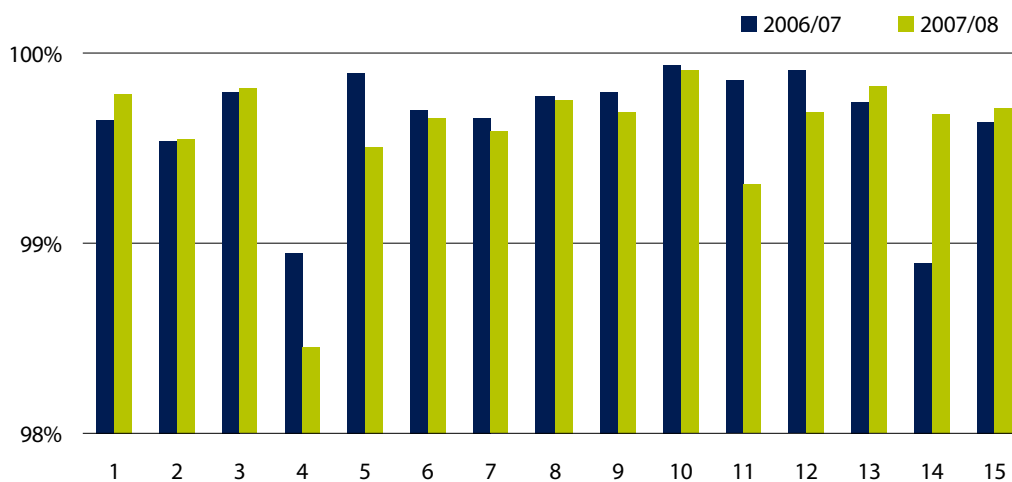


Note: 2005/06 data is incomplete for metropolitan regions 1,3 and 4, and is unavailable for outer metropolitan regions. Outer metropolitan figures for 2006/07 are only for the time periods Jan-Jun as contracts were signed during that year.

Data source: Ministry of Transport.

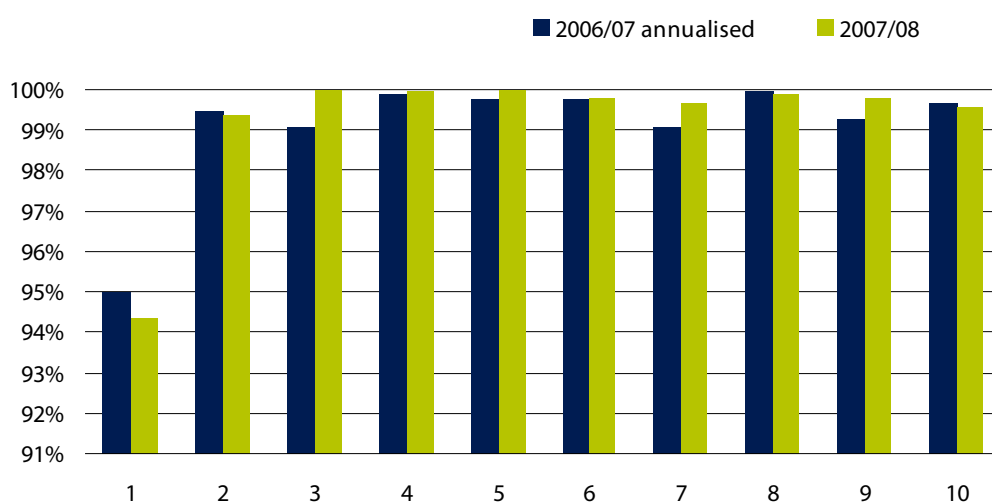
The variation in on-time running performance across the Sydney metropolitan area ranges from 0.1 per cent of buses late in region 10, to 1.5 per cent of buses late in region 4. All Sydney metropolitan regions met the Ministry of Transport’s target of 95 per cent of buses leaving the depot on time. There is significant variation across different contract regions. Figures 5.2 and 5.3 show the proportion of total trips running on time by region.

¹⁷ The on-time running figures include early as well as late buses, however the number of early buses are very small when compared with late buses.

Figure 5.2 On-time running in Sydney metropolitan contract regions

Note: Includes early buses for regions 1-3, 5, 12 and 14. See Appendix C for a map of the contract regions.

Data source: Ministry of Transport.

Figure 5.3 Reported on-time running in outer metropolitan contract regions

Note: 2006/07 figures have been annualised as only part year data was available for some regions. See Appendix C for a map of the contract regions.

Data source: Ministry of Transport.

Wheelchair accessibility

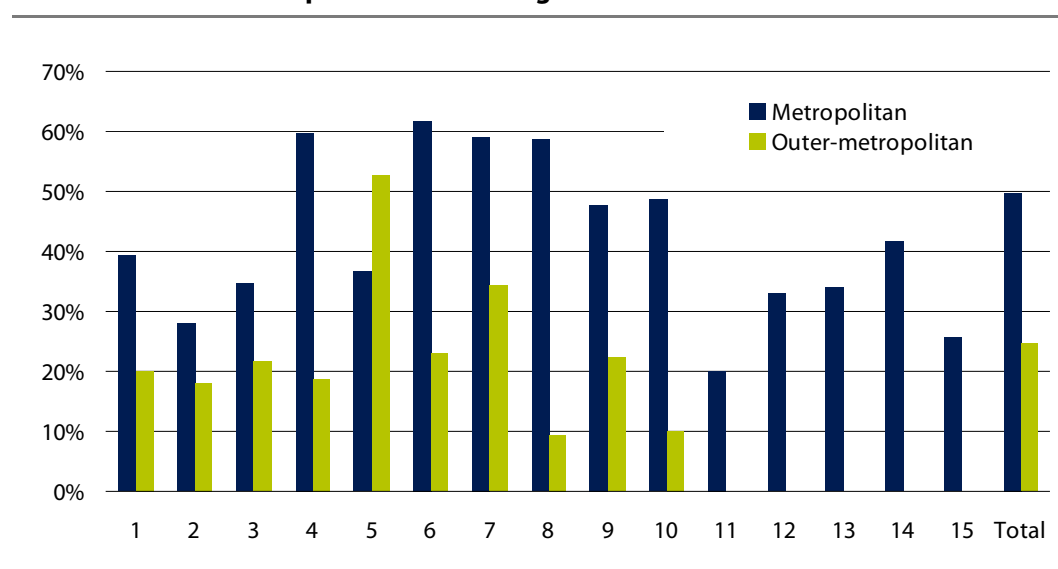
In its submission, the Ministry of Transport stated that 25 per cent of the total metropolitan and outer metropolitan services are timetabled as wheelchair accessible, in line with the Commonwealth's *Disability Discrimination Act 1992* and associated transport standards.¹⁸

¹⁸ Ministry of Transport fare proposal, August 2008.

Supporting data on wheelchair accessible services is only available for the Sydney metropolitan area. During 2007/08, only four of the 15 metropolitan contract regions reported timetabled wheelchair accessible services for at least 25 per cent of services, with one region's data indicating that only 2.3 per cent of its services were timetabled as wheelchair accessible. No data was available for two of the 15 metropolitan contract regions. The Ministry of Transport has advised that this operator reported data is unreliable and under-represents the actual proportion of services that are wheelchair accessible. The Ministry has introduced new reporting arrangements in order to address the gaps and inconsistencies in this data, which should make reliable data available in future years.

The Ministry of Transport has provided other supporting data showing that 44 per cent of the bus fleet across the metropolitan and outer metropolitan contract regions is wheelchair accessible. The Ministry considers that there would be a strong correlation between the number of accessible buses in service and the percentage of the services that are accessible. The proportion of the bus fleet in each contract region that is wheelchair accessible is shown in Figure 5.4.

Figure 5.4 Proportion of bus fleet that is wheelchair accessible by metropolitan and outer metropolitan contract region – 2007/08



Note: See Appendix C for a map of the contract regions.

Data source: Ministry of Transport.

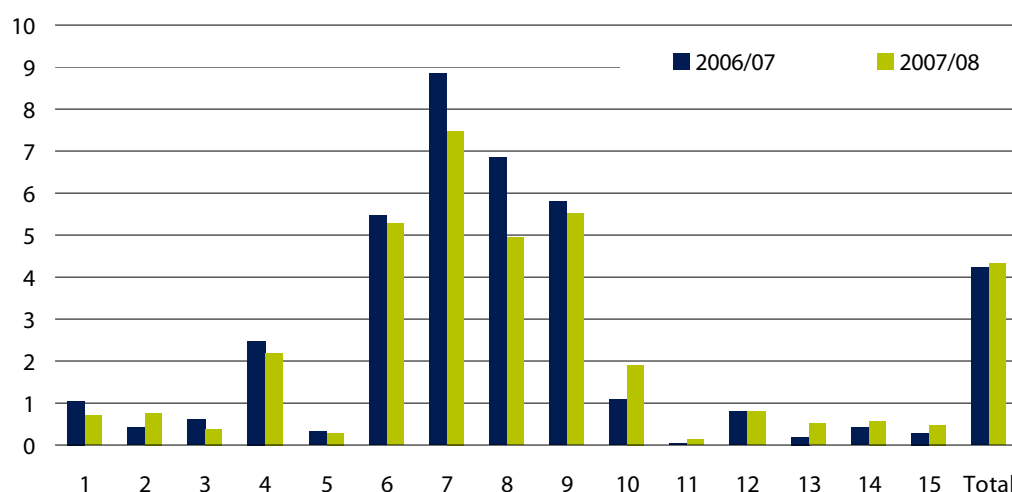
5.2.3 Customer feedback

The Ministry of Transport noted in its fare proposal that recorded items of customer feedback increased by 5 per cent in 2007/08 compared to the previous year. This was due to an increase in passenger trips as well as improvements to the 131 500 number which has made recording feedback easier. The rate of calls, measured as calls per 100,000 passengers, increased by 2 per cent over the year.

The increase in feedback includes both complaints and compliments. In the 2007 review, complaints and compliments data were received together as a single feedback item. However, for 2007/08 these data are separated. For 2007/08, 93 per cent of all feedback was complaints.

Regions 6 to 9 are the four largest regions by patronage, followed by region 4. This is evident in the volume of feedback received for these regions. Figure 5.5 summarises the change in the volume of feedback received for each metropolitan bus service region in 2006/07 and 2007/08. The difference in feedback between the two years varied greatly between regions, suggesting that service performance for the year differed between regions. However, in some instances the number of feedback calls received was extremely low and as a result, the feedback data may not be a good indicator of service quality.

Figure 5.5 Number of customers giving feedback (positive and negative) for Sydney metropolitan contract regions per thousand trips



Note: See Appendix C for a map of the contract regions.

Data source: Ministry of Transport.

Passengers of both Sydney Buses and private buses raised the following main areas of concern through the customer feedback process:

- ▼ bus was late
- ▼ bus failed to stop
- ▼ staff were rude
- ▼ bus was early.

These results suggest that poor performance in terms of bus reliability and on-time running remains an issue for at least some passengers. Given that all regions currently meet the Ministry of Transport's targets for on-time running, this suggests

that the current targets may not be set or measured in line with passenger expectations.

Submissions received by IPART are fairly consistent with the customer feedback reported above. Submissions indicated dissatisfaction with the following:

- ▼ buses are regularly late, or fail to arrive at all¹⁹
- ▼ buses are often full, particularly during the morning commute²⁰
- ▼ the Government has not responded to increased patronage by increasing the number of services²¹
- ▼ there is a lack of consultation on the design of bus routes.²²

However, the Blue Mountains Commuter and Transport Users Associated submitted that in the Blue Mountains the following service improvements were delivered:²³

- ▼ improved accessibility and amenity
- ▼ an increased number of low floor buses
- ▼ better information through the distribution of timetables.

Submissions were critical of the level of service provided by the Newcastle Buses and Ferries. In particular, submissions mentioned the low frequency of services and poor integration of buses with other modes of transport.²⁴ One submission also criticised the current status of the Ministry of Transport's review of bus services in Newcastle, which was referred to during IPART's 2007 public hearing. This issue was addressed again by the Ministry of Transport in the 2008 public hearing, where IPART was advised that the delays in the review were intended to avoid confusion during student examination periods.²⁵

5.2.4 Other service quality measures

The Ministry of Transport discussed improvements in service quality as part of its fare proposal. The key points raised by the Ministry of Transport include:

- ▼ the introduction of prepay-only services
- ▼ fare-based service improvements.

¹⁹ C Chessor submission, September 2008; S Tetu submission, September 2008; R Thomson submission, October 2008; A Formby submission, October 2008.

²⁰ S Tetu submission, September 2008.

²¹ Confidential submission.

²² Western Sydney Community Forum submission, October 2008.

²³ Blue Mountains Commuter and Transport Users Association submission, October 2008.

²⁴ Lower Hunter Councils Transport Group submission October 2008; R Banyard submission, October 2008.

²⁵ IPART, *Public hearing into fares for buses across NSW, private ferries and Newcastle ferry services*, Transcript, p 6, November 2008.

The Ministry of Transport has continued implementing prepay-only services on selected Sydney Buses' routes and has also commenced prepay-only bus stops at specific times on weekdays. It argued that this has reduced dwell times and has assisted reliability by maintaining running times in an environment of increased traffic congestion.

The Ministry of Transport also noted that fare harmonisation in outer metropolitan bus regions and the discounted weekly product for private bus users in metropolitan Sydney represent improvements in service quality.

Despite the investment in new buses, one submission was critical of the age of the bus fleet, particularly in outer metropolitan areas.²⁶ The Western Sydney Community Forum also mentioned the need for greater provision of bus user amenities. Specifically, it noted the lack of toilet facilities for bus users at the Parramatta and Liverpool bus terminals.²⁷

²⁶ A Portnoy submission, September 2008.

²⁷ Western Sydney Community Forum submission, October 2008, p 1.

6 Fares for 2009

Since IPART's 2007 determination, single bus fares across all metropolitan and outer metropolitan regions except Newcastle have been harmonised. This means passengers purchasing a single bus ticket on any regular passenger bus service in the Sydney metropolitan or outer metropolitan areas (except Newcastle) pay the same fare for the same distance of travel.

The section below provides an overview of IPART's decisions on the appropriate increase in fares for 2009, and the resulting fares for:

- ▼ Single trip tickets in all regions except Newcastle.
- ▼ Multi-trip tickets in all regions except Newcastle.
- ▼ TravelPasses in all regions except Newcastle.
- ▼ Bus tickets in Newcastle.

The subsequent sections discuss these decisions in more detail.

6.1 Overview of IPART's decisions on bus fares from 4 January 2009

Because the Ministry of Transport's forecast increase in its payment costs for the coming year include several cost components that are difficult to project with any accuracy, IPART decided that a fare increase in line with the actual change in payment costs over the past year is appropriate. As Chapter 3 discussed:

- ▼ the Ministry's actual contract payment costs increased by 5.2 per cent
- ▼ contract payment costs less farebox revenue increased by 4.8 per cent
- ▼ contract payment costs less farebox and other revenue in the Sydney metropolitan area only increased by 5 per cent
- ▼ the Bus Industry Cost Index (BICI) increased by 5.6 per cent, excluding the additional costs of the new rural and regional bus contracting regime. Although the BICI has been developed to measure the change in the cost of providing rural and regional bus services, it provides an indication of the increase in the cost of providing bus services generally.

After considering the Ministry of Transport's fare proposal, stakeholder comments and other information, IPART has determined a weighted average fare increase of 5.5 per cent for the Sydney metropolitan and outer metropolitan contract regions,

after rounding.²⁸ The increase in fares reflects the increase in the cost of providing the bus services for the 12 months to June 2008 (which ranged from 4.8 per cent to 5.6 per cent depending how it is measured). IPART expects that the fare increase it has determined will maintain the current allocation of the costs of providing bus services between taxpayers and passengers. IPART does not expect the fare increase to have a significant effect on the use of bus services or the environmental benefits that bus services provide.

IPART determined that the maximum price for individual tickets will change as follows:

- ▼ **Single trip tickets** will increase by 5.5 per cent before rounding. After rounding, this will mean the price of a single ticket will increase by between 10 cents and 30 cents, depending on the length of the trip.
- ▼ **TravelTen tickets** will continue to be priced based on the cost of 10 single tickets less a 20 per cent discount. This will mean for the price of Blue TravelTens will increase by 80 cents; Brown, Red and Green TravelTens will increase by \$1.60; and Orange TravelTens will increase by \$2.40.
- ▼ **T-Way 10s** (10 bus trips on the Liverpool to Parramatta Transitway) will transition towards a price based on 10 single T-Way tickets minus a 20 per cent discount over time. For most T-Way 10s this will mean no fare change this year (as the current level of discount for these tickets is less than 20 per cent). However, the price for a 3-5 section ticket will increase by 10 cents.
- ▼ **Weekly TravelPasses** will increase by up to \$3.00. Blue and 2-Zone TravelPasses will increase by \$2.00, and Orange and Pittwater TravelPasses will increase by \$3.00.
- ▼ **Time-based bus fares in Newcastle** will increase by 5.5 per cent before rounding. After rounding this will mean price increases of between 20 cents and 30 cents for a single ticket (depending on the length of time the ticket applies) and \$1.40 for a TimeTen.
- ▼ **The Orange weekly bus/ferry TravelPass in Newcastle** will be reduced by \$5.00 to better reflect the level of service provided compared with Sydney TravelPasses.

Most of these decisions are consistent with the individual fare changes proposed by the Ministry of Transport.

6.2 Single trip tickets, Bus Tripper, Sports Special and School term pass

IPART decided that single trip bus tickets should increase by 5.5 per cent, before rounding. This decision is consistent with the Ministry of Transport's proposal for these tickets. IPART also decided to apply a 5.5 per cent increase to the price of Bus Tripper tickets, Sports Special tickets and School term passes. Tables 6.1 and 6.2

²⁸ Based on a revenue weighted average.

show the maximum prices for these fares from 4 January 2009, and the change since the previous year.

Table 6.1 Single fares from January 2009

	Price	Increase (\$)	Increase (%)
Sections	Adult	Adult	Adult
1 to 2	\$1.90	0.10	5.6
3 to 5	\$3.20	0.20	6.7
6 to 9	\$4.20	0.20	5.0
10 to 15	\$5.00	0.20	4.2
16+	\$6.10	0.30	5.2

Table 6.2 Prices for Bus Tripper, Sports Special and the School term pass from January 2009

	Price	Increase (\$)	Increase (%)
Sections	Adult	Adult	Adult
Bus Tripper	\$12.70	0.60	5.0
Sports special	\$5.60	0.20	3.7
School term pass	N/A	N/A	N/A

6.3 TravelTens, T-WayTens and private bus weekly tickets

IPART decided to continue to price TravelTens based on the price of 10 single tickets less a 20 per cent discount, consistent with the Ministry's proposal.

The Ministry also proposed that T-WayTens be priced according to the price of 10 single tickets less a 20 per cent discount. As the current discount for most T-WayTens is 15 per cent, this would have resulted in small fare reductions for most of these tickets, and a small increase for the 3-5 section ticket. Although IPART agrees with the Ministry's proposed price structure in principle, it considers the most appropriate way to achieve this is to transition T-WayTen ticket prices to this structure over time.

Therefore, IPART decided to maintain the price of T-WayTen tickets currently discounted by less than 20 per cent of the price of 10 single tickets at the current level. It also decided to change the price of the 3-5 section ticket so it is consistent with a 20 per cent discount. This resulted in a price increase of 10 cents for this ticket.

Tables 6.3 and 6.4 show the prices of TravelTens and T-WayTens from 4 January 2009, and the price change since the previous year.

Table 6.3 TravelTen fares from January 2009

Sections	Price	Increase (\$)	Increase (%)
1 to 2	\$15.20	0.80	5.6
3 to 5	\$25.60	1.60	6.7
6 to 9	\$33.60	1.60	5.0
10 to 15	\$40.00	1.60	4.2
16+	\$48.80	2.40	5.2

Table 6.4 T-WayTen fares from January 2009

Sections	Fare	Increase (\$)	Increase (%)
1 to 2	\$15.30	-	0.0
3 to 5	\$25.60	0.10	0.4
6 to 9	\$34.00	-	0.0
10 to 15	\$40.80	-	0.0
16+	\$49.30	-	0.0

Table 6.5 T-Way Bus Plus weekly fares from January 2009

Sections	Price	Increase (\$)	Increase (%)
1 to 2	\$14.40	0.80	5.9
3 to 5	\$26.70	1.40	5.5
6 to 9	\$38.00	1.90	5.3
10 to 15	\$54.60	2.80	5.4
16+	\$69.30	3.60	5.5

Table 6.6 T-Way weekly fares from January 2009

Zones	Price	Increase (\$)	Increase (%)
North	\$38.00	1.90	5.3
South	\$38.00	1.90	5.3
North + South	\$69.30	3.60	5.5

Table 6.7 Private bus weekly fares from January 2009

Sections	Price	Increase (\$)	Increase (\$)
1 to 2	\$15.20	-	-
3 to 5	\$25.60	-	-
6 to 9	\$33.60	-	-
10 to 15	\$40.00	-	-
16+	\$48.80	-	-

Note: This is a new ticket. Where currently offered it is done directly by agreement between the Ministry of Transport and the bus operator. These arrangements will be replaced once the ticket is included in the determination.

6.4 TravelPasses

The Ministry of Transport proposed that TravelPass weekly tickets increase by between \$2 and \$6. For one- and two-mode weekly tickets (ie, those without a rail component) this would mean an increase of between 6 per cent and 19 per cent. However, IPART decided that more modest increases were appropriate.

After considering the analysis underlying the Ministry's proposed increases to TravelPass weekly tickets, IPART decided to retain approximately the same relativity between one-mode, two-mode and three-mode TravelPasses as currently exists.

Table 6.8 Fares for one- and two-mode weekly TravelPasses from January 2009

TravelPass	Price	Increase (\$)	Increase (%)
Blue	\$34.00	2.00	6.3
Orange	\$43.00	3.00	7.5
Pittwater	\$58.00	3.00	5.5
2-Zone	\$34.00	2.00	6.3

The TravelPass is a ticket that allows unlimited travel within modes and across modes for a specified period (weekly/quarterly/yearly). TravelPass options include:

- ▼ Three-mode TravelPasses, which have five fare levels (Red, Green, Yellow, Pink Purple) relating to concentric rail zones, and can be used on rail, buses and ferries. The red TravelPass (the cheapest three-mode TravelPass) cannot be used on longer ferry journeys (Manly, Rydalmere, Parramatta) and has restricted bus zones.
- ▼ Two-mode TravelPasses, which have three fare levels (Blue, Orange, Pittwater) and can be used for unlimited bus and ferry journeys in their specified zones.
- ▼ 2-zone bus-only TravelPass (one-mode), which can be used by bus passengers who cross more than one bus zone. These are primarily used by bus passengers who need to change buses, or undertake long bus trips. They cannot be used to enter the City zone.

6.4.1 Three-mode TravelPasses

IPART determined the price of three-mode TravelPasses as part of its 2009 CityRail fare determination. In doing so, IPART examined the level of discount embedded in the price of these tickets relative to other ticket types. It found that this level exceeds the level of frequency discounts included in distance-based train and bus weekly tickets for journeys of a similar distance. In addition, as TravelPasses offer unlimited travel during a specified period, some passengers can attain even greater discounts when they use the TravelPass for more than 10 trips.

To bring the frequency discount for TravelPasses more in line with that for other products, IPART considered the typical usage of three-mode TravelPasses. It assumed that most three-mode TravelPass users undertake 10 train journeys, 10 bus journeys and 0 ferry journeys per week. In line with these assumptions, it determined three-mode TravelPass fares so that, by the end of the four-year determination period, they will equal the price of the average rail weekly fare within the relevant zone, plus the price of a 1-2 section TravelTen bus ticket.²⁹ Both these products already have frequency discounts embedded in their price.

IPART did not include a 'flag-fall rebate' in setting three-mode TravelPass fares compared to the alternative single mode options, as suggested by some stakeholders. Such a rebate would not, in IPART's view, be cost reflective since some costs are involved in making a bus service available and do not depend on the distance travelled. Instead IPART has taken a conservative view of the usage assumptions underlying the TravelPass fares and discounts. IPART considers that the usage assumptions it made to set three-mode TravelPass prices, which were used as a benchmark for the one- and two-mode TravelPass prices, reflect a conservative view of the typical usage of these tickets. For example, passengers who travel further than the minimum bus journey of 1-2 sections, and passengers who use the TravelPass for ferry journeys will attain frequency discounts that are significantly higher (discounts of up to 65 per cent in 2012)³⁰ than the discounts on the corresponding weekly fares.

6.4.2 One- and two-mode TravelPasses

IPART considered the prices of one- and two-mode TravelPasses as part of its 2008 review of bus fares. The Ministry of Transport proposed increases to these prices of between \$2 and \$6, to move towards a consistent level of discount compared with purchasing alternative tickets for 'typical journeys' that the Ministry assumed are undertaken using a TravelPass (Table 6.9).

Table 6.9 Ministry of Transport's proposed increase to one- and two-mode TravelPasses

TravelPass	Current fare	Ministry proposed fare	Increase (\$)	Increase (%)
Blue	\$32.00	\$38.00	6.00	18.8
Orange	\$40.00	\$46.00	6.00	15.0
Pittwater	\$55.00	\$61.00	6.00	10.9
2-Zone	\$32.00	\$34.00	2.00	6.3

Note: 2-Zone is a bus only TravelPass. All other passes above are bus/ferry TravelPasses.

Source: Ministry of Transport fare proposal.

²⁹ IPART has used the fare set for TravelTens set out in this report for the weekly bus fare in 2009. For each year thereafter, IPART has assumed that bus fares will increase by 2.7 per cent.

³⁰ This figure has been calculated using the Ferry10 fare from Circular Quay to Parramatta, a 16+ TravelTen at a 20 km weekly rail ticket compared to the price of a green TravelPass.

However, IPART considered the proposed increases would significantly change the current relativities between the price of one- and two-mode TravelPass tickets and three-mode TravelPasses, and that this was inappropriate. It decided to retain roughly the same relativities between these TravelPass prices as currently, based on the assumption that the prices reflect the travel *offered* by each fare. That is, the three-mode ticket offers more travel than the two-mode ticket, and so should be priced accordingly.

IPART also considered an alternative approach, which is to price one- and two-mode TravelPasses based on assumptions about typical *usage* of these tickets, consistent with the approach it took to set the price of three-mode TravelPass tickets.³¹ As discussed in section 6.4.1 above, in setting the price of three-mode TravelPasses as part of its 2009 CityRail fare determination, IPART assumed that users of these tickets typically undertake 10 bus journeys and 10 train journeys per week. It then set prices in line with these assumptions.

If IPART used the same approach to set prices for two-mode TravelPasses, and accepted the Ministry of Transport's usage assumptions, the weekly price for these tickets would be equal to the price of a TravelTen bus ticket plus a FerryTen ticket. The Ministry assumed that most two-mode weekly TravelPass users make use of ferry services, because passengers who only use bus services have cheaper alternative ticket options. For example, if a bus-only passenger makes 10 journeys a week, Table 6.10 shows it would be cheaper for them to use:

- ▼ a bus TravelTen ticket, if they travel up to five sections (rather than the Blue TravelPass)
- ▼ a 2-zone bus-only TravelPass, if they travel more than five sections, cross only two zones and do not enter the City zone (rather than the Orange TravelPass)
- ▼ a bus TravelTen, if they travel up to 15 sections and cross more than two zones (rather than the Orange TravelPass), or
- ▼ a TravelTen if they travel more than 16 sections (rather than a Pittwater TravelPass).

For bus-only passengers who travel 6-9 sections, a TravelTen ticket would be the same price as a Blue TravelPass.

³¹ IPART, *Review of CityRail fares, Final report and determination*, December 2008, Chapter 13.

Table 6.10 Bus and ferry fares for 2008

Ticket	Fare (\$)
Two-mode TravelPasses:	
Blue TravelPass	32.00
Orange TravelPass	40.00
Pittwater TravelPass	55.00
Bus-only tickets:	
TravelTen 1-2 sections	14.40
TravelTen 3-5 sections	24.00
TravelTen 6-9 sections	32.00
TravelTen 10-15 sections	38.40
TravelTen 16+ sections	46.40
2-Zone TravelPass	32.00
Ferry-only tickets:	
Ferry 10 inner harbour	33.50
Ferry 10 Manly / Rydalmere	48.10

However, IPART considers that from a pricing perspective it would be inconsistent to assume that two-mode TravelPass holders use ferry services but three-mode TravelPass holders do not. This would also lead to unacceptable price outcomes. For example, if the price of two-mode TravelPasses were set in line with these assumptions, the resulting price would be higher than the price of a three-mode TravelPass for the same area. This is because both tickets would include the same bus fare component, but the two-mode ticket would include a ferry fare component rather than a train fare component, and ferry fares are significantly more expensive than train fares.

In addition while IPART recognises that the Ministry's proposal to base two-mode prices on usage is consistent with IPART's approach in setting three-mode prices, IPART is concerned that this approach would lead to the anomalous outcome of two-mode tickets being more expensive than three-mode tickets. For this reason, it decided for this determination to set prices for one- and two-mode tickets to keep current relativities between prices.

One individual wrote a detailed submission in response to the Ministry's TravelPass pricing proposal. He argued that the proposed prices suggest that only the three-mode TravelPass should be retained because:

... the future for the Blue and Orange TravelPass products looks questionable. In fact the Ministry's proposed fare increases already reduce the differential between these and the rail inclusive Red and Green TravelPass products from \$3 to \$1 (a difference of 3% or less) per week, so it is logical to complete this process. There is also a case for similarly absorbing the Pittwater TravelPass into the Purple TravelPass, as the price differential is also around 3%.³²

³² P Mills submission, p 3.

He also pointed out that the real discounts for bus and ferry combined use would remain very high, due to the ferry fares being relatively high compared with other modes.

If two-mode TravelPasses were discontinued, IPART considers the main losers would be passengers who use these tickets for bus-only travel. While the Ministry's proposal assumes that most two-mode TravelPass passengers also use ferry services, IPART considers there are many circumstances in which bus-only users might purchase the two-mode TravelPass in preference to a TravelTen. For example, the two-mode TravelPass would be a cheaper option for:

- ▼ Bus-only passengers (particularly those travelling more than 5 sections) who undertake more than 10 journeys in a week.
- ▼ Bus-only passengers who need more than one bus to reach their destination. For example, a person travelling from Pyrmont to the University of NSW on most days would need to buy a 1-2 section TravelTen to travel from Pyrmont to Central, and then a 3-5 section TravelTen to travel from Central to UNSW. Under the 2009 determination, this would cost \$40.80, which is more expensive than a weekly Blue TravelPass.

As IPART does not have access to data on the proportion of two-mode TravelPass passengers who only use bus services, it considers it should be cautious about discontinuing this ticket product. While the 2-zone bus-only TravelPass might be suitable for some of these passengers, this ticket is not currently valid for journeys into zone 1, which includes the Sydney CBD. If the 2-zone TravelPass was valid for all zones, it might be a suitable replacement for bus-only passengers currently using the two-mode TravelPass.

6.5 Bus tickets in Newcastle

As noted above, bus fares have been harmonised across all Sydney metropolitan and outer metropolitan areas, except Newcastle. This means that for all contract regions, except Newcastle, passengers pay the same fare for the same distance travelled (subject only to the availability of TravelPasses and other multi-trip tickets). Newcastle is the only contract region to have time-based bus fares.

In a submission to the review, a passenger of Newcastle Buses indicated that having different fares in Newcastle to those in the surrounding regions is confusing and unnecessary.³³ In principle, IPART agrees that as the bus services in the Newcastle region overlap there would be benefits in bringing fares in Newcastle into line with those that apply in the surrounding areas. However, because of the impact of such a change on bus users in Newcastle, it could only be implemented after a full public consultation process. Therefore IPART did not consider this issue as part of this review.

³³ R Banyard submission, October 2008, p 10.

The Ministry of Transport proposed that time-based fares in Newcastle be increased by 5.45 per cent, in line with its proposed increases in single fares in other contract regions. IPART accepted this proposal. Its decisions on prices for time-based fares are shown in Table 6.11 below.

Table 6.11 Newcastle time-based fares from January 2009

	Price	Increase (\$)	Increase (%)
Sections	Adult	Adult	Adult
1 Hour	\$3.20	0.20	6.7
4 Hours	\$6.20	0.30	5.1
TimeTen 1 Hour	\$26.10	1.40	5.7
All Day	\$9.50	0.50	5.6

The Ministry also proposed that weekly TravelPass fares be increased by between \$2.00 and \$3.00. However, IPART decided to make some changes to Newcastle's TravelPass tickets, so the zones in which these tickets can be used are more consistent with Sydney TravelPass zones, in terms of distance from the CBD.

Currently, the only two-mode (bus and ferry) TravelPass available in Newcastle is the Orange TravelPass. This weekly ticket is currently priced at \$1 less than the Sydney Orange TravelPass. However, IPART considers that the Newcastle Orange TravelPass offers significantly less travel than the Sydney Orange TravelPass because there is only one ferry service available in Newcastle (the Stockton ferry service). In addition, fares for this ferry service are significantly below those for ferry travel in Sydney. Given this, IPART considers the Newcastle two-mode TravelPass should be priced in line with the Sydney Blue TravelPass. As a result, the fare for a two-mode weekly TravelPass in Newcastle will decrease by \$5.00 or around 13 per cent from 4 January 2009 (Table 6.12).

Table 6.12 Two-mode Newcastle TravelPass fares from January 2009

TravelPass	Fare from 2009	Increase (\$)	Increase (%)
Newcastle Orange	\$34.00	-5.00	-12.8

In its 2009 determination on CityRail fares, IPART also decided to replace the Yellow and Pink TravelPasses in Newcastle with a Green TravelPass, for similar reasons. This will also result in a fare reduction for three-mode TravelPasses users in Newcastle from January 2009.

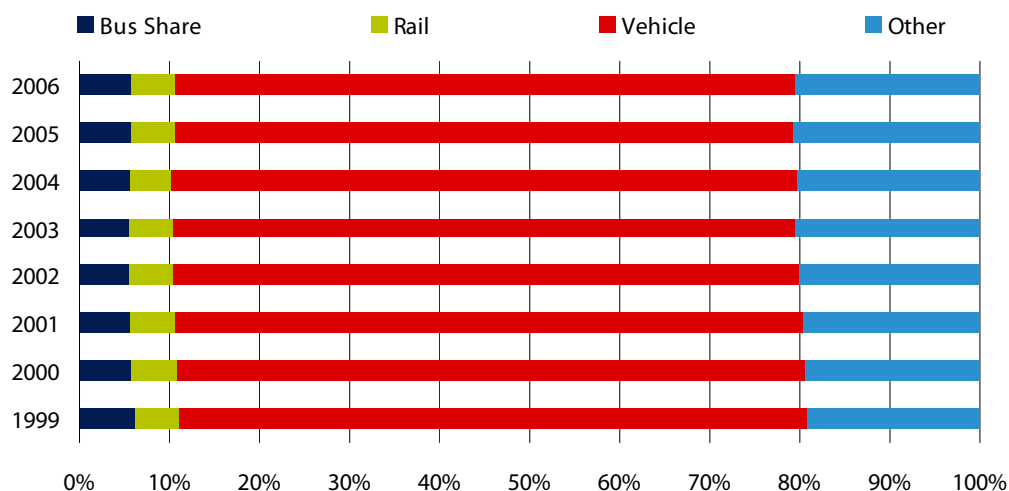
7 Social impact of the fare determination

In making its 2009 fare determination, IPART considered the impact of bus fare increases on the affordability of these fares, taking into account the income and employment profile of bus passengers, average weekly expenditure on fares, the availability of concession and off-peak fares, and the price of bus fares relative to other goods and comparable interstate services. IPART's analysis of how its fare determination will affect passengers is set out below.

7.1 Profile of passengers

IPART's bus fare determinations primarily affect regular users of bus services. Figure 7.1 shows that between 1999 and 2006, the share of bus trips as a percentage of total trips made in the Sydney Greater Metropolitan Region has remained stable at approximately 6 per cent. This is slightly larger than the percentage of trips made by rail, which is around 5 per cent. Over the same period, buses accounted for approximately 5 per cent of all kilometres travelled, while rail made up approximately 10 per cent of all kilometres travelled. Private vehicles remain by far the most popular mode of transport, accounting for 70 per cent of all trips, and 80 per cent of all kilometres travelled. However, the data show that buses remain an important mode of travel for many people, especially for shorter distance journeys.

Figure 7.1 Trips by mode of travel in Sydney Greater Metropolitan Region

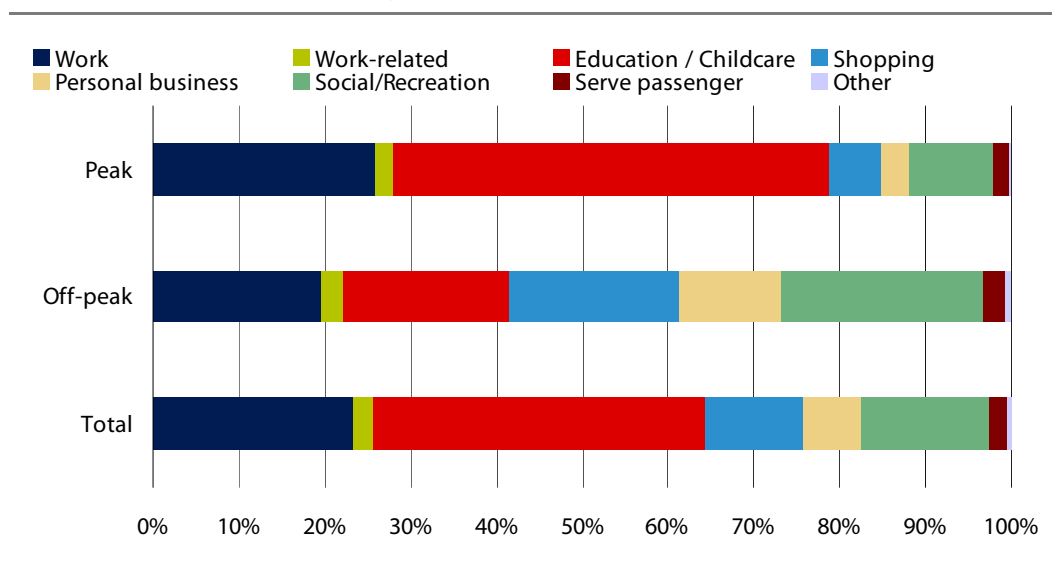


Data source: TDC, Household Travel Survey 2005.

7.1.1 Purpose of travel

Figure 7.2 shows that the reasons passengers use bus services are varied, particularly in the off-peak periods, when the purpose of bus travel is fairly equally distributed among work, education, shopping, personal business and social education. In peak periods, over 50 per cent of bus passengers travel for education purposes, while less than 30 per cent of travel for work or work-related purposes.

Figure 7.2 Purpose of travel by metropolitan bus passengers (2003-2005)



Note: Serve Passenger Trips are where the purpose is to drop-off, pick-up or accompany another person eg, man drops his children to school on the way to work, a young child “comes along for the ride” on a parent’s trip to the bank, a man takes an elderly parent to a medical appointment.

Data source: TDC, Household Travel Survey 2005.

7.1.2 Income profile of bus passengers

The Transport Data Centre’s (TDC’s) 2005 Household Travel Survey found that the median household income of bus passengers was \$75,205 per annum (\$2008/09), and the median personal income of bus passengers was \$9,975 per annum.

Table 7.1 Annual incomes of metropolitan bus passengers 2003-2005 (\$2008/09)

Percentile 20	Percentile 40	Percentile 60	Percentile 80	Mean	Median
<i>Household income</i>					
\$29,315	\$61,764	\$91,498	\$155,421	\$91,913	\$75,205
<i>Personal income</i>					
\$0	\$975	\$14,657	\$43,562	\$24,282	\$9,975 ^a

^a A significant proportion of bus users reported zero income, which results in a low median personal income. This is likely to reflect the fact that school students under the age of 15 were surveyed in the Household Travel Survey.

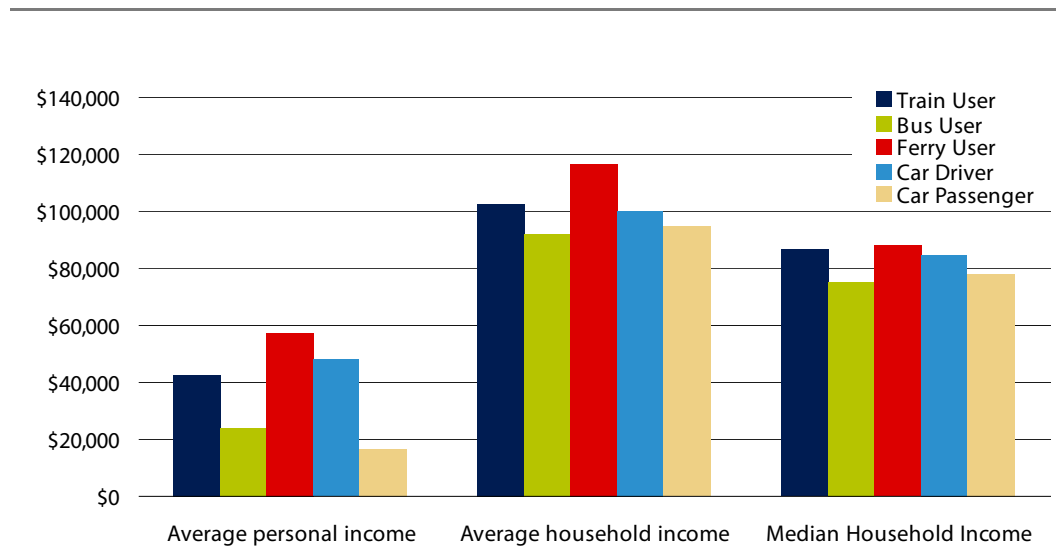
Source: TDC, Household Travel Survey 2005.

As a comparison, data from the Australian Bureau of Statistics' 2006 census indicate that the median annual household income in Sydney was \$65,580,³⁴ which is around \$10,000 less than the median income of bus passengers indicated by the Household Travel Survey. This difference may be due to differences in the survey methodologies, rather than indicating that households that use bus services have higher incomes than the general population. The TDC's findings are based on the household income of users per trip. Therefore if members of households with high incomes use bus services more frequently than households with low incomes it would lead the TDC to overstate the median (and average/mean) household income of bus passengers.

In addition, data from the 2006 census indicate that the median annual personal income in Sydney was \$29,437³⁵, which is almost \$20,000 more than the median personal income of bus passengers indicated by the Household Travel Survey. IPART notes that the survey found that more than 40 per cent of passengers have a yearly income less than \$1000. This is likely to reflect the fact that school students under the age of 15 were surveyed in the Household Travel Survey.

Further, the TDC's 2005 Household Travel Survey data indicate that bus passengers have lower annual household incomes than users of all other modes of transport in Sydney, and a lower personal income than all users of transport except car passengers (many car passengers are children, who have no personal income).

Figure 7.3 Average and median incomes by transport mode in the metropolitan region 2003-2005 (\$2008/09)



Source: TDC, Household Travel Survey 2005.

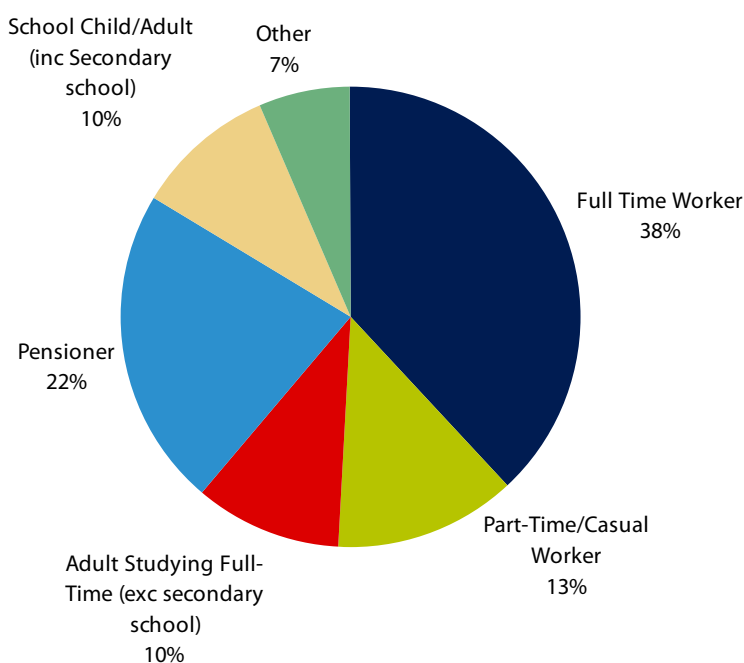
³⁴ In \$2008/09, based on the median weekly household income for the Sydney Statistical Division of \$1,261.

³⁵ In \$2008/09, based on the median weekly personal income for the Sydney Statistical Division of \$566.

Consistent with this, the 2005 Household Travel Survey found that less than 40 per cent of bus passengers are full-time workers, and 13 per cent are part-time or casual workers (Figure 7.4). A significant proportion of other passengers who use peak period bus services are likely to be eligible for concession fares or free travel, notably pensioners (22 per cent) and school children (10 per cent).

IPART notes that while 38 per cent of bus passengers are full time workers, only 23 per cent of bus passengers are travelling to work. This suggests that a significant proportion of bus journeys by full time workers represent discretionary travel.

Figure 7.4 Labour force status of metropolitan bus passengers 2003 -2005

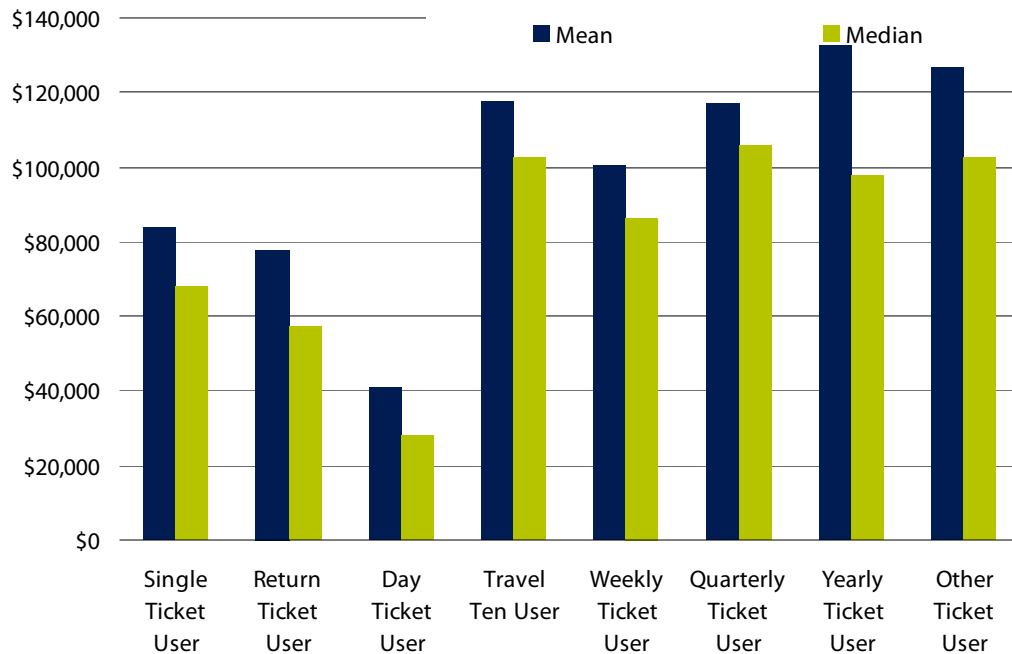


Source: TDC, Household Travel Survey 2005.

Periodical ticket users

The TDC 2005 Household Travel Survey show that users of multi-trip tickets (TravelTens) and periodical tickets (weekly, quarterly, and yearly TravelPasses) typically earn higher incomes than single ticket users (Figure 7.5). The survey data are likely to significantly understate the incomes for quarterly and yearly TravelPass users, as incomes of users of school passes are included in these categories. When school students are excluded from the data, full time workers are the exclusive purchasers of yearly TravelPasses, which carry considerably larger discounts than weekly TravelPasses. Full time workers also purchase more than 70 per cent of quarterly TravelPasses which are also discounted compared to the weekly TravelPass.

Figure 7.5 Average household income for metropolitan bus users by ticket type 2003 - 2005 (\$2008/09)



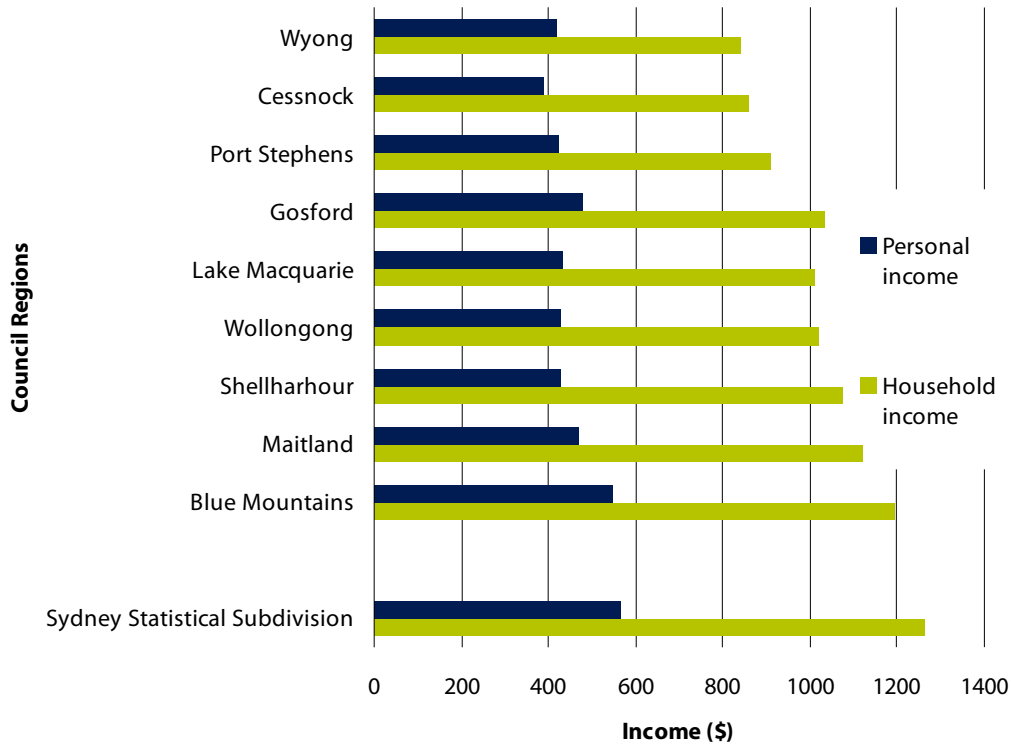
Note: 'Day Ticket user' includes City Hopper, Pensioner excursion ticket, and Day Tripper.

Source: TDC, *Household Travel Survey 2005*.

Income by region

While the fares in all Sydney metropolitan regions and all outer metropolitan regions except Newcastle are harmonised, the median incomes in the outer metropolitan regions are generally lower than those in the Sydney metropolitan regions. The median incomes in each of the council regions included in the outer metropolitan bus regions are shown in Figure 7.6 below. On average, the weekly income for individuals is \$120 less in outer metropolitan areas than in the Sydney statistical subdivision, and the average median household weekly income for outer metropolitan regions is an average of \$255 less. However, as explained in section 7.3, the discrepancy between average incomes in the metropolitan and outer metropolitan regions is partly mitigated by the higher use of concessions use in the outer metropolitan areas.

Figure 7.6 Outer metropolitan median weekly personal and household incomes by council region (\$2008/09)

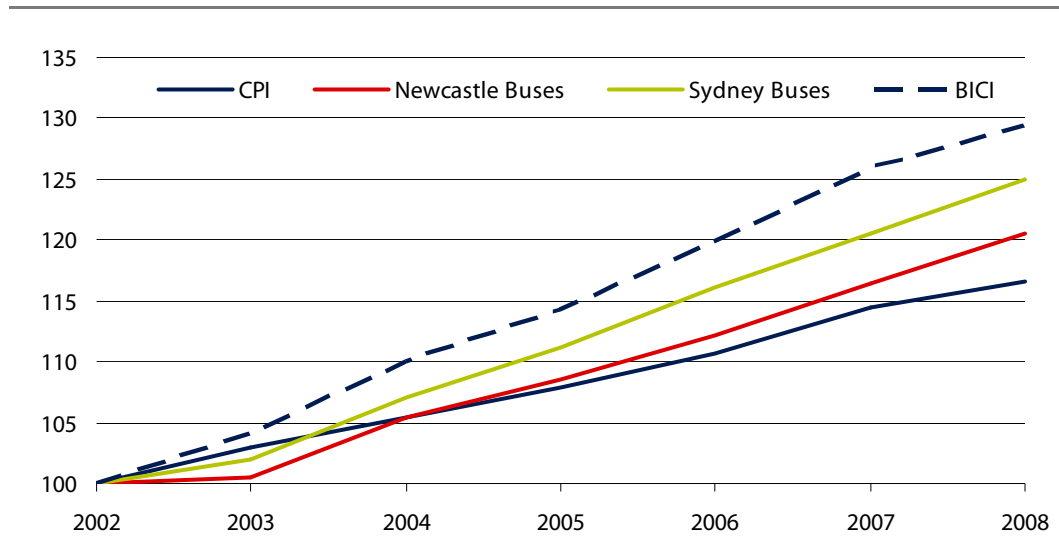


Note: The Sydney statistical subdivision includes Gosford and the Blue Mountains.

Data source: Census 2006, ABS.

7.2 Relative costs of bus fares

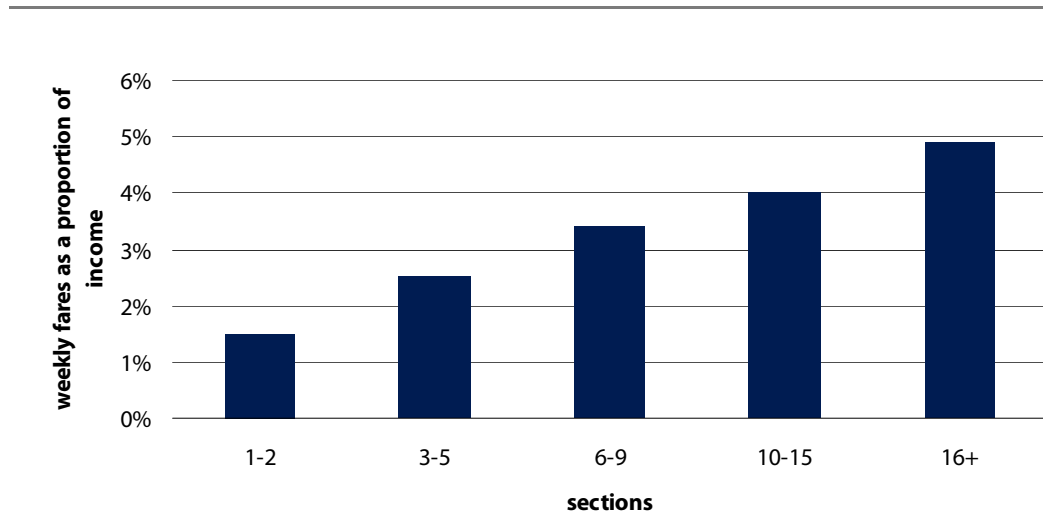
Since 2002, metropolitan and outer metropolitan bus fare increases have generally exceeded the growth in the CPI, as shown in Figure 7.7. Rural and regional bus fare (BICI) increases have been higher than increases for both Sydney and Newcastle buses.

Figure 7.7 Index of changes bus fares compared to CPI

Note: Fare increases in 2002 and 2003 each cover more than a single calendar year due to the timing of the fare reviews. CPI used is for calendar years.

Data source: ABS, IPART annual reports.

Figure 7.8 shows that current weekly metropolitan fares represent between 1.5 and 4.9 per cent of average weekly earnings in NSW.

Figure 7.8 Weekly metropolitan bus fares as a proportion of NSW average weekly earnings in 2007/08

Data source: IPART, ABS.

Interstate comparison of bus fares

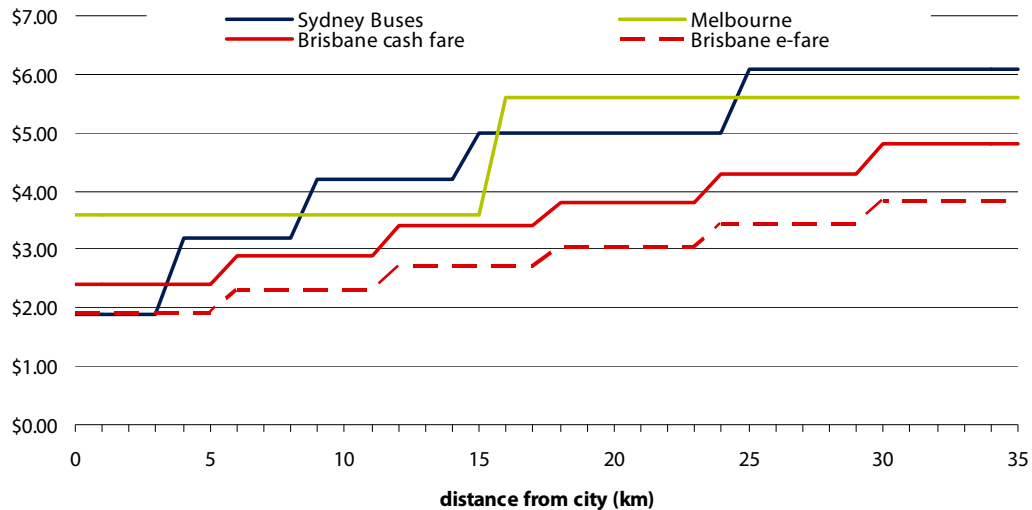
Figure 7.9 shows a comparison between 2009 fares in the Sydney metropolitan and outer metropolitan regions (blue), Brisbane (red) and Melbourne (green). It reveals a different fare structure in each state.

- ▼ The Sydney metropolitan and outer metropolitan fares have the lowest flag-fall (estimated at \$1.50) and the highest per kilometre charge (estimated at \$0.20).
- ▼ Brisbane's flag-fall is higher than that for Sydney (estimated at \$2.36 cash fares, \$1.86 e-fares), but its fare carries a much lower per kilometre charge (estimated at \$0.06 cash fares, \$0.05 e-fares). Brisbane has recently introduced an e-fare which has been priced lower than the cash fare.
- ▼ Melbourne has three levels of fares depending on the zone. Zone 2 has the lowest fare, at \$2.80, which allows for unlimited travel in Melbourne's outer suburbs for up to 3 hours. Zone 1, the inner zone, has a fare of \$3.60, for unlimited travel in the inner suburbs for up to 3 hours. The maximum fare is \$5.60 which allows for up to 3 hours of travel throughout Melbourne's inner and outer suburbs. These fares are not distance based, but instead relate to the zones in which travel occurs.³⁶

The implications of these different fare structures means that Sydney metropolitan and outer metropolitan fares are lower than in Brisbane or Melbourne for distances up to 3.2 km; however, the rate of increase per kilometre is the fastest of all the states, so that passengers travelling long distances (over 25 km) pay higher bus fares than in Melbourne and Brisbane. Metropolitan and outer metropolitan fares are capped at \$6.10 after 16 sections (approximately 25.6 km), which is higher than the highest Melbourne bus fare (\$5.60). As Brisbane bus fares are not subject to a distance-based cap, bus fares in Brisbane become more expensive than the Sydney metropolitan and outer metropolitan fares for distances greater than 48 kilometres.

It should be noted that the fares shown in Figure 7.9 for Brisbane and Melbourne include travel on other modes of transport (train/ferry in Brisbane and train/tram in Melbourne). In Brisbane, the fare is calculated with reference to the number of zones crossed for the total journey without any additional interchange charge. In Melbourne, the fare is flat regardless of how many modes are used.

³⁶ Melbourne fares have been inflated by forecast CPI to estimate 2009 fares. While the 2 hour travel ticket allows for a minimum of 2 hours of travel time, depending on when in the hour a ticket is purchased, up to 3 hours of travel may be undertaken.

Figure 7.9 Interstate comparison of single fares 2009

Note: The Brisbane fare shown in the chart above represents distance from the City.

The distance shown for Melbourne's zone 1 fare level is approximately equal to the average straight line distance from the City Centre to the Zone 1 boundary (15 km). After the Zone 1 boundary, the fare represents the 1+2 zone fare.

Data source: Metlink, Translink, IPART decisions.

7.3 Concession fares and PET

The social impact of any fare increases should be considered in the context of the availability of concession fares, other social policies (for example, Pensioner Excursion Tickets (PET) and School Student Transport Scheme) which may mitigate the impact of fare increases on particular groups.

The Government is responsible for determining social policy relevant to bus travel and for determining the eligibility criteria for concession fares (shown in Box 7.1). However IPART does have a role in the implementation of such policies. For example, if the Government were to reduce the level of the concession it would first require a determination from IPART so that it could set concession fares above their maximum levels.

Box 7.1 Concession fare entitlements

The NSW Government's concession fare policy for metro and outer metro buses provides half fares for several different groups, including:

- ▼ primary school and high school students
- ▼ full-time university, TAFE or private college students provided that they are:
 - NOT engaged in business or employment
 - NOT a full-fee paying overseas student
 - NOT an external study student, and
 - NOT in receipt of remuneration (excluding Austudy, allowances, etc).
- ▼ 1st, 2nd or 3rd year apprentices/trainees
- ▼ persons in receipt of Commonwealth benefits (including the unemployed)
- ▼ Seniors cardholders (NSW only)
- ▼ War widow/er concession cardholders (NSW and Victoria only).

The NSW Government also provides free travel on metro and outer metro buses for:

- ▼ blind or severely vision impaired persons
- ▼ Australian and New Zealand War Veterans who have service related disabilities for which they receive a disability pension from the Department of Veteran Affairs (DVA)
- ▼ Australian War Veterans (and endorsed attendant) who reside permanently in NSW are classified by the Department of Veterans Affairs as blinded due to war service
- ▼ WW1 veterans and their spouse/widow and Victoria Cross/George Cross award holders and their spouse/widow
- ▼ children travelling to and from school – however, the Government has recently announced that an annual charge will be payable from 2009
- ▼ children under 4 years of age (when accompanied by a paying adult)
- ▼ any additional child when accompanied by a fare paying adult and child.

The following groups are eligible for a Pensioner Concession card, which allows to travel across the bus, train, and ferry network for \$2.50 (using the PET):

- ▼ aged pensioners
- ▼ persons in receipt of the Mature Age Allowance
- ▼ disability support Pensioners
- ▼ persons receiving the Parenting Payment (single)
- ▼ persons receiving the Carer Payment
- ▼ persons over 60 on long term payments including Newstart Allowance, Sickness Allowance, Widow Allowance, Partner Allowance, Parenting Payment or Special Benefit.

Source: Ministry of Transport, <http://www.transport.nsw.gov.au/concessions/>

While IPART's determination increases concession fares at the same rate as adult fares, IPART notes the extensive concession scheme in place. For 2007/08 information provided by the Ministry of Transport suggests that for metropolitan area, less than 50 per cent of passengers were full fare paying passengers, which is broadly consistent with the proportion of full-time and part-time workers as found in Household Travel Survey (Figure 7.4). In the outer metropolitan area, full fares are paid by a substantially lower proportion of bus passengers. Less than 10 per cent of passengers were full fare paying passengers, and 65 per cent of passengers were school students.

8 Environmental impact of the fare determination

Section 6 of the *Protection of the Environment Administration Act 1991* defines ecologically sustainable development (see Appendix A). Essentially, the definition refers to the effective integration of economic and environmental considerations in decision-making processes.

The Act states that ecologically sustainable development can be achieved through:

- ▼ not using lack of scientific certainty as a reason for failing to address threats of serious or irreversible environmental damage (decision maker should assess the risk-weighted consequences of various options)
- ▼ maintaining/enhancing the health, diversity and productivity of the environment for the benefit of future generations
- ▼ conserving biological diversity and ecological integrity
- ▼ including environmental factors in the valuation of assets and services, such as:
 - those who generate pollution and waste should bear the cost of containment, avoidance or abatement
 - the users of goods and services should pay prices based on the full life cycle of costs of providing goods and services, including the use of natural resources and assets and the ultimate disposal of any waste
 - cost effectiveness: incentive structures, including market mechanisms, that enable those best placed to maximise benefits or minimise costs to develop their own solutions and responses to environmental problems.

Two submissions asserted that in order to satisfy IPART's obligations to consider environmental issues, IPART must assess all feasible options for setting fares against their impact on the environment.³⁷ Stakeholders also argued that IPART's fare determinations should encourage increased use of public transport, and IPART should determine changes in bus fares for the next 12 months with this in mind.³⁸ One of the assumptions underlying this view is that higher fares will lead to lower patronage, and lower (or even free) fares will increase patronage significantly, which will have a positive impact on the environment by lowering car usage.

³⁷ Waverley Council submission, October 2008, p 6, Action for Public Transport submission, November 2008.

³⁸ S Wishart submission, September 2008, G Carrard submission October 2008.

As noted in Chapter 4, there is no doubt that the level of fares is one contributor to the level of patronage for bus services. However, previous analysis undertaken for IPART found that the bus patronage is relatively insensitive to changes in fares. In particular, this analysis estimated that the price elasticity of demand for bus travel was around -0.38.³⁹ This suggests that a one per cent increase in fares would reduce patronage by 0.38 per cent, other things being equal.⁴⁰

In addition, the level of fares is not the only determinant of bus usage. Other important factors include household incomes, population, location of employment, service quality, and the price of alternative means of transport. The available experience on providing free bus services supports the view that these non-fare factors are important, and may even outweigh the effect of fares. For example, despite the introduction of a fare free zone in the Newcastle CBD a couple of years ago, stakeholder submissions to IPART's bus fare reviews continue to point out that many buses travel through the Newcastle CBD with few, if any, passengers.⁴¹

As bus patronage is relatively price inelastic, IPART considers that modest fare increases are unlikely to have a significant impact on the level of bus patronage, particularly in an environment of increasing traffic congestion, increasing rail fares, high fuel costs, increased tolls and CBD parking costs. Therefore, IPART does not expect the fare increase to have a significant effect on the environmental benefits that bus services provide.

In terms of specific fare products, the proposed increases in TravelPasses are designed to maintain the current relativities between multi-modal tickets (see Chapter 6). Higher increases in TravelPasses result in lower increases in other bus fare products and may result in passengers switching between products rather than opting out of bus usage altogether. The increases proposed are part of a move towards consistent discounting that will facilitate the introduction of integrated electronic ticketing across transport modes, which will enhance the service provided and should encourage public transport usage in the future.

³⁹ IPART, *Estimation of Public Transport Fare Elasticities in the Sydney Region*, October 1996.

⁴⁰ The price elasticity of demand indicates how sensitive bus users are to a change in the fare. It measures the percentage change in patronage as a result of a one per cent change in the fare.

⁴¹ R Banyard submission, October 2008, p 7.



Appendices

A List of submission and participants at the hearing

The following tables provide details of the submissions received for the review and participants in the public hearing held 6 November 2008.

Table A.1 List of submissions/proposals received

Submitter	Date received
Action for Public Transport	22 September 2008
Action for Public Transport	13 November 2008
Blue Mountains Commuter and Transport Users Association	2 October 2008
Council of Social Service of NSW (NCOSS)	1 October 2008
Anne Formby	7 October 2008
A K	2 October 2008
Alex Portnoy	2 September 2008
Andrew Muller	29 September 2008
Cherise Chessor	26 September 2008
George Carrard	1 October 2008
Magnus Ahlen	26 September 2008
Margretta Sculthorp	1 October 2008
Nat Buckley	1 October 2008
Norma Daisley	30 September 2008
Peter Mills	2 October 2008
Rick Banyard	7 October 2008
S Tetu	30 September 2008
Sid Wishart	29 September 2008
Lower Hunter Councils Transport Group	7 October 2008
Ministry of Transport	29 August 2008
Name Withheld	4 October 2008
Robert Thomson	3 October 2008
Steven Harkins	2 October 2008
Students Representative Council – University of Sydney	13 October 2008
Throsby Community Forum	12 November 2008
University of New South Wales	7 October 2008
Waverley Council	14 October 2008
Western Sydney Community Forum	7 October 2008

Table A.2 Participants at the public hearing

Speaker	Organisation
Joanna Quilty	Ministry of Transport
Allan Miles	Action for Public Transport
Samantha Edmonds	NCOSS
Rick Banyard	Individual
Noelle Egeressy	Individual
Paul Trevaskis	Blue Mountains Commuter and Transport Users Association
Robert Scott	Individual

B Requirements of the Passenger Transport Act

Section 28J of the Passenger Transport Act states that:

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.

Protection of the Environment Administration Act – section 6(2)

Section 6 of the Protection of the Environment Administration Act (1991) states that:

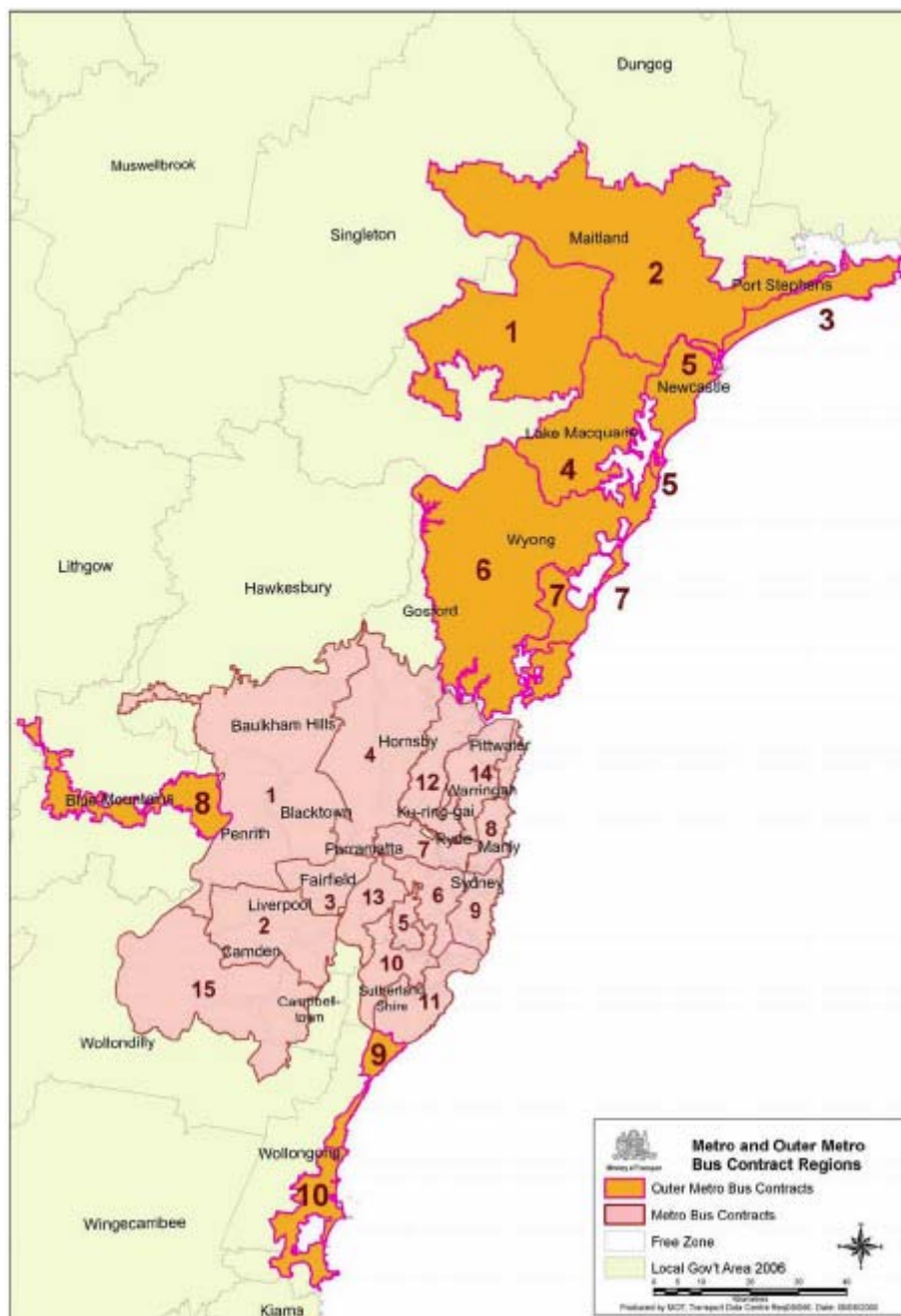
2. For the purposes of subsection (1) (a), ecologically sustainable development requires the effective integration of economic and environmental considerations in decision-making processes. Ecologically sustainable development can be achieved through the implementation of the following principles and programs:
 - a) the precautionary principle—namely, that if there are threats of serious or irreversible environmental damage, lack of full scientific certainty should not be used as a reason for postponing measures to prevent environmental degradation.

In the application of the precautionary principle, public and private decisions should be guided by:

- i) careful evaluation to avoid, wherever practicable, serious or irreversible damage to the environment, and
- ii) an assessment of the risk-weighted consequences of various options,
- b) inter-generational equity—namely, that the present generation should ensure that the health, diversity and productivity of the environment are maintained or enhanced for the benefit of future generations,
- c) conservation of biological diversity and ecological integrity—namely, that conservation of biological diversity and ecological integrity should be a fundamental consideration,
- d) improved valuation, pricing and incentive mechanisms—namely, that environmental factors should be included in the valuation of assets and services, such as:
 - i) polluter pays—that is, those who generate pollution and waste should bear the cost of containment, avoidance or abatement,
 - ii) the users of goods and services should pay prices based on the full life cycle of costs of providing goods and services, including the use of natural resources and assets and the ultimate disposal of any waste,
 - iii) environmental goals, having been established, should be pursued in the most cost effective way, by establishing incentive structures, including market mechanisms, that enable those best placed to maximise benefits or minimise costs to develop their own solutions and responses to environmental problems.

C Map of metropolitan and outer metropolitan contract regions

Figure C.1 Metropolitan and outer metropolitan contract regions



Data source: Ministry of Transport fare proposal, August 2008, p 47.

Table C.1 Metropolitan bus operators by region

Contract region	Operators
1	Busways Blacktown, Westbus, Hawkesbury Valley Buses
2	Interline Buses, Busabout
3	Hopkinsons Metrolink, Oliveri's Metrolink Buses, Westbus, Busabout
4	Hillsbus
5	Punchbowl Buses
6	Sydney Buses (STA) – Southern Region
7	Sydney Buses (STA) – Western Region
8	Sydney Buses (STA) – Northern Region
9	Sydney Buses (STA) – Eastern Region
10	Veolia Transport NSW
11	Caringbah Buses, Crowthers Buslink, Maianbar and Bundeena Bus Service
12	Shorelink
13	Veolia Transport NSW
14	Forest Coaches
15	Busways Campbelltown

Source: Ministry of Transport website <www.transport.nsw.gov.au>

Table C.2 Outer metropolitan bus operators by region

Contract region	Operators
1	Rover Motors
2	Hunter Valley Buses
3	Port Stephens Coaches
4	Toronto Bus Services, Sugar Valley Coaches, Morisset Bus Service
5	Newcastle Buses (STA)
6	Busways
7	Red Bus Services
8	Pearce Omnibus
9	North Wollongong Area Management (Dions Buses)
10	Premier Illawarra

Source: Ministry of Transport website <www.transport.nsw.gov.au>

D 2009 fares and the master fare schedule

Table D.1 Single trip tickets

Sections	Master	Adult rounded	Concession
1 to 2	\$1.87	\$1.90	\$0.90
3 to 5	\$3.15	\$3.20	\$1.60
6 to 9	\$4.21	\$4.20	\$2.10
10 to 15	\$5.02	\$5.00	\$2.50
16+	\$6.07	\$6.10	\$3.00

Table D.2 Private bus weeklies

Sections	Master	Adult rounded	Concession
1 to 2	N/A	\$15.20	\$7.60
3 to 5	N/A	\$25.60	\$12.80
6 to 9	N/A	\$33.60	\$16.80
10 to 15	N/A	\$40.00	\$20.00
16+	N/A	\$48.80	\$24.40

Table D.3 TravelTens

Sections	Master	Adult rounded	Concession
1 to 2	N/A	\$15.20	\$7.60
3 to 5	N/A	\$25.60	\$12.80
6 to 9	N/A	\$33.60	\$16.80
10 to 15	N/A	\$40.00	\$20.00
16+	N/A	\$48.80	\$24.40

Table D.4 T-WayTens

Sections	Master	Adult rounded	Concession
1 to 2	N/A	\$15.30	\$7.60
3 to 5	N/A	\$25.60	\$12.80
6 to 9	N/A	\$34.00	\$17.00
10 to 15	N/A	\$40.80	\$20.40
16+	N/A	\$49.30	\$24.60

Table D.5 T-Way Bus Plus weekly

Sections	Master	Adult rounded	Concession
1 to 2	\$14.35	\$14.40	\$7.20
3 to 5	\$26.72	\$26.70	\$13.30
6 to 9	\$38.04	\$38.00	\$19.00
10 to 15	\$54.61	\$54.60	\$27.30
16+	\$69.31	\$69.30	\$34.60

Table D.6 T-Way weekly

Zone	Master	Adult rounded	Concession
North Zone	\$38.04	\$38.00	\$19.00
South Zone	\$38.04	\$38.00	\$19.00
North + South Zone	\$69.31	\$69.30	\$34.60

Table D.7 Bus and Ferry TravelPasses

Zone	Master	Adult rounded	Concession
Blue	\$34.00	34.00	\$17.00
Orange	\$43.00	43.00	\$21.50
Pittwater	\$58.00	58.00	\$29.00
2 Zone	\$34.00	34.00	\$17.00

Table D.8 Other products

	Zone	Master	Adult rounded	Concession
BusTripper	N/A	\$12.72	\$12.70	\$6.30
Sports Special	N/A	\$5.64	\$5.60	\$2.80
School Term Pass	N/A	\$45.10	N/A	\$45.10

Table D.9 Newcastle fares

	Master	Adult rounded	Concession
1 Hour	\$3.15	\$3.20	\$1.60
4 Hours	\$6.18	\$6.20	\$3.10
TimeTen 1 Hour	\$26.05	\$26.10	\$13.00
All Day	\$9.45	\$9.50	\$4.70
Newcastle Orange weekly TravelPass	\$34.00	\$34.00	\$17.00

Sydney Metropolitan and Outer Metropolitan Bus Services

Determination No. 7, 2008

Contents

Preliminary	1
1 Background	1
2 Application of this determination	1
3 Replacement of Determinations No. 4 of 2007 and No. 5 of 2007	1
4 Schedules	1
Schedule 1 – Maximum fares for Regulated Bus Services provided by Sydney Buses	3
1 Application	3
2 Maximum fares for Regulated Bus Services provided by Sydney Buses	3
Table 1	4
Schedule 2 – Maximum fares for Regulated Bus Services provided by Newcastle Buses	5
1 Application	5
2 Maximum fares for Regulated Bus Services provided by Newcastle Buses	5
Table 2	6
Schedule 3 - Maximum fares for Regulated Bus Services provided by Private Bus Operators	7
1 Application	7
2 Maximum fares for Regulated Bus Services provided by Private Bus Operators	7
Table 3	8
Schedule 4 – Maximum fares for Regulated Bus Services provided by Western Sydney Buses	9
1 Application	9
2 Maximum fares for Regulated Bus Services provided by Western Sydney Buses	9
Table 4	10
Schedule 5 – Definitions and Interpretations	11
1 Definitions	11
2 Interpretation	15
Appendices	17
A Sydney Buses TravelPass Map	19
B Sydney Ferries TravelPass Map	21
C Contract Region Map	23

Preliminary

1 Background

- (a) Section 28J(2) of the *Passenger Transport Act 1990* (NSW) (the **Passenger Transport Act**) permits IPART to conduct investigations and make reports to the Minister on the determination of maximum fares for Regular Bus Services supplied under a Bus Service Contract (**Regulated Bus Services**).
- (b) In investigating and reporting on the maximum fares for Regulated Bus Services, IPART 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

This determination:

- (a) sets the maximum fares for all Regulated Bus Services;
- (b) commences on the later of 4 January 2009 and the date that it is published in the NSW Government Gazette (**Commencement Date**); and
- (c) applies from the Commencement Date to the date that it is replaced.

3 Replacement of Determinations No. 4 of 2007 and No. 5 of 2007

This determination replaces Determination No. 4 of 2007 and clause 2 of Schedule 1 of Determination No. 5 of 2007 from the Commencement Date. The replacement does not affect anything done or omitted to be done, or rights or obligations accrued, under Determinations No. 4 of 2007 and No. 5 of 2007.

4 Schedules

- (a) Schedule 1 sets out the maximum fares for Regulated Bus Services provided by Sydney Buses.
- (b) Schedule 2 sets out the maximum fares for Regulated Bus Services provided by Newcastle Buses.
- (c) Schedule 3 sets out the maximum fares for Regulated Bus Services provided by Private Bus Operators.

- (d) Schedule 4 sets out the maximum fares for Regulated Bus Services provided by Western Sydney Buses.
- (e) Schedule 5 sets out definitions and interpretation provisions used in this determination.

Schedule 1 – Maximum fares for Regulated Bus Services provided by Sydney Buses

1 Application

This schedule sets the maximum fares for Regulated Bus Services provided by Sydney Buses.

2 Maximum fares for Regulated Bus Services provided by Sydney Buses

The maximum fare that may be charged by Sydney Buses for a ticket in column 1 of Table 1 is the corresponding fare in column 2 or column 3 (as applicable) of Table 1.

Table 1

Table 1 Maximum fares for Regulated Bus Services provided by Sydney Buses

Tickets	Maximum fares	
	Adult Fare ^a (\$)	Concession Fare (\$)
Single Ride Ticket		
1-2 Sections	1.90	0.90
3-5 Sections	3.20	1.60
6-9 Sections	4.20	2.10
10-15 Sections	5.00	2.50
16+ Sections	6.10	3.00
TravelTen		
1-2 Sections	15.20	7.60
3-5 Sections	25.60	12.80
6-9 Sections	33.60	16.80
10-15 Sections	40.00	20.00
16+ Sections	48.80	24.40
Bus TravelPass^b		
Two-Zone	34.00	17.00
Bus and Ferry TravelPass^b		
Blue Bus and Ferry TravelPass	34.00	17.00
Orange Bus and Ferry TravelPass	43.00	21.50
Pittwater Bus and Ferry TravelPass	58.00	29.00
Other tickets		
BusTripper	12.70	6.30
Sports Special	5.60	2.80
School Term Pass	n/a	45.10

^a Children under the age of 4 years are entitled to travel free on all metropolitan and outer metropolitan bus services.

^b Quarterly TravelPass = 11 x fare for the relevant TravelPass. Yearly TravelPass = 40 x fare for the relevant TravelPass. For the maximum fares for the DayTripper ticket and the Bus, Ferry, and Train Weekly TravelPasses, please refer to IPART's Determination no 5 of 2008.

Schedule 2 – Maximum fares for Regulated Bus Services provided by Newcastle Buses

1 Application

This schedule sets the maximum fares for Regulated Bus Services provided by Newcastle Buses.

2 Maximum fares for Regulated Bus Services provided by Newcastle Buses

The maximum fare that may be charged by Newcastle Buses for a ticket in column 1 of Table 2 is the corresponding fare in column 2 or column 3 (as applicable) of Table 2.

Table 2

Table 2 Maximum Fares for Regulated Bus Services provided by Newcastle Bus Services

Tickets	Adult Fare^a (\$)	Concession Fare (\$)
Time-based Tickets		
1-hour	3.20	1.60
4-hour	6.20	3.10
Time Ten 1-hour	26.10	13.00
All Day	9.50	4.70
TravelPass^b		
Newcastle TravelPass Orange	34.00	17.00

a Children under the age of 4 years are entitled to travel free on all metropolitan and outer metropolitan bus services.

b Quarterly TravelPass = 11 x fare for the relevant TravelPass. Yearly TravelPass = 40 x fare for the relevant TravelPass. For the maximum fares for the Bus, Ferry, and Train Weekly TravelPasses for Newcastle, please refer to IPART's Determination no 5 of 2008.

Schedule 3 - Maximum fares for Regulated Bus Services provided by Private Bus Operators

1 Application

This schedule sets the maximum fares for Regulated Bus Services provided by Private Bus Operators.

2 Maximum fares for Regulated Bus Services provided by Private Bus Operators

The maximum fare that may be charged by Private Bus Operators for a ticket in column 1 of Table 3 is the corresponding fare in column 2 or column 3 (as applicable) of Table 3.

Table 3

Table 3 Maximum Fares for Regulated Bus Services provided by Private Bus Operators

Tickets	Adult Fare^a (\$)	Concession Fare (\$)
Single Ride Ticket		
1-2 Sections	1.90	0.90
3-5 Sections	3.20	1.60
6-9 Sections	4.20	2.10
10-15 Sections	5.00	2.50
16+ Sections	6.10	3.00
Private Bus Weekly		
1 to 2 Sections	15.20	7.60
3 to 5 Sections	25.60	12.80
6 to 9 Sections	33.60	16.80
10 to 15 Sections	40.00	20.00
16+ Sections	48.80	24.40

^a Children under the age of 4 years are entitled to travel free on all metropolitan and outer metropolitan bus services.

Schedule 4 – Maximum fares for Regulated Bus Services provided by Western Sydney Buses

1 Application

This schedule sets the maximum fares for Regulated Bus Services provided by Western Sydney Buses.

2 Maximum fares for Regulated Bus Services provided by Western Sydney Buses

The maximum fare that may be charged by Western Sydney Buses for a ticket in column 1 of Table 4 is the corresponding fare in column 2 or column 3 (as applicable) of Table 4.

Table 4

Table 4 Maximum Fares for Regulated Bus Services provided by Western Sydney Buses

Tickets	Maximum fares	
	Adult Fare ^a (\$)	Concession Fare (\$)
Single Ride Ticket		
1-2 Sections	1.90	0.90
3-5 Sections	3.20	1.60
6-9 Sections	4.20	2.10
10-15 Sections	5.00	2.50
16+ Sections	6.10	3.00
T-wayTen		
1-2 Sections	15.30	7.60
3-5 Sections	25.60	12.80
6-9 Sections	34.00	17.00
10-15 Sections	40.80	20.40
16+ Sections	49.30	24.60
T-way BusPlus Weekly		
1-2 Sections	14.40	7.20
3-5 Sections	26.70	13.30
6-9 Sections	38.00	19.00
10-15 Sections	54.60	27.30
16+ Sections	69.30	34.60
T-way Weekly		
Northern zone – Parramatta to Prairiewood (section 1-10)	38.00	19.00
Southern zone – Prairiewood to Liverpool (section 10-19)	38.00	19.00
Northern & Southern zones (section 1-19)	69.30	34.60

^a Children under the age of 4 years are entitled to travel free on all metropolitan and outer metropolitan bus services.

Schedule 5 – Definitions and Interpretations

1 Definitions

In this determination:

Adult Fare means the maximum fare that may be charged to a person who is aged 16 years or over.

Blue Bus and Ferry TravelPass means a weekly ticket that permits:

- (a) unlimited travel on Sydney Bus Services in the areas highlighted in red in the Sydney Buses TravelPass Map; and
- (b) unlimited travel on Sydney Ferries Services highlighted in red in the Sydney Ferries TravelPass Map,

for the period specified on the ticket.

Bus Service Contract means a contract with the Director-General of the Ministry of Transport under Division 3 of Part 3 of the Passenger Transport Act for the provision of a Regular Bus Service in a given Contract Region.

BusTripper means a ticket that permits unlimited travel on all STA Sydney Bus Services until 4 am the following day.

Commencement Date means the Commencement Date as defined in clause 2(b) of the section of this determination entitled “Preliminary”.

Concession Fare means the maximum fare that may be charged to a person who:

- (a) is aged between 4 and 15 years; or
- (b) is aged 16 years or over and is the holder of a valid concession card of a type that has been approved by the Ministry of Transport.

Contract Region means either the Outer Metro Bus Contract Region or the Metro Bus Contract Region.

Contract Region Map means the map attached as Appendix C to this determination.

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

IPART means the Independent Pricing and Regulatory Tribunal of New South Wales established under the IPART Act.

IPART Act means the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW).

Newcastle Bus Services means the bus services provided by Newcastle Buses.

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

Newcastle TravelPass Orange means a weekly ticket that permits:

- (a) unlimited travel on all Newcastle Bus Services; and
- (b) unlimited travel on the Stockton Ferry Service,

for the period specified on the ticket.

Metro Bus Contract Region means Metropolitan Bus System Contract region 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 or 15, each as identified in the Contract Region Map.

Orange Bus and Ferry TravelPass means a weekly ticket that permits:

- (a) unlimited travel on Sydney Bus Services in the areas highlighted in red and green in the Sydney Buses TravelPass Map; and
- (b) unlimited travel on all Sydney Ferries Services (excluding the Manly JetCat, harbour cruises or special event services) highlighted in red or green in the Sydney Ferries TravelPass Map,

for the period specified on the ticket.

Outer Metro Bus Contract Region means Outer Metropolitan Bus System Contract region 1, 2, 3, 4, 5, 6, 7, 8, 9 or 10, each as identified in the Contract Region Map.

Pittwater Bus and Ferry TravelPass means a weekly ticket that permits:

- (a) unlimited travel on Sydney Bus Services in the areas highlighted in red, green and purple in the Sydney Buses TravelPass map; and
- (b) unlimited travel on all Sydney Ferries Services (excluding the Manly JetCat, harbour cruises or special event services) highlighted in red or green in the Sydney Ferries TravelPass Map,

for the period specified on the ticket.

Private Bus Operator means a bus operator (other than Sydney Buses, Newcastle Buses and Western Sydney Buses) who holds a Bus Service Contract.

Private Bus Weekly means a ticket that permits unlimited weekly travel within a specified number of Sections to and from a particular destination on the bus route specified on the ticket. Private Bus Weekly tickets are available on services provided by the following Private Bus Operators, as amended from time to time: Hillsbus, Westbus, Busways, Veolia, Punchbowl Bus Co, Forest Coach Lines, Hopkinsons Metrobus, Crowthers Buslink, Maianbar and Bundeena Bus Service.

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

Regulated Bus Services means the services defined in clause 1(a) of the section of this determination entitled “Preliminary”.

School Term Pass means a ticket that permits a school student to undertake unlimited travel by bus on a direct route between his or her home and school.

Section means a distance of approximately 1.6 kilometres into which a bus route is divided up for ticketing purposes.

Single Ride Ticket means a ticket that permits a single bus trip for a specified number of Sections.

Sports Special means a ticket that permits return travel from key locations to and from a venue for events determined by Sydney Buses.

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

Stockton Ferry Service means the ferry service provided by the STA between Stockton and Newcastle.

Sydney Bus Services means the bus services provided by Sydney Buses.

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

Sydney Buses TravelPass Map means the map attached as Appendix A to this determination.

Sydney Bus Zones means the zones set out in the Sydney Buses TravelPass Map.

Sydney Ferries means Sydney Ferries as constituted under the *Transport Administration Act 1988*.

Sydney Ferries Services means the ferry services provided by Sydney Ferries.

Sydney Ferries TravelPass Map means the map attached as Appendix B to this determination.

Time-based Ticket means a ticket that permits unlimited travel on Newcastle Bus Services for a duration specified on the ticket.

Time-Ten means a ticket that permits ten trips on Newcastle Bus Services, each trip allowing unlimited travel for a duration of up to one hour.

TravelTen means a ticket that permits 10 bus trips on Sydney Bus Services for a specified number of Sections.

T-way BusPlus Weekly means a ticket that permits unlimited weekly bus travel on the T-way Services between specified start and finish points, when used in combination with CityRail services.

T-way Services means the rapid bus transitway services running on the Liverpool to Parramatta Transitway.

T-wayTen means a ticket that permits 10 bus trips on T-way Services for a specified number of Sections.

T-way Weekly means a ticket that permits unlimited weekly bus travel on the T-way Services for the zone(s) specified on the ticket.

Two-Zone Bus TravelPass means a TravelPass that permits unlimited travel on Sydney Bus Services within and between adjacent Sydney Bus Zones in the Sydney metropolitan area (excluding Zone 1) for the period specified on the ticket.

Western Sydney Buses means the body corporate constituted under section 33 of the *Transport Administration Act 1988* by the *Transport Administration (General) Amendment (Western Sydney Buses) Regulation 2002* and the *Transport Administration (General) Regulation 2005* to operate the T-way Services.

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;
- (e) a reference to a person includes any company, partnership, joint venture, association, corporation, other body corporate or government agency;
- (f) a reference to an officer includes a reference to the officer who replaces him or her, or who substantially succeeds to his or her powers or functions; and
- (g) a reference to a body, whether statutory or not:
 - (1) which ceases to exist; or
 - (2) whose powers or functions are transferred to another body,
 is a reference to the body which replaces it or which substantially succeeds to its powers or functions.

2.2 Explanatory notes and clarification notice

- (a) Explanatory notes or footnotes do not form part of this determination, but in the case of uncertainty may be relied on for interpretation purposes.
- (b) IPART may publish a clarification notice in the NSW Government Gazette to correct any manifest error in this determination as if that clarification notice formed part of this determination.

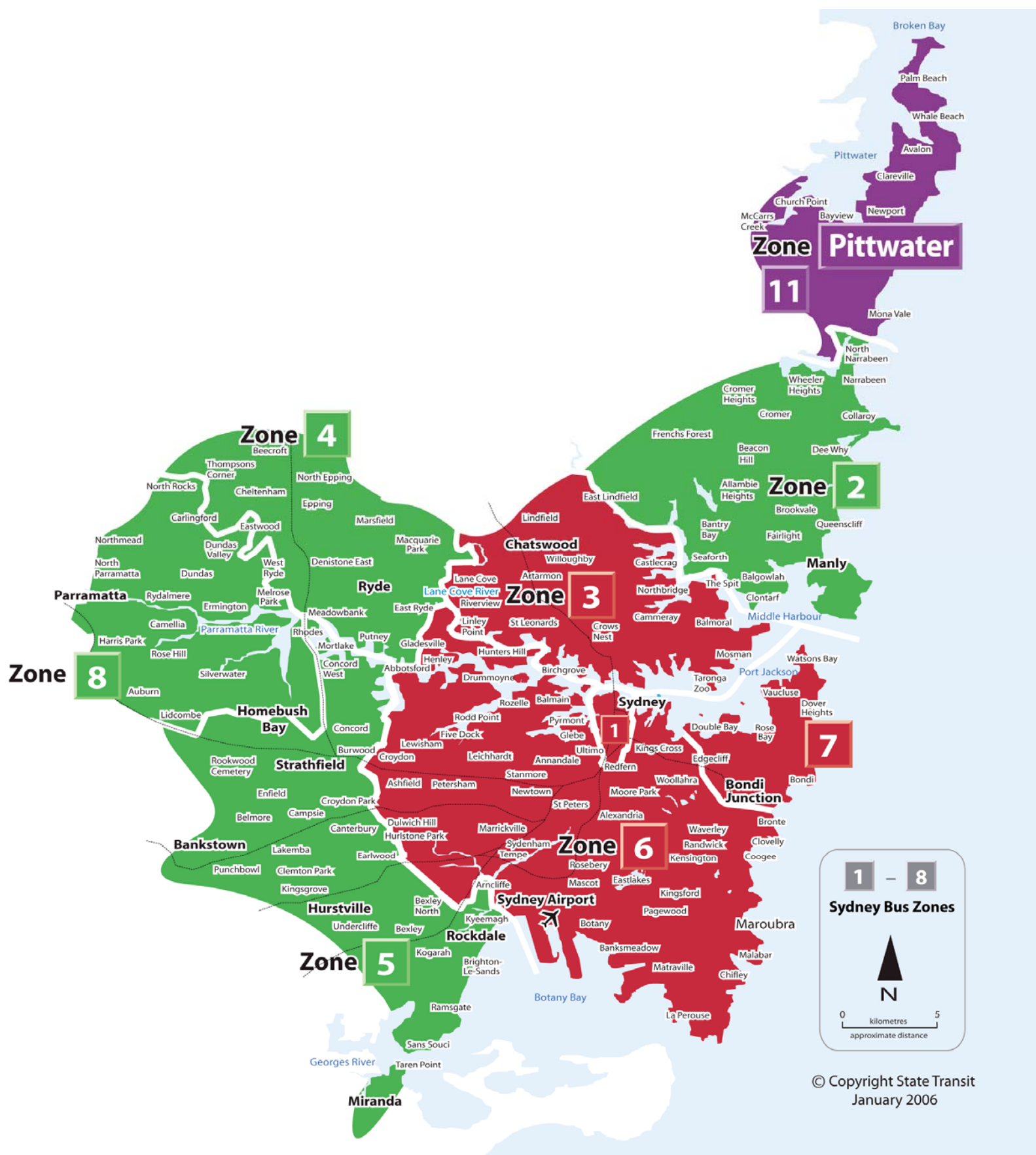
2.3 Fares inclusive of GST

Fares specified in this determination include GST.



Appendices

A Sydney Buses TravelPass Map



B Sydney Ferries TravelPass Map

C Contract Region Map

