

## IPART DRAFT DECISION ON CITYRAIL FARES

**Embargoed until 10am Tuesday 2 October 2012**

The Independent Pricing and Regulatory Tribunal (IPART) today released its draft report and determination on CityRail fares for the three years from 1 January 2013 to 31 December 2015.

The draft determination recommends fares increase by up to 4.4% on average (including inflation) each year.

IPART Chairman, Dr Peter Boxall, said the increases are required to strike the right balance between passenger revenue and taxpayer subsidies of CityRail services.

Under its fare setting approach, IPART estimates the efficient costs of providing CityRail services, and the value of the external benefits these services generate for the community as a whole (such as reduced road congestion and greenhouse gas emissions).

“We consider that taxpayers should fund a share of the efficient costs that is broadly equal to the value of the external benefits,” Dr Boxall said. “This value represents the level of taxpayer subsidy that can be justified on economic grounds.”

“The maximum average fares under our draft 2013 determination reflect our estimate of the efficient costs minus the external benefits, and would mean that fares begin increasing from January next year to transition back to a level that ensures passengers and taxpayers each fund a fair share of the efficient costs.”

Dr Boxall said limiting increases to inflation only would lead to additional taxpayer subsidy of approximately \$95 million over the next 3 years. This is on top of the taxpayer subsidy for CityRail’s costs that are in excess of best practice.

Unlike previous determinations, the draft 2013 determination sets a maximum average increase in CityRail fares, rather than maximum prices for individual fares and tickets. IPART has chosen this ‘price cap’ approach to provide the NSW Government with greater flexibility as it introduces the Opal card, Sydney’s public transport e-ticket, over the next few years. It means the Government can choose to increase some fares by more than 4.4% and others by less, provided the overall average increase in fares is no more than 4.4% per year.

The draft report Review of fares for CityRail’s services from January 2013 is available on IPART’s website <<http://www.ipart.nsw.gov.au>>.

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