

IMPACT OF 2018 CHANGES TO MAXIMUM FARES



IPART's 2018 determination made substantial changes to maximum fares for rural and regional buses:

- ▼ We simplified the fare structure by consolidating 220 sections into just 10 fare bands
- ▼ We reduced the maximum level of fares for almost all single journeys, resulting in an average decrease in the adult fare for a single journey of around 29%
- ▼ We introduced a daily ticket, where the daily ticket was priced equal to the total of the return fare for the longest trip the passenger makes on the day (ie, two times the single fare), plus a single 1-2 section fare (\$2.30 in 2018)
- ▼ We recommended that bus operators be able to set an optional surcharge of up to \$5 (including GST) on top of the fixed route fare for on-demand components.¹

The sections below outline our understanding of the impacts of these changes on the use of rural and regional buses.

Fares in 2020 are generally lower than they were in 2017

As outlined above, our 2018 determination resulted in notable fare reductions for most customers. BusNSW submitted that IPART's 2017 decision to simplify the rural and regional bus fare structure from 220 fare sections into just 10 fare bands has been broadly accepted by the travelling public and welcomed by bus operators. The new fare band structure has made it easier for the public to understand how fares are calculated and has simplified the fare collection process for bus drivers.²

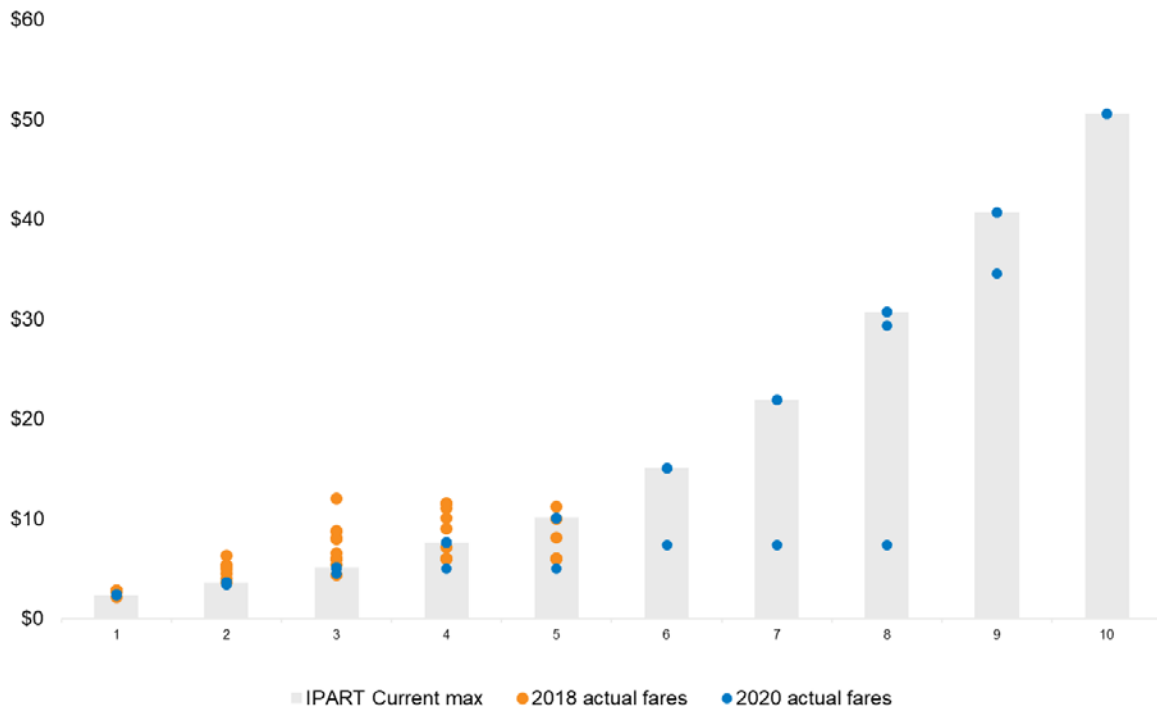
To understand the impact of that determination, we examined fares charged by a selection of around 20 large bus operators in February 2018 (immediately before our last determination came into effect) and compared them to fares charged by the same bus operators in 2020. 1.1.1 Figure 1 (below) shows that in February 2018, fares were more dispersed (orange dots), but also that operators tended to cap fares at shorter distances (generally at fare band 5, or Sections 26 to 37).

The grey bars show our current 2020 maximum fares, though operators are able to set fares below this. The blue dots indicate that as at August 2020, operators are currently charging at or close to the maximum fare for shorter trip distances, with some exceptions. While few operators offer services for trips greater than 60kms (fare bands 6 and above), those that do tend to set their prices below the maximum fare.

¹ IPART, [Maximum fares for rural and regional bus services from 5 March 2018 Final Report](#), December 2017, pp 1 - 6.

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

Figure 1 Impact of our last determination on fares compared to current maximum fares



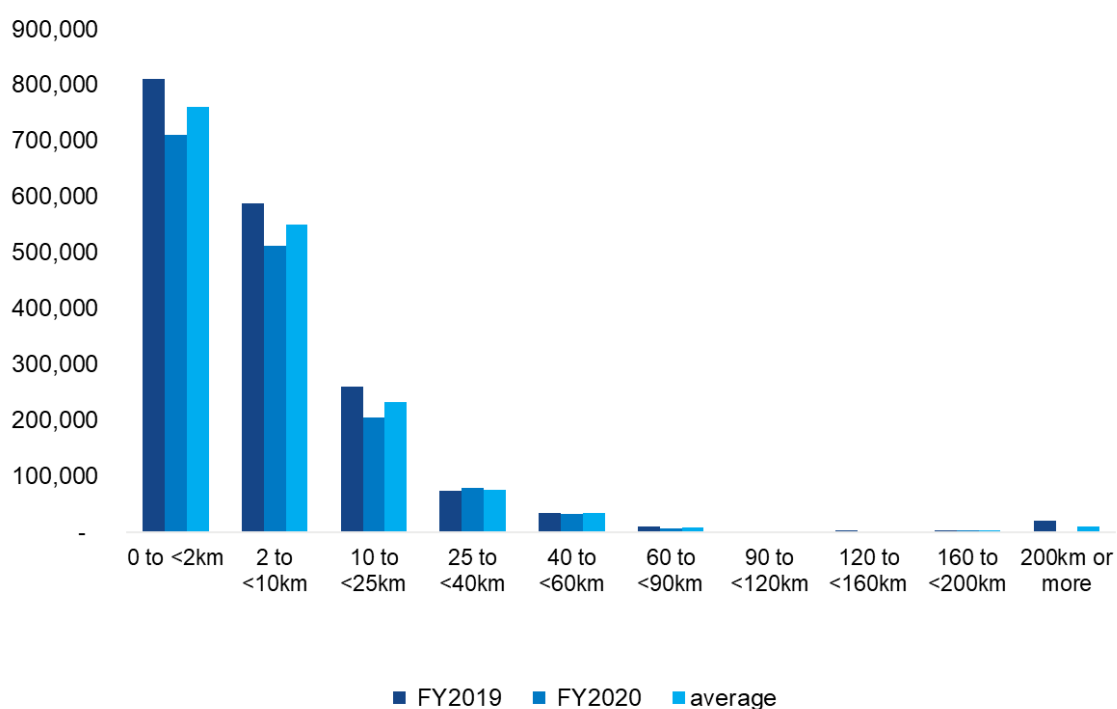
Note: This 'before and after' fares analysis is based on a sample of around 20 bus operators. Because we consolidated over 200 sections into just 10 fare bands in 2018, we have taken the average of the fares for those consolidated sections in 2018 to compare them to the 10 current fare bands.

Data source: Bus operator websites, IPART analysis.

Most trips continue to be for shorter distances

Our 2017 review found that the most common bus journey in rural and regional NSW was 3 to 6 sections (2km to 10km).³ In 2020 we observed a similar distribution of trips. Figure 2 shows that 97% of trips are under 40 kilometres, and most are in the first two distance bands (under 10 km). Very few people use rural and regional bus services to travel more than 90km.

Figure 2 Distribution of trips across fare bands (2018-19 and 2019-20)



Note: Due to low data quality, we have not included FY2017 and FY2018

Data source: TfNSW data, IPART analysis.

³ IPART, [Maximum fares for rural and regional bus services from 5 March 2018](#), December 2017, p 1.

Available information suggests that bus use has not increased

To understand how bus use has changed since our last review, we examined data provided by TfNSW and met with a range of stakeholders who told us about their experiences and observations. We found that despite large reductions in maximum fares, available information suggests that these fare reductions have not translated to an increase in patronage.⁴ We consider that there could be a number of reasons for this including the following:

- ▼ Because operators are free to charge less than the maximum fare, some actual fares may not have reduced to the same extent as maximum fares.
- ▼ Rural and regional bus services tend to be infrequent, and routes are circuitous, and so demand is likely to be more responsive to improvements in service quality, than fare reductions.
- ▼ There are other factors that may also have affected patronage over this period as well, such as drought and more recently COVID-19. For example, Bus NSW submitted that the drought, bushfires and the coronavirus pandemic have all had a significant impact upon patronage on rural and regional bus services and the quantum varies from region to region (See Box 1).⁵

While available information suggests that lower fares from our 2018 determination have not led to greater use of bus services, it is important to highlight that some of the data we received was low quality, particularly for the 2016-17 and 2017-18 years which is when the fare changes occurred. As a consequence, we are not able to draw firm conclusions from this data alone, and have considered it alongside what we have been told by stakeholders.

⁴ For example see BusNSW submission to IPART Issues Paper, August 2020, p 2.

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

Box 1 Impacts of drought bushfire and COVID-19 on rural and regional bus services (BusNSW submission)

The drought has affected rural communities, with farming families moving away from drought-affected areas and farming employees losing work. This has had a flow-on effect for bus operators with some experiencing a change to their school bus service (and payments) where students reside on farms that are at the end of a run or the end of a spur. BusNSW has sought support from the NSW Government to maintain school bus services that are affected by the drought in order that services are available when farming families return.

BusNSW notes that in early 2020 the NSW Government introduced temporary bus services and additional stops for existing services to support locals affected by bushfires in southern NSW. The temporary bus services ensured the community could access the support and services available at their local recovery centres seven days a week.

The temporary bushfire recovery services were provided in locations such as Eden, Bega, Batemans Bay, Ulladulla and Lake Conjola up until late March 2020. Some locations did not have a regular passenger service prior to the bushfires and there is an opportunity to consider new village to town bus services to provide local communities with mobility options on a continuing basis.

As has been the case in metropolitan and outer-metropolitan areas, patronage numbers have decreased significantly in response to NSW Government Health Orders and guidance relating to gathering and movement during COVID-19. Patronage has been affected by NSW Government travel and transport advice which has included guidance for the public to only travel if essential i.e. "Work from home if you can or travel in off peak times to provide priority for essential workers and school children" and "If you are not already using public transport in the peak, please do not start now".

The COVID-19 pandemic and government guidance has caused a significant reduction in the number of passengers using regular passenger services in NSW Country Towns. BusNSW has sought the NSW Government's support for Rural and Regional Bus Service Contract holders to be compensated for financial losses resulting from the effects of the COVID-19 pandemic due to the contract funding model.

Source: BusNSW submission to IPART Issues Paper, August 2020, pp 4-5.

On-demand developments

Since 2018 TfNSW has run 11 pilot on-demand services in rural and regional NSW, in association with individual bus operators.⁶ These pilots were intended to operate for 2 years, though some ended early if they were not considered appropriate for longer term implementation.

The fares were negotiated with TfNSW as part of the design of the on-demand trials. While IPART's 2018 determination allowed bus operators to charge a surcharge of up to \$5 for on-demand services (on top of the maximum fare allowed for a normal route service for the distance travelled), in general operators have not charged any surcharge.⁷ In some cases bus operators have charged well under the maximum fare allowed for a journey of the same distance on a traditional route service.⁸

Passenger journeys using on-demand services

TfNSW has collected data on the number of passenger trips made on each of the on-demand services involved in the trial. This data indicates that some of the on-demand trials have been more popular than others. The on-demand service in Moree has been the most popular service, growing to about 5,000 passenger trips per month towards the end of 2019. We understand that this is a substantial increase from the previous bus route services which were replaced by the on-demand service.⁹ It indicates there was significant latent (unmet) demand for transport before the on-demand service was introduced.

Patronage in all the trials tended to grow over the months following their introduction, indicating that it took time for customers to be made aware of, and take advantage of the service. Patronage declined on most services over early 2020, coinciding with the coronavirus pandemic.

Some trials have not seen significant uptake by customers and this will provide insights to TfNSW and bus operators about the type of on-demand services that are likely to be successful.

⁶ For a list of the 10 current trials please see NSW Government, [On demand public transport](#), accessed 29 September 2020. We understand that there have been 11 trials since 2018, based on information provided by TfNSW, *On demand public transport, R&R learnings*, unpublished presentation, 26 May 2020, p12.

⁷ With the exception of Rixon's South Coast-Canberra service which charges additional for custom pick-up and drop-off. Source: IPART analysis comparing maximum fares and operator on-demand fares listed on operator websites.

⁸ For example, some services provided in central west NSW by LiveBetter.

⁹ On-demand patronage from TfNSW. *On demand public transport, R&R learnings*, unpublished presentation, 26 May 2020. Previous route patronage from IPART meeting with Reynolds & Fogarty, 7 August 2020.