

5 September 2012

## **BusNSW comments on IPART Transport Issue Paper**

### **“Fares for Rural and Regional Buses” August 2012**

BusNSW is the peak body for the NSW private bus and coach industry.

In rural and regional NSW there are approximately 3,265 buses providing route and school services with about half of these buses providing dedicated school services.

The fare scales determined by IPART provide the maximum fares an operator can charge to a member of the public.

IPART’s “Transport Issue Paper August 2012” invited written comments. BusNSW provides the following comments on each of the questions raised and agrees to this submission being available to other interested parties.

1. Should IPART’s rural and regional bus fare determination be for 4 or 5 years?

*BusNSW suggests 4 year determination with annual adjustment and an agreed mechanism to review the 4 year determination if certain events occur.*

2. Are there any benefits in aligning a multi-year fare determination with the length of bus contracts?

*There are benefits in aligning the multi fare determination with the length of bus contracts.*

*Contract expiry dates however can vary and an IPART determination needs to be undertaken once the contract model has been finalised. For example, current rural and regional contracts start expiring in July 2015 and an IPART determination should occur before this date but after the form of new contracts is finalised. This may require coordination with TfNSW.*

3. Given that fares constitute a small component of operator's revenues, is there a need for a mechanism to allow for additional fare changes associated with unforeseen events during a multi-year determination? If so should unforeseen or exogenous events be limited to changes in regulatory decisions which materially affect the financial viability of rural and regional bus operators?

*There should be a mechanism to cater for additional fare changes. IPART should review fares if any of the following events occur and if needed provide an amended or supplementary determination. Changes to:*

- *Government fare and or concession policy;*
- *Rural and regional contracts*
- *The School Student Transport Scheme;*
- *Ticketing/bus pass systems; and*
- *Changes to accreditation requirements.*

*A review of the 4 year determination should also be able to be triggered at the request of BusNSW if supported by an industry submission.*

4. Do stakeholders support the use of bus contract data to determine the cost structure of bus operators and therefore reweight the cost index? Should we maintain current cost items?

*BusNSW is aware of many problems with financial data under rural and regional contract reporting and is not confident the information is reliable to provide the cost structures and weightings.*

*Financial reporting for rural and regional contracts is still being reviewed by TfNSW to address the current problems. Until a better system is available BusNSW recommends IPART's second option of continuing to use the current weightings, be applied.*

5. Are current inflators used to estimate how cost items have changed over time appropriate?

*BusNSW supports the use of the current inflators except the inflator for capital costs and Interest. See 6 and 7 below.*

6. Would the approach of using an ABS price index relevant to all goods and services or motor vehicles provide an appropriate independent measure of the change in capital costs for rural and regional buses? Are there alternative measures of the change in capital costs for rural and regional buses that might be preferred to the current measure and alternatives discussed above?

*If there was a suitable ABS index the Industry would support such an index. However in the absence of a suitable index BusNSW considers that the Outer/Metro bus tender panel prices be used for determining the movement in capital costs.*

*BusNSW has proposed to TfNSW that 3 bus bodies and 3 chassis (9 combinations) be used to establish a benchmark and this would be compared from year to year. Until this process is established BusNSW suggest the capital cost adjustment for the fare adjustment applicable in January 2013, be the ABS price index relevant to all goods and services.*

7. If an approach to estimate capital costs is maintained, is the 5 year Government bond rate the most appropriate interest rate to measure the change in bus lease costs? Would bank lending to business rates published by the RBA more appropriately reflect real lending costs faced by bus operators?

*We agree that the bank lending to business rates published by the RBA would more appropriately reflect the real lending costs faced by Bus Operators.*

8. Are there any industry specific factors which would require the economy-wide multifactor productivity measure to be adjusted?

*BusNSW considers that economy wide productivity adjustments are not appropriate for setting maximum rural and regional fare scales under Rural and Regional Bus Service B Contracts, where risk and productivity factors are part of the Government contract model. Issues such as road congestion have a negative impact on productivity.*

9. Should a productivity adjustment be updated annually or set at a fixed level for the regulatory period?

*Refer 8 above.*

10. Should we simplify the current regulated maximum fares down from 70 different fares to around 20 different fares that reflect distance travelled. Are there any benefits or costs to moving to simpler and condensed regulated fares?

*There is merit in simplifying the current fare scales. BusNSW proposes the following section bands.*

<i>Bands</i>	<i>Sections</i>
1-15	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15
16	16-20
17	21-30
18	31-40
19	41-50
20	51-60
21	61-70
*22	71-80
*23	81-90
*24	90-100

\*BusNSW also requests that fares for over 70 sections also be determined by IPART as some services operate for distances far in excess of 70 sections.

11. What sections should be aggregated? Should fares be aggregated at the upper bound, lower bound or according to the average of each group?

*Consideration of the section bands should be as per 10 above using the mid-point fare.*



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