

Review of fares for rural and regional bus services for 2009

Maximum fares for regular passenger services in rural and regional areas

Transport — Report and Recommendations
December 2008



Independent Pricing and Regulatory Tribunal

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1 Introduction and executive summary

The Independent Pricing and Regulatory Tribunal of New South Wales (IPART) has completed its 2008 review of maximum fares for rural and regional bus services.¹

This review occurred in the midst of the NSW Government's bus reform program, aimed at improving the contracting, funding and planning approach to delivering rural and regional bus services. The Ministry of Transport recently finalised the new contractual arrangements for these bus services. The contracts impose new obligations on operators, including requirements to coordinate services with those of neighbouring operators, introduce new complaint handling procedures, and improvements in their bus fleets (for example, by providing wheelchair accessibility and air conditioning).

Based on the review, IPART has made a recommendation to the Government to increase the maximum fare scale that applies to regular passenger services for fare-paying passengers on rural and regional bus routes in NSW. These routes include all those outside the Sydney metropolitan and outer metropolitan regions.

1.1 Overview of IPART's findings and recommendation

IPART found that the ordinary costs of providing rural and regional bus services increased by 5.6 per cent over the 2007/2008 financial year. In addition, the operators of these services experienced a further cost increase of 2.9 per cent associated with implementing the Government's new contracting arrangements. Based on these findings, IPART considers an increase in the maximum fare scale for rural and regional bus routes of 8.5 per cent is appropriate.

Recommendation

- 1 That maximum fares for rural and regional bus services are increased by 8.5 per cent.

¹ IPART undertook this review in response to a one year reference from the Premier, under section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992*.

1.2 Overview of review process

IPART conducted this review in line with its terms of reference (see Appendix A). It undertook public consultation, as well as independent research and analysis. Its review process included:

- ▼ inviting the Bus and Coach Association (BCA), now called BusNSW, to provide a fare proposal for rural and regional bus services
- ▼ inviting other interested parties to make submissions to its review, receiving two written responses
- ▼ releasing the BCA's proposal for an 18.52 per cent fare increase for rural and regional buses and a fact sheet outlining the review and public consultation process, and receiving two written responses
- ▼ seeking extra data from the BCA and the Ministry of Transport to further inform its consideration of the BCA's fare proposal
- ▼ meeting with the Ministry of Transport to discuss the effect of the new contract arrangements for rural and regional bus operators
- ▼ independently verifying cost data provided by the BCA where possible
- ▼ holding a public hearing on 6 November 2008 and inviting the BCA, the Ministry of Transport and other stakeholders to discuss relevant issues
- ▼ obtaining expert advice on cost data used to calculate the increase in costs due to the implementation of the Bus Operator and Accreditation Scheme.

IPART considered all the submissions and information it received, as well as comments made at the public hearing and in meetings with the Ministry of Transport. (See Appendix C for a list of the submissions received and the stakeholders who attended the public hearing.) In particular, IPART examined the changes to the Bus Industry Cost Index (BICI) submitted by the BCA in support of its proposed 18.52 per cent fare increase. It then made its own assessment of the change in operators' costs measured by the BICI to determine an appropriate recommended fare increase for rural and regional bus services.

1.3 Structure of the report

The following chapters explain IPART's review, findings and recommendation in more detail:

- ▼ Chapter 2 outlines the context for this review, including IPART's role, the matters it considered, the role of the BICI, and the new bus contract arrangements for rural and regional areas
- ▼ Chapter 3 explains how IPART reached its findings and recommendation by summarising its analysis of the increases in the general costs of providing rural and regional bus services (as measured by the BICI) and the cost increases associated with the new contracting regime
- ▼ Chapter 4 discusses IPART's considerations of the impact of its recommendations on passengers, bus operators, the Government and the environment.

2 Context for the review

IPART's role in regulating rural and regional bus fares is to recommend to the Minister for Transport changes to the maximum fares bus operators can charge for regular passenger services for fare-paying passengers in rural and regional NSW. The Director General of the Ministry of Transport makes the final decision about the change in these fares.² IPART has no role in regulating funding arrangements for the provision of school bus services.

As in previous years, IPART conducted the review in line with the terms of reference provided by the Ministry of Transport, and used an industry-specific cost index known as the Bus Industry Cost Index (BICI) to guide its decision making on the required fare change. As Chapter 1 discussed, the Government has recently made changes to its contractual arrangements with rural and regional bus operators. Therefore, this year, IPART also considered the change in operators' costs associated with implementing the new contracts.

The sections below outline the matters IPART considered in line with its terms of reference, explain the BICI and the new bus contract arrangements, and provide an overview of the bus operations affected by IPART's recommendation.

2.1 Matters IPART considered

The terms of reference for this review specified that IPART must consider the following matters in making its recommendation on fare changes:

- ▼ the cost of providing the services concerned
- ▼ the relativities between rural and regional bus services and government-owned bus services (in terms of service, efficiency, costs and ticketing products)
- ▼ protection of consumers from abuses of monopoly power
- ▼ the need for greater efficiency in the supply of services to manage costs for the benefit of consumers
- ▼ the impact of pricing policies on borrowing and capital requirements
- ▼ the need to maintain ecologically sustainable development
- ▼ the social impact of the recommendations

² This decision is delegated to the Director General by the Minister for Transport.

- ▼ the standards of quality, reliability and safety of the services concerned
- ▼ the effect of its recommendation on the level of government funding for bus operators.

The full terms of reference are provided in Appendix A.

2.2 The Bus Industry Cost Index

IPART used an industry-specific cost index called the Bus Industry Cost Index (BICI) to calculate the change in rural and regional bus operators' costs over the past 12 months. The BICI includes a basket of bus operators' cost items – such as bus capital costs, wages and salaries, fuel, insurance, repairs & maintenance and other costs.

Each item in the basket has a weighting based on the proportion of an average operator's total costs that it represents. Each year, the individual cost items are inflated to reflect changes in the cost of that item in the past year. Each cost item is inflated by a relevant data series or index. For example, the labour cost item is inflated by the annual change in the Wage Price Index published by the Australian Bureau of Statistics. Through the combination of cost weightings and inflators, the cost index aims to measure the change in costs experienced by the industry as a whole, from year to year.

As part of last year's review, IPART revised the weightings and inflators in the BICI to ensure the weightings reflect the current costs of providing rural and regional bus services, and where possible the cost items are inflated by data that is independent, verifiable and transparent. This year, IPART used the inflators it decided on last year wherever possible. (See Chapter 3.)

Box 2.1 provides an example of how the cost index works.

Box 2.1 How the cost index works

To calculate the annual change in a cost index, IPART takes the current weightings of each cost item and multiplies it by the relevant cost inflator (expressed as percentage). This gives the contribution of each cost item to the cost index. IPART then sums the contributions for each of the cost items to give the percentage change in the cost index.

The table below shows an example where a cost index indicates that an average operator's total costs have increased by 2.85 per cent. In this example, wages and salaries represent 40.65 per cent of an average operator's costs, and so have a weighting of 40.65. The Wage Price Index indicated that labour costs increased by 3.78 per cent in the previous 12 months, so IPART multiplied 40.65 by 3.78 per cent. The answer – 1.54 per cent – represents the contribution of wage and salary costs made to the operator's total increase in costs.

Cost Item	Weighting (%)	Change (%)	Contribution to index (%)
Salaries and wages	40.65	3.78	1.54
Superannuation	3.48	3.89	0.14
Payroll tax	2.04	4.14	0.08
Workers' compensation	2.12	-7.66	-0.16
Bus capital costs	18.55	5.37	1.00
Insurance	1.76	3.98	0.07
Fuel	11.41	-3.30	-0.38
Repair & maintenance	4.78	2.64	0.13
Other costs	15.22	2.87	0.44
Total	100.00		2.85

Note: Totals may not add due to rounding.

Source: IPART, *Review of fares for rural and regional buses and private ferries from 2 January 2008*, p 21.

2.3 New bus contract arrangements

In 2004, the Government commenced a program of reform to improve its approach to contracting, funding and planning the delivery of bus services in NSW. In recent years, it put in place new contracting arrangements in the Sydney metropolitan area, then in outer metropolitan areas (including Newcastle, Wollongong, the Hunter region and Blue Mountains). In June 2008, the Ministry of Transport began entering into new contracting arrangements with bus operators in rural and regional areas. It expects to complete the roll-out of new contracts by the end of the financial year.

There are two types of new contract:

- ▼ the *Rural & Regional Bus Service Contract – Contract A*, which is for the provision of school bus services that do not charge fares (previously referred to as non-commercial services), and

- ▼ the *Rural & Regional Bus Service Contract – Contract B*, which is for the provision of regular passenger services to fare-paying passengers (previously referred to as commercial services).

The new contracts are designed to put operators on a more sustainable footing, ensuring the continued delivery of essential services to rural and regional communities.³ They also impose certain new obligations on operators, including requirements to:

- ▼ coordinate services with those of neighbouring operators
- ▼ establish new complaint handling procedures
- ▼ improve their bus fleet (for example, by providing wheelchair accessibility and air conditioning), and
- ▼ provide information on their performance and service quality (see Appendix B for an overview of the new obligations).

The new contracts also establish arrangements for the provision of concession fares that match those available in metropolitan and outer metropolitan areas, including the expansion of the Pensioner Excursion Ticket (PET) to rural and regional areas.

As noted above, IPART has no role in assessing changes to funding arrangements under Contract A. IPART's fare review, and hence this report, relates only to services provided under Contract B. The current maximum fares are listed in a schedule to this contract. Operators cannot charge more than the maximum fare, but are free to charge less than the maximum.

Under Contract B, operators retain all the fare revenue they collect (unlike metropolitan and outer metropolitan operators). In addition, they receive other payments negotiated between the Ministry of Transport and the bus operators. IPART has no role in setting these payments. These payments include:

- ▼ Payments under the School Student Transport Scheme (SSTS). These are payments made for school students who travel on regular passenger services but do not pay a fare. They are governed by the contract and are unrelated to the fare changes recommended by IPART. These payments make up the bulk of revenue received by rural and regional operators (around 85 per cent on average).⁴
- ▼ 'Top up' payments for half fare concession passengers. For all passengers who purchase a half fare ticket, the Ministry pays a 'top up' payment. These payments are designed to compensate operators for the loss of revenue resulting from them offering half fares in line with government policy. The value of these payments is affected by the increase to the maximum fares.

³ Ministry of Transport submission, August 2008, p 39.

⁴ Ministry of Transport submission, August 2008, p 39.

- ▼ Compensation for revenue lost as a result of the introduction of the PET. The contract recognises that there may be a loss in fare revenue when eligible passengers start using the PET instead of other tickets.

2.4 Overview of bus operators

In 2007, there were 1,879 rural and regional bus contracts in place. Of these, 126 were general passenger or 'commercial' contracts which the Ministry of Transport is progressively replacing with the new Contract B.⁵ As noted above, the rollout of these new contracts should be completed during 2009.

The fare revenue collected by operators on commercial contracts/Contract B represents only a small proportion of their total revenue. The Ministry of Transport reports that revenue collected from fare-paying passengers represents approximately 15 per cent of these operators' total revenue.

As Table 2.1 shows, the size of operators on commercial contracts/Contract B varies widely – from one bus to 350 buses. However, most of these operators run between 12 and 28 buses.

Table 2.1 Distribution of commercial bus operators by number of buses - 2007

Number of buses for which operator is accredited	Number of 'commercial' operators
1	3
2	4
3	2
4	5
5	5
6	3
7	1
8	3
9	3
10	5
12-18	12
20-28	9
30-37	7
40-49	5
50-60	4
100-120	3
190-200	1
350	1

Source: Ministry of Transport, 2007.

⁵ Ministry of Transport submission, August 2008, p 40.

3 IPART's findings on the change in operators' costs and recommended fare increase

As Chapter 2 discussed, the fares rural and regional bus operators collect from fare-paying passengers make up only a small proportion of their total revenues. Most of these operators' costs are funded by the Government, through payments made to compensate operators for providing services for free or concession fares, in line with government policy. Nevertheless, it is still important that fare-paying passengers continue to pay an appropriate share of the cost of providing bus services in rural and regional NSW.

This year, the Bus and Coach Association (BCA) proposed that maximum fares for rural and regional bus services increase by 18.52 per cent. This increase reflects the BCA's calculation of the increase in the ordinary costs of providing bus services over the past year (as measured by the change in the BICI), as well as cost increases resulting from obligations under the new bus contracting regime.

IPART examined the BCA's proposal, and undertook its own analysis of the change in the BICI over 2007/08. It also undertook its own assessment of the cost increases associated with implementing the new contracts. The section below provides an overview of IPART's findings and recommended fare increase. The subsequent sections explain its analysis and findings in more detail, and set out the impact of IPART's decisions on the weightings in the BICI for next year's review.

3.1 Overview of IPART's findings and recommendation

IPART found that the ordinary costs of providing rural and regional bus services increased by 5.6 per cent over the 2007/2008 financial year. In addition, the operators of these services experienced a further cost increase of 2.9 per cent associated with implementing the new contracting arrangements with the Government. Based on these findings, IPART considers an increase in the maximum fare scale for rural and regional bus routes of 8.5 per cent is appropriate.

Recommendation

- 1 That maximum fares for rural and regional bus services are increased by 8.5 per cent.

The maximum fares that result from this recommended increase are set out in Appendix C.

3.2 Increases in the ordinary costs of providing services (BICI)

To analyse the increases in the ordinary costs of providing rural and regional bus services, IPART examined the BCA's calculation of the change in the BICI over 2007/08. This involved assessing the BCA's proposed increase for each cost item, revising this increase as necessary, then applying the relevant weighting for that item and summing the increases calculated.

IPART found that ordinary costs increased by 5.6 per cent, compared to the BCA's calculation of 11.0 per cent (Table 3.1). The sections below discuss IPART's analysis and findings on each cost item in detail.

Table 3.1 IPART's findings on increases in the ordinary costs of providing bus services, as measured by the BICI

Cost item	Weighting %	Inflator	Inflator value %	Total %
Capital costs - bus	19.00	Lease payment	8.33	1.58
Salaries and wages	41.02	WPI – all industries	3.84	1.58
Superannuation	3.52	NWPI - superannuation	4.28	0.15
Pay-roll tax	2.06	NWPI – payroll tax	4.68	0.10
Workers compensation	1.90	NWPI -workers compensation	-7.04	-0.13
Insurance costs	1.78	CPI – insurance services	2.87	0.05
Fuel	10.73	Fueltrac data	16.14	1.73
Bus maintenance	4.77	CPI – repair and servicing	2.64	0.13
All other costs	15.22	CPI	2.96	0.45
Total costs				5.63

Note: Lease payment inflator calculated using single quote for standard bus and 5-year Bank Bill Swap reference Rate.

3.2.1 Capital costs - bus

Increases in the capital cost of buses are reflected in increases in the bus capital annuity payment rate (ie, the monthly lease payment). This lease payment is calculated using the appropriate interest rate and an estimate of the capital cost for a standard vehicle.

During the 2007 review, IPART decided that the 5-year Bank Bill Swap Reference Rate was the appropriate interest rate to apply. Consistent with this decision, IPART applied the 5-year Bank Bill Swap Reference Rate as at June 2008 in this year's review. The BCA referred to this interest rate in its fare proposal but used a slightly different figure from the June 2008 rate used by IPART.

In previous years, the BCA has estimated the capital cost for a standard bus each year, based on a quote for a bus basic body and bus chassis. During the 2007 review, IPART decided that to improve the independence and transparency of this estimated cost, it would work with the BCA to obtain multiple quotes for subsequent reviews. However, due to its involvement in the rural and regional contract negotiations, the BCA was unable to provide the necessary specifications to enable multiple suppliers to provide comparable quotes. Instead it provided a single quote comparable with last year's cost estimate.

IPART made informal inquiries to attempt to verify the BCA's quote and on this basis it has accepted the BCA's estimate of the capital cost of a standard bus for this review. However, IPART remains convinced that a more robust method of estimating changes in the capital cost is required for future reviews. IPART will seek data on bus purchasing from the Ministry of Transport to assess its suitability for assessing bus capital costs in future reviews.

IPART found there was an 8.3 per cent increase in the monthly lease payment for buses used by rural and regional bus operators. This is based on an increase in bus capital cost of \$26,556 and an increase in the average interest rate of 13.1 per cent. After weighting, this increase added 1.58 per cent to the total costs of providing bus services.

3.2.2 Wages and salaries, superannuation, payroll tax and workers compensation costs

The BCA proposed a total increase of around 11 per cent in 'people-related costs' this year (including wages and salaries, superannuation, payroll tax and workers compensation). In part, the increase resulted from a one-off wage increase for drivers for the purpose of equalising wages in rural and regional areas with those in metropolitan and outer metropolitan areas. IPART considered this 'driver wage parity' increase separately as it is a cost associated with the new contracting regime (see section 3.4).

Last year, IPART decided that the most appropriate way to capture the change in people-related costs was to:

- ▼ inflate the wages and salaries cost item by the change in the Wage Price Index (WPI) for all industries published by the ABS
- ▼ inflate the superannuation, payroll tax and workers compensation items by the relevant Non-Wage Price Index (NWPI).

In preparing its fare proposal, the BCA calculated increases in each of these cost items using the change in the WPI for the transport industry measured by comparing the March quarter index value for 2007 with the March quarter value for 2008. While the BCA has previously acknowledged that the NWPI is a better measure of increases in the non-wage items, NWPI data was not available when the BCA made its submission.

IPART does not support the use of only March quarter WPI figures for the transport industry to calculate an increase in all people-related costs because:

- ▼ The WPI for the transport industry sector reflects changes in costs across a diverse range of industries, including shipping, airlines and pipeline transport. Given this, IPART considers that it does not provide a more cost-reflective measure of the change in wages experienced by the bus industry than the all industries WPI.
- ▼ The use of an average of four quarters of WPI data is preferable because it provides a more robust measure of the change in WPI for the year to June than comparing single quarters.
- ▼ The Non-Wage Price Index (NWPI) is the appropriate inflator for superannuation, pay-roll and workers compensation costs.

Therefore, IPART applied the annual change in the all industries WPI to the salaries and wages cost item, and the annual change in the relevant NWPI to superannuation, pay-roll tax and workers compensation cost items. For WPI, the annual change was measured by the average of four quarters to June 2008 divided by the average of four quarters to June 2007. For NWPI the annual figure for 2008 was divided by the annual figure for 2007.

IPART found that there was an:

- ▼ 3.8 per cent in salaries and wages costs
- ▼ 4.3 per cent in superannuation costs
- ▼ 4.7 per cent in payroll tax costs
- ▼ -7.0 per cent in workers compensation costs.

After weighting, these increases in people-related costs resulted in a 1.70 per cent increase in the total costs of providing bus services.

IPART also considered whether it should adjust the salaries and wages inflator for expected gains in productivity over the coming year. Unlike the Consumer Price Index (which is used to inflate many other cost items in the cost index), the WPI does not already include a measure of economy-wide productivity gains.

Productivity is a measure of the rate at which outputs of goods and services are produced per unit of input (for example, labour, capital, raw materials). Growth in productivity reflects the achievement of greater outputs for a given level of input. This can be achieved through reduced costs, but also through increased levels of value-adding, such as increased performance or improved service quality.

In 2007, IPART noted the desirability of obtaining more data, particularly passenger kilometres, to allow industry-specific productivity adjustments to be made in future.⁶ Some of this information should become available in future as a result of the reporting requirements under the new contracting arrangements.

⁶ IPART, *Review of fares for rural and regional buses and private ferries from 2 January 2008*, p 23.

IPART did not have sufficient information to calculate bus industry specific productivity adjustments specifically for rural and regional bus operators for this year's review. Taking into account the limited data provided, the fact that many of the bus operators are small businesses, and their short-term productivity is closely linked to patronage, IPART decided not to make a productivity adjustment this year. IPART will reconsider the issue of productivity as part of its next review.

3.2.3 Bus insurance costs

Last year, IPART decided that the insurance services sub group of the CPI was the appropriate inflator for this item on the grounds that this is a more independent and verifiable measure than a quote provided by the BCA. Although the BCA re-stated its view that an estimate of bus insurance costs from an industry insurer is more industry specific, it provided no additional information or argument to convince IPART that the quote it obtained from ALIB Businsure is a more appropriate measure of the industry's change in insurance costs.

Therefore, IPART inflated bus insurance costs by 2.9 per cent, which was the change in the insurance services sub group (Sydney CPI, all industries, average of four quarters to June 2008 divided by the average of the four quarters to June 2007). After weighting, this resulted in a 0.05 per cent increase in the total costs of providing bus services.

3.2.4 Fuel

For other industries IPART regulates using a cost index, IPART obtains daily fuel price data each year from Fueltrac, an independent source of fuel price information. Last year, IPART accepted the BCA's submission that daily diesel price data from Mobil (obtained by the BCA from the Ministry of Transport) was a reasonable inflator for this item. IPART noted that the results of the two sources of data were likely to be very similar, and that it would obtain Mobil data directly from the Ministry of Transport from 2008 onwards.

The BCA calculated an increase in fuel costs by comparing Mobil average Sydney diesel price data measured daily over the year to 30 June 2007 with Fueltrac daily price data for 37 towns for the last week of June 2008. This method gave a calculated increase of 58.7 per cent in fuel price which, when weighted, contributed 6.3 per cent to the overall increase in fares sought by the BCA.

IPART considers that to provide a reasonable indication of the difference in costs between two periods, consistent data should be used for each period. To capture price movements throughout the whole year, the average daily price for 12 months should be compared to the average daily price for the previous 12 months.

IPART asked the Ministry of Transport to provide the Sydney Mobil price data for the full two-year period. However, the Ministry was unable to provide a consistent set of data, as it no longer requires such data for its own purposes. In the absence of a consistent set of daily data from Mobil, IPART decided to use daily diesel prices obtained from Fueltrac.

IPART used annual averages of Fueltrac daily diesel price data for both years to determine the cost increase. To be as cost reflective as possible, IPART agrees with the BCA that the data should apply to rural and regional areas. IPART obtained the average daily price for 35 country towns in NSW (the same towns proposed by the BCA, excluding Newcastle and Wollongong as they relate to outer metropolitan service areas). Using this approach, IPART calculated a much smaller increase in the cost of diesel of 16.1 per cent for the year to 30 June 2008. After weighting, this cost increase added 1.73 per cent to the total costs of providing bus services.

3.2.5 Bus repairs and maintenance costs

Last year, IPART decided the motor vehicle repairs and maintenance category of the CPI was the appropriate inflator for the repairs and maintenance cost item of the BICI. However, in making its fare proposal, the BCA used an alternative approach to derive the change in this cost item. It applied an inflation rate of 3.9 per cent to the base cost of \$3,766.54 (which the BCA estimates is the cost of labour for a major service), which contributed 0.19 per cent to the proposed fare increase.

The BCA did not provide any additional information or argument to convince IPART that its approach results in more appropriate measure of the industry-wide change in bus repair and maintenance costs. Therefore, IPART used the change in the CPI for motor vehicle repair and maintenance (2.6 per cent) to inflate this cost item, in line with its 2007 decision. After weighting, this added 0.13 per cent to the total costs of providing bus services.

3.3 Cost increases associated with the new contract regime

Recent changes in the contractual arrangements for the provision of rural and regional bus services mean that bus operators are required to meet additional obligations, and this has increased their costs. The BCA proposed a 7.5 per cent increase in maximum fares to recover these costs increases. In particular, it calculated increases in costs associated with:

- ▼ bringing rural and regional bus drivers' wages into line with those in the Sydney metropolitan and outer metropolitan areas
- ▼ introducing new requirements under the Bus Operator Accreditation System (BOAS)
- ▼ providing air conditioning in buses.

After undertaking its own analysis of the increase in operator costs as a result of new obligations, IPART found that a 2.9 per cent increase in maximum fares is appropriate to recover these costs (Table 3.2).

Table 3.2 IPART's findings on increase in costs associated with the new contract regime

	Weighting %	Inflator	Inflator Value %	Total %
Wage parity	28.42 ^a	7% wage parity increase (applied to inflated people cost items)	7.4	2.1
BOAS	48.50 ^b	\$815 as a proportion of total people costs	1.7	0.8
Air conditioning costs	-	-	-	-
Total				2.9

^a 61 per cent of people cost items – representing proportion relating to bus drivers.

^b Total people costs (wages and salaries, superannuation, workers compensation and payroll tax costs).

3.3.1 Cost increase associated with driver wage parity

The industry negotiated a 7 per cent increase in wages for rural and regional bus drivers. This is a one-off increase to achieve parity between the wages of bus drivers working in the metropolitan and outer metropolitan regions and those in rural and regional areas.

To calculate the cost increase associated with driver wage parity, the BCA applied the 7 per cent increase to the wages and salaries item after it had been inflated to take account of the general increase in wages (discussed in section 3.2.2). The adjusted increase was applied to 100 per cent of the people-related costs item in the BICI. However, it is clear from the BCA's calculation of the BICI that at least 39 per cent of the salaries and wages cost item applies to administrative salaries whereas the negotiated wage parity increase applies only to drivers.

IPART recognises that the wage parity increase represents a real cost increase to operators and this increase will result in corresponding increases to superannuation and payroll tax costs. However, applying the increase to 100 per cent of the salaries and wages cost item represents an over-recovery of these costs. Therefore, IPART applied the 7 per cent increase to the estimated proportion of the wages and salaries, superannuation, payroll tax and workers compensations costs that relates to drivers (61 per cent). Consistent with the BCA proposal, IPART applied this increase to each cost item after it had been inflated by the relevant WPI/NWPI measure.

IPART found that achieving driver wage parity added 2.1 per cent to the total costs of providing bus services.

3.3.2 Cost increase associated with Bus Operator Accreditation Scheme

From mid 2007, the conditions bus operators are required to meet to be accredited changed with the introduction of the Bus Operator Accreditation System (BOAS). Among other things, the BOAS requires operators to implement a detailed and formal Safety Management System. This requires the operator to closely monitor and document a range of safety-related standards including without limitation bus hazards and related control measures, driver fatigue, driver health monitoring and incident management.

The BCA proposed increasing maximum fares to enable operators to recover \$2,000 per bus per year for costs associated with complying with the new BOAS obligations. The BCA calculated that this would require a 2.6 per cent fare increase by multiplying the increase in administration wage costs as a result of complying with the BOAS (16 per cent) by the proportion of wages assumed to relate to administration (39 per cent) by the weighting for the wages and salaries cost item in the BICI (41 per cent).

IPART obtained independent expert advice on the ongoing costs of complying with new BOAS obligations. This advice was that a total additional ongoing compliance cost of \$815 per bus is reasonable. In addition, the advice was that the BCA's method of calculating compliance costs as a proportion of administration wages may not reflect the costs associated with compliance due to the differing administration costs of operators. The preferable approach is to calculate the \$815 per bus as a proportion of total people-related costs (including wages and salaries, superannuation, payroll tax and workers compensation).

The BCA has been provided with an opportunity to comment on the independent advice on the cost of complying with BOAS. The BCA asserts that the BCA cost estimate of \$2000 per bus is more cost reflective but has been unable to provide any further data to support their position. As the accreditation scheme is still being implemented, IPART acknowledges that further cost data may arise and re-consideration of some costs may be required in the next fare review.

The BOAS compliance cost was included in the index by calculating the increase in people costs that would be required to recover \$815 per bus. This was done by dividing the \$815 per bus by an estimate of total people costs. We found that compliance with BOAS obligations increased total people-related costs by 1.68 per cent. After weighting, this results in a 0.8 per cent increase in the total costs of providing bus services.

3.3.3 Cost increases associated with providing air-conditioned buses

Under the Government's bus reform program, rural and regional bus operators are required to provide air-conditioning in all new school buses. The BCA estimates that approximately 30 per cent of rural and regional buses are air-conditioned, and expects this to increase by 5 per cent each year until all buses are air-conditioned.

In light of the above, the BCA proposed an increase in fares to recover additional costs associated with running air-conditioning systems in buses. In particular, it included further increases to bus fuel costs and bus repair and maintenance costs. These increases were applied after these cost items had been inflated to account for increases in the ordinary costs of providing bus services over the past year.

IPART reviewed the information and arguments put forward by the BCA, and concluded that there is insufficient evidence to justify further increases to either of these cost items to recover additional costs associated with air-conditioning. In relation to fuel, IPART considers that fuel usage would vary significantly depending on the age of the bus and actual air-conditioning usage. The BCA's proposal nominates costs associated with air-conditioning in new buses only, as there is no requirement to install air-conditioning in existing buses. Significantly, the proposal did not consider any decrease in fuel usage that would occur as a result of introducing new, more fuel-efficient buses into the fleet.

In relation to bus repairs and maintenance costs, IPART accepts that some extra costs may be incurred in servicing and repairing air-conditioning systems in buses. However, it does not accept the industry view that these costs are equal to more than 50 per cent of the total costs of servicing and maintaining a bus. IPART expects these costs would vary significantly depending on the age of the air-conditioning system and the number of running hours each year. In addition, IPART considers the inflator used to calculate the increase in the ordinary cost of repairing and maintaining buses (the change in the motor vehicle repair and maintenance category of the CPI) already reflects, to some extent, the costs associated with servicing air-conditioned vehicles in the Australian market.

For the reasons set out above, IPART decided not to adjust the fuel costs or the bus repair and maintenance costs in the BICI to reflect increased costs associated with air-conditioned buses.

3.4 Impact of the cost changes on the weightings in the BICI

In the 2007 review of fares for rural and regional buses, IPART reviewed the weightings and inflators used in the BICI and made a number of changes. IPART used the revised weightings in calculating the change in the BICI for this year's review.

For the costs associated with the new contracting regime, the weightings for the relevant cost items were applied. However, the weighting was reduced so that it only reflected the proportion of costs that were affected by the new obligations. For example, the weighted cost of the wage parity increase was reduced by 39 per cent so that it applied to the driver portion of the salary cost item only.

Table 3.3 sets out the weightings that will be used in the 2009 review.

Table 3.3 BICI weightings for the 2009 review

Cost item	2008 weighting %	2008 inflator value %	2009 weighting %
Capital costs - bus	19.00	8.33	18.97
Salaries and wages	41.02	10.83 ^a	41.68
Superannuation	3.52	8.73 ^b	3.52
Payroll tax	2.06	8.96 ^b	2.07
Workers compensation	1.90	-7.04	1.63
Insurance	1.78	2.87	1.69
Fuel	10.73	16.14	11.49
Bus repair and maintenance	4.77	2.64	4.51
All other costs	15.22	2.96	14.44
Total	100		100

^a The inflator for this item includes the 7 per cent wage parity and the additional costs associated with BOAS.

^b The inflators for these items include the 7 per cent wage parity increase.

Note: Columns may not add due to rounding.

4 Expected impact of fare changes

IPART calculated the required increase in maximum fares for rural and regional bus operators based on the cost increases outlined in Chapter 3. In reaching its recommendation, IPART considered the impacts of increasing fares in line with costs on passengers, operators, the Government and the environment. IPART is satisfied that these impacts will be minimal and any adverse effects can be mitigated.

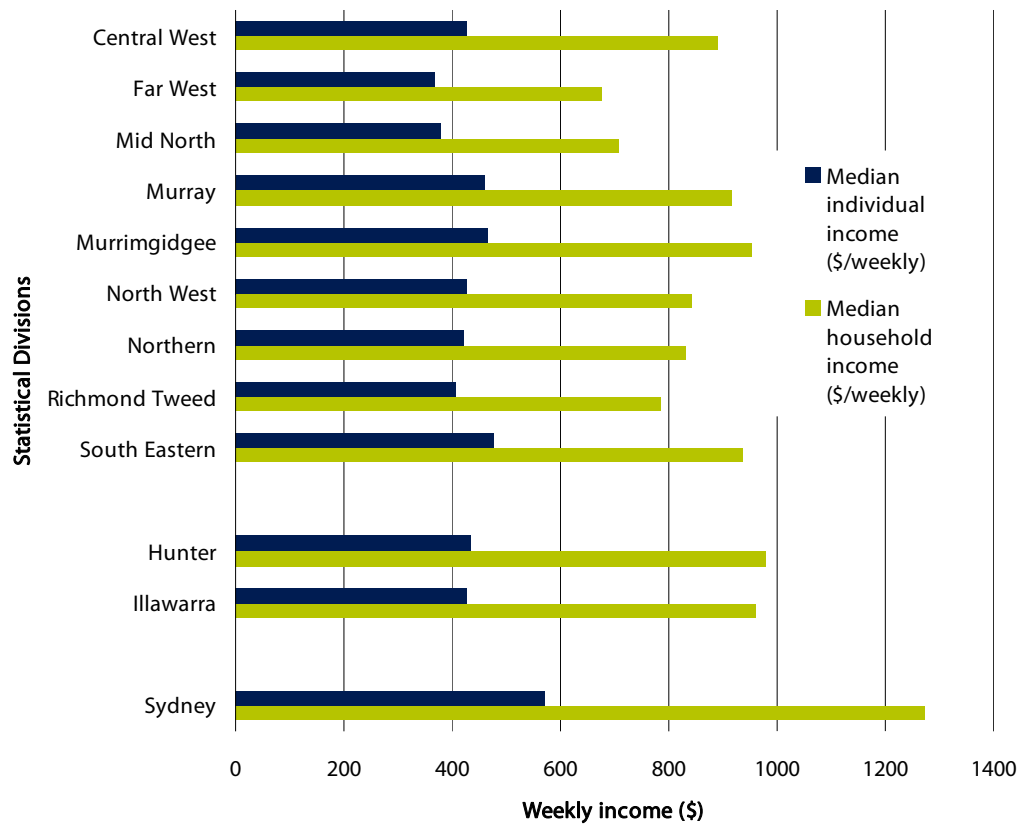
4.1 Impact on passengers

The overall impact of the required increase in maximum fares on passengers is likely to be small, because spending on transport fares represents a small proportion of average household incomes. However, the impact on individual passengers of bus services is likely to be somewhat higher.

IPART considers there is a subset of rural and regional people who are vulnerable to any significant price increase for bus travel. This group primarily includes low-income individuals and families without access to alternative modes of transport. However, for these passengers, the impact of fare increases will be mitigated to some extent by the increased concession arrangements introduced under the new contracts.

Figure 4.1 shows that incomes across rural and regional bus contract zones are significantly lower than those in Sydney. The weekly personal median income of rural and regional NSW is at least \$100 less than Sydney and up to \$200 less for some regions. Median weekly household incomes are at least \$300 less than those in Sydney and up to \$600 less for some regions. After taking into account rent and mortgage repayments in each statistical division, the median weekly household disposable income (income minus housing costs) in rural and regional NSW is \$200 to \$450 less than in the Sydney statistical division.

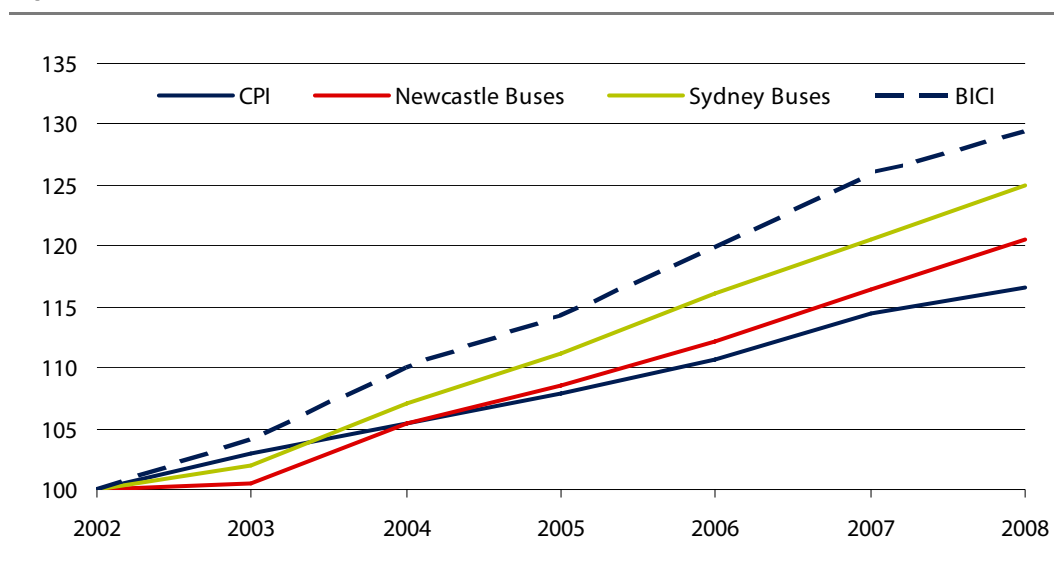
Figure 4.1 Median income by region (real \$08/09)



Data source: ABS, Census 2006.

Figure 4.2 shows that over the past five years, maximum bus fares in rural and regional areas (shown on the figure as 'BICI') have grown at a faster rate than maximum fares in Sydney and Newcastle and faster than the rate of growth in the CPI.

Figure 4.2 2008 Bus fares in NSW



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.

Maximum fares in rural and regional areas tend to be higher than fares in metropolitan and outer metropolitan areas, particularly for longer distance trips. For example, in country towns, the maximum fares for 10 km of travel are 43 per cent higher than the equivalent metropolitan and outer metropolitan fares. For 20 km of travel, they are 81 per cent higher. In rural areas, the maximum fares for 10 km are 70 per cent higher than in metropolitan and outer metropolitan areas, and those for 20 km of travel are 116 per cent higher. One of the reasons for this is the different fare structures in these areas – in metropolitan and outer metropolitan areas, fares are capped at 16 sections (25 km), whereas in regional and rural areas fares increase for every section of travel up to 70 sections (112 km).

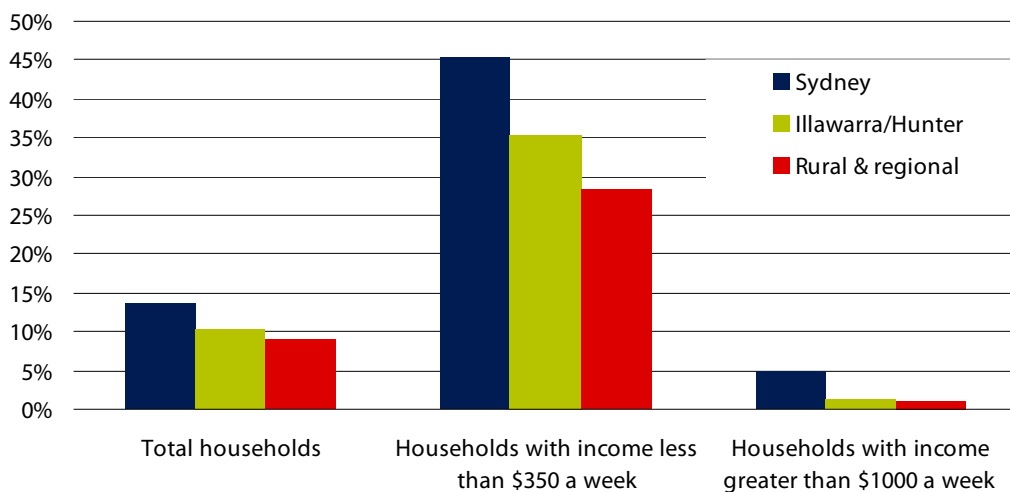
The BCA submitted that most bus operators in rural and regional areas charge less than the maximum fares set by IPART, and in reality the bus fare schedules are more likely to be used by government in setting bus contract payments such as the half fare concession payment, rather than by fare-paying passengers.⁷ However, IPART has no control over the setting of actual fares by operators once the maximum fare scale is set and must consider the potential for operators to set their fares at the maximum.

In assessing the ability of rural and regional bus passengers to access alternative forms of transport, IPART concluded that access to a private motor vehicle is the only real alternative to bus services for most people living in rural and regional NSW. While some country towns have access to the NSW rail network, this provides a link with major regional centres and is not designed for day to day travel such as accessing places of work, local shopping centres or commercial facilities.

⁷ BCA fare proposal, August 2008, p 4.

Figure 4.3 shows that almost 30 per cent of low-income households in rural and regional NSW (those with a household income of less than \$350 a week) do not have access to a motor vehicle. This is significantly above the average proportion of households without access to a motor vehicle in NSW, which is around 10 per cent. IPART expects that a large proportion of this group are pensioners and therefore eligible for the half-fare concession travel or the shortly to be introduced Pensioner Excursion Ticket. However, these figures do suggest that a sector of the rural and regional community has a low level of disposable income and few if any transport alternatives.

Figure 4.3 Households without access to a motor vehicle (per cent)



Data source: ABS, 2006 census.

The NSW Government's bus reform program includes the extension and restructure of concession fares for rural and regional bus passengers. IPART recognises that this will go some way to mitigating the impact of any fare rises for a number of low income people living in rural and regional NSW such as pensioners (see Chapter 2 for more information).

4.2 Impact on bus industry operators

The recommended increase in maximum fares is lower than the increase proposed by the BCA. Nevertheless, IPART considers that this increase is likely to maintain the industry's current level of financial viability as it is based on the increase in the costs of providing services.

4.3 Impact on government

The bulk of government-funded payments to rural and regional bus operators are provided through the School Student Transport Scheme (SSTS). These payments were negotiated directly between the Government and the industry and are no longer affected by changes to maximum fares (see Chapter 2). An increase in maximum fares will increase the amount paid to operators for passengers travelling on half-fare concession tickets. However, IPART does not consider that its recommended fare increase will have a significant impact on the amount of funding required for rural and regional bus services.

4.4 Impact on the environment

Public transport results in lower pollution, carbon emissions and traffic congestion, compared with private car transport. Higher fares tend to discourage passengers from using public transport and therefore reduce these environmental benefits. However, the majority of travel on rural and regional bus services covered by this recommendation is undertaken by non-fare paying school students, with fare paying passengers providing only around 15 per cent of revenue to rural and regional bus operators.

For fare-paying passengers, IPART expects that a fare increase in line with the cost of providing bus services is unlikely to significantly affect consumer behaviour, particularly as it is combined with expanded concession options for lower income passengers. Therefore, IPART considers that the environmental impacts of its recommendation will be negligible.



Appendices

A Terms of reference for the review

INDEPENDENT PRICING AND REGULATORY TRIBUNAL ACT 1992 PRIVATE BUS INDUSTRY FARE REVIEW

I, Morris Iemma, Premier, pursuant to Section 9(2) of the *Independent Pricing and Regulatory Tribunal Act 1992*, approve the Independent Pricing and Regulatory Tribunal entering into an arrangement with the Ministry of Transport for a period of one year from the date hereof to provide services to the Ministry that are within its area of expertise. The services to be provided by IPART are the conduct of an investigation into, and the preparation of a report concerning, fares for regular commercial bus services under the *Passenger Transport Act 1990* that operate in rural and regional areas.

In providing these services, the Tribunal should consider:

- i) the cost of providing the services concerned;
- ii) relativities with the Government owned bus services, including in terms of service, efficiency, cost and ticketing products;
- iii) the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standards of service;
- iv) the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers;
- v) the impact of pricing policies on borrowing and capital requirements and, in particular, the impact of any need to renew or increase relevant assets;
- vi) the need to maintain ecologically sustainable development;
- vii) the social impact of the recommendations;
- viii) 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); and
- ix) the effect of any pricing recommendation on the level of Government funding provided to private operators under commercial contracts.

The services to be provided by the Tribunal will include a public consultation process through which the Tribunal will invite submissions from the Bus and Coach Association, the relevant unions and other stakeholder groups including the general community.

The services are to be provided through the provision of a final report to the Ministry of Transport by 19 December 2008.


The Hon Morris Iemma MP
Premier

Dated at Sydney..... 30 June2008

B Service standard reporting under the new contracts

The following tables set out the reporting requirements in the new contracts. In addition to these, the Ministry of Transport and the industry will develop a set of additional benchmarks against which operational performance of the services will be measured. IPART expects that in future years it will have access to this data so that some analysis of service standards can be undertaken as part of the annual fare review.

Table B.1 Schedule 6 – Key performance indicators

Key result area	Key performance indicator	Measure
Operational performance	Service delivery	<ul style="list-style-type: none"> ▼ Compliance with the Service Planning Guidelines in relation to early/late running ▼ Maintain an early/late running register
Planning	<ul style="list-style-type: none"> ▼ Compliance with Service Planning Guidelines ▼ Network Review ▼ Community consultation ▼ Neighbouring Service Providers 	Cooperation with Neighbouring Service Providers/ Compliance with Contract/ Compliance with Service Planning Guidelines
Safety	Compliance with regulatory requirements (including safety management systems)	Implementation of safety management systems and Drug and Alcohol testing and other accreditation requirements with satisfactory audit
Business performance	Implementation of Contract Management Plan	Completion and implementation of Contract Management Plan/ number of notices issued under this Contract/ meeting reporting requirements
Customer Service	Complaint management	Complaints received and dealt with – details of time complaint is received/ content of complaint/ how complaint was dealt with
Financial	Financial viability	Meeting reporting requirements/ including bus hourly costs and revenue kilometre costs

Table B.2 Schedule 7 – Reporting requirements

Measure	Reporting frequency
Progress against Key Performance Indicators	Annual
Financial results	Annual
Kilometres	Annual
Fleet used in the Services	Annual
Complaints handling	Monthly
Reliability	Monthly
Patronage	Monthly
Major service disruptions	Immediately
Force Majeure Events	Immediately

C | List of submissions and public hearing participants

Table C.1 Submissions received

Submitter	Date received
Bus and Coach Association Ministry of Transport Transport Development Project	3 October 2008

Table C.2 Participants at the public hearing

Organisation	Representative
Bus and Coach Association (now called BusNSW)	Darryl Mellish
Ministry of Transport	Joanna Quilty
Action for Public Transport	Allan Miles
NSW Council of Social Service	Samantha Edmonds

D Recommended maximum fares for 2009

Applying the recommended 8.5 per cent increase recommended by IPART to the current maximum fares for rural and regional bus services results in the following fare increase:

Table D.1 Increase in country town maximum fare scale – adult single fares

Section	Adult unrounded	Adult rounded	Child unrounded	Child rounded
1	\$2.03	\$2.00	\$1.02	\$1.00
2	\$3.01	\$3.00	\$1.50	\$1.50
3	\$3.76	\$3.80	\$1.88	\$1.90
4	\$4.41	\$4.40	\$2.20	\$2.20
5	\$4.99	\$5.00	\$2.50	\$2.50
6	\$5.56	\$5.60	\$2.78	\$2.80
7	\$6.03	\$6.00	\$3.02	\$3.00
8	\$6.51	\$6.50	\$3.25	\$3.30
9	\$6.96	\$7.00	\$3.48	\$3.50
10	\$7.37	\$7.40	\$3.68	\$3.70
11	\$7.74	\$7.70	\$3.87	\$3.90
12	\$8.15	\$8.10	\$4.07	\$4.10
13	\$8.49	\$8.50	\$4.24	\$4.20
14	\$8.88	\$8.90	\$4.44	\$4.40
15	\$9.22	\$9.20	\$4.61	\$4.60
16	\$9.50	\$9.50	\$4.75	\$4.70
17	\$9.86	\$9.90	\$4.93	\$4.90
18	\$10.20	\$10.20	\$5.10	\$5.10
19	\$10.47	\$10.50	\$5.24	\$5.20
20	\$10.81	\$10.80	\$5.41	\$5.40
21	\$11.09	\$11.10	\$5.55	\$5.50
22	\$11.42	\$11.40	\$5.71	\$5.70
23	\$11.69	\$11.70	\$5.85	\$5.80
24	\$11.95	\$12.00	\$5.98	\$6.00
25	\$12.25	\$12.20	\$6.12	\$6.10
26	\$12.49	\$12.50	\$6.25	\$6.20
27	\$12.78	\$12.80	\$6.39	\$6.40

Section	Adult unrounded	Adult rounded	Child unrounded	Child rounded
28	\$13.01	\$13.00	\$6.51	\$6.50
29	\$13.25	\$13.30	\$6.63	\$6.60
30	\$13.53	\$13.50	\$6.77	\$6.80
31	\$13.76	\$13.80	\$6.88	\$6.90
32	\$14.04	\$14.00	\$7.02	\$7.00
33	\$14.28	\$14.30	\$7.14	\$7.10
34	\$14.51	\$14.50	\$7.25	\$7.30
35	\$14.73	\$14.70	\$7.37	\$7.40
36	\$14.99	\$15.00	\$7.50	\$7.50
37	\$15.17	\$15.20	\$7.59	\$7.60
38	\$15.43	\$15.40	\$7.72	\$7.70
39	\$15.66	\$15.70	\$7.83	\$7.80
40	\$15.89	\$15.90	\$7.94	\$7.90
41	\$16.08	\$16.10	\$8.04	\$8.00
42	\$16.31	\$16.30	\$8.16	\$8.20
43	\$16.52	\$16.50	\$8.26	\$8.30
44	\$16.73	\$16.70	\$8.37	\$8.40
45	\$16.91	\$16.90	\$8.46	\$8.50
46	\$17.16	\$17.20	\$8.58	\$8.60
47	\$17.35	\$17.40	\$8.68	\$8.70
48	\$17.56	\$17.60	\$8.78	\$8.80
49	\$17.78	\$17.80	\$8.89	\$8.90
50	\$17.97	\$18.00	\$8.99	\$9.00
51	\$18.18	\$18.20	\$9.09	\$9.10
52	\$18.34	\$18.30	\$9.17	\$9.20
53	\$18.57	\$18.60	\$9.29	\$9.30
54	\$18.75	\$18.80	\$9.38	\$9.40
55	\$18.91	\$18.90	\$9.46	\$9.50
56	\$19.13	\$19.10	\$9.56	\$9.60
57	\$19.30	\$19.30	\$9.65	\$9.70
58	\$19.52	\$19.50	\$9.76	\$9.80
59	\$19.66	\$19.70	\$9.83	\$9.80
60	\$19.91	\$19.90	\$9.95	\$10.00
61	\$20.05	\$20.10	\$10.03	\$10.00
62	\$20.26	\$20.30	\$10.13	\$10.10
63	\$20.43	\$20.40	\$10.21	\$10.20
64	\$20.56	\$20.60	\$10.28	\$10.30
65	\$20.83	\$20.80	\$10.42	\$10.40
66	\$20.98	\$21.00	\$10.49	\$10.50
67	\$21.13	\$21.10	\$10.56	\$10.60

Section	Adult unrounded	Adult rounded	Child unrounded	Child rounded
68	\$21.29	\$21.30	\$10.64	\$10.60
69	\$21.45	\$21.50	\$10.73	\$10.70
70	\$21.68	\$21.70	\$10.84	\$10.80

Table D.2 Increase in rural maximum fare scale – adult single fares

Section	Adult unrounded	Adult rounded	Child unrounded	Child rounded
1	\$2.59	\$2.60	\$1.29	\$1.30
2	\$3.80	\$3.80	\$1.90	\$1.90
3	\$4.74	\$4.70	\$2.37	\$2.40
4	\$5.59	\$5.60	\$2.79	\$2.80
5	\$6.33	\$6.30	\$3.16	\$3.20
6	\$7.01	\$7.00	\$3.50	\$3.50
7	\$7.62	\$7.60	\$3.81	\$3.80
8	\$8.22	\$8.20	\$4.11	\$4.10
9	\$8.81	\$8.80	\$4.40	\$4.40
10	\$9.30	\$9.30	\$4.65	\$4.70
11	\$9.78	\$9.80	\$4.89	\$4.90
12	\$10.30	\$10.30	\$5.15	\$5.20
13	\$10.76	\$10.80	\$5.38	\$5.40
14	\$11.21	\$11.20	\$5.60	\$5.60
15	\$11.67	\$11.70	\$5.84	\$5.80
16	\$12.09	\$12.10	\$6.04	\$6.00
17	\$12.50	\$12.50	\$6.25	\$6.30
18	\$12.89	\$12.90	\$6.44	\$6.40
19	\$13.30	\$13.30	\$6.65	\$6.70
20	\$13.67	\$13.70	\$6.84	\$6.80
21	\$14.07	\$14.10	\$7.04	\$7.00
22	\$14.43	\$14.40	\$7.21	\$7.20
23	\$14.80	\$14.80	\$7.40	\$7.40
24	\$15.14	\$15.10	\$7.57	\$7.60
25	\$15.47	\$15.50	\$7.74	\$7.70
26	\$15.84	\$15.80	\$7.92	\$7.90
27	\$16.20	\$16.20	\$8.10	\$8.10
28	\$16.48	\$16.50	\$8.24	\$8.20
29	\$16.80	\$16.80	\$8.40	\$8.40
30	\$17.12	\$17.10	\$8.56	\$8.60
31	\$17.43	\$17.40	\$8.72	\$8.70
32	\$17.75	\$17.80	\$8.88	\$8.90
33	\$18.05	\$18.00	\$9.02	\$9.00

Section	Adult unrounded	Adult rounded	Child unrounded	Child rounded
34	\$18.34	\$18.30	\$9.17	\$9.20
35	\$18.68	\$18.70	\$9.34	\$9.30
36	\$18.97	\$19.00	\$9.49	\$9.50
37	\$19.26	\$19.30	\$9.63	\$9.60
38	\$19.56	\$19.60	\$9.78	\$9.80
39	\$19.82	\$19.80	\$9.91	\$9.90
40	\$20.08	\$20.10	\$10.04	\$10.00
41	\$20.40	\$20.40	\$10.20	\$10.20
42	\$20.65	\$20.60	\$10.32	\$10.30
43	\$20.93	\$20.90	\$10.46	\$10.50
44	\$21.20	\$21.20	\$10.60	\$10.60
45	\$21.46	\$21.50	\$10.73	\$10.70
46	\$21.71	\$21.70	\$10.86	\$10.90
47	\$21.97	\$22.00	\$10.99	\$11.00
48	\$22.22	\$22.20	\$11.11	\$11.10
49	\$22.51	\$22.50	\$11.26	\$11.30
50	\$22.74	\$22.70	\$11.37	\$11.40
51	\$23.04	\$23.00	\$11.52	\$11.50
52	\$23.27	\$23.30	\$11.63	\$11.60
53	\$23.50	\$23.50	\$11.75	\$11.70
54	\$23.74	\$23.70	\$11.87	\$11.90
55	\$23.97	\$24.00	\$11.99	\$12.00
56	\$24.22	\$24.20	\$12.11	\$12.10
57	\$24.47	\$24.50	\$12.23	\$12.20
58	\$24.68	\$24.70	\$12.34	\$12.30
59	\$24.90	\$24.90	\$12.45	\$12.40
60	\$25.19	\$25.20	\$12.60	\$12.60
61	\$25.39	\$25.40	\$12.70	\$12.70
62	\$25.62	\$25.60	\$12.81	\$12.80
63	\$25.84	\$25.80	\$12.92	\$12.90
64	\$26.08	\$26.10	\$13.04	\$13.00
65	\$26.30	\$26.30	\$13.15	\$13.10
66	\$26.55	\$26.50	\$13.27	\$13.30
67	\$26.76	\$26.80	\$13.38	\$13.40
68	\$26.96	\$27.00	\$13.48	\$13.50
69	\$27.18	\$27.20	\$13.59	\$13.60
70	\$27.42	\$27.40	\$13.71	\$13.70