

NEW WAYS TO SET PUBLIC TRANSPORT FARES

Tuesday 8 September 2015

The Independent Pricing and Regulatory Tribunal (IPART) is seeking feedback on the next stage of its proposed approach to determining fares for Sydney's buses, trains, ferries and light rail services.

For the first time, IPART is simultaneously reviewing fares across all rail, bus, ferry and light rail services on which the Opal card can be used in Sydney, Newcastle, the Central Coast, Wollongong, the Blue Mountains and the Hunter.

Following extensive public feedback on how Opal fares should be structured since the release of an issues paper in July, IPART has now released a technical Methodology Paper proposing new ways to calculate how much of the cost of providing these services should be recovered from fares, and how much funded by taxpayers.

Public transport across the greater Sydney area costs around \$5 billion each year to provide. Fares currently cover approximately 25% or \$1.2 billion of that cost, with the remainder funded by taxpayers.

IPART Chairman Dr Peter Boxall said the July issues paper explored a range of options for improving the Opal fare structure, while the new methodology paper looks at how to best set fares so that they provide the most benefit to both passengers and the community as a whole.

"We are proposing a new methodology to set socially-optimal fares at a level that encourages use of public transport, but are not so low as to put extra pressure on infrastructure," Dr Boxall said.

"In the past, we have set fares for each type of transport by estimating the total efficient cost of providing the service, allocating a taxpayer contribution to be equivalent to the external benefits the service provides such as reduced traffic congestion and pollution, and setting a fares at a level to cover the remaining costs."

"This year, we are adding to this approach by looking at what socially-optimal fares should be in peak and non-peak periods, and whether these costs and benefits change if fares are set with a longer-term horizon that may address future demand," Dr Boxall said.

"It may be that some fares should be higher or lower than current levels."

"The roll-out of the integrated Opal system means we are now able to better balance the need to promote the most efficient delivery and use of public transport while minimising the impact on passengers."

Dr Boxall said the approach detailed in the technical methodology paper would be tested with transport economists and other experts before being finalised. Submissions will be received until 9 October 2015.

The methodology paper is the second stage of IPART's major review of public transport fares in Sydney and surrounding areas, which will determine the maximum fares that can be charged from July 2016 to June 2019 for all services on which the Opal card can be used. Final fares will be set by the NSW Government up to the maximum levels imposed by IPART.

Extensive consultation will be held throughout the review. Further details are available at www.ipart.nsw.gov.au.

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Setting the right fare structure



Setting the right fare level



IPART Analysis



Draft report and determination



Final report and determination



Determination commences

- Issues paper released
- Public feedback sought on options for Opal fare structure including greater integration, peak and off-peak and distance-based fares
- 80+ submissions received
- 1800+ surveys completed

- Methodology paper released 8 September
- Views sought on how to best calculate right levels of passenger and taxpayer funding for transport services to:
 - *encourage efficient use and delivery of public transport*
 - *encourage greater use of public transport*
 - *minimise impacts on customers*
 - *increase cost recovery*
 - *ensure logical, predictable & stable fares*
- Economist workshops & public hearing

- Economic modelling of both medium-term and long-term transport costs and benefits
- Consider submissions received to 2014 external benefits draft report
- Consider submissions received to fare structure issues paper
- Submissions received and workshop feedback to fares methodology paper

- Draft report on proposed maximum fares to apply from 1 July 2016
- Draft report to include mode specific maximum fares and any integrated fare options
- Legal determination to include individual fares schedule or average increase in fares.

- Final report on proposed maximum fares to apply from 1 July 2016
- Final report to consider Government's announced policy position on fare structure for Opal

- NSW Minister for Transport considers IPART's final determination and sets fares within the maximum levels determined by IPART

July
2015

September
2015

October-November
2015

December
2015

March
2016

July
2016

