



13 November 2012

Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Via email: ineke_ogilvy@ipart.nsw.gov.au

Dear Ms Ogilvy

Re: 2012 Review of rural and regional bus fares

I write with reference to the draft 2012 review of rural and regional bus fare and our discussion of 9 November 2012 where you agreed to an extension to lodge a submission prior to close of business on 14 November 2012.

As I indicated in our discussion Murrays Australia Pty Limited (Murrays) was surprised to learn of recommendations to cap greater than 70 section fares at the 70 section fare without any apparent attempt to consult with us or consider the effects on the services we have provided to the communities of Wollongong and the South Coast for over 20 years.

Further, whilst IPART may view such a decision as clarifying the position with respect to greater than 70 section fares the recommendation is at odds with current fares charged by operators under the guidance and direction of Transport for NSW and BUSNSW.

In accord with our discussion Murrays provides the following information:

1. The draft review referred to Murrays being unaffected by the fare determination as it did not operate services that charged regulated fares (page 6). In this regard IPART should note that Murrays is the current holder of Contract B079 operating daily services between Canberra and Wollongong and Canberra and Narooma.
2. In our discussion you indicated that IPART had been operating on the assumption that there were no type B contracts that were in excess of 70 sections. For the purposes of the review you should not that the routes operated under Contract B079 are 145 sections, well in excess of 70 sections. It is Murrays understanding that Premier Motor Service (PMS) is also the holder of a type B contract which is in excess of 70 sections.

3. The draft review refers to contract revenues being much greater than any fare revenue collected for all operators (page 6). Funding received by Murrays under B079 is only by way of a half fare subsidy for pensioners only. Obviously revenue collected exceeds this subsidy.
4. The draft review notes that the average number of non-SSTS passengers per timetabled trip is 4.7 (page 7). Murrays carries no SSTS passengers on its B079 services. All of our passengers are non SSTS.
5. The draft review indicates that subsidies received increase when maximum fares increase (page 6). The half fare subsidy received under B079 for fares in excess of 70 sections has been frozen at the 1991 fare scale and there have been no increases since that time despite numerous attempts to have Transport for NSW (and its predecessors) change this position.
6. **The current Murrays fare scale for greater than 70 sections has also not increased since 1991.** In that same time both IPART increases and the CPI increases have been approximately 70%. Murrays' costs have obviously increased in this period reflecting the movement in the CPI and in regard we note that the base hourly award wage rate for a permanent driver has increased by approximately 80%.
7. The review does not consider the current fare scales of "long distance services". The proposed capping of greater than 70 section fares at the fare applicable for 70 sections will result in a reduction of some current fares – fares that have not increased since 1991. As an example the current fare between Canberra and Narooma and Canberra and Wollongong is \$33.00. The review proposes a fare of \$23.80 – a 28% reduction. PMS will also have its fares for greater than 70 sections reduced from current levels.
8. The draft review fails to provide any rationale for the capping of all fares in excess of 70 sections at the 70 section fare. The review makes note that the average distance travelled by contract B buses is 23,400km per annum. This is less than 15% of the distance travelled by Murrays' services per annum. There is no comparison to be made between the costs of providing an "average" service (Table E.1) and those provided by Murrays.

Whilst Murrays acknowledges the role of IPART in determining rural and regional bus fares it is clear that most of its analysis is in relation to services less than 70 sections with most operators falling within this scope. However, for operators of longer distance services there

appears to be no consideration of their increased costs in providing services or the reduced funding arrangements that apply to those services. One size does definitely not fit all.

Murrays would urge IPART to urgently reconsider its recommendation with respect to over 70 section fares to ensure that already marginal revenue streams are not reduced. Such an outcome can only threaten the viability of the services in question.

Should you require further information or clarification I may be contacted directly on 02 6208 9809.

Yours sincerely



Damian Lee

General Manager Administration