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Dear Stakeholders

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PROCESS FOR THE 2007 CITYRAIL FARE REVIEW

CityRail has submitted a fare proposal to the Independent Pricing and Regulatory Tribunal (Tribunal). CityRail's proposal is available on the Tribunal's website and public submissions on this proposal are due 3rd August 2007.

In addition the Premier has given in-principle support for the Tribunal to undertake a broader review of its approach to determining CityRail's fares. As a first step the Tribunal will consider the CityRail proposal prior to commencing its broader review. In undertaking this broader review, the Tribunal will consider the matters listed under Section 15 of the *Independent Pricing and Regulatory Tribunal Act 1992*, in particular the need for greater efficiency and reliability in the supply of services so as to reduce costs and improve quality, safety and reliability for the benefit of consumers and taxpayers.

The Tribunal's broader review will recommend a regulatory framework which will provide CityRail with the incentives to provide efficient passenger rail services. The key issues the Tribunal will consider in undertaking this review are expected to include:

- ▼ the appropriate regulatory period for its fare decisions
- ▼ the efficient costs of providing CityRail's services and the scope for greater efficiency in the supply of these services
- ▼ NSW Government policy on passenger rail services and public transport, including the future investment in CityRail set out in the Urban Transport Statement 2006 and the State Plan
- ▼ an appropriate range for the allocation of costs between government and users, taking into consideration the environmental, economic and social benefits for the community generated by CityRail's services
- ▼ how service standards can be incorporated into the regulatory approach and fare determinations
- ▼ appropriate fares for CityRail which takes into account the cost of providing CityRail's services, the capacity of users to pay and current and future government policy on public transport fares
- ▼ if necessary, transitional arrangements from the current form of regulation to the new regulatory approach.

This review will be comprehensive and will take 12 to 18 months to complete. This is considerably longer than previous transport reviews by the Tribunal. However, this longer timeframe will enable the Tribunal to put in place a superior regulatory approach to that which is currently used.

The Tribunal expects to provide its recommendations to the Premier on the regulatory framework by September 2008.

The Tribunal expects to make a decision on CityRail's fare proposal by the end of October 2007. The Tribunal intends that the 2007 fare decision will be broadly consistent with the new regulatory approach the Tribunal is considering for determining CityRail's fares, and the 2007 decision will thus represent a first step towards that new approach.

The specific steps in the undertaking the two reviews are:

- public submissions on CityRail's proposal are due 3rd August 2007.
- A public forum will be held in August or September to allow stakeholders and the Tribunal to discuss the key issues raised by CityRail's fare proposal.
- The Tribunal expects to make a decision on CityRail's fare proposal by the end of October.
- In October the Tribunal will then release an issues paper for the review of its approach to determining CityRail's fares. The issues paper will set out the key issues the Tribunal must consider. Stakeholders will be asked to provide comment on these issues.
- The Tribunal will be engaging consultants to provide it with expert advice on key issues such as cost efficiency, fare elasticities and patronage. The Tribunal will publicly release draft findings from its consultants for comment.
- The Tribunal will hold an additional public forum early next year once it has released additional information such as consultant's reports.
- The Tribunal expects to release a draft report on its in-depth review by May 2008 for public comment.
- The Tribunal expects to finalise its review by September 2008.

If you have any questions please contact Fiona Towers.

Yours sincerely



Dr Michael Keating AC
Chairman
Independent Pricing and Regulatory Tribunal