



MINISTRY OF TRANSPORT

Submission to the Independent Pricing and Regulatory Tribunal (IPART) on Bus Fares for 2008

NOTE: This is a revised submission from the Ministry of Transport submitted 23 October 2007. Revisions relate to:

- the amount of the overall fare increase requested is in fact slightly less than 6% and the submission has been reworded accordingly (it now says 'approximately 6%' rather than 6% (in section 1.0 Executive Summary);
- clarification of new and replacement bus numbers in the Sydney Metropolitan and Outer Metropolitan areas (in section 1.3 'Metropolitan Bus Services', section 1.5 'Outer Metropolitan Services', section 2.3.2 'New/replacement buses' and section 3.2 'Other improvements');
- revised revenue impacts for the requested fare increase (in section 2.4 'Cost of Services' and section 3.0 'Outer Metropolitan Bus Services'; and
- corrected 'master' fares (in Appendix Two).

It should be noted that these changes are corrections and clarifications only; the Ministry has not revised the fare increases requested in its original submission. Some minor wording changes have also been incorporated.

If you have any queries regarding these changes please contact Mr Richard Langereis, the Ministry of Transport's Principal Policy Officer, Strategic Policy & Projects on (02) 9268 2209.

1.0 Executive Summary

1.1 Introduction

This submission by the Ministry of Transport proposes:

- an increase to metropolitan bus fares of approximately 6%;
- harmonisation of outer metropolitan private bus fares with metropolitan fares, and an approximate 6% increase to fares for Newcastle Services;
- an increase to bus fares for rural and regional 'commercial' operators in line with price movements in the Bus Industry Cost Index; and
- an increase to payments to non commercial operators based on price movements in the PwC model.

This submission seeks an increase in Sydney metropolitan bus fares of approximately 6% based on cost increases and services improvements experienced over 2006/07. Specifically this increase will:

- continue implementation of the Government's bus reform program and the roll out of the new bus networks and bus priority measures across metropolitan Sydney;
- support the additional 2.5 million kilometres that are now included in the networks valued at more than \$3 million per annum.
- accommodate upward patronage trends (2.7% across the Sydney Metropolitan Area and up to 16% on some corridors);
- recognise the expenditure of \$115 million on new and replacement buses that occurred in 2006/07;
- underwrite the Government's continuing investment in 'growth' buses required to respond to population growth, new land releases and the targets for public transport mode shift set by the State Plan;
- compensate for the increasing cost of fuel payments to operators (9% more in 2006/07 than in 2006/05);
- compensate for above CPI increases for variable and fixed costs (CPI was 2.7% at the end of the June quarter 2007);
- harmonise outer metropolitan private bus fares with Sydney fares to promote equity and aid the introduction of strategic corridors and integrated ticketing; and
- fund the purchase of 'community kilometres' so that the use of existing buses is maximised and areas/communities that would not otherwise receive a bus service are able to do so.

Given the known capacity constraints on rail and the long lead times in delivering new rail infrastructure, bus services will play a significant role in meeting the NSW State Plan transport priorities to increase the number of

trips taken by public transport during the peaks (Priority S6) and maintain the efficiency of the road network up to 2016 (Priority E7). This in turn will provide long term community benefits including congestion management and improved environmental outcomes. It will also assist in meeting the aims of the Metropolitan Strategy to implement strategic bus corridors to improve access to jobs, ports and other economic activities, which will reduce the cost of doing business.

An approximate 6% increase to metropolitan bus fares for 2008 will assist the Ministry of Transport to improve the feasibility of Government investing in bus services that will be needed to meet the State Plan targets. This will build on the considerable investment already made through the bus reform program and the tangible improvements to bus services already being demonstrated.

1.2 Investment in bus services

In 2006/07, the NSW Government provided approximately \$790 million in funding for the provision of bus services across the State including \$115 million for the purchase of new and replacement buses.

The bus reform program is continuing to deliver more accountable contracting arrangements, improvements in fare equity and demonstrable improvements in services through the implementation of integrated network planning and the roll out of strategic bus corridors.

In addition to its bus service funding, the NSW Government has allocated nearly \$960 million for bus priority measures and infrastructure improvements to strategic corridors and road networks up to 2011/12. This includes approximately \$524 million for the North West T-way with the remainder being allocated for bus priority works (\$235 million), an upgrade to Victoria Road (\$100 million), and the implementation of a road network management 'pinch point' strategy (\$100 million). A schematic of strategic corridors in the Sydney Metropolitan Area is at Appendix Five.

1.3 Metropolitan bus services – improvements achieved and underway

Patronage increases

For 2006/07, there was an approximate 2.7% improvement in metropolitan bus patronage, compared to the same period for the previous year. Key performance indicators also demonstrated improvements in the number of passengers carried per kilometre and revenue per kilometre, per passenger and per trip. Farebox revenue increased by 4.86% and bus kilometres by 0.84%.

In two of the three regions where the integrated network planning process was undertaken (Regions 10 & 13) new strategic corridors and routes have shown particularly encouraging patronage increases. For example, the patronage growth on strategic corridors 33 and 35 between Burwood and Liverpool was 14% between May 2006 and May 2007. The patronage growth on Corridor 23 from Miranda to Bankstown rose 8% in the same period. On the new direct

connection between Parramatta and Bankstown (corridor 12) 16% growth was achieved between May 2006 and May 2007 and the Miranda to Hurstville corridor was up 4% in same period.

Bus priority and integrated networks

The introduction of bus priority measures is aimed at achieving shorter travel times for passengers. The Public Transport Information and Priority System (PTIPS - which allows buses to take priority at traffic signals) is now installed on 68 buses servicing three strategic corridors in the Sydney Metropolitan Area, with its installation across the entire network scheduled to begin in the first quarter of 2008.

Integrated networks are now in place in two metropolitan regions and on the NorthWest Transitway following extensive community consultation processes. Planning is well advanced for the introduction, during 2007/08, of integrated networks in another six metropolitan regions with community consultation to commence from late 2007. The commencement of planning for integrated networks for the remaining seven regions will begin in 2008.

North-West Transitway (T-way)

The North-West T-way is a NSW Government initiative to provide fast frequent bus services in Sydney's North West and stage 1 (Parramatta to Rouse Hill) was completed and opened in March 2007. This section of the T-way includes 15kms of bus only roads and 2kms of bus lanes. Since the introduction of services, patronage is approximately 70,000 per month. The North-West T-Way is part of an integrated network (see above) with services from catchment areas feeding into the T-Way and building frequency towards the main centres, Parramatta and Blacktown.

'Cashless' buses

State Transit is continuing to expand its network of cashless 'prepay' bus services on major public transport corridors. These are being readily adopted by Sydney commuters as they decrease boarding and journey times. Customers are also saving money by purchasing tickets as State Transit's TravelTens feature a 20% discount from the single fare.

During 2006/07 cashless services were introduced on nine routes and in July 2007, the Minister for Transport announced that a further thirteen routes would feature cashless services by the end of 2007. Commuters are alerted several weeks before the new services are introduced by passenger information campaigns to ensure they have sufficient time to consider the prepay options available to them.

New vehicles

In 2006/07 259 new and replacement buses were added to the Sydney and Outer Metropolitan bus fleets. Of these 209 were added to the Sydney Metropolitan Fleet, comprising 154 replacement buses and 55 additional buses to provide additional capacity. For 2007, 167 buses in the Sydney Metropolitan Area were scheduled to be refurbished. Since Sydney

Metropolitan operators were signed to new contracts in October 2005 a total of 270 new and replacement buses have been introduced.

As a result of these fleet improvements, the physical accessibility of bus services continues to improve. All new buses purchased are low floor and accessible for wheelchairs, with approximately 30% of the Sydney metropolitan bus fleet accessible at 30 June 2007. Approximately 44% of State Transit's buses and 25% of private operator buses were accessible at this date.

Cost of services

The cost of providing MBSC services was approximately \$690 million in 2006/07. After the return of \$285.7 million in farebox revenue (ie excluding charter and advertising revenue) to the Government, the net cost of providing MBSC services was approximately \$403 million.

Accompanying the improvements in service kilometres and patronage, payments to operators have increased in a number of areas. Service kilometre payments increased by 3.6%, patronage payments by 2.23% and fixed cost payments by 3.2%. Fuel remains a significant cost for bus services. In 2006/07 fuel payments to operators totalled \$67.1 million which was 9% higher than in 2005/06.

An increase for fares would assist in defraying these cost increases, help the Government to maintain its level of funding for the bus reform program and to provide continued improvements to infrastructure and vehicles. It is estimated that the requested approximate 6% increase will result in around \$14.3 million additional in farebox revenue through Sydney metropolitan bus services over the 2006/07 figure (\$285.7 million) or an additional 5%.

Community kilometres

The requested fare increase will also assist the Government to fund 'Community Kilometres' for bus operators. The 'Community Kilometres' provision within the Metropolitan and Outer-Metropolitan Bus System Contracts (MBSCs and OMBSCs) provides a mechanism for the Ministry's Director General to purchase up to a maximum of 20,000 kms per year from each contract holder.

The primary objective is to purchase bus services at 'marginal rates' for and on behalf of community groups or people living in areas with few or no bus services but where there is sufficient demand for community transport type services.

1.4 Recommendations for Sydney Metropolitan fares

For single Sydney Metropolitan fares, the Ministry recommends that a rise of ten cents for the first fare band (1-2 sections), twenty cents for the next two fare bands (3-5 section and 6-9 sections) and thirty cents for the two highest fare bands be approved. Concession single fares would rise by a uniform ten cents, the lowest possible increase. It should be noted that there was no rise

for 1-2 section adult fares or for 1-2 and 3-5 section concession fares in 2006/07.

State Transit's TravelTen would rise by \$0.80 in the first fare band, \$1.60 for the next two fare bands and \$2.40 for the two highest fare bands. Bus/Ferry Travelpasses would rise by between \$1.00 and \$2.00 depending on distance travelled. A recommended fare scale for Sydney metropolitan fares is attached at Appendix Two. A map showing the bus contract areas affected is at Appendix Four.

1.5 Outer Metropolitan services

In outer metropolitan areas, operators have only recently signed new contracts and the reform process is still in its initial stages. For 2006/07, following the commencement of the new contracts, the NSW Government provided approximately \$97 million in funding for the provision of OMBSC services.

Service improvements

Despite the reforms only being recent, some progress has been made. The ninety-nine previous contracts have been reduced to ten and Outer Metropolitan passengers now have access to the same suite of concessions that Sydney Metropolitan operators provide. This includes half fare concessions being made available to apprentices, trainees and full-time tertiary students over thirty years of age. Full-time tertiary students already accessing a concession are now able to travel at all times, not just to and from study.

For 2006/07, the Ministry funded the replacement of 50 buses and 65 more were scheduled to be refurbished for 2007. All buses being purchased for the outer metropolitan areas are low floor and wheelchair accessible. At 30 June 2007, the OMBSC bus fleet was approximately 17% accessible. This was an improvement of nearly 4% over the number of accessible vehicles at 31 December 2006.

Fare harmonisation

Harmonising outer metropolitan private bus fares with Sydney metropolitan fares will mean that an estimated 1 million bus passengers will pay the same amount to travel the same distance as their metropolitan counterparts. As well as addressing equity concerns, fare harmonisation will aid the introduction of integrated ticketing and strategic corridors, both of which require consistent fare regimes to operate effectively.

While a minority of private bus passengers will pay more for their journeys under fares harmonised with the Sydney Metropolitan Area, the majority will experience fares which are cheaper by over 40%. This submission does not propose the harmonisation of Newcastle time-based fares with Sydney metropolitan distance based fares.

1.6 Recommendations for outer metropolitan fares

The Ministry seeks IPART approval to harmonise outer metropolitan private bus fares with Sydney metropolitan fares. As with the Sydney metropolitan fare harmonisation process in January 2005, the majority of outer metropolitan private bus passengers would see a decrease in the fare they pay. All passengers who currently purchase fares on the 'Urban Fringe' maximum fare scale would pay either no more or up to 40% less for their ticket. Some passengers currently on the 'Urban' maximum fare scale would pay more for journeys of 1.6km (+38%), 4.8km (11%) and 9.6km (2.5% for Urban Qualifying only). Fares for all other journeys would either not increase or would reduce by over 40%.

For Newcastle Services' fares the Ministry recommends a rise of \$0.20 for the one hour fare, \$0.30 for the four hour fare and \$1.00 for the Bus/Ferry Travelpasses. Single journeys on the Stockton Ferry would rise by \$0.20.

Recommended fare scales are at Appendix Two.

1.7 Rural and Regional services

Rural and Regional bus reform

In rural and regional NSW, the bus reform process is underway with work on the development of options for improved funding, contracting and service co-ordination well progressed with a view to submitting a report for Government's consideration by the end of the year.

1.8 Recommendations on Rural and Regional fares

In the interim, for rural and regional fares, the Ministry supports the use of the Bus Industry Cost Index (BICI) as provided to IPART by the Bus and Coach Association of NSW (BCA) as a basis for IPART's recommendations on fares, pending a Government decision on a new funding model for rural and regional bus services.

The Ministry also recommends that no productivity adjustment be applied to 'commercial' rural and regional bus operators given the diversity of businesses, lack of relevant data, and the fact that the new funding model will be based on efficient benchmarked costs.

For payments to non-commercial (school bus) operators, the Ministry supports an increase based on the PriceWaterhouseCoopers (PwC) model which will be provided to IPART by the BCA, pending Government's decision on a new funding model for rural and regional bus services.

2.0 Metropolitan Bus Services

2.1 Service improvements

2.1.1 Integrated networks

Integrated networks have been introduced in Regions 10, 13 and on the NorthWest Transitway. Bus services in regions 10 and 13 are provided by the same operator and integrated networks now cover the two regions. The first integrated network introduced was Region 10's Sutherland area in May 2006 with the remainder of Region 10 (the Revesby area) and all of Region 13 being introduced in September 2006. Slight falls in patronage were experienced before increases were experienced as a result of the changes with both networks experiencing positive growth since January 2007.

The patronage growth between May 2006 and May 2007 was 6.5% for the combined region 10 and 13 with strong growth experienced on its strategic corridors. For example, the patronage growth on strategic corridors 33 and 35 between Burwood and Liverpool rose 14% between May 2006 and May 2007. Patronage growth on Corridor 23 from Miranda to Bankstown rose 8% in the same period. Patronage growth in these regions is likely to be partly related to the introduction of bus priority measures (see below) which have been installed on two strategic corridors in the combined regions and are another integral part of the bus reform process.

Other increases in patronage have been recorded on strategic corridors (see Appendix Five). For example, on the new direct connection between Parramatta and Bankstown (corridor 12) 16% growth was achieved between May 2006 and May 2007. The Miranda to Hurstville corridor was up 4% in same period.

Improvements planned for 2007/08 include the introduction of integrated networks in Sydney Metropolitan regions 1, 2, 3, 4, 7 and 15 for which planning is already well advanced. Community consultation will commence for these integrated networks from late 2007. The commencement of planning for integrated networks in Sydney Metropolitan regions 5, 6, 8, 9, 11, 12 and 14 will begin in 2008.

2.1.2 Bus priority

Supporting the introduction of the new integrated service networks, the Government has committed \$235 million on bus priority measures over a seven year period up to 2009/10 including improvements on the 43 strategic bus corridors designed to link key centres across Sydney – the 'backbones' of the new networks. Infrastructure (ranging from "bus only" lanes to dedicated roadways) and technology solutions (such as traffic signal priority for late running buses) are being utilised to target a 25 km/hour average speed on those corridors.

Three strategic corridors are operating with 68 PTIPS equipped buses on Corridor 33 (Liverpool-Bankstown), Corridor 24 (Hurstville-Miranda) and Corridor 29 (Bondi Junction-Burwood). The PTIPS system will be rolled out across the Metropolitan Area starting in early 2008.

2.2 Key Performance Indicators

A crucial element of the new contracts are the Key Performance Indicators and reporting requirements that enable the Ministry to monitor performance against them. As indicated at (2.5.1) benchmarking of KPIs is now underway and the Operational Performance Regime (OPR) is being developed. Until the introduction of the OPR it will be necessary to compare performance on a year on year basis. As the last MBSC contract was not signed until October 2005, all comparisons between 2005/06 figures and 2006/07 figures are made on the same eight month period between November and June. Appendix 1 shows the month on month figures for these KPIs and also provides graphs which enable comparisons for the relevant period.

A comparison of performance over the relevant eight month period shows improvements in patronage (2.69%), farebox revenue (4.86%) and a slight increase in bus kilometres (0.86%).

Table 1: MBSC Patronage trends

	2005/06 8 Months	2006/07 8 Months	# variance	% variance
Patronage	122,674,867	125,975,523	+3,300,656	+2.69%

NOTE: Patronage figure represents actual boardings on regular bus services, and excludes travel under the SSTs.

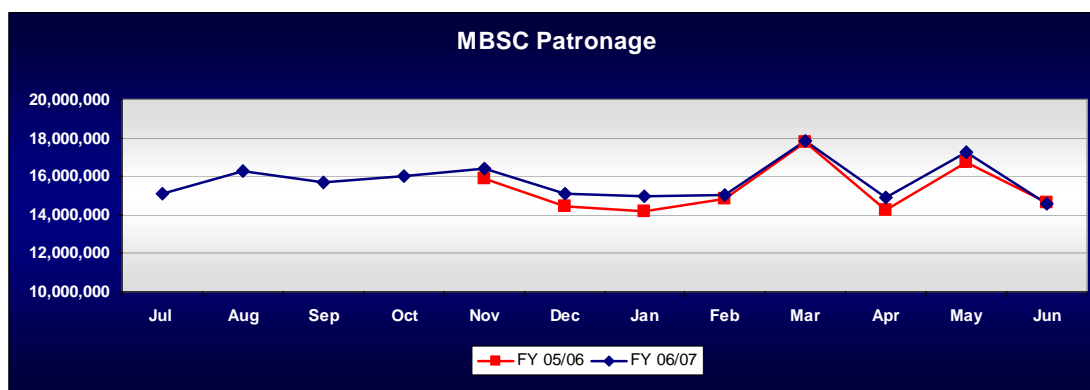


Table 2: MBSC Farebox revenue

	2005/06 8 Months	2006/07 8 Months	\$ variance	% variance
Total Farebox Revenue	\$183,315,258	\$192,232,799	+\$8,917,541	+4.86%

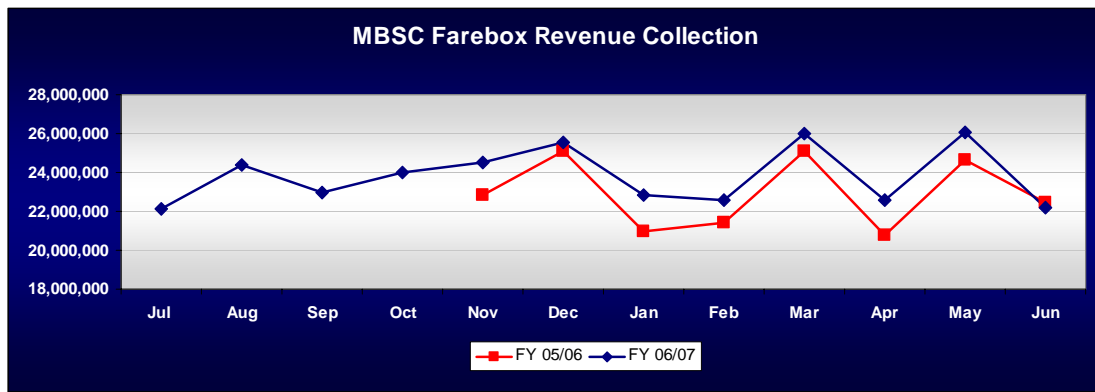


Table 3: MBSC Bus Service Kilometres

Although the eight month comparison shows only a 0.84% increase in bus kilometres, the full data at Appendix 1 and the chart below shows that the most recent quarter (April-June 2007) showed an approximate 4% increase in service kilometres.

	2005/06 8 Months	2006/07 8 Months	Km variance	% variance
Total bus service kilometres	66,302,561	66,860,361	+557,800	+0.84%

Note: Data represents service Kilometre data only. SSTS, dead running, special kilometres are excluded.

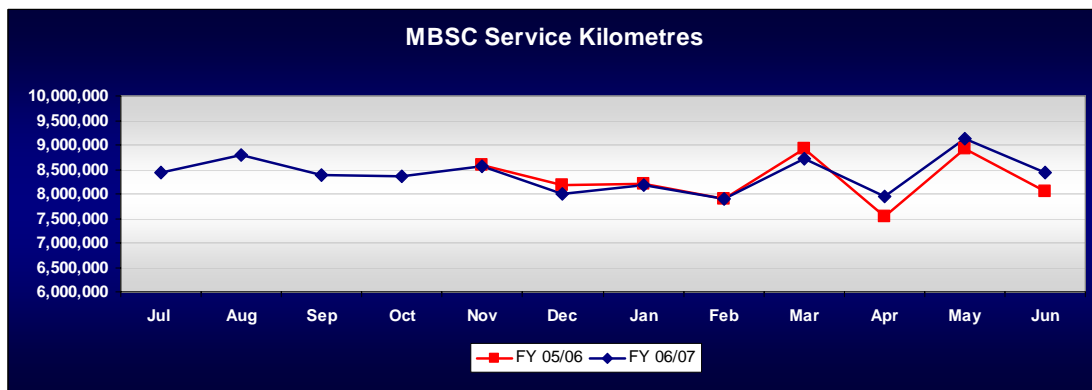


Table 4: MBSC - Instances of Customer complaints/feedback received - 131 500 and self reported

2005/06	21,390
2006/07	25,151
Variance (%)	17.58%

Since private operators have signed new contracts as part of the bus reform program they are now required to use the 131 500 both for the provision of information on their services and for feedback. Private operators still obtain feedback direct, but it is considered that the requirement to use 131 500 has resulted in more feedback for private operators than was previously received.

At the same time as this increased feedback regarding private operators, the 131 500 Infoline has experienced an approximate 60% increase in the number of information enquiries, mostly from private bus passengers.

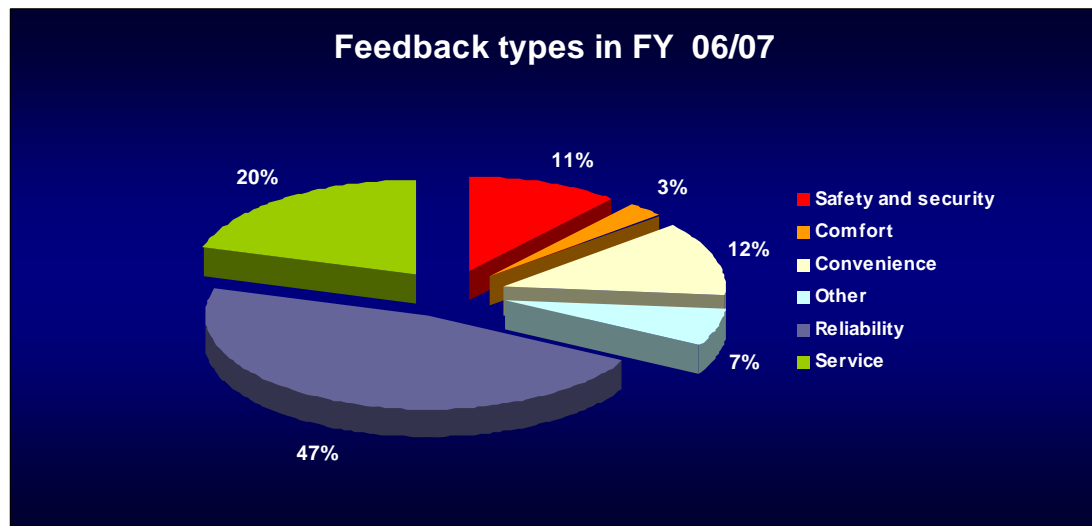
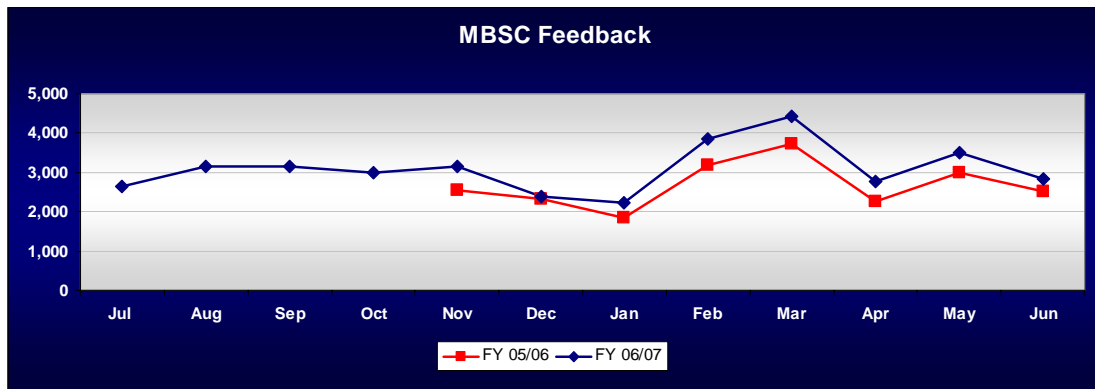


Table 5: MBSC Key performance indicators

KPI	06/07 monthly average over 8 months	Variance with same 8 month period 05/06
Revenue per kilometre	\$2.88	4.11%
Passengers per kilometre	1.88	1.91%
Revenue per passenger	\$1.53	2.16%
Revenue per trip	\$38.72	4.70%
On time running	99.7%	-0.03%
% trips cancelled/missed	0.053%	37.57%
Feedback per 100,000 Pax	19.85	14.33%

Note: The eight month period reflects the eight months of 2005/06 for which all metropolitan operators had signed contracts.

While overall improvements have been made in passengers per kilometre and revenue per kilometre, passenger and trip, the statistics indicate a slight fall in

on time running and a rise in the percentage of trips cancelled or missed. It should be noted that, until consistent measures are implemented through the Operational Performance Regime, on-time running is largely limited to reporting on whether buses leave the depot on-time. The \$235 million bus priority program will ease traffic congestion which is a contributing factor to delayed journey times. Although the rise in trips cancelled or missed appears high at 37.57%, the percentage of trips reported as missed or cancelled in 2006/07 is still extremely low at 0.053% compared to just under 0.038% for the same period in 2005/06. Also, as indicated previously, the Ministry is currently developing an Operational Performance Regime to replace the current self reporting by operators on service performance. This will provide a consistent measuring and reporting process, in line with the State Plan targets for bus reliability.

2.3 Other improvements

2.3.1 *Cashless buses*

State Transit is continuing to expand its network of cashless 'prepay' bus services on major public transport corridors. These services are being readily adopted by Sydney Commuters because they decrease boarding and journey times. It takes 11 seconds for a customer to pay a cash fare but less than three seconds to dip a ticket and the pre purchase of TravelTen tickets provides a 20% discount from single fares. It is considered that the increased purchase of discounted tickets is not reducing farebox revenue as patronage gains appear to be compensating for any losses.

During 2006/07 cashless services were introduced on nine routes and in July 2007, the Minister for Transport announced that a further thirteen routes would feature cashless services by the end of 2007. To encourage passengers to make the switch from coins to cashless, Sydney Buses is making it easier to pre-purchase a ticket by expanding the options for ticket purchasing through the ticket network, installing ticket machines at major bus stops and using mobile ticket sellers. Commuters are alerted several weeks before the new services are introduced by passenger information campaigns to ensure they have sufficient time to consider the prepay options available to them.

Existing Prepay routes

ROUTE	NUMBER
Bondi to Circular Quay	333
Denistone East to the City	297
Abbotsford to the City	L38
South Curl Curl to Wynyard	E65
Manly to the City	E70
McCarr's Creek to the City	E86
Newport to the City	E87
North Avalon to the City	E88
Avalon to the City	E89

Planned Prepay routes

ROUTE	NUMBER
UNSW to Central via ANZAC Parade	891
UNSW to Central via ANZAC Parade	895
Coogee to City via Alison Road/ANZAC Pde	X73
Coogee to City via Alison Road/ANZAC Pde	X74
Maroubra Beach to City via ANZAC Pde	X77
Ryde to City via Victoria Rd	X00
Kingsgrove to City	L23
Canterbury to City	L28
Banksmeadow to City via Botany Rd	X09
Matraville to Redfern via Botany Rd	L09
Willoughby to City via Eastern Valley Way	205
North Willoughby to City via the Freeway	272

2.3.2 New/replacement buses

In addition to new integrated networks, the Government is now providing funding for the purchase of low floor buses and physical access to services is continuing to improve. All new buses purchased are low floor and accessible for wheelchairs and the Sydney Metropolitan bus fleet was approximately 30% accessible at 30 June 2007. State Transit's buses were approximately 44% accessible at this date and private operator buses approximately 25% accessible. Private bus operators have indicated that they will need to maximise utilisation of their accessible vehicles in order to meet the Disability Discrimination Act (DDA) Transport Standards' compliance target of 25% of services accessible by 31 December 2007.

In 2006/07 209 new and replacement buses were added to the Sydney Metropolitan Fleet. This comprised 154 replacement buses and an additional 55 buses to cater for improved patronage on routes such as the M2 and NorthWest T-Way. During 2007, 167 buses in the Sydney Metropolitan Area are scheduled to be refurbished. Since Sydney Metropolitan operators were signed to new contracts in October 2005 a total of 270 new and replacement buses have been introduced in the Sydney Metropolitan Area.

2.3.3 North-West TWay

The North-West T-way is a NSW Government initiative to provide fast frequent bus services in Sydney's North West.

The North-West T-way is being built in two stages. Stage 1, Parramatta to Rouse Hill, was completed and opened in March 2007. This section of the T-way includes 15kms of bus only roads and 2kms of bus lanes. Since the introduction of services, patronage is approximately 70,000 per month.

Stage 2, Blacktown to Parklea is currently under construction and due for completion at the end of October 2007. This section of the T-way will include a 7km bus only road that runs adjacent to Sunnyholt Road.

The North-West T-way provides an integrated bus network, which means that buses can operate services in a catchment area and then feed onto the T-way, building frequency towards the main centres, Parramatta and Blacktown.

2.4 Cost of Services

The cost of providing MBSC services was approximately \$690 million with farebox (excluding charter and advertising revenue) returning \$285.7 million to the Government. The overall farebox contribution to the cost of service provision is therefore 41%, with the NSW Government contributing a total of \$403 million in 2006/07 for MBSC services. For the eight month period in 2005/06 when all new metropolitan contracts were operational, the NSW Government contributed \$275 million for MBSC services.

Costs associated with service provision have increased since 2005/06. The Variable Cost Index Multiplier (VCIM) applied to service kilometre payments (which comprise 34% of total payments to operators) increased by 3.6% from 2005/06 to 2006/07. For an explanation of how the VCIM and other cost multipliers in the bus funding model work, see Appendix Three.

In addition, table 6 shows the additional kilometres purchased by Government in 2006/07 and the cost of purchase (\$3.118 million) and will continue to be provided for 2007/08. The increase in variable costs did not include this amount.

Table 6: Additional MBSC bus kilometres purchased

LOCATION	Additional kilometres 2006/07	ADDITIONAL MBSC PAYMENTS
North West Transitway	1,425,762	\$1.742 million
Additional M2 services	679,484	\$0.420 million
Integrated network (regions 10 and 13)	400,188	\$0.956 million
TOTALS	2,505,434	\$3.118 million

In conjunction with increased patronage on MBSC services (table 1), patronage payments (which comprise 24% of total payments) increased by 2.23%. The Fixed Cost Index Multiplier (FCIM) applied to payments for fixed costs (eg depot rental and overheads) increased by 3.2%. Fixed costs comprise 22% of total payments. Fixed costs do not include the cost of fleet purchase and in 2006/07 the Government provided \$115 million of funding to purchase 259 new and replacement buses for MBSC and OMBSC operators.

Fuel remains a significant cost for bus services and in 2006/07 fuel payments to operators totalled \$67.1 million which was 9% higher than in 2005/06. Although fuel costs fell in the last quarter of 2006, they rose by 1.6% in the March 2007 quarter and by 9.1% in the June 2007 quarter (Australian Bureau of Statistics – ABS).

The last tranche (6%) of a wage increase approved from 1 July 2005 for all private bus drivers in metropolitan Sydney and outer-metropolitan areas will be applied in 2007/08. The wage increase totalled 19% over three years

(comprising a base wage increase of 12% and a 7% Bus Industry Reform Allowance). The wage increase recognised that private bus drivers are undertaking more tasks and undergoing more customer service training due to the bus reform process. Labour costs rose by approximately 3.5% during 2006/07.

It is anticipated that costs will continue to increase in 2007/08. Based on increases to fixed and variable costs in 2006/07, payments to operators for 2007/08 will increase by approximately \$25 million. A 10% fare increase would have been necessary to cover these increased costs. An approximate 6% increase, as requested by the Ministry, is estimated to raise only \$14.3 million.

Cost increases anticipated for the following payment components are (note that service payments, patronage payments and fuel payments are contributing to the variable costs of operators):

Fixed payments – 2.7%
Service payments – 3.13%
Patronage payments – 2.3%

Due to fuel payments being indexed monthly and the more volatile nature of its pricing, the Ministry has made a very conservative estimate of annual fuel price increases of 2.7%.

It should also be noted that the cost to the Ministry for bus services will also increase during 2007/08 as operators acquire new replacement and additional buses which are also increasing in price.

2.5 Future Directions

2.5.1 *Operational Performance Regime (OPR)*

Operational performance is presently monitored by the Ministry of Transport under the MBSC and OMBSC by way of operator monthly KPI reporting (see 3.2). After the introduction of Tcard and PTIPS it is envisaged that the majority of KPI reporting will flow from these new sources. However, in the short term, operators will continue to provide information on KPIs on a self reporting basis.

In February 2007, the Ministry of Transport trialled the use of surveys for service punctuality and reliability on a number of State Transit Authority bus routes. The field trial enabled the Ministry to better estimate the effectiveness of information collection methods for the OPR and to gain an understanding of the in house requirements for analysis and management of data.

Consultation with the private bus industry on these measures is about to commence and will be conducted in accordance with MBSC and OMBSC contractual requirements. The State Plan benchmarks for the operational performance of bus services (see 2.5.4) will be incorporated into OPR methodologies/benchmarks.

2.5.2 Measuring Service Quality

MBSC and OMBSC contracts provide for the implementation of a Service Quality Incentive (SQI) payment process. Customer Satisfaction Surveys have a weighting of fifty per cent in determining an operator's eligibility for an SQI payment. Accordingly, the Ministry trialed three types of Customer Satisfaction Survey in late 2006 in order to determine the best method to move forward with this means of assessing an operator's eligibility for an SQI payment. With this experience, the Ministry has now commenced a review of the performance benchmarks in the contract to ensure practical and measurable indicators are in place for monitoring from 1 July 2008.

2.5.3 Community Kilometres

The 'Community Kilometres' provision within the Metropolitan and Outer-Metropolitan Bus Systems Contracts (MBSCs and OMBSCs) provides a mechanism for the Ministry's Director General to approve the purchase of up to 20,000 kms per year from each contract holder. The primary objective is to purchase bus services at 'marginal rates' for and on behalf of community groups whose needs cannot be met by regular route services but where there is sufficient demand for community transport type services. The requested fare increase will also assist the Government to fund 'Community Kilometres' for bus operators.

2.5.4 NSW State Plan

The NSW State Plan priorities S6 and E7 concern increasing the number of trips taken by public transport during the peaks and maintaining the efficiency of the road network up to 2016. The State Plan also includes on-time running targets for Sydney Buses and for private bus operators. Meeting the targets established by the State Plan will require a significant investment in new buses ahead of demand to respond to natural growth and to accommodate the desired shift to public transport use. Fare increases are required to contribute to the cost of these new buses which will have long term community benefits including congestion management and environmental outcomes.

2.5.5 Provision of Multi-trip and Multi-modal tickets for private bus passengers

The Tcard system, currently under development, is being designed to address the provision of multi-trip and multi-modal fares for private bus services. Although Tcard is yet to be delivered, the NSW Government does not believe it would be cost effective to provide an alternate system to Tcard prior to its introduction.

2.6 Recommendations

For single Sydney Metropolitan fares, the Ministry recommends a rise of approximately 6%. This translates to a rise of ten cents for the first fare band (1-2 sections), twenty cents for the next two fare bands (3-5 section and 6-9 sections) and thirty cents for the two highest fare bands be approved. Concession single fares would rise by a uniform ten cents, the lowest possible increase. It should be noted that there was no rise for 1-2 section adult fares or for 1-2 and 3-5 section concession fares in 2006/07.

State Transit's TravelTen would rise by \$0.80 in the first fare band, \$1.60 for the next two fare bands and \$2.40 for the two highest fare bands. Bus/Ferry Travelpasses would rise by between \$1.00 and \$2.00 depending on distance travelled.

A recommended fare scale for Sydney Metropolitan fares is attached at Appendix Two. A map showing the bus contract areas affected is at Appendix Four.

3.0 Outer Metropolitan Bus Services

In the Outer Metropolitan Area, operators have been signed to new contracts for six months and the reform process is still in its initial stages. However, the ninety-nine previous contracts have been reduced to ten and Outer Metropolitan passengers now have access to the same suite of concessions that Sydney Metropolitan operators provide. This includes half fare concessions being made available to apprentices, trainees and tertiary students over thirty years of age. Tertiary students already accessing a concession are now able to travel at all times, not just to and from study.

However, fares provided by Outer Metropolitan Bus Service Contract (OMBSC) operators are not equitable as nearly all passengers pay higher fares than in the Sydney Metropolitan Area. 'Urban Fringe' areas in particular are subject to considerably higher fares. Consistent pricing for Outer Metropolitan private bus fares will not only provide greater equity for passengers, it will also facilitate the introduction of strategic corridors between outer metropolitan and metropolitan contract areas as currently, fare schedules may vary across the different contract areas through which such strategic corridor services would operate.

Bus fares in the Outer Metropolitan Area are even more disparate than those which were harmonised in the Sydney Metropolitan Area from January 2005. Five basic fare scales are determined – two 'Urban' fare scales, two 'Urban Fringe' fare scales and the fare scale for State Transit's Newcastle Services. The 'Urban' and 'Urban Fringe' fare scales are divided into 'Qualifying' and 'Not Qualifying', depending on whether operators qualify for Federal Government grants for the use of environmentally friendly vehicles. The Interim Report of the Unsworth Review (2003) has identified the anomaly of the 'Not Qualifying' fare scales having higher fares. For example, Port Stephens Coaches and Hunter Valley Buses have adjacent contract areas, but do not charge the same fares.

Some bus operators currently discount single fares, particularly for longer distance journeys, but this provides further complexity as the discounts are not compatible with fares available in the Sydney Metropolitan Area.

The Ministry is recommending a harmonisation of Outer Metropolitan private bus fares with MBSC fares. As with Sydney Metropolitan fare harmonisation in January 2005, the vast majority of passengers will see a decrease in the fare they pay. All passengers who currently purchase fares on the 'Urban Fringe' fare scale will pay either no more or up to 40% less for their ticket. Some passengers currently on the 'Urban' maximum fare scales will pay more for journeys of 1.6km (+38%), 4.8km (11%) and 9.6km (2.5% for Urban Qualifying only). However, fares for all other journeys will either not increase or reduce by over 40%.

For example, while passengers undertaking 3 section (4.8km) journeys (eg Figtree to the Wollongong bus terminus or Niagara Park to Gosford) will pay \$0.30 more for their journey. Passengers undertaking 2 section (3.2km) journeys (eg Wollongong University to the Wollongong bus terminus and from Wyoming to Gosford Station) will pay \$0.20 less. Passengers undertaking the 7 section (11.2km) journey from Terrigal to Gosford will pay \$0.30 less for their tickets and \$1.10 less for the 12 section (19.2km) journey from Wollongong to Shellharbour.

For further detail on the effect of the proposed changes on persons currently purchasing Urban and Urban Fringe tickets, see Table 7 below.

Table 7 - CHANGES TO OMBSOC PRIVATE BUS FARE SCHEDULES WITH HARMONISATION ON PROPOSED MBSC FARES

SECTION	DISTANCE (KM)	MBSC 2008 ADULT ROUNDED	OMBSOC 2007 URBAN QUALIFYING ADULT ROUNDED	2008 \$ CHANGE FOR ROUNDED FARES	2008 % CHANGE FOR ROUNDED FARES	OMBSOC 2007 URBAN NOT QUALIFYING ADULT ROUNDED	2008 \$ CHANGE FOR ROUNDED FARES	2008 % CHANGE FOR ROUNDED FARES	OMBSOC 2007 URBAN FRINGE QUALIFYING ADULT ROUNDED	2008 \$ CHANGE FOR ROUNDED FARES	2008 % CHANGE FOR ROUNDED FARES	OMBSOC 2007 URBAN FRINGE NOT QUALIFYING ADULT ROUNDED	2008 \$ CHANGE FOR ROUNDED FARES	2008 % CHANGE FOR ROUNDED FARES
1	1.6	\$1.80	\$1.30	\$0.50	38.46%	\$1.30	\$0.50	38.46%	\$1.80	\$0.00	0.00%	\$1.80	\$0.00	0.00%
2	3.2	\$1.80	\$2.00	-\$0.20	-10.00%	\$2.00	-\$0.20	-10.00%	\$2.70	-\$0.90	-33.33%	\$2.70	-\$0.90	-33.33%
3	4.8	\$3.10	\$2.80	\$0.30	10.71%	\$2.80	\$0.30	10.71%	\$3.30	-\$0.20	-6.06%	\$3.40	-\$0.30	-8.82%
4	6.4	\$3.10	\$3.20	-\$0.10	-3.13%	\$3.30	-\$0.20	-6.06%	\$3.90	-\$0.80	-20.51%	\$4.00	-\$0.90	-22.50%
5	8.0	\$3.10	\$3.60	-\$0.50	-13.89%	\$3.70	-\$0.60	-16.22%	\$4.40	-\$1.30	-29.55%	\$4.50	-\$1.40	-31.11%
6	9.6	\$4.10	\$4.00	\$0.10	2.50%	\$4.10	\$0.00	0.00%	\$4.90	-\$0.80	-16.33%	\$5.00	-\$0.90	-18.00%
7	11.2	\$4.10	\$4.40	-\$0.30	-6.82%	\$4.40	-\$0.30	-6.82%	\$5.30	-\$1.20	-22.64%	\$5.40	-\$1.30	-24.07%
8	12.8	\$4.10	\$4.70	-\$0.60	-12.77%	\$4.80	-\$0.70	-14.58%	\$5.80	-\$1.70	-29.31%	\$5.90	-\$1.80	-30.51%
9	14.4	\$4.10	\$5.10	-\$1.00	-19.61%	\$5.10	-\$1.00	-19.61%	\$6.20	-\$2.10	-33.87%	\$6.30	-\$2.20	-34.92%
10	16.0	\$4.90	\$5.40	-\$0.50	-9.26%	\$5.50	-\$0.60	-10.91%	\$6.50	-\$1.60	-24.62%	\$6.60	-\$1.70	-25.76%
11	17.6	\$4.90	\$5.60	-\$0.70	-12.50%	\$5.70	-\$0.80	-14.04%	\$6.90	-\$2.00	-28.99%	\$7.00	-\$2.10	-30.00%
12	19.2	\$4.90	\$5.90	-\$1.00	-16.95%	\$6.00	-\$1.10	-18.33%	\$7.20	-\$2.30	-31.94%	\$7.30	-\$2.40	-32.88%
13	20.8	\$4.90	\$6.20	-\$1.30	-20.97%	\$6.30	-\$1.40	-22.22%	\$7.50	-\$2.60	-34.67%	\$7.60	-\$2.70	-35.53%
14	22.4	\$4.90	\$6.40	-\$1.50	-23.44%	\$6.50	-\$1.60	-24.62%	\$7.90	-\$3.00	-37.97%	\$8.00	-\$3.10	-38.75%
15	24.0	\$4.90	\$6.70	-\$1.80	-26.87%	\$6.80	-\$1.90	-27.94%	\$8.20	-\$3.30	-40.24%	\$8.30	-\$3.40	-40.96%
16	25.6	\$5.90	\$6.90	-\$1.00	-14.49%	\$7.10	-\$1.20	-16.90%	\$8.40	-\$2.50	-29.76%	\$8.60	-\$2.70	-31.40%
17	27.2	\$5.90	\$7.20	-\$1.30	-18.06%	\$7.30	-\$1.40	-19.18%	\$8.70	-\$2.80	-32.18%	\$8.90	-\$3.00	-33.71%
18	28.8	\$5.90	\$7.40	-\$1.50	-20.27%	\$7.50	-\$1.60	-21.33%	\$9.00	-\$3.10	-34.44%	\$9.20	-\$3.30	-35.87%
19	30.4	\$5.90	\$7.60	-\$1.70	-22.37%	\$7.70	-\$1.80	-23.38%	\$9.30	-\$3.40	-36.56%	\$9.40	-\$3.50	-37.23%
20	32.0	\$5.90	\$7.80	-\$1.90	-24.36%	\$8.00	-\$2.10	-26.25%	\$9.60	-\$3.70	-38.54%	\$9.70	-\$3.80	-39.18%
21	33.6	\$5.90	\$8.10	-\$2.20	-27.16%	\$8.20	-\$2.30	-28.05%	\$9.80	-\$3.90	-39.80%	\$10.00	-\$4.10	-41.00%
22	35.2	\$5.90	\$8.30	-\$2.40	-28.92%	\$8.40	-\$2.50	-29.76%	\$10.10	-\$4.20	-41.58%	\$10.30	-\$4.40	-42.72%

Newcastle Services currently has a time-based fare system and this submission does not propose any change to that regime. An approximate 6% increase is being requested in parity with the increase requested for metropolitan bus services. Newcastle Services' patronage has been declining and it is estimated that the approximate 6% fare increase will only increase the current amount of farebox revenue by \$0.35 million (5%).

Harmonising outer metropolitan private bus fares is calculated to reduce estimated OMBSC private operator annual farebox revenue from single tickets by approximately \$0.6 million per annum (5%) as a result of private OMBSC operators moving to a single fare scale.

3.1 OMBSC Key Performance Indicators

Information on bus operations is now becoming available for the Outer Metropolitan Area via the new contracts. Accordingly, the available data for the six month period January to June 2007 has been utilised. This is the only data currently available as all OMBSCs were not signed until December 2006. Similar data will continue to be provided to inform further fare submissions.

It is currently not possible to make meaningful comparisons between the month on month data. For example, March consistently has the highest patronage of any month and drawing comparisons with figures from other months would not be appropriate.

Table 9: OMBSC Patronage trends

	Jan	Feb	Mar	Apr	May	Jun	Average #
2006/07	1,182,518	1,243,528	1,414,990	1,192,837	1,392,670	1,127,118	1,224,640

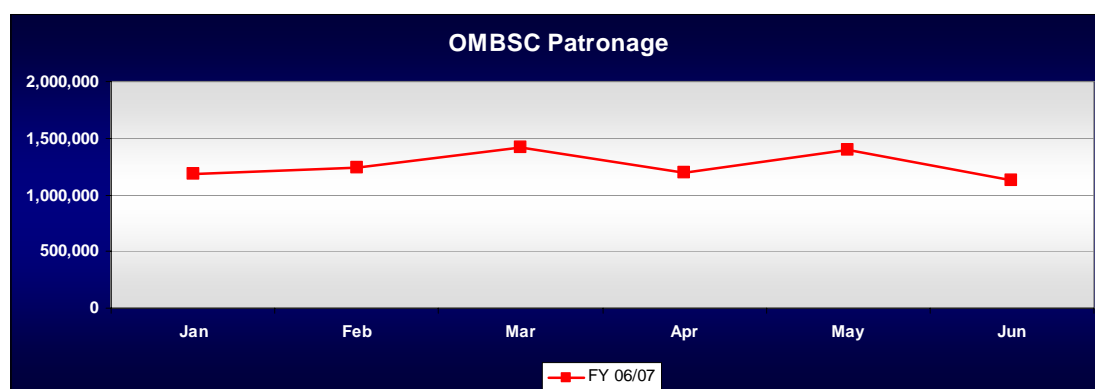


Table 10: OMBSC farebox collection

	Jan	Feb	Mar	Apr	May	Jun	Average \$
2006/07	1,804,556	1,723,820	1,931,511	1,683,237	1,934,527	1,619,220	1,782,812

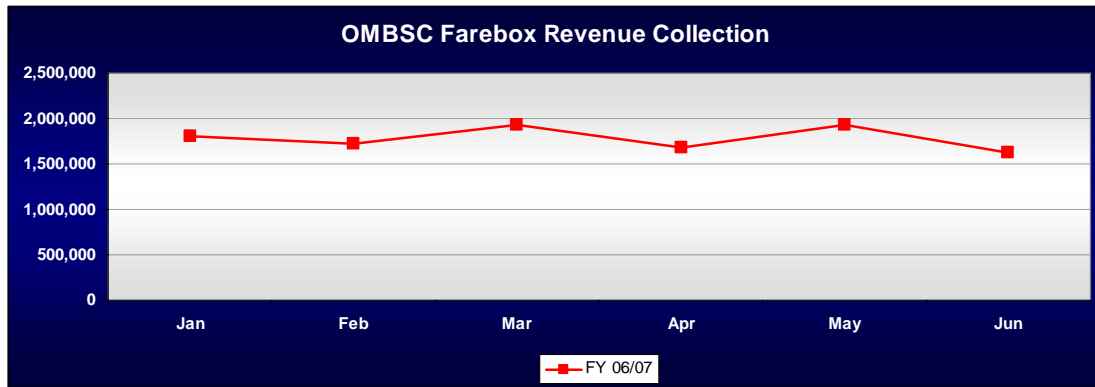


Table 11: OMBSC bus service kilometres

	Jan	Feb	Mar	Apr	May	Jun	Average km
2006/07	1,960,021	1,860,445	2,057,832	1,782,352	2,086,312	1,953,601	1,950,094

Note: Service kilometre data only (excludes SSTS and charter)

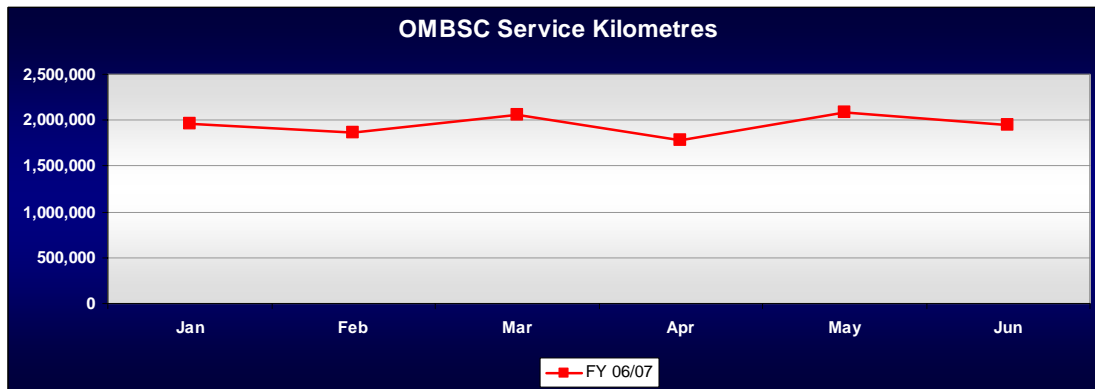


Table 12: OMBSC Customer feedback - Self reported

Feedback type	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Average over 6 months
Safety and security	22	75	87	38	93	69	64
Comfort	6	18	19	6	19	20	15
Convenience	46	104	53	24	44	25	49
Reliability	4	39	41	29	38	30	30
Service	65	332	231	109	169	221	188
Other	59	105	114	63	105	105	92
Total	202	673	545	269	468	470	438

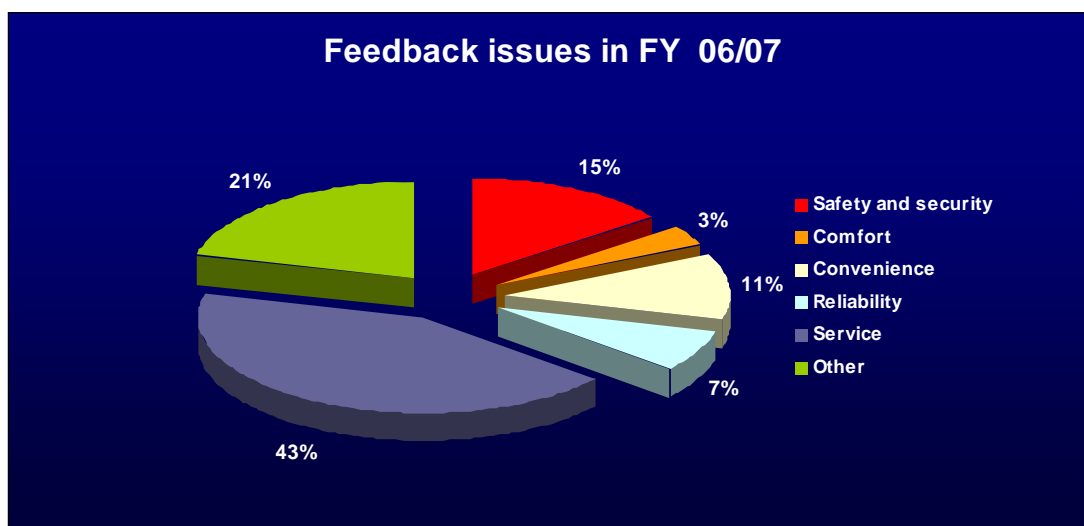


Table 13: OMBSC key performance indicators

KPI	Jan	Feb	Mar	Apr	May	Jun	Average over six months
Revenue per km	\$0.92	\$0.93	\$0.94	\$0.94	\$0.93	\$0.83	\$0.91
Passengers per km	0.60	0.67	0.69	0.67	0.67	0.58	0.63
Revenue per passenger	\$1.53	\$1.39	\$1.37	\$1.41	\$1.39	\$1.44	\$1.47
Revenue per trip	\$24.69	\$17.50	\$17.92	\$19.02	\$18.00	\$16.12	\$18.87
On time running	99.3%	99.6%	99.6%	99.7%	99.5%	98.9%	99.4%
% trips can/miss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.00%
Complaints per 100,000 Pax	17.08	54.12	38.52	22.55	33.60	41.70	35.38

The differences between bus operations in the Sydney Metropolitan and Outer Metropolitan areas are illustrated when comparing the above table to Table 10 in Appendix One (MBSC KPIs). In particular, lower population density and longer distances in the Outer Metropolitan lead to KPIs considerably lower than for the Sydney Metropolitan Area. For example, the average MBSC revenue per kilometre is \$2.88 compared to \$0.91 for the OMBSC and the average number of passengers per kilometre is 1.88 for the MBSC compared to 0.63 in the OMBSC. This leads to MBSC revenue per trip being more than twice as high as for the OMBSC (\$38.72 compared to \$18.87).

However, revenue per passenger is comparable between the MBSC (\$1.53) and OMBSC (\$1.47) and this is probably attributable to higher fares currently being charged in the OMBSC and because fewer passengers undertake longer distance journeys.

3.2 Other improvements

In 2006/07, the Ministry funded the replacement of 50 buses. The Ministry has funded the refurbishment of 65 more for Outer Metropolitan operators in 2007.

All buses being purchased for the OMBSC areas are low floor and wheelchair accessible. At 30 June 2007, the OMBSC bus fleet was approximately 17% accessible. This was an improvement of nearly 4% over the number of accessible vehicles at 31 December 2006. As the compliance target for the DDA Transport Standards is 25% of services to be accessible by 31 December 2007, OMBSC operators will need to maximise the utilisation of their accessible vehicles to meet the relevant compliance targets.

3.3 Recommendations

The Ministry seeks IPART approval to harmonise outer metropolitan private bus fares with Sydney metropolitan fares. As with the Sydney metropolitan fare harmonisation process in January 2005, the majority of outer metropolitan private bus passengers would see a decrease in the fare they pay. All passengers who currently purchase fares on the 'Urban Fringe' maximum fare scale would pay either no more or up to 40% less for their ticket. Some passengers currently on the 'Urban' maximum fare scale would pay more for journeys of 1.6km (+38%), 4.8km (11%) and 9.6km (2.5% for Urban Qualifying only). Fares for all other journeys would either not increase or would reduce by over 40%.

For Newcastle Services' fares the Ministry recommends a rise of \$0.20 for the one hour fare, \$0.30 for the four hour fare and \$1.00 for the Bus/Ferry Travelpasses. This represents the same approximate 6% fare increase requested for metropolitan bus services. Single journeys on the Stockton Ferry would rise by \$0.20.

Recommended fare scales are at Appendix Two.

4.0 Rural and Regional fares

The bus industry in rural & regional NSW is diverse, ranging from single school bus “non-commercial” operators to operators that hold multiple “commercial” contracts, providing regular route services in multiple locations. The Ministry of Transport currently provides funding to private operators in rural and regional areas through the School Student Transport Scheme (SSTS) and Half Fare Concession (HFC) payments. In 2006/07, the Ministry of Transport provided approximately \$261 million in SSTS and HFC payments to rural and regional operators.

5.1 Rural and Regional bus reform

The Ministry of Transport is currently developing options for new funding, planning and contracting arrangements in consultation with industry for consideration by Government. It is intended that the reform framework will be completed by the end of 2007, ready for progressive rollout across NSW from early 2008.

Work undertaken during 2006/07 on developing suitable funding models included:

- Review of existing funding models;
- Development of methodology for benchmarking components of a funding model;
- Undertaking a detailed study of 14 operators with a total of 33 contracts in the Tamworth region including actual service hours, service kilometres, dead running kilometres, bus revenue and operating costs;
- Developing a survey of operating costs to be issued to all operators; and
- Engagement of Ernst & Young to analyse and model the impact of different funding options.

A key aspect of Ernst & Young’s work is an efficiency benchmarking exercise across the different types of bus operations in rural and regional areas involving an examination of bus operators’ financial particulars, operating margins, cost per operator under the School Student Transport Scheme, responses to the industry wide survey and current returns on investment.

In 2006/07 work undertaken on service planning for rural and regional areas included:

- Undertaking a desktop trial of service provision in the Tamworth area;
- Commencing a review of minimum service levels that currently apply to develop improved service planning guidelines for the future; and
- Developing a telephone survey instrument for residents in the Tamworth area on their current travel patterns.

Final planning guidelines will include a requirement for operators to consult with the community and key stakeholders in designing and reviewing services and adjoining operators will be required to work co-operatively in servicing the community.

During 2006/07 work progressed on developing new contracts for rural and regional bus services. Contracts will be in plain English with clear responsibilities for reporting, planning and service review, particularly for contracts in regional areas.

5.2 Interim measures

Given the expected time frame to implement reform, the Minister requested the Rural and Regional Consultative Taskforce to identify any potential interim measures that might be deemed necessary to ensure the industry remains viable in the lead up to reform. Interim measure put in place to date are:

- Fuel indexation for non-commercial operators;
- Relief from average bus age requirements for operators who can average bus age over no more than two buses; and
- Financial relief for those operators who experience a drop of 10% or more in their contract payments as a result of change in non-commercial bus categories. This relief is in the form of a staged reduction of payments.

5.3 Productivity in the rural and regional bus industry

As indicated in the Ministry's previous submission on bus fares, not all rural operators have the capacity to better manage their costs and potentially achieve significant efficiency savings. The cost structures of rural & regional public transport services are significantly different from services provided in metropolitan areas. Operators are not often able to apply economies of scale as 55% of rural and regional bus companies with commercial contracts operate fewer than 10 vehicles and 31% fewer than 5.

Many rural and regional operators are small family businesses that have already built significant efficiencies into their operations. While there are no doubt some operators who could, and in some instances, have improved productivity there are others who do not have any scope to improve productivity. In the absence of definitive and robust data to quantify the savings possible across different business types, it would not be appropriate or equitable to treat all rural and regional operators the same and apply a 'blanket' productivity adjustment.

The Ministry supports the need to take productivity gains into account in the provision of rural and regional bus services. The development of new funding models for rural and regional bus services will include the establishment of efficient benchmark costs and mechanisms to ensure the appropriate sharing of efficiency gains.

5.4 Costs in the rural and regional area.

Consequent to a wage increase awarded to bus drivers employed under the Motor Bus Drivers and Conductors – State Award in rural & regional areas, wages increased by 4% in 2005/06, 2006/07 and 2007/08 (12% over three years). The Ministry has been covering the cost to operators of passing on the increase by making:

- An increase to the labour component of the PwC equivalent to a 4% increase in wages; and

- For 2005/06 and 2006/07, a 1.98% increase to SSTS and Half Fare Concession Scheme payments.
- For 2007/08, a 1.95% increase to SSTS and Half Fare payments.

For “commercial” operators, compensation for labour increases will be adjusted up or down depending on the final weighting for labour costs under the BICI as adjusted by IPART for 2007.

The Ministry asks IPART to note the increase in labour costs in recommending an appropriate adjustment to the PwC and an appropriate increase in fares to apply to “commercial” services.

While the Ministry provided adjustments to the fuel component of the PwC model in 2005/06 when fuel costs were rising steeply, there have been no adjustments in 2006/07.

5.5 Recommendation on fares for commercial services

The Bus Industry Cost Index (BICI) provides the basis for IPART’s recommendations on rural and regional fares. The Ministry supports increases in fares for rural & regional “commercial” services in line with movements to the BICI as submitted by the BCA and verified by IPART.

As a new funding model will be progressively rolled out and it may be some time before all commercial operators are captured by the new arrangements, the Ministry considers there may be merit in reviewing the cost factors and weightings in the BICI, but this is for IPART to decide.

5.6 Recommendation on payments for non commercial services

For payments to non-commercial (school bus) operators, the Ministry continues to support an increase based on the PriceWaterhouseCoopers model which will be provided to IPART by the BCA.

APPENDIX ONE – MONTHLY FIGURES AND COMPARISONS FOR METROPOLITAN BUS CONTRACT SERVICES

Table 1: Patronage trends in a yearly comparison

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Average Pax (8 mnths)
2005/06	N/A	N/A	N/A	N/A	15,857,930	14,426,558	14,199,690	14,829,065	17,758,864	14,238,179	16,709,873	14,654,708	15,334,358
2006/07	15,089,797	16,278,778	15,659,168	16,013,878	16,410,588	15,077,907	14,967,254	15,008,037	17,823,552	14,889,088	17,229,607	14,569,490	15,746,940
Variance (%)	N/A	N/A	N/A	N/A	3.49%	4.51%	5.41%	1.21%	0.36%	4.57%	3.11%	-0.58%	2.69%

NOTE: Patronage figure represents actual boardings on regular bus services, and excludes travel under the SSTS.

Data is incomparable prior 14 of October, when the last MBSC contract was signed.

Table 2: Farebox trends in a yearly comparison

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2005/06	N/A	N/A	N/A	N/A	22,860,460	25,065,762	20,971,238	21,442,749	25,076,512	20,771,997	24,675,209	22,451,331
2006/07	22,099,221	24,389,592	22,950,008	23,984,230	24,511,780	25,518,051	22,854,024	22,556,835	25,985,064	22,577,060	26,060,820	22,169,164
Variance (%)	N/A	N/A	N/A	N/A	+7.22%	+1.80%	+8.98%	+5.20%	+3.62%	+8.69%	+5.62%	-1.26%

Data is incomparable prior 14 of October, when the last MBSC contract was signed.

Table 3: Farebox revenue changes between 2005/06 and 2006/07

	2005/06 8 Months	2006/07 8 Months	\$ variance	% variance
Total Farebox Revenue	\$183,315,258	\$192,232,799	+\$8,917,541	+4.86%

Table 4: Bus Service Km trends in a yearly comparison

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2005/06	N/A	N/A	N/A	N/A	8,584,996	8,187,809	8,209,942	7,889,403	8,921,936	7,534,552	8,925,614	8,048,309
2006/07	8,441,758	8,803,955	8,388,800	8,368,202	8,562,442	7,989,939	8,170,099	7,893,763	8,730,767	7,948,354	9,138,676	8,426,319
Variance (%)	N/A	N/A	N/A	N/A	-0.26%	-2.42%	-0.49%	+0.06%	-2.14%	+5.49%	+2.39%	+4.70%

Notes: Adjustments have been provided by a few operators for 2005/06 so may not be comparable with the Ministry's previous submission to IPART.
 Data represents service kilometre data only. SSTS, dead running and special kilometres are excluded.
 Data is incomparable prior 14 of October, when the last MBSC contract was signed.

Table 5: MBSC Changes in Bus Service Kilometres between 2005/06 and 2006/07

	2005/06 8 Months	2006/07 8 Months	Km variance	% variance
Total bus service kilometres	66,302,561	66,860,361	+557,800	+0.84%

Table 6: MBSC Scheduled DDA compliance

	End of FY 06/07
MBSC Existing fleet	3,126
No of Buses DDA Compliant	1,108
% DDA compliant	35.44%

Table 7: MBSC instances of customer feedback - 131 500 and self reported

Category	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Total
Safety and security	286	375	324	289	320	274	276	481	470	288	428	350	4,161
Comfort	73	91	85	83	82	52	40	119	118	77	102	62	984
Convenience	294	379	484	410	335	240	271	513	582	354	450	325	4,637
Other	180	209	217	236	238	193	199	207	261	154	194	236	2,524
Reliability	1,223	1,351	1,303	1,237	1,477	1,049	983	1,946	2,197	1,436	1,723	1,369	17,294
Service	591	740	747	741	711	586	447	576	800	456	596	508	7,499
Total	2,647	3,145	3,160	2,996	3,163	2,394	2,216	3,842	4,428	2,765	3,493	2,850	37,099

Table 8: MBSC yearly comparison of instances of customer feedback received - 131 500 and self reported

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total Feedback (8 mths)
2005/06	N/A	N/A	N/A	N/A	2,537	2,315	1,850	3,198	3,729	2,252	2,995	2,514	21,390
2006/07	2,647	3,145	3,160	2,996	3,163	2,394	2,216	3,842	4,428	2,765	3,493	2,850	25,151
Variance (%)	N/A	N/A	N/A	N/A	24.67%	3.41%	19.78%	20.14%	18.74%	22.78%	16.63%	13.37%	17.58%

Table 9: MBSC key performance indicators

KPI	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Average over 8 months
Revenue per klm	\$2.62	\$2.77	\$2.74	\$2.87	\$2.86	\$3.19	\$2.80	\$2.86	\$2.98	\$2.84	\$2.85	\$2.63	\$2.88
Passengers per klm	1.79	1.85	1.87	1.91	1.92	1.89	1.83	1.90	2.04	1.87	1.89	1.73	1.88
Revenue per pax	\$1.46	\$1.50	\$1.47	\$1.50	\$1.49	\$1.69	\$1.53	\$1.50	\$1.46	\$1.52	\$1.51	\$1.52	\$1.53
Revenue per trip	\$35.33	\$36.81	\$36.83	\$37.55	\$38.15	\$42.44	\$37.04	\$38.04	\$39.75	\$39.13	\$39.17	\$36.02	\$38.72
On time running	99.7%	99.7%	99.7%	99.8%	99.7%	99.7%	99.9%	99.5%	99.6%	99.7%	99.6%	99.7%	99.65%
% trips can/miss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%	0.0%	0.1%	0.1%	0.053%
Feedback per 100,000 Pax	17.54	19.32	20.18	18.71	19.27	15.88	14.81	25.60	24.84	18.57	20.27	19.56	19.85

Note: Average over 8 months is provided for comparison purposes with eight months of MBSC contract operations in 2005/06.

Table 10: Key performance indicators – Change from 2005/06 to 2006/07.

KPI	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Average over 8 mnths
Revenue per km	7.51%	4.33%	9.51%	5.14%	5.89%	3.03%	3.15%	-5.69%	+4.11%
Passengers per km	3.76%	7.10%	5.92%	1.15%	2.56%	-0.87%	0.71%	-5.04%	+1.91%
Revenue per passenger	3.61%	-2.59%	3.39%	3.94%	3.25%	3.94%	2.43%	-0.68%	+2.16%
Revenue per trip	6.17%	3.51%	8.64%	5.36%	5.17%	7.10%	5.19%	-3.50%	+4.70%
On time running	0.00%	-0.02%	0.02%	-0.14%	-0.01%	-0.09%	-0.05%	0.03%	-0.03%
% trips can/miss	-44.48%	8.27%	42.36%	30.20%	2.77%	31.20%	157.80%	72.43%	+37.57%
Feedback per 100,000 Pax	20.48%	-1.05%	13.64%	18.70%	18.31%	17.41%	13.11%	14.03%	+14.33%

APPENDIX TWO – RECOMMENDED FARES

2008 Recommended Sydney Metropolitan Bus Fares (Effective: 1 January 2008)

Singles	Sections	Master	Adult	\$	Concession	Concession	\$
			rounded	Increase	unrounded	rounded	Increase
	1 to 2	\$1.83	\$1.80	\$0.10	\$0.90	\$0.90	\$0.10
	3 to 5	\$3.07	\$3.10	\$0.20	\$1.55	\$1.50	\$0.10
	6 to 9	\$4.10	\$4.10	\$0.20	\$2.05	\$2.00	\$0.10
	10 to 15	\$4.90	\$4.90	\$0.30	\$2.45	\$2.40	\$0.10
	16+	\$5.92	\$5.90	\$0.30	\$2.95	\$2.90	\$0.10
Traveltens	Sections	Master	Adult	\$	Concession	Concession	\$
			rounded	Increase	unrounded	rounded	Increase
	1 to 2	N/A	\$14.40	\$0.80	\$7.20	\$7.20	\$0.40
	3 to 5	N/A	\$24.80	\$1.60	\$12.40	\$12.40	\$0.80
	6 to 9	N/A	\$32.80	\$1.60	\$16.40	\$16.40	\$0.80
	10 to 15	N/A	\$39.20	\$2.40	\$19.60	\$19.60	\$1.20
	16+	N/A	\$47.20	\$2.40	\$23.60	\$23.60	\$1.20
T-way 10	Sections	Master	Adult	\$	Concession	Concession	\$
			rounded	Increase	unrounded	rounded	Increase
	1 to 2	\$15.32	\$15.30	\$0.80	\$7.65	\$7.60	\$0.40
	3 to 5	\$26.13	\$26.10	\$1.40	\$13.05	\$13.00	\$0.70
	6 to 9	\$35.14	\$35.10	\$1.90	\$17.55	\$17.50	\$0.90
	10 to 15	\$41.45	\$41.50	\$2.40	\$20.75	\$20.70	\$1.20
	16+	\$50.46	\$50.50	\$2.90	\$25.25	\$25.20	\$1.40
T-way Bus Plus weekly	Sections	Master	Adult	\$	Concession	Concession	\$
			rounded	Increase	unrounded	rounded	Increase
	1 to 2	\$14.01	\$14.00	\$0.80	\$7.00	\$7.00	\$0.40
	3 to 5	\$26.08	\$26.10	\$1.50	\$13.05	\$13.00	\$0.70
	6 to 9	\$37.12	\$37.10	\$2.10	\$18.55	\$18.50	\$1.00
	10 to 15	\$53.30	\$53.30	\$3.00	\$26.65	\$26.60	\$1.50
	16+	\$67.65	\$67.70	\$3.90	\$33.85	\$33.80	\$1.90
T-way weekly	Zone	Master	Adult	\$	Concession	Concession	\$
			rounded	Increase	unrounded	rounded	Increase
	North Zone	\$37.12	\$37.10	\$2.10	\$18.55	\$18.50	\$1.00
	South Zone	\$37.12	\$37.10	\$2.10	\$18.55	\$18.50	\$1.00
	North + South Zone	\$67.65	\$67.70	\$3.90	\$33.85	\$33.80	\$1.90
Bus/Ferry Travelpasses	Zone	Master	Adult	\$	Concession	Concession	\$
			rounded	Increase	unrounded	rounded	Increase
	Blue	\$32.10	\$32.00	\$1.00	\$16.00	\$16.00	\$0.50
	Orange	\$39.52	\$40.00	\$2.00	\$20.00	\$20.00	\$1.00
	Pittwater	\$54.50	\$55.00	\$2.00	\$27.50	\$27.50	\$1.00
	2 Zone	\$32.10	\$32.00	\$1.00	\$16.00	\$16.00	\$0.50
(Other Products)	Zone	Master	Adult	\$	Concession	Concession	\$
			rounded	Increase	unrounded	rounded	Increase
BusTripper	N/A	\$12.41	\$12.40	\$0.70	\$6.20	\$6.20	\$0.40
Sports Special	N/A	\$5.50	\$5.50	\$0.30	\$2.75	\$2.70	\$0.10
School Term Pass	N/A	\$42.77	N/A	N/A	N/A	\$43.00	\$1.50

2008 Recommended Outer Metropolitan Bus Fares

1) Proposed maximum single fares for Outer Metropolitan bus operators

Singles	Sections	2008	2008	Concession	Concession
		Master	Adult rounded	unrounded	rounded
	1 to 2	\$1.83	\$1.80	\$0.90	\$0.90
	3 to 5	\$3.07	\$3.10	\$1.55	\$1.50
	6 to 9	\$4.10	\$4.10	\$2.05	\$2.00
	10 to 15	\$4.90	\$4.90	\$2.45	\$2.40
	16+	\$5.92	\$5.90	\$2.95	\$2.90

2) Proposed maximum fares for Newcastle Services

Ticket Type	2007	2007	2007	2008	2008	\$	2008	\$
	Master	Adult Rounded		Master	Adult Rounded		Concession	
1 Hour	\$2.90	\$2.90	\$1.40	\$3.07	\$3.10	\$0.20	\$1.50	\$0.10
4 Hours	\$5.69	\$5.70	\$2.80	\$6.03	\$6.00	\$0.30	\$3.00	\$0.20
TimeTen 1 Hour	\$23.98	\$24.00	\$12.00	\$25.42	\$25.40	\$1.40	\$12.70	\$0.70
All Day Stockton Ferry	\$8.70	\$8.70	\$4.30	\$9.22	\$9.20	\$0.50	\$4.60	\$0.30
Orange Travelpass Yellow	\$2.12	\$2.10	\$1.00	\$2.25	\$2.30	\$0.20	\$1.10	\$0.10
Yellow Travelpass Pink	\$38.00	\$38.00	\$19.00	\$39.14	\$39.00	\$1.00	\$19.50	\$0.50
Pink Travelpass	\$45.00	\$45.00	\$22.50	\$46.35	\$46.00	\$1.00	\$23.00	\$0.50
	\$48.00	\$48.00	\$24.00	\$49.44	\$49.00	\$1.00	\$24.50	\$0.50

APPENDIX THREE – BUS FUNDING MODEL

1) Type of Payments

The Metropolitan and Outer Metropolitan Bus System Contracts (MBSC and OMBSC) payments, which are processed monthly, include a number of components:

Fixed Payments, paid monthly, are agreed for each year of the Contract at the commencement of the Contract and are based on overhead costs incurred by Operators including administration, registration, insurances, depot and office rent, bus refurbishments, timetable costs and general maintenance. Fixed payments represent about 24% of total payments.

Depreciation Payments, paid monthly, are agreed for each year of the Contract at the commencement of the Contract and provide on a straight line depreciation basis for buses aged up to 15 years which are utilised for Contract services. Depreciation payments represent about 4% of total payments.

New Fleet Periodic Payments (NFPP) provide for the cost of new buses. NFPP provide for the cost of a bus and its financing over 180 monthly payments. NFPP is based on the cost of a new bus (excl GST), the 10 year Commonwealth Bond Rate and an agreed financing margin. NFPP currently represent about 1% of total payments.

Fuel, Service & Patronage Payments, paid monthly, relate to operator variable costs, plus an agreed margin.

2) The Basis of the Payments

The **Service** Payment is based on an agreed Standard rate per kilometre and contract service kilometres. Service payments represent about 33% of total payments.

The **Fuel** Payment is based on an agreed fuel consumption rate, the cost of fuel immediately prior to the Contract start date and agreed contract service kilometres. The **Fuel** Payment is indexed monthly. Fuel payments represent about 10% of total payments. Any Fuel Tax Credits received by Operators from the Australian Taxation Office (ATO) and not included as part of the Contract bid are payable to the Ministry following receipt from the ATO.

The **Patronage Benchmark** Payment is based on bid boardings and shadow fares (approximately half of the actual fare to 6 sections) and represent around 27% of the total payments.

On an annual basis the actual boardings are compared to the bid boardings and a **Patronage Change** Payment based on indexed shadow fares and the difference in actual and bid boardings is paid once per annum in September.

Labour Reconciliation Payments (LRP), paid monthly, provide for the Bus Reform Allowance provided in respect of bus drivers prior to the commencement of the Contracts. LRP represent about 1% of total payments.

LRP for MBSC provides up to 3% for Apr to Jun '05; up to 1% for Jul '05 to Jun '06 (4% less 3% bid assumption) and up to 6% for 2006/07 and 2007/08 adjusted for increases in the Labour Index Multiplier.

LRP for OMBSC provides up to 9% from contract commencement and up to 6% for 2007/08 adjusted for the increase in the Labour Index Multiplier.

However, the payment by Operators of the bus driver wage increases needs to be evidenced before the LRP is made by the Ministry.

Union Time Compensation Payments (UTC), paid as required, provide for the cost of employee attendance at union meetings and induction sessions. UTC is based on the hours spent attending union meetings and the average wage applicable for the financial year in which attendance occurred.

Attendances at meetings/inductions need to be evidenced before payment is made by the Ministry.

3) Deduction of Farebox Revenue

Farebox Revenue as reported to the Ministry by Operators, excl. GST, is deducted from monthly MBSC and OMBSC Payments.

The deduction is made in the month following the month in which the farebox is collected. Farebox revenue collections are subject to audit by the Ministry.

4) Indexation

The **Fixed, Service, Fuel and Patronage** amounts paid under the Contract are subject to indexation.

Fuel is indexed monthly in accordance with movements in the Mobil Reference Price.

Fixed, Service & Patronage amounts are indexed annually from 1 July each year.

5) Adjustments to Payments

The **Fixed and Service** payments are subject to specific Contract multipliers, with **Patronage** payments adjusted in line with movements in the CPI.

A proportion of **Advertising Revenue (net of commission) and Charter Revenue** received by Operators is deducted from the September monthly MBSC and OMBSC Payments. The deduction is based on amounts advised by Operators. Advertising and Charter revenue amounts are subject to audit by the Ministry.

The **Profit Sharing** Payment is deducted from an agreed monthly MBSC and OMBSC Payment, where relevant. The deduction is related to the actual profits reported by Operators and is based on half the actual EBITDA that is 150% in excess of the bid EBITDA.

Where the actual kms provided under the Contract in any year are less than 96% of the planned annual kms, the **Actual Kilometre Reconciliation** Payment (AKRP)

applies under the Contract. The AKRP is based on the Standard Km Rate, Net Fuel Cost Rate and the difference between the actual and planned kms; with the amount deducted from an agreed monthly MBSC or OMBSC payment, where relevant

The MBSC and OMBSC also provide for performance based payments.

The **Service Quality** Payment, where relevant, is paid annually and relates to Operator achievements in passenger satisfaction and service delivery.

The **Operational Performance Regime** Payment/Penalty, where relevant, is paid annually and relates to the results by Operators in key areas of contract performance including on-time running and continuity of service.

The MBSC and OMBSC also contain specific “Contract Termination” payments relating to farebox collections in the last month of the Contract and the payments for new fleet acquired during the term of the Contract.

APPENDIX FOUR

METROPOLITAN BUS SYSTEM CONTRACT (MBSC) AREAS

