

**REPORT ON THE DETERMINATION
OF FARES FOR
STATE TRANSIT AUTHORITY**

From 4 January 2005

**INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES**

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1 INTRODUCTION

The Independent Pricing and Regulatory Tribunal of New South Wales (the Tribunal) has completed its 2004 review of fares for the State Transit Authority (STA). Based on this review, the Tribunal has determined the maximum fares that STA can charge for public transport services from 4 January 2005.

1.1 Overview of determination

The Tribunal has considered the fare proposals of the Ministry of Transport (MoT). The Tribunal notes the important role that fare harmonisation will play in the reformed bus industry, especially where government and private buses offer services over the same routes (notably along the 43 proposed strategic corridors). It also accepts that, in general, buses of the same quality, travelling the same distance, should charge the same full fare. The Tribunal has also considered the issues it is required to consider under Section 15 of its Act and the issues drawn to its attention by the Premier's letter of 18 May 2004.

Having considered these issues, the Tribunal supports the general direction of the Ministry of Transport's fare harmonisation process and has largely adopted its specific proposals for single fares and TravelTen tickets for year one of fare harmonisation. Because reforms to bus services outside metropolitan Sydney are to be developed, 2004/05 will be a transition year for Newcastle Services. The Tribunal has concluded that MoT's proposal to increase fares broadly in line with the increase in the Bus Industry Cost Index (BICI) is appropriate, and has adopted this proposal.

The Tribunal has determined that maximum fares charged by STA may increase as follows:

- For Sydney Buses, maximum fares for single tickets may rise by a weighted average 1.11 per cent. This equates to a rise of between zero and 40 cents per adult single ticket.
- For Sydney Buses, maximum fares for TravelTen tickets may rise by a weighted average 9.11 per cent. This equates to a rise of between 90 cents and \$3.40 per adult TravelTen or a rise of between 9 cents and 34 cents per trip on an adult TravelTen.
- For Newcastle Services, maximum fares may rise by a weighted average 2.89 per cent. This equates to a rise of 10 cents on an adult 1 hour ticket or 80 cents on an adult TimeTen 1 Hour ticket.
- An increase of 40 cents to \$5.00 for the sports special return fare.

Sydney Buses and Newcastle Services may increase fares for all ticket types except TravelPass products, the prices of which are to remain unchanged.

The Tribunal decided not to allow any increase in TravelPasses in 2005. It did not wish to alter the price of any products that encompassed, or that may be considered related to, CityRail services, given the Premier's request to defer a fare review for CityRail services until further notice.

Although the Tribunal has largely accepted the specific fare proposals made by the Ministry of Transport for year one of the fare harmonisation process, it has not been persuaded by the Ministry's argument that the discount on all TravelTen tickets should be standardised at 15 per cent within two years. The Tribunal requests the Ministry to consider this issue further before next year's fare determination.

The Tribunal's determination aims to balance the competing concerns of the Ministry of Transport, STA and STA's customers. In particular, its pricing decisions support the Ministry's broader intentions on bus reform in the metropolitan area.

The Tribunal believes its determination will maintain the level of cost recovery for the STA without placing excessive financial pressure on passengers. In addition, the proposed fare increases are unlikely to cause any major passenger shift from buses to cars (which would have adverse consequences for traffic congestion, pollution and greenhouse gas emissions).

The Tribunal is concerned about the efficiency of STA's service delivery. It notes that at the public hearing, STA indicated its commitment to making efficiency gains¹. Furthermore under the bus reform legislation that became law on 16 July 2004,² many of the matters to which the Tribunal is to have regard when reviewing STA's services will now also apply with equal legislative force to the private metropolitan bus industry. It therefore intends to consider the efficiency and effectiveness of the performance of the metropolitan bus industry as a whole as part of next year's fare review, and expects submissions to that review to address efficiency and effectiveness issues.

The Tribunal notes that the STA currently provides a high level of service quality and some aspects of service quality have been improving recently.

1.2 Structure of report

This report explains the Tribunal's determination in detail, including why it reached its decisions and what those decisions mean for the transport agencies, public transport passengers, the community in general and the environment. It is structured as follows:

- Chapter 2 outlines the review and decision-making process the Tribunal used to reach its decisions
- Chapter 3 presents a summary of the submissions received during the review
- Chapters 4 to 7 assess the proposals put forward by the Ministry of Transport and other stakeholders; discuss the other matters that the Tribunal took into consideration when determining maximum fares for Sydney Buses and Newcastle Services; and consider the implications of the Tribunal's determinations for STA, its passengers, the environment and Government funding
- Chapter 8 provides a full summary of the new maximum fares that result from this determination.

¹ Public Hearing Transcript, p 33, lines 20-29.

² *Passenger Transport Amendment (Bus Reform) Act 2004*.

2 TRIBUNAL'S REVIEW AND DECISION-MAKING PROCESS

The Tribunal has made this price determination in accordance with Section 11(1) of the *Independent Pricing and Regulatory Tribunal Act, 1992* (the IPART Act). The scope of the determination, and the process the Tribunal followed in undertaking the review and reaching its decisions are outlined below.

2.1 Scope

The Tribunal's role in regulating STA is to set the **maximum fares** that it can charge for passenger services provided by Sydney Buses and Newcastle Services.

Because the Tribunal regulates Government monopoly services only, pricing determinations explicitly exclude services conducted by STA that are deemed to fall outside the definition of Government monopoly service, such as bus charters.

The Tribunal does not set the State Government's social benefit policy. The Pensioner Excursion Ticket is a matter for the Government.

This determination retains the practice of previous determinations in outlining a full schedule of maximum full-fares and the corresponding concession fares for regulated STA services.

2.2 Tribunal's review process

The Tribunal's review process included undertaking its own research and analysis, and conducting public consultation. As part of this review, the Tribunal:

- invited public transport agencies and other interested parties to submit their views, and received 35 written responses (see Appendix 3 for a list of submissions)
- collected detailed financial information from STA and the Ministry of Transport (MoT)
- held a public hearing on 14 October 2004 and invited some of the parties who made submissions to discuss relevant issues (see Appendix 3 for a list of participants).

The Tribunal took into account likely future developments in MoT's bus reform agenda, including:

- new bus regions and routes throughout metropolitan Sydney
- a new bus funding model, applied to the metropolitan area this year but being rolled out to other areas in subsequent years
- the introduction of an electronic card as the centrepiece of a new ticketing system; the card is to be known as T-Card.

In addition, the Tribunal explicitly considered all the matters outlined in section 15 of the IPART Act. These matters, which are listed in full in Appendix 1, relate to:

- **consumer protection**—protecting consumers from abuses of monopoly power; standards of quality, reliability and safety of the services concerned; social impact of decisions; effect on inflation

- **economic efficiency** – greater efficiency in the supply of services; the need to promote competition; effect of functions being carried out by another body
- **financial viability** – rate of return on public sector assets including dividend requirements; impact on pricing of borrowing, capital and dividend requirements of agencies
- **environmental protection** – promotion of ecologically sustainable development via appropriate pricing policies; considerations of demand management and least-cost planning.

It also considered each of the issues raised in the Premier's letter dated 18 May 2004 (see Appendix 2) including:

- making determinations based on five-year price paths
- providing fare increases that reflect the rise in the Consumer Price Index (CPI) as long as the agency involved had made efficiency gains
- providing fare increases above CPI if agencies could demonstrate improvements in service quality that were linked to specific initiatives
- shifting to a single fare review and making a single fare change for all metropolitan bus operators.

Finally, the Tribunal considered all the information it obtained through its own investigations, submissions and public consultations.

2.3 Decision making

In reaching its decisions on fares, the Tribunal had to weigh the relative interests of public transport stakeholders. For example, public transport passengers seek affordable public transport and ongoing improvements in service quality. The public transport agencies seek prices that provide a suitable level of cost recovery and the ability to enhance services. The general community seeks to minimise the public subsidy of public transport and to maximise the benefits of public transport to the environment and the economy.

The diversity of these interests and concerns required the Tribunal to trade off passenger affordability concerns, service quality expectations and social and environmental benefits against the financial viability of STA and public funding requirements. It took active steps to ensure that these trade-off decisions were well informed during the course of its review.

The Tribunal's consideration of the matters listed in section 15 of the IPART Act and the Premier's letter in relation to specific pricing decisions is discussed throughout the report and Appendix 1 indicates where each matter is discussed. For further information relating to the Tribunal's review, including copies of all submissions, see IPART's website: www.ipart.nsw.gov.au.

3 SUMMARY OF SUBMISSIONS

The Tribunal received and considered submissions from MoT and other stakeholders as part of its review. The main issues raised in submissions as they relate to the two STA divisions - Sydney Buses and Newcastle Services - are summarised below.

3.1 Ministry of Transport

In response to the Ministerial Inquiry into Sustainable Transport³ and the Ministerial Review of Bus Services in NSW⁴, the MoT is undertaking major reform of bus services in New South Wales. It has identified the following as key parts of its reform agenda:

- introducing new legislation to remove what were, in effect, perpetual contracts for bus operators, and instead to encourage integrated services for better service to commuters
- reducing Sydney's 87 bus contract areas to 15 in 2005 and then to 8 by 2012; one "lead entity" is to be responsible for the planning and delivery of services in each region with a view to improving service planning and delivery
- establishing 43 strategic corridors across Sydney that will link key regional centres, supported by a bus priority investment program to improve service reliability
- developing new service planning guidelines to increase community involvement in service design and to target resources to demand
- negotiating new performance-based contracts that will combine incentives and penalties to drive improvements, improve performance reporting and encourage fleet upgrades to improve accessibility, ride quality and environmental performance
- establishing a new funding model for metropolitan bus services that will provide:
 - incentives to operators to increase patronage
 - more capacity for Government to target subsidies to priority services
 - payment for actual school travel
 - more effective risk allocation between operators and Government.

To implement this agenda successfully, the fares charged by government buses and those charged by private bus operators will need to be similar. Currently these fares are quite different - with those charged by government buses generally being less than those charged by private buses.

In recognition of this, MoT proposed in its submission to the Tribunal that fares charged by government and private bus operators in the Sydney metropolitan region should be harmonised as part of this determination. MoT's specific proposal in relation to Sydney Buses, the arguments it put forward in support of this proposal, and its proposal in relation to Newcastle Services are outlined below.

³ Widely known as the Parry Report, after its chairman Dr Thomas Parry, it made 45 recommendations aimed at developing a framework for better funding and delivery of public transport in NSW.

⁴ Widely known as the Unsworth Report, after its chairman Mr Barrie Unsworth, it made 48 recommendations designed to improve bus services in NSW.

3.1.1 MoT's proposal for Sydney Buses

In relation to Sydney bus services, MoT proposed that the overall increase in fares not exceed the rise in the Consumer Price Index (CPI), and that:

- existing single fares charged on government and private buses across metropolitan Sydney⁵ be brought into line immediately
- TravelTen products be introduced on private bus routes and that all discounts be aligned to 15 per cent over the next two years
- TravelPass fares be considered outside the harmonisation process, and increased as the Tribunal sees fit.

Single fares

MoT proposed that fares for single trips on Sydney Buses and private buses be identical from January 2005, when new Metropolitan Bus Contracts will commence. Specifically, the MoT proposed extending the fare structure for Sydney Buses to private operators.⁶ The single-trip fares proposed are shown in Table 3.1, along with the current STA fares.

Table 3.1 MoT's proposal for single fares compared with current single fares

Sections	Current fare	New fare	\$ Change	% Change
1-2	\$1.60	\$1.60	-	-
3-5	\$2.70	\$2.70	-	-
6-9	\$3.50	\$3.60	\$0.10	2.9
10-15	\$4.00	\$4.30	\$0.30	7.5
16+	\$4.80	\$5.20	\$0.40	8.3

TravelTen fares

MoT proposed that the discount available to passengers by purchasing metropolitan TravelTen fares on Sydney Buses be reduced to 15 per cent over two years. This proposal is in line with the findings of the Unsworth Review,⁷ which recommended that the benefits of multi-ride discounts should be available across all bus services, and that the discount be 15 per cent relative to single fares. MoT stated that, under the new Metropolitan Bus Contracts for private buses, a flat 15 per cent discount on TravelTens will be prescribed.

The two-year TravelTen harmonisation path proposed by MoT is shown in Table 3.2.

TravelPass fares

MoT stated that as the new Metropolitan Bus Contracts for private buses will not include a requirement to offer TravelPasses, "fare harmonisation between the STA and private buses on the TravelPass product is therefore not relevant".⁸ It also stated that, "any increases in the price of TravelPass would be a matter for IPART to determine".

⁵ The MoT submission defines Metropolitan Sydney as the area bounded by the Hawkesbury River, Nepean River and the Royal National Park, as depicted in Attachment C of the MoT submission.

⁶ Private bus fares are currently set for each section, rather than grouped as is the case for STA fares.

⁷ Review of Bus Services in NSW Final Report, Recommendation 31, p 83.

⁸ MoT submission, p 14.

Table 3.2 MoT's proposed TravelTen fares

Sections	Current TravelTen fare	Year One			Year Two*		
		TravelTen fare	\$ Change	% Change	TravelTen fare	\$ Change	% Change
1-2	\$11.80	\$12.70	\$0.90	7.6	\$13.90	\$1.20	9.4
3-5	\$19.70	\$21.30	\$1.60	8.1	\$23.50	\$2.20	10.3
6-9	\$24.50	\$27.90	\$3.40	13.9	\$31.40	\$3.50	12.5
10-15	\$33.20	\$36.10	\$2.90	8.7	\$37.50	\$1.40	3.9
16+	\$41.80	\$44.70	\$2.90	6.9	\$45.30	\$0.60	1.3

*Fares for Year Two are MoT estimates only. They assume that single fares are increased in line with a 2004/05 rise in the CPI of 2.5 per cent and TravelTen fares are set at a discount of 15 per cent to the (higher) single fares.

3.1.2 T-Card

The MoT submission notes that the introduction of smart card ticketing known as T-Card is progressing. This will mean a single ticket will be able to be used on all forms of public transport, whether government owned or privately operated. T-Card will be introduced in stages between mid-2004 and 2007. The fares proposed by the MoT for this review support the principles of a smartcard-based ticketing system. Offering the same bus fares for the same service regardless of location on the public transport network would greatly enhance and simplify the operation of the new ticketing system⁹.

3.1.3 MoT's arguments in support of its fare harmonisation proposal

MoT argued that its proposal to harmonise fares across government and private bus operators would be¹⁰:

- **Positive for consumers** – the proposal would remove the current STA fare advantage and ensure fare equity across public and private bus operators.
- **Economically efficient** – equal fares across the industry would assist successful introduction of the T-Card. Fare harmonisation promotes competition on service and quality levels, thus enhancing the efficiency in the supply of services.
- **Financially viable** – equalising fares across the bus industry represents the first step towards establishing a sustainable fares policy. IPART would remain able to consider arguments in the future for fare increases based on cost recovery and efficiency improvements.
- **Ecologically sustainable development** through appropriate pricing policies. Price reductions, especially in low patronage private bus areas, would encourage increased use of public transport relative to cars.

⁹ MoT submission, p 20.

¹⁰ MoT submission, p 8.

In addition, MoT argued that bus reform, including fare harmonisation, was vital to ensuring the long-term financial viability of the bus industry in Sydney. At the public hearing, the Acting Director-General of the Ministry of Transport put the view that the primary purpose of planned bus reform in metropolitan Sydney is:

... the survival and provision of bus services in Western Sydney and other parts of Sydney that don't currently have an STA service provision.

Unsworth, and analysis that has been done subsequently, has demonstrated that the private bus industry is under enormous financial stress, and it has been facing a period of very significant decline in patronage. This fare harmonisation is just one part of a comprehensive reform program to bring private bus operators back to financial sustainability, and hopefully build a path of growth going forward.¹¹

3.1.4 MoT's proposal for Newcastle Services

MoT's fare harmonisation proposal only applies to the Sydney metropolitan area this year. If approved by the Tribunal, it is to be implemented in tandem with the roll-out of new contracts and the new bus funding model for this area. New contracting, funding and service planning arrangements for outer metropolitan Sydney and rural and regional NSW are to be developed from early 2005.

As Newcastle Services is to be classed as an outer metropolitan service,¹² reforms to apply to it are yet to be developed.¹³ For this reason, MoT proposed that the Tribunal determine a fare increase for Newcastle Services that is in line with any rise it recommends for private buses in outer metropolitan, rural and regional areas. Specifically, it proposed that fares be increased in line with the change in the Bus Industry Cost Index (BICI).¹⁴ This is an index of cost movements in the private bus industry, which in the past has been used to adjust private bus fares. Under the MoT's fare harmonisation proposal, the BICI will no longer be applied to metropolitan bus fares but remains relevant to outer metropolitan, rural and regional private bus fares.

MoT argued that all of these considerations imply that 2004/05 is a transition year for Newcastle Services and that it would be reasonable if the Tribunal treated its fare determination in that light.

3.2 State Transit Authority

The State Transit Authority (STA) did not make a submission to this year's fare review. However, its CEO advised the Tribunal that STA supported the MoT's submission.¹⁵ In addition, in a letter to the Tribunal, STA requested an increase in the sports special return bus ticket from \$4.60 to \$5.00 (a rise of 8.7 per cent). It argued that this increase was warranted on the grounds that it would:

¹¹ Transcript of Public Hearing 14 October 2004, p 6, lines 15-26.

¹² For the second stage of contract reform, and for T-Card introduction and the expansion of the PET, the MoT is currently proposing that the outer metropolitan area be generally defined as the area outside the Sydney Basin, extending to the CityRail boundary. That is, extending to Bomaderry, Goulburn, Bathurst, Scone and Dungog and including Newcastle (MoT submission, p 14).

¹³ MoT expects them to be finalised by September 2005 (MoT submission, p 15).

¹⁴ MoT submission, p 16.

¹⁵ Letter to Tribunal from STA dated 31 August 2004.

... reduce the inconvenience of handling change and in recognition of the higher costs of running Special Services to Moore Park and Randwick Racecourse.¹⁶

STA identified a number of factors that contribute to increased costs, including additional staff to direct and organise waiting passengers and higher percentage idle time as buses wait ready at the finish of games (buses are carrying passengers 31 per cent of the time compared to 66 per cent for route services).

In a letter to the Tribunal dated 1 December 2004, STA endorsed the MoT proposal that fares in Newcastle be increased in line with the increase in the BICI. STA states, "State Transit therefore agrees that a moderate rise in fares, in line with the BICI, is appropriate in the circumstances".

3.3 Action for Public Transport

Action for Public Transport (APT) made several submissions to this year's review. In its first submission, it reiterated its view that Sydney Buses should sell more tickets off-bus to increase its operational efficiency. To achieve this, it proposed a 25 per cent increase in single fares and no change to TravelTen and TravelPass prices.

In a second submission, APT commented specifically on the MoT's proposals, and put the view that it:

... welcomes the reform of bus services being implemented by the MoT, part of which is the standardisation of bus fares across the whole of Sydney. While we have concerns with some details, we support the general proposals.¹⁷

APT supported the standard fare schedule proposed for single fares on all buses. However, it argued that a 15 per cent discount on TravelTens was too low, and that the discount should be a minimum of 20 per cent.

In relation to Newcastle Services, APT commented at the public hearing that:

... there is insufficient analysis of the Newcastle situation by either the Ministry of Transport or IPART to justify any change in fares at present, given that the decline in patronage may well be a reaction to the high initial boarding fee and the lack of a guarantee that a scheduled service connection will be able to be made within the hour.¹⁸

3.4 NSW Council of Social Service

The NSW Council of Social Service (NCOSS) submission stated that in general, it:

... supports the MoT submission to IPART which recommends a single stage fare harmonisation process, with an emphasis placed on reducing some fares on private operator services.¹⁹

¹⁶ STA letter to the Tribunal dated 1 December 2004.

¹⁷ APT submission dated 27 September 2004, p 3.

¹⁸ Public Hearing Transcript, p 54, lines 27-35.

¹⁹ NCOSS submission, p 2.

However, it expressed concern at the level of discount proposed for TravelTens, and the timeframe over which this would be phased in. NCOSS recommended a 20 per cent discount on TravelTens, and advocated that fare harmonisation of TravelTens occur over four years to prevent large increases in ticket prices above the CPI.

In relation to Newcastle Services, NCOSS stated a preference for fare increases in outer metropolitan, rural and regional areas that are equivalent to, or below, CPI during the transition to the new contracting regime.²⁰

3.5 Western Sydney Regional Organisation of Councils

Western Sydney Regional Organisation of Councils (WSROC) stated that it supports:

...many of the proposals outlined in the MoT submission, especially the recommendations to align single fare bus tickets between STA and private buses within 12 months and to introduce TravelTen tickets to private buses.²¹

However, it raised several concerns about MoT's proposal, specifically the level of discount on the TravelTen tickets (which it suggested should be at least 25 per cent); the lack of other bulk purchase tickets offered under the new contract and implications for CityRail ticketing, particularly in relation to its discount levels and product range.

3.6 Western Sydney Community Forum

Western Sydney Community Forum (WSCF) recommended the Tribunal accept the MoT proposal for harmonisation of single fares and supported the introduction of a uniform discount to apply to TravelTens. It recommended the discount be 20 per cent rather than 15 per cent. It also called for further information from STA on how efficiency was being measured, and would be measured.

3.7 Other organisations and individuals

The Tribunal received submissions from a number of other organisations and individuals. The issue most often raised in these submissions was the proposed cut to 15 per cent in the discount on TravelTens. Six submissions suggested that this discount should be 20 per cent or more.

Several submissions requested clarification on the future of TravelPass products in light of the MoT proposal and the introduction of T-Card. Others put the view that, without a TravelPass product, people in some areas of Sydney buy more than one flag-fall when they undertake multiple trip journeys, and that this was inequitable.

The Tribunal also received some submissions which focused only on Newcastle Services. Lower Hunter Councils Transport Group considered that the minimum fares on Newcastle Buses are relatively high, negating the benefits of the simple time-based fare system. It

²⁰ NCOSS submission, p 4.

²¹ WSROC submission, p 1.

suggested a rearrangement of the time-bands to provide for short-distance travel at the industry standard fare²². It concluded that fare levels in the Hunter should not be increased.

Transit Planners Pty Ltd suggested an explanation for the declining patronage on Newcastle Services, commenting that the service pattern was not attractive to full-fare paying passengers, that there was virtually no marketing of public transport in Newcastle, that bus and train services were not co-ordinated, and that timetables and routes were unattractive to potential travellers. It noted that improved cost recovery could be achieved by encouraging greater use of public transport rather than by increasing fares, and that fare levels should be based on what the local market could bear.

²² The minimum fare on Newcastle Services is a one hour ticket which costs \$2.60 in 2003/04. A 1-2 section ticket on Sydney Buses costs \$1.60 in 2003/04.

4 TRIBUNAL'S ASSESSMENT OF FARE PROPOSALS

The Tribunal considered MoT's fare proposals, STA's request for an increase in the sports special return fare provided by Sydney Buses, and other stakeholders' submissions on fares and fare proposals. Overall, it accepts the important role fare harmonisation will play in the reformed bus industry, especially where government and private buses are offering services over the same routes (notably along the 43 proposed strategic corridors). It also accepts that, in general, buses of the same quality, travelling the same distance, should charge the same full fare.

For these reasons, in relation to fares for Sydney Buses, the Tribunal supports the general direction of MoT's fare harmonisation approach, and has largely adopted its specific fare proposals for single fares and TravelTen tickets. For TravelPasses, the Tribunal decided not to allow any increase in fares in 2005, as it did not wish to alter the price of any products that encompassed, or that may be considered related to, CityRail services, given the Premier's request to defer a fare review for CityRail services until further notice. For sports special return fares, it decided to allow STA's proposed increase.

In relation to fares for Newcastle Services, the Tribunal recognises that because reforms to bus services outside metropolitan Sydney have not yet been developed, 2004/05 will be a transition year for Newcastle Services. It therefore considers that MoT's proposal to increase fares in line the increase in the Bus Industry Cost Index (BICI) is appropriate, and has adopted this proposal.

In reaching these decisions, the Tribunal specifically considered what level of discount is appropriate for Sydney Buses TravelTen tickets, what price change is appropriate for Sydney Buses TravelPasses, and what change is appropriate for Sydney Buses sports special return fares. Its analysis and conclusions on these issues are summarised below. Its calculation of the weighted average rise in fares for Sydney Buses and Newcastle Services is also explained.

4.1 Discount on TravelTens

The Tribunal notes that few, if any, consumer groups and other participants at the public hearing objected to fare harmonisation in principle. However, many expressed reservations about MoT's target discount of 15 per cent on all TravelTen products within two years.

The Tribunal shares these reservations. On the basis of available information, it is concerned that a 15 per cent discount does not entirely reflect interstate practice or accord with public perceptions of an appropriate level of discount. It recommends that MoT give further consideration to this issue before the next fare review.

MoT's proposed 2004/05 fares for TravelTen tickets are shown in Table 4.1. In each case, the discount shown has been calculated by comparing the proposed fare to ten times the proposed price of a single ticket. The Tribunal has accepted all but one of these proposed fares. The exception is the fare for a sections 16+ ticket. The Tribunal determined that the maximum fare for this ticket will be \$44.20, not \$44.70 as proposed by MoT. This decision ensures that for the coming year, the discount for all TravelTen tickets is at least 15 per cent.

Table 4.1 TravelTen fares proposed by MoT for 2004/05 and their discounts

SECTION	Current fare	Current Discount	Year 1 fare	Year 1 Discount
1-2	\$11.80	26%	\$12.70	21%
3-5	\$19.70	27%	\$21.30	21%
6-9	\$24.50	30%	\$27.90	23%
10-15	\$33.20	17%	\$36.10	16%
16+	\$41.80	13%	\$44.70	14%

The information the Tribunal considered in relation to the level of the TravelTen discount - including MoT's rationale for a 15 per cent discount, the findings of its own 1996 major transport review on this issue, the levels of discount for similar products in other jurisdictions, the findings of the Parry Inquiry, and submissions to its current review - is outlined below.

MoT's rationale for a 15 per cent discount

MoT's rationale for its proposal that all discounts on TravelTen products be aligned to 15 per cent over the next two years is based on the recommendations of the Unsworth Review. In a letter to the Tribunal, the MoT explained that this Review's Interim Report:

... considered (p91-2) that current discounts were "excessive" and that a "consistent level of discount" should apply "across all bus operators".

The Review's Final Report recommended (p74-5) that "private operators should be obliged to offer a TravelTen product (or equivalent), discounted at around 15% relative to single fares", representing a balance between the need for operator financial viability and rewarding customer loyalty. The Report also indicated the 15% discount "is similar to the discount available for many frequency-of-use tickets on buses in other cities." Cities that equal or approximate the 15% discount in Australia include Perth (15%), Melbourne (13.3% to 16.4%) and Canberra (12.5%). On these bases the Ministry supports the 15% discount proposed.

The Unsworth Review did not indicate how long the shift to a uniform discount should take, but it did note that "several submissions indicated the level of discount should be at least 20%, not 10-15% as suggested in the Interim Report"²³. However, its final report concluded that 15% "seeks to represent a balance between the need for operator financial viability and rewarding customer loyalty".

Tribunal's 1996 review findings

The Tribunal considered the level of the discount in its major transport review of 1996. It engaged consultants Symonds Travers Morgan (STM) to advise on fares and ticketing policies and practices.

This review found that a central issue in determining the level of the discount is the trade-off that must be made between maximising revenue on the one hand, and minimising the number of ticket transactions, particularly for on-vehicle ticket sales, on the other. The level of the discount depends largely on which objective is deemed the more important. If maximising revenue is the dominant objective, only a small discount would be appropriate.

²³ Review of Bus Services in NSW, p 73.

If minimising ticket transactions on board is more important, a large discount would be appropriate. STM also noted that a large discount could rightly be regarded as a punitive surcharge imposed on anyone purchasing a ticket on-vehicle.

STM presented analysis of the level of discount versus the proportion of passengers who utilise multi-trip tickets in four capital cities. The data suggested that a discount of around 20 per cent was necessary to achieve multi-trip ticket usage on about half of all trips. On the other hand, it asserted that "it is difficult to see the justification for a multi-trip ticket discount of over 20% if the single ticket is regarded as the basic fare."²⁴

The Tribunal concluded at the time that there was insufficient evidence to support STA's proposal of a standardised 15 per cent discount on TravelTen tickets, but it did not state a preference for a specific level of discount.

It also noted that the issue was a significant matter from the point of view of patronage and ticket-switching. Estimates of elasticities prepared for it by the Institute of Transport Studies found that a 1 per cent increase in the cash single fare would reduce patronage of the product by only 0.078 per cent but that a 1 per cent increase in the per trip price of the TravelTen resulted in a 0.383 per cent reduction in ticket use. In sum, travellers were likely to be five times more responsive to a change in the TravelTen price than to a change in the single ticket price. A significant reduction in TravelTen discounts would therefore cause a shift from TravelTens to single and other tickets.

Levels of discount in other jurisdictions

The Tribunal's analysis of the levels of discount for similar products in other Australian cities indicates that the Unsworth Review's findings on this matter quoted by MoT above are based on a selection of capital cities that is not representative of Australia as a whole. The Tribunal notes that when you look at all capital cities, the discount on 10-trip tickets relative to 10 single tickets is above 15 per cent in most cases (Table 4.2). The four capital cities not mentioned in the Unsworth Report have discounts of 20 per cent or more on their 10-trip tickets.

Table 4.2 Discount on 10-trip tickets in Australian capital cities

City	Discount on 10-trip ticket
Perth	15%; also offers a 40-trip ticket with a 25% discount
Melbourne	10% to 18.2%, depending on zones covered
Canberra	12.5% for adult tickets; 19.2% for concession tickets
Brisbane	20%
Adelaide	30%
Hobart	20%
Darwin	20%

Sources: Transport agency websites, various.

²⁴ Symonds Travers Morgan Fares and Ticketing Policies, p 32.

Findings of the Parry Inquiry

The Parry Inquiry did not endorse a particular percentage discount in its final report, but recommended only that STA continues to offer “a magnetic stripe TravelTen ticket with a constant percentage discount to the single journey cash fare”²⁵.

It also stated that it “accepts that there is some justification for discounting volume and periodical tickets against the single trip, ‘cash’ fare”²⁶. It noted that the arguments for the discount included benefits to the operator such as lower ticketing costs, reduced ticket office congestion, interest earnings, revenue certainty and payment for untaken journeys.

Submissions to this review

A number of the submissions put forward suggestions relevant to the appropriate level of discount for TravelTens. Action for Public Transport (APT) advocated that the TravelTen fare be the base fare and that cash single tickets be regarded as carrying a premium. It also recommended a minimum discount of 20 per cent to encourage as many passengers as possible to buy pre-paid tickets. Off-bus purchase would mean cost savings to STA in driver’s time and cash handling costs, and improved service quality as delays at bus stops were reduced.

NSW Council of Social Service (NCOSS) noted that “[it] is not convinced that the Unsworth recommended 15% discount actually reflects the savings associated with multiple tickets. A discount of 20% may more accurately reflect cost savings”²⁷. Western Sydney Community Forum (WSCF) advocated a discount of at least 20 per cent in its submission while Western Sydney Regional Organisation of Councils (WSROC) recommended that the discount be set at a minimum of 25 per cent. It stated:²⁸

WSROC is concerned at proposals that the discount be limited to 15%, especially if this is to be the sole “bulk purchase” product both for private services and potentially for smartcards.

WSROC has previously argued that the discount for periodical tickets should be a minimum of 25% as an appropriate award for customer loyalty. The pre-purchase of periodical tickets “locks in” commuters to using public transport. This is particularly relevant for part-time workers where a user might commute irregularly and the decision whether or not to use public transport is marginal. The 15% discount proposed by the Ministry and in the Parry and Unsworth reports is likely to represent little more than the proportion by which operational costs will eventually be reduced with the introduction of the smartcards, and a more substantial discount is needed.

Whilst there may be an argument for a lower level of discount for TravelTens within a wider range of prepaid tickets, if TravelTens are to be the sole bulk purchase ticket, they should be discounted by at least 25% to the single cash fare. [WSROC’s emphasis]

²⁵ Ministerial Inquiry into Sustainable Transport in NSW, Final Report, p 60.

²⁶ Ministerial Inquiry into Sustainable Transport in NSW, Final Report, p 56.

²⁷ NCOSS submission, p 3.

²⁸ WSROC submission, p 2.

Taking all this information into account, the Tribunal considers that a 15 per cent discount is neither representative of interstate practice nor consistent with public perceptions. It therefore recommends MoT reconsider the issue of the level of the discount before the Tribunal is asked to consider an appropriate and final level of discount for both Sydney Buses and private metropolitan buses at its next fare review.

For this review, the Tribunal has determined that no discount below 15 per cent will be permitted. To this end it has altered one ticket price proposed by the Ministry - the TravelTen for sections 16+. The price of this ticket will not exceed a maximum price of \$44.20, a 50 cent reduction on the MoT proposal and a 15 per cent discount to the single ticket.

4.2 TravelPass fares

In its submission, MoT noted that it considers TravelPass products to be outside its fare harmonisation proposal and that the determination of any change in such products remained a matter for the Tribunal. After considering the comments of stakeholders on this matter, and the recent history of increases to TravelPass fares, the Tribunal determined that there should be no increase in these fares in 2004/05. Its key considerations are outlined below.

4.2.1 No increase in rail fares

Given the Premier's request that a review of CityRail fares be deferred, the Tribunal considers it appropriate that fares for TravelPass products, some of which include rail travel, not be increased.

4.2.2 Stakeholder comments

Several submissions highlighted the fact that TravelPass fares have increased at a faster rate over recent years than other fares. For example, Action for Public Transport's submission recommended that no increases apply to TravelPasses as "recent increases have been far too high, (50 per cent over 7 years) and retention of the current price will go some way towards redressing that impost".²⁹ A member of the public pointed out that the Blue TravelPass has risen in price by 70 per cent since 1995; the comparable single fare has increased 33 per cent.³⁰

4.2.3 Recent history of TravelPass fare increases

The Tribunal's analysis supports the views of these stakeholders. Table 4.3 shows the annual average rise in Sydney Buses ticket prices in recent years.

This analysis shows that in general, prices for TravelPasses have tended to rise significantly faster, on average, than prices for singles and TravelTens. This has been particularly the case for the most heavily used products, the red TravelPass (up 60.0 per cent over eight years) and the blue TravelPass (up 69.6 per cent over eight years) compared to the 1-2 section TravelTen (up 47.5 per cent over eight years) and the 1-2 section single (up 33.3 per cent over eight years).

²⁹ APT submission, p 6.

³⁰ Submission, Mr David Caldwell, p 37.

Table 4.3 Sydney Buses, ticket price rises in recent years³¹

	1995/96	2003/04	% ch 8 yrs to 03/04	% p.a.
Single Ride Fares				
1-2 Sections	\$1.20	\$1.60	33.3	3.7%
3-5 Sections	\$2.30	\$2.70	17.4	4.1%
6-9 Sections	\$2.90	\$3.50	20.7	4.8%
10-15 Sections	\$3.30	\$4.00	21.2	2.4%
16-21 Sections	\$4.00	\$4.80	20.0	2.3%
TravelTen				
1-2 Sections	\$8.00	\$11.80	47.5	5.0%
3-5 Sections	\$16.00	\$19.70	23.1	5.3%
6-9 Sections	\$20.00	\$24.50	22.5	5.2%
10-15 Sections	\$24.00	\$33.20	38.3	4.1%
16-21 Sections	\$32.00	\$41.80	30.6	3.4%
TravelPass - Bus and Ferry				
Blue	\$17.10	\$29.00	69.6	6.8%
Orange	\$23.30	\$36.00	54.5	5.6%
2 Zone	\$17.20	\$29.00	68.6	6.7%
Pittwater	\$34.30	\$49.00	42.9	4.6%
TravelPass - Bus, Ferry and Rail				
Red	\$20.00	\$32.00	60.0	6.1%
Green	\$26.00	\$40.00	53.8	5.5%
Yellow	\$30.00	\$44.00	46.7	4.9%
Pink	\$33.00	\$47.00	42.4	4.5%
Brown	\$38.00	\$47.00	23.7	2.7%
Purple	\$45.00	\$54.00	20.0	2.3%
BusTripper	\$7.80	\$10.90	39.7	4.3%

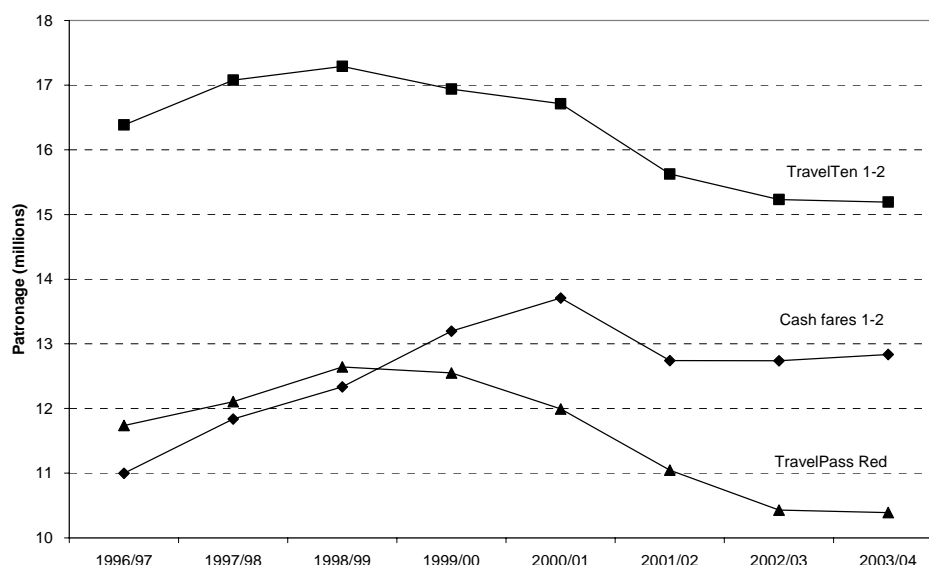
Note: figures in italics refer to the period 1999/00 to 2003/04. Percentage changes may differ due to rounding.

In recent years, demand for TravelTen and TravelPass products has declined while the number of trips using cash fares has steadily increased, Olympics distortions excepted (Figure 4.1). The declines in demand for TravelTens and TravelPasses reflect their larger price rises relative to single tickets. The more pronounced fall in TravelPasses reflects their larger fare increases relative to TravelTens. Declining TravelPass patronage is also likely to reflect the shift towards part-time work, which makes weekly or time-dependent tickets less attractive.³²

³¹ The annual average percentage rises have been measured since 1995/96 for all tickets except the singles and TravelTens for the 3-5 and 6-9 section tickets. These tickets originated in 1999/00 when the 3-9 section ticket was split.

³² Between 1996/97 and 2002/03 the proportion of employed persons who work part time in the Australian labour force rose from 25.7 per cent to 28.9 per cent.

Figure 4.1 Patronage on shorter distance trip tickets



4.3 Sports special return fare

The determination for STA fares covers all standard STA Sydney Bus services, sports special return bus tickets, Moore Park Link tickets and school term passes. As discussed in Chapter 3, STA requested an increase in the sports special return bus ticket from \$4.60 to \$5.00 (a rise of 8.7 per cent), to reflect the inconvenience of handling change and the higher costs of running these services. The Tribunal accepts the case put forward by the STA and determined that the maximum fare should rise to \$5.00.

4.4 Calculation of weighted average fare rise for Sydney Buses

The Tribunal calculates that the weighted average rise in fares for Sydney Buses singles and TravelTens is 5.04 per cent. The calculation weights the individual fare changes by 2003/04 boardings.

This differs for the following reasons from the MoT submission which proposed a 6.10 per cent rise:

- **Rounding of concession fares.** MoT's proposal rounded all fares to the nearest 10 cents. This meant that the concession 3-5 section single fare was rounded up from \$1.30 to \$1.40, but the adult ticket remained unchanged at \$2.70. Consequently, some 'half fare' fares were greater than half the corresponding adult fare. The Tribunal has rounded the half fares down so that they are no more than half of the equivalent full fares.³³
- **Adopting boardings as weights rather than revenues.** In its proposal, MoT used revenues as weights. As it has done in previous reviews, the Tribunal followed STA practice by using boardings as weights in determining the overall weighted average increases in fares. To use revenues would be to mix fares and boardings.

³³ This has been the Tribunal's historic approach, following STA practice.

- **Determining a smaller rise for the 16+ sections TravelTen.** The Tribunal determined a maximum fare of \$44.20 for this ticket in order to prevent the discount from shrinking below 15 per cent.

4.4.1 Weighted average rise across fare types

The Tribunal's practice is to calculate the weighted average fare increase for the agency in question across all standard ticket types. This results in a percentage fare increase for Sydney Buses of 3.88 per cent across singles, TravelTens and TravelPasses.

4.5 Weighted average fare rise for Newcastle Services

The MoT's bus reform agenda is to encompass Newcastle in 2005. STA's Newcastle Services are therefore in a transition phase this year. In its submission, the MoT proposed that fares in Newcastle should rise in step with the private bus industry cost index known as the BICI. Until now, the BICI has been a central consideration in the Tribunal's recommendations to the Director-General on private bus fare increases across NSW.

The Tribunal recognises the transitional nature of the fare increase implied by the Ministry's suggestion. After consultation with STA, a review of other submissions and views expressed at the public hearing, and consideration of matters required by the IPART Act and the Premier's letter, the Tribunal accepts the Ministry proposal and has determined that Newcastle Services' fares should rise by no more than 3.81 per cent on average. This rise is consistent with the rise in the BICI for the 15 months to end-September 2004.³⁴

Because of the limited number of products offered by Newcastle Services and a heavy concentration of patronage in a few of them, it has not been possible to construct individual fare rises that produce an exact weighted average rise in fares that corresponds to the increase in the BICI. The prices for Newcastle Services will therefore increase by 2.89 per cent on average.

³⁴ Detailed analysis of the BICI and the calculation that it has risen as stated in the text may be found in the Report on the Review of Private Bus Fares in NSW submitted to the Director-General in December 2004.

5 SYDNEY BUSES

In making its determination, the Tribunal considered (among other things) the implications the determination would have on Sydney Buses' level of cost recovery, service quality and financial viability. Its considerations and conclusions on each of these issues are discussed below.

5.1 Cost recovery

For this review, the Tribunal considered the outlook for cost recovery in the context of MoT's bus reform agenda. Its analysis suggests that its decision to increase fares by 3.88 per cent, combined with the one per cent growth in patronage that Sydney Buses expects for 2004/05, will result in a 4.92 per cent increase in farebox revenue. Given an expected rise of 4.6 per cent in Sydney Buses' operating costs, Sydney Buses cost recovery ratio for 2004/05 should be little changed as a result of this determination.

However, elements in the new funding model being introduced into the metropolitan bus industry may cause this measure of cost recovery to fall. First, the lift in the price of Pensioner Excursion Tickets (PET) from \$1.10 to \$2.50 might add \$9.9m to farebox revenue. But that is likely to be more than offset by a reduction in Government reimbursement for carrying PET purchasers, possibly up to \$24.4m.³⁵ Second, payment on actual students carried rather than a percentage of passes issued is likely to result in lower SSTS reimbursements. STA estimates that the reduction will be around \$1m and reimbursement for (student) half fares will fall by \$0.8m.

These changes could reduce the cost recovery ratio from 88.5 per cent in 2003/04 to **82.3** per cent in 2004/05³⁶. The Tribunal understands that MoT is fully aware of the cost recovery implications of changes to the reimbursements paid to STA, and that it has the prime responsibility for the funding and financial viability of the metropolitan bus industry.

In tandem with the changes to the funding of PET, the concept of operator cost recovery will be redefined under the new funding model. Under the new model, the Government, rather than the operator, owns the farebox. Operators therefore will no longer rely solely on farebox revenue (or 'top up' reimbursements from Government for providing concession fares) to meet their costs.

Instead, payments to operators under the new Incentives Funding Model will comprise a base payment covering fixed costs and variable (service) costs, a patronage payment to provide incentives to grow patronage and a payment to motivate operators to meet punctuality, reliability and service quality benchmarks.

The Tribunal's approach to measuring cost recovery, Sydney Buses' cost recovery history, its cost and efficiency trends, and its patronage trends are outlined below.

³⁵ STA electronic communication dated 29 October 2004.

³⁶ All cost recovery forecasts in this report assume fare increases apply for a full year.

5.1.1 Tribunal's approach to measuring cost recovery

The Tribunal measures an agency's level of cost recovery by calculating its relevant revenue and dividing this by its relevant costs (Table 5.1)³⁷. Relevant revenue includes the money it collects from passengers, and is reimbursed by the Government for carrying certain passengers for less than the full fare, or earns from other related business activities (such as advertising revenue). It does not include any general subsidies from Government. Nor does it include reimbursements from Government as Pricing and Service Community Service Obligations (CSOs), as these relate to pricing, and the servicing of uneconomic routes, rather than to the number of passengers who travel.

Relevant costs include the costs the agency incurs in operating its passenger services. These costs usually include its cash operating costs plus depreciation and interest. In some cases, the Tribunal removes an amount for potential efficiency savings from the cost base if an independent study has identified specific opportunities for saving. This is designed to estimate the **efficient costs** of the business, rather than accepting the actual costs at face value.

Table 5.1 Tribunal's measure of Sydney Buses cost recovery

Relevant Revenue	Divided By	Relevant Costs
<ul style="list-style-type: none"> • Farebox • Plus Free and Concession Reimbursements • Plus other business revenue (except profits from asset disposals) 		<ul style="list-style-type: none"> • Operating expenses (except costs of asset disposals) • Less Efficiency Savings (if identified)

5.1.2 Sydney Buses' cost recovery history

Sydney Buses cost recovery ratio has been falling steadily for several years (Table 5.2). The Tribunal's determination for last year was expected to stabilise this ratio at 88.0 per cent. As it has turned out, cost recovery was 88.5 per cent in 2003/04.

Table 5.2 Sydney Buses cost recovery - based on latest data

1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
100.5%	99.9%	96.0%	94.1%	91.0%	91.4%	88.5%

5.1.3 Cost recovery drivers

The Tribunal remains concerned about two trends which underlie the cost recovery ratio:

- revenue growth almost invariably lags the growth in costs (Table 5.3)
- most of the growth on the revenue side comes from fare increases well ahead of inflation (Table 5.4) and little comes from rising patronage.

³⁷ Cost recovery in this report is defined differently from that used in the Ministerial Inquiry. The Inquiry only included farebox and other business revenue in the numerator. Cash operating costs and capital spending were included in the denominator. The Inquiry's cost recovery ratios showed the size of the gap which would need to be funded in order to make public transport "sustainable".

Table 5.3 Annual changes in cost recovery components

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
Revenues	4.6%	7.4%	7.8%	3.4%	3.0%	4.1%
Costs	5.2%	11.7%	10.0%	7.0%	2.6%	7.6%

Table 5.4 Sydney Buses fare increases and inflation

	1999/00	2000/01	2001/02	2002/03	2003/04
Fare increase	7.00%	8.60%*	4.80%	1.93%	5.00%
Sydney CPI	2.39%	6.22%*	2.98%	2.84%	2.16%

* includes a GST adjustment estimated to be about three percentage points.

In 1996/97, patronage, as measured by total boardings including SSTS, was 180.9m; in 2003/04 boardings were 187.2m. That is an increase of 3.5 per cent in seven years, with all of the growth in the early years before a post-Olympics year decline from which boardings have yet to recover (Figure 5.1).

Figure 5.1 Annual changes in Sydney Bus fares and patronage

Source: STA. The rise in fares in 2000/01 has been adjusted downwards by 3 per cent to allow for the GST and related tax changes introduced on 1 July 2000.

5.2 Efficiency of service provision

5.2.1 Sydney Buses' financial key performance indicators

The STA publishes a set of financial performance indicators in its Annual Report. The KPIs in dollars are adjusted so that dollar costs can be compared across the years undistorted by inflation.

In 2003/04, for example, Sydney Buses estimates that the total revenue gained from all sources (including Government funding³⁸) for each kilometre travelled was \$5.31 and the total cost of running those kilometres averaged \$4.92 per kilometre.

Table 5.5 Sydney Buses' financial key performance indicators

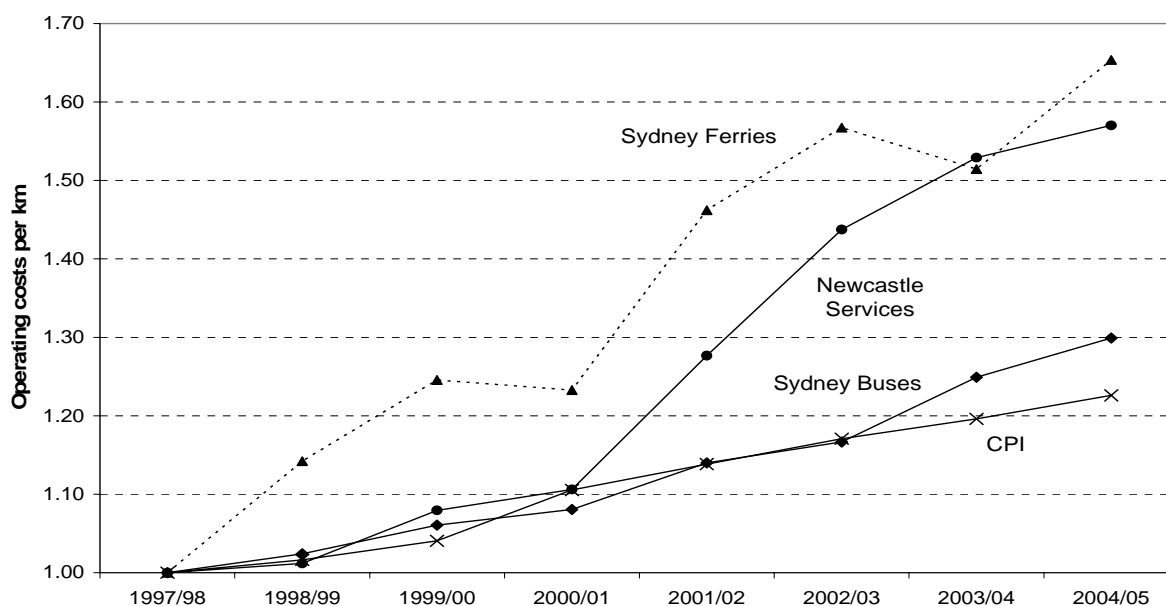
Sydney Bus Services	2000/01	2001/02	2002/03	2003/04
Total revenue ('000)	\$379,481	\$386,557	\$416,806	\$417,221
Total expenses ('000)	\$382,223	\$397,043	\$394,360	\$386,310
Patronage ('000)	195,380	187,307	187,288	187,223
Kilometres ('000)	77,444	78,852	77,426	78,593
Staff	3,638	3,682	3,621	3,734
Inflation-adjusted revenue per passenger	\$1.94	\$2.06	\$2.23	\$2.23
Inflation-adjusted revenue per Km	\$4.90	\$4.90	\$5.38	\$5.31
Passengers per vehicle Km	2.5	2.4	2.4	2.4
Inflation-adjusted cost per passenger	\$1.96	\$2.12	\$2.11	\$2.06
Inflation-adjusted cost per vehicle Km	\$4.94	\$5.04	\$5.09	\$4.92
Passengers per employee	53,705	50,871	51,723	50,140
Vehicle Km per employee	21,288	21,416	21,382	21,048

Note: all \$ figures are in 2003/04 prices. Source: STA private communication

The inclusion of Government CSO funding on the revenue side and non-operating costs on the cost side restricts the usefulness of the STA's financial performance indicators as indicators of passenger-related revenue and cost efficiency.

To look more closely at the level of operating cost efficiency, the Tribunal has constructed a measure "operating cost per kilometre" where operating cost is as defined by the agencies and excludes depreciation and interest. The Tribunal calculated the operating costs per kilometre travelled by buses and ferries for Sydney Buses, Sydney Ferries and Newcastle Services and compared these with general inflation in (Figure 5.2).

Figure 5.2 Operating costs per km



³⁸ Sydney Buses receives Free and Concessional, Pricing and Service CSOs from Government.

This analysis suggested that for Sydney Buses, much of the rise in operating costs since 1997/98 has been directly related to the extra kilometres being travelled (albeit with little change in patronage). The rise in costs per kilometre travelled has been kept much more in check than has been the case with either Newcastle Services or Sydney Ferries.

5.2.2 Comparisons across bus operators

However, a much more telling comparison is with private bus cost efficiencies. When the Parry Inquiry compared the unit costs of Sydney Buses and private operators, it found that the buses operated by Sydney Buses are much more expensive to both buy and run than is the case with private operator buses (Table 5.6).

The Tribunal expects that the directly comparable data that should be available once the new bus reform structure and performance measuring systems are in place across the metropolitan area will prove particularly helpful to it in considering the matters of standards of quality and reliability and the costs involved as required under the new legislation.

Table 5.6 Private bus operators' and Sydney Buses' costs, 2001/02

	Sydney Buses	Private operators	Difference
Bus hourly cost element	\$/hr	\$/hr	%
Wages	30.77	21.65	42.1
Wages on-costs	6.38	3.44	85.5
Bus hourly cost	37.16	25.09	48.1
Bus kilometre cost element	\$/km	\$/km	%
Wages and on-costs	0.29	0.13	123.1
Other bus kilometre costs	0.65	0.49	32.7
Bus kilometre cost	0.94	0.62	51.6
Bus overhead cost element	\$/hr	\$/hr	%
Salaries and on-costs	9.47	4.54	108.6
Other overhead costs	10.30	7.24	42.3
Bus overhead cost	19.76	11.78	67.7
Capital costs	\$/bus	\$/bus	%
Bus	13396	11261	20.0
Non-bus	3800	2716	39.9
Total capital cost	17196	13977	23.0

Source: Ministerial Inquiry into Sustainable Transport, drawing on STA data and private operator data from *Phase 1 Financial Viability Study of Private Commercial Contract Holders in Sydney, Newcastle and Wollongong* by INDEC consulting 2003.

5.3 Service quality

Because STA did not make a submission this year, the Tribunal has relied on forward-looking prospects for service quality as provided in the MoT's submission. This information suggests that Sydney Buses' performance in terms of service quality has generally been good over the last few years. It also suggests that the bus reform process is likely to improve performance standards across bus operators. For example, MoT's submission argued that:³⁹

³⁹ MoT submission, p 37.

The new Metropolitan Bus Contract funding model will result in improved performance standards industry-wide. The operational performance regime payment is designed to motivate operators to improve performance in punctuality and reliability. Payments will be related to operator performance in these areas against a benchmark, with penalties also applying for poor performance.

The service quality incentive payment is designed to motivate operators to improve performance in measures that relate to aspects of the passengers' experience other than punctuality and reliability. Operators will be assessed on a range of weighted measures including:

- **Customer satisfaction** (independently surveyed twice yearly);
- **Customer complaints** (volume and response times);
- **Co-operation** with other operators and the community (independently surveyed each year);
- **Environmental** performance
- **Load standards** (audited by MoT); and
- **Vehicle presentation.**

New measures of punctuality and reliability referenced to benchmarks and the construction of a service quality index (SQI) for each operator would be very useful to the Tribunal in conducting future reviews. Both the IPART Act and the new bus legislation require the Tribunal to consider service standards and service quality in its fare-setting process. In the past, effective measurement of these standards has often been lacking.

For this review, the Tribunal notes that for the last four years, Sydney Buses' physical KPIs indicate that it has achieved a good standard of service (Table 5.7⁴⁰).

Table 5.7 Sydney Buses' physical key performance indicators

KPI (target in brackets)	2000/01	2001/02	2002/03	2003/04
Reliability				
On-time running (>95%)	96.1%	96.2%	95.9%	95.9%
Service reliability (>99%)	99.5%	99.6%	99.4%	99.4%
Mechanical reliability (<15 bus changeovers per 100,000 kms)	20.37	17.58	15.68	16.82
Traffic reliability (<4 changeovers per 100,000 kms)	5.54	4.63	4.28	2.65
Safety (per million passenger trips)				
Safety Incidents (<2.0)	1.54	1.44	1.75	1.67
Security Incidents (<1.0)	0.51	0.41	0.13	0.12
Personal Injury (<1.0)	1.28	1.22	0.94	0.85
Comfort				
Average Bus Age (<12 years)	11.7	11.7	12.2	13.0
Convenience				
Total kms '000s	77,444	78,852	77,426	78,593
Passenger revenue kms '000s	62,420	62,888	65,153	64,262
Customer Service				
Complaints per 10,000 trips (<1)	0.66	0.86	1.17	1.13
Accessibility				
Accessible buses (% of fleet)	21.7	26.7	28.5	29.4

⁴⁰ MoT submission, p 46.

It also notes that STA has gained internationally recognised certification for its customer service delivery. The certification (ISO 9001:2000) is achieved through an independent audit, and is recognised by Standards Australia.

In addition, the Tribunal observes that the standard of new buses is rising in terms of passenger comfort and amenity. Mandatory low-floor designs and air conditioning contribute to this ongoing improvement. Table 5.8⁴¹, provides detail on past and future planned fleet enhancement.

Table 5.8 Sydney Bus Enhancements

	June 1997		June 2004		June 2006		June 2008	
	#	%	#	%	#	%	#	%
Total Bus in Fleet	1452	100	1729*	100	1723	100	1741	100
Air-Conditioned	254	17	768	44	1039	60	1259	72
Low Floor	82	6	598	35	869	50	1089	62
Wheelchair Accessible	76	6	508	29	779	45	999	57
CCTV			1729	100	1723	100	1741	100
Euro 2#	82	6	281	16	281	16	281	16
Euro 3#			21	1	292	16	292	16
Euro 4#							220	13
CNG (Euro 3 equivalent)	104	7	404	23	404	23	404	23
Average fleet age (years)	11.5		13		11		10	

* Two private bus companies were purchased by STA in 1999/2000, adding around 110 buses to the fleet.

"Euro" defines the permissible level of emissions under the Euro Standard.

Because the focus in this year's review and public hearing was primarily on the MoT's fare harmonisation proposal rather than aspects of the operations of Sydney Buses, few submissions addressed service quality. However, a number of comments were made on the integration of bus services with ferry services. For example, one submission noted:⁴²

Management of buses still appears to be undertaken in a kind of quarantined isolation from the management of ferries, and we fear the recent structural changes to the STA ferry management will entrench that. On the ground we see potential commonsense in the operation of the Rose Bay commuter ferry service as part of a system, fed by buses serving its hinterland and working together, not in isolation, but the present bus route system virtually ignores that potential.

Another submission questioned the usefulness of the KPIs used by STA to monitor the performance of Sydney Buses, and stated that, "Service quality KPIs require complete reform, taking specific regard for the passenger's viewpoint".⁴³

⁴¹ MoT submission, p 38.

⁴² Vaucluse Progress Association submission, p 1.

⁴³ David Caldwell submission, p 36.

At the public hearing the NCOSS representative also called for better information on STA's performance improvements:

I really didn't think that there was a lot of information provided in the MoT's submission around what exactly has improved. There wasn't any independent verification, I believe, in the submission around what standards they were referring to and what exactly had been improved. So I would be interested in some more information.⁴⁴

5.4 Implications for Sydney Buses

Overall, the Tribunal's decision should support the financial position of Sydney Buses, although it will not halt the decline in cost recovery if the MoT's wider bus reforms involving PET and free and concessional reimbursements are taken into account⁴⁵.

⁴⁴ Transcript of public hearing, p 30, lines 14-20.

⁴⁵ The Government is proposing to increase the price of the PET to \$2.50, while reducing the size of subsidies granted to STA.

6 NEWCASTLE SERVICES

In making its determination for Newcastle Services fares, the Tribunal considered (among other things) the implications the determination would have on the agency's level of cost recovery, service quality and financial viability. Its considerations and conclusions on each of these issues are discussed below.

6.1 Cost recovery

The Tribunal considered the outlook for cost recovery for Newcastle Services. Its analysis suggests that despite the 2.89 per cent fare increase it has determined, Newcastle Services' expected cost recovery ratio will fall from 62.8 per cent to 56.2 per cent in 2004/05.

Moreover, the MoT decision to lift the price of Pensioner Excursion Tickets (PET) from \$1.10 to \$2.50 may cause this measure of cost recovery to fall further. The increase in the price of the PET may add \$0.9m to farebox revenue, but that is likely to be more than offset by a reduction in Government reimbursement for carrying PET purchasers, possibly up to \$2.8m.⁴⁶

This change could reduce the expected cost recovery ratio from 62.8 per cent in 2003/04 to 52.2 per cent in 2004/05. The Tribunal understands that MoT is fully aware of the cost recovery implications of changes to the reimbursements paid to STA.

6.1.1 Newcastle Services' cost recovery history

After hovering around 70 per cent for several years, there has been a downward trend in Newcastle Services' cost recovery ratio⁴⁷ since 2002/03 (Table 6.1).

Table 6.1 Newcastle Services cost recovery

1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
70.9%	72.4%	69.3%	68.2%	72.0%	64.1%	62.8%

6.1.2 Cost recovery drivers

This trend in cost recovery is being driven by declining patronage, falling income from rent and advertising and a substantial increase in interest costs. Over the past years, Newcastle Services' annual cost increases have often been the main driver of falling cost recovery (Table 6.2), particularly the 16.2 per cent escalation in 2002/03 which was largely due to a nine-fold increase in interest costs, which have remained at this elevated level.

Table 6.2 Growth of Newcastle Services cost recovery components

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
Revenues	2.6%	1.3%	0.9%	11.3%	3.5%	3.8%
Costs	0.5%	5.7%	2.6%	5.5%	16.2%	6.0%

⁴⁶ STA electronic communication dated 19 November 2004.

⁴⁷ Cost recovery for Newcastle Services is calculated in the same way as cost recovery for Sydney Buses; see Table 5.1 for the definition of cost recovery.

On a positive note, patronage (as measured by total trips excluding SSTS) increased by 1.1 per cent in 2003/04. This is the first increase in patronage since 1996/97. It resulted from a 6.5 per cent rise in sales of adult one hour ticket sales (Table 6.3), which now account for three-quarters of all adult bus trips.

Table 6.3 Newcastle Services, patronage by ticket type

Ticket	Patronage 02/03 '000s	Patronage 03/04 '000s	Percentage change
Adult			
1 hour	938.3	999.3	+6.5%
4 hour	18.7	18.8	+0.5%
All day	21.6	20.1	-6.9%
Time Ten 1 hour	307.7	341.7	+11.0%
Total Adult	1,295.7	1,386.0	+7.0%
Concession			
1 hour	1,412.8	1,332.2	-5.7%
4 hour	24.4	29.1	+19.3%
All day	80.9	79.1	-2.2%
Time Ten 1 hour	222.8	205.9	-7.6%
Total Concession	1,747.1	1,651.0	-5.5%
PET	3,024.3	3,161.0	+4.5%
Stockton Ferry	420.9	432.0	+2.6%
Total trips (excluding SSTS)	6,608.0	6,680.0	+1.1%
SSTS	4,857.0	4,800.0	-1.2%
Total Trips	11,465.0	11,480.0	+0.1%

6.2 Efficiency of service provision

In terms of efficiency, the financial KPIs that STA provided to the Tribunal indicate that Newcastle Services received an average of \$3.75 for each kilometre travelled last year. However, these services cost \$4.98 per kilometre to provide on average (Table 6.4).

The gap between the revenue Newcastle Services receives per kilometre travelled and its costs per kilometre travelled has grown from 84 cents to \$1.23 in recent years, largely due to a strong uptrend in operating costs per kilometre travelled (see Figure 5.2).

Table 6.4 Financial KPIs for Newcastle Services

Newcastle Bus & Ferry Services	2000/01	2001/02	2002/03	2003/04
Total revenue ('000)	\$29,547	\$32,099	\$32,263	\$31,342
Total expenses ('000)	\$37,796	\$39,193	\$42,239	\$41,662
Patronage ('000)	12,273	11,712	11,465	11,480
Kilometres ('000)	9,868	9,141	8,381	8,367
Staff	376	382	388	389
Inflation-adjusted revenue per passenger	\$2.41	\$2.74	\$2.81	\$2.73
Inflation-adjusted revenue per Km	\$2.99	\$3.51	\$3.85	\$3.75
Passengers per vehicle Km	1.2	1.3	1.4	1.4
Inflation-adjusted cost per passenger	\$3.08	\$3.35	\$3.68	\$3.63
Inflation-adjusted cost per vehicle Km	\$3.83	\$4.29	\$5.04	\$4.98
Passengers per employee	32,641	30,660	29,549	29,512
Vehicle Km per employee	26,245	23,929	21,601	21,509

Note: all \$ figures are in 2003/04 prices. Source: STA private communication

6.3 Service quality

The set of physical KPIs provided by STA (Table 6.5) shows that Newcastle Services recent performance in terms of service quality has generally been good.

Table 6.5 Newcastle Services' physical key performance indicators

KPI (target in brackets)	2000/01	2001/02	2002/03	2003/04
Reliability				
On-time running (>95%)	95.5%	96.6%	96.1%	97.9%
Service reliability (>99%)	99.9%	99.9%	99.9%	99.9%
Mechanical reliability (<15 bus changeovers per 100,000 kms)	15.2	11.8	10.3	11.0
Traffic reliability (<4 changeovers per 100,000 kms)	2.9	2.3	2.3	2.3
Safety (per 100,000 passenger trips)				
Safety Incidents (<2.0)	1.0	0.9	0.9	0.9
Security Incidents (<1.0)	0.8	0.4	0.4	0.4
Personal Injury (<1.0)	1.1	1.0	1.8	1.3
Comfort				
Average Bus Age (<12 years)	13.2	14.1	14.9	12.6
Convenience				
Total kms '000s	9,868	9,141	8,381	8,367
Passenger revenue kms '000s	8,457	7,834	7,183	7,170
Customer Service				
Complaints per 10,000 trips (<1)	0.1	1.43	1.14	0.7
Accessibility				
Accessible buses (% of fleet)	0	0	1.6	17.8

In addition, STA indicated at the public hearing that it had recently purchased 30 new buses for Newcastle Services, and that it will be purchasing a further 12 each future year.⁴⁸ Table 6.6 details STA's proposed enhancements to the Newcastle Services fleet.

⁴⁸ Public Hearing Transcript, p 51, lines 8-10.

As with Sydney Buses, the Tribunal accepts that the standard of buses is rising, particularly in terms of passenger comfort and amenity. Mandatory low-floor designs and air conditioning contribute to this ongoing improvement.

Table 6.6 Proposed Newcastle Services Improvements

	June 2004		June 2006		June 2008	
	#	%	#	%	#	%
Total Bus in Fleet	180	100	180	100	180	100
Air-Conditioned	50	28	73	41	91	51
Low Floor	50	28	73	41	91	51
Wheelchair Accessible	32	18	55	31	73	41
CCTV	180	100	180	100	180	100
Euro 2#	12	7				
Euro 3#	30	17	42	23		
Euro 4#			11	6	18	10
Average fleet age (years)	12.6		11.9		11.9	

'Euro' defines the permissible level of emissions under the Euro Standard which sets the Australian standard for progressive reductions in the level of vehicle emissions.

The Tribunal received few submissions directly commenting on the quality of service provided by Newcastle Services. One submission commented on the lack of co-ordination of services; the frequent alteration to service timetables and noted some routes no longer operate on Saturdays or Sundays⁴⁹. Another submission also commented on the lack of co-ordination, this time with local train services⁵⁰.

At the public hearing, Action for Public Transport commented:

...on time running at Newcastle University in March this year measured over the whole day was 55 per cent for buses. The reduction of most service frequencies to hourly (March 2002) has severely reduced the attractiveness of the one-hour time based ticket⁵¹.

6.4 Implications for Newcastle Services

Overall, the Tribunal's decision should help to support the financial position of Newcastle Services, but it is unlikely to halt the decline in cost recovery.

⁴⁹ Ms Freda Pont submission.

⁵⁰ Transit Planners Pty Ltd submission to review of bus fares 2004, p 1.

⁵¹ Public Hearing Transcript, p 54, lines 40-47.

7 FURTHER MATTERS TO BE CONSIDERED

In this chapter, some other matters required to be considered by the Tribunal are examined. Those matters include an appropriate rate of return on public sector assets, the effect on general inflation, the need to maintain ecologically sustainable development by appropriate pricing policies, the impact of pricing policies on STA's borrowing, capital and dividend requirements, the need to promote competition, demand management and least cost planning, and the social impact of the determinations. Three matters raised in the Premier's letter are also discussed – a five-year price path, CPI increases subject to efficiency gains and above-CPI increases for service improvements. Finally, the effect of the determination on Government funding is considered.

7.1 IPART Act – section 15 matters

7.1.1 An appropriate rate of return on STA's assets

Consideration of an appropriate rate of return on STA's net asset base of \$278m projected for 2004/05 and the issue of appropriate dividends to Government are of little relevance so long as cost recovery runs below 100 per cent. At present levels around 88 per cent the primary task is to derive better value from the existing assets. The Tribunal awaits the development and availability of STA's business plans under the new funding model and related aspects of bus reform.

7.1.2 Inflationary effects

The Tribunal's determination is unlikely to affect general price inflation. Public transport spending is a very small component of the basket of goods and services that are monitored in inflation statistics.

7.1.3 Environmental effects

As a general principle, encouraging public transport at the expense of private car travel benefits the environment, by contributing to reduced pollution, reduced carbon emissions and reduced traffic congestion. To the extent that the MoT proposal encourages more private bus travel at the expense of the car and without more than marginally dampening the demand for Sydney Buses services, the Tribunal expects the environmental effects to be positive, albeit small.

The Tribunal also notes that 'Environmental Performance' will be one element assessed in the Service Quality Incentive payment under the new bus funding model.

Support for the financial health of the agencies should have positive long-term implications for the public transport network, which in turn is good for the environment. The Tribunal acknowledges the financial burden facing the agencies as they aim to improve public transport standards in line with community expectations, and sees appropriate fare increases as a means to ensure their long-term viability. For example, increased farebox revenue for Sydney Buses should assist the replacement of older buses with new vehicles that are friendlier to the environment and more attractive as a transport alternative for the community.

7.1.4 Effect on STA financial position

A weighted average fare rise overall of 3.88 per cent for Sydney Buses and 2.89 per cent for Newcastle Services supports the financial position of STA but the course of cost recovery in 2004/05 also depends crucially on changes that might be made to the Authority's reimbursements from Government for free and concessional passengers. Its overall financial position will be further affected by changes in Government payments for Pricing and Service CSOs. These are a matter for Government.

Cost recovery for Sydney Buses in 2004/05 is projected to be around 82 per cent if payments by Government are as the STA expects. Cost recovery for Newcastle Services in 2004/05 is projected to be around 56 per cent.

7.1.5 Need to promote competition

In principle, the STA faces competition from other public transport modes and private motor vehicles. In practice, that competition from other public transport modes is only effective where train lines and ferry services offer a genuine alternative to buses for passengers.

In another sense, however, ferries, buses and trains may be complementary modes of transport, and not direct competitors. Several submissions and participants at the ferry public hearing made observations about an apparent disconnect that seems to have arisen between buses and trains, and buses and ferries in particular. For example:

The Brown TravelPass reduce[s] bus fares from the catchment area of the ferries which in the old days was very strong along the Mosman corridor... The STA has gone out of its way to cut feeder services, increasing fares, making it almost impossible to use ferry services as part of the system.⁵²

7.1.6 Demand management and least cost planning

This matter was briefly discussed in the chapter on Sydney Buses. The Tribunal is unaware of STA's plans to encourage patronage in Sydney or Newcastle or to manage peak usage of its services. The Tribunal expects such plans to evolve in response to the patronage incentive payment planned under the new bus funding model.

7.1.7 Social impact of the determination

The Tribunal considered the income levels of Sydney Buses and Newcastle passengers, and the financial burden that fare increases might place on passengers. It considers that the fare increases it has determined are not excessive, particularly in light of the modest fare increases of the previous two years (Table 7.1), and the fact that the determined increases include an allowance for inflation, which was around 2.2 per cent in 2003/04. The examples of the change in specific fares shown in Table 7.2 suggest that the increases should not place significant financial pressure on passengers.

⁵² Mr Robert Caldwell, *Transcript of Ferry Public Hearing 30 September 2004*, extract from p 21, line 38 to p 22, line 12.

Table 7.1 Average percentage fare rises in recent years

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
Sydney Buses	2.3	2.1	7.0	8.6	4.8	1.9	5.0
Newcastle Services	2.3	0.5	7.0	8.6	3.7	0.5	5.0
<i>Inflation (Sydney)</i>	<i>0.1</i>	<i>1.6</i>	<i>2.4</i>	<i>6.2</i>	<i>3.0</i>	<i>2.8</i>	<i>2.2</i>

Table 7.2 Specific examples of fare changes

Agency	Trip Description	Single Journey \$		TravelTen \$	
		Old Fare	New Fare	Old Fare	New Fare
Sydney Buses	Gladesville to Rozelle	2.70	2.70	19.70	21.30
	Malabar to City (Market St)	3.50	3.60	24.50	27.90
	Avalon to Nth Sydney	4.80	5.20	41.80	44.20
Newcastle Services	<i>Newcastle CBD to Newcastle University</i>	<i>2.60</i>	<i>2.70</i>	<i>21.50</i>	<i>22.30</i>
	<i>Stockton ferry</i>	<i>1.90</i>	<i>2.00</i>		

The income range for public transport passengers tends to be very wide, because public transport is used by both commuters and non-commuters. Table 7.3, which shows the income profile of users of STA services in Sydney who pay the full adult fare, indicates that Sydney Buses' passengers have a higher median household income than private bus passengers. However, they have a slightly lower median income than CityRail passengers.

Table 7.3 Income profile of public transport users

Mode	No. of trips	Average personal income	Average household income	Median household income
CityRail	494,730	\$46,847	\$86,842	\$71,864
Sydney Buses	257,345	\$44,581	\$86,214	\$69,524
Priv Bus Sydney	70,524	\$32,423	\$66,781	\$56,212
Sydney Ferries	30,010	\$72,307	\$121,765	\$120,952

Source: TPDC Household Travel Survey 2002, average weekday.

The median household income of purchasers varies across ticket types (Table 7.4). Purchasers of TravelTens have the highest median incomes; single ticket purchasers have considerably lower incomes. TravelPass purchasers have lower incomes still, and will benefit from the Tribunal's decision not to increase the prices of these tickets. 'Other' tickets include the PET, hence the very low median household income.

Table 7.4 Income by Sydney Buses ticket type

Ticket type	Median household income
Single	\$66,664
TravelTen	\$78,676
TravelPass	\$60,476
Other	\$45,396
Sydney Buses overall	\$69,524

Source: TPDC, Household Travel Survey 2002.

7.2 Matters raised in the Premier's letter

7.2.1 Five-year price path considerations

Recommendation #18 of the Ministerial Inquiry, which primarily concerned CityRail, elicited a response from Government that said:

Public transport agencies will seek fare adjustments through the IPART. The Government supports a 5 year price path to give transport agencies revenue certainty.

The Tribunal has considered the possibility of implementing a five-year or, more generally, a multi-year price path for public transport fares. The advantage of the revenue certainty it may generate must be weighed against the detailed informational requirements which ought to underpin it. Those requirements may well be reflected in due course in the STA's business objectives but, for the present review, such information is not available and the Tribunal will consider the issue further next year.

7.2.2 Fare increases up to the CPI subject to efficiency gains

The lack of detailed information on efficiency measures for STA has made it difficult for the Tribunal to reach a view on their role in the present review. STA continues to maintain a good record on reliability, safety and customer satisfaction. But the efficiency with which those outcomes are achieved is not apparent since no measures or targets were submitted to the Tribunal in the present review. The Tribunal expects appropriate measures of efficiency and the gains made in them to be submitted for consideration at the next review. The Tribunal also notes that STA has indicated that it will be seeking to achieve efficiency gains this year⁵³.

7.2.3 Fare increases above CPI for service improvements

A central feature of service improvements in both STA divisions in recent years has been the introduction of new buses. These buses have been air-conditioned, low floored and environmentally sound. The Tribunal has had regard to the rising standard of buses in considering this year's determination, considering it an important underpinning factor to the MoT's proposed increase in STA fares above the rate of rise of the CPI.

⁵³ Public Hearing Transcript, p 33, lines 20-29.

7.3 Implications for Government funding

The Tribunal is required under Section 16 of the IPART Act to report on the likely annual cost to the Government if fares were not increased to the maximum permitted, and the STA were compensated from the Consolidated Fund for revenue foregone. Table 7.5 shows the effect of the determination on the farebox on a full year basis.⁵⁴

Table 7.5 Impact of the determination on farebox revenue

Division of STA	Additional Farebox 2004/05
Sydney Buses	\$6.7m
Newcastle Services	\$0.1m

⁵⁴ These estimates assume unchanged patronage in response to the fare increase and they do not include extra revenue from higher free and concession ticket payments from the State Government. This revenue already comes from the Consolidated Fund.

8 FARE DETERMINATIONS IN DETAIL

For Sydney Buses, the Tribunal determined that single ticket and TravelTen prices are to rise by a weighted average 5.04 per cent and that TravelPass ticket prices are to remain unchanged.

The exact ticket changes that have been determined, consistent with the above, are shown in Table 8.1 along with the percentage changes and the proportion of Sydney Buses revenue derived from each ticket type (relative to total revenue derived from singles, TravelTens and TravelPasses).

Table 8.1 Sydney Bus fares and percentage changes

TICKET TYPE	CLASS	2003/04 Ticket Price	2004/05 Ticket Price	Percentage Change	Absolute Change	2003/04 Revenue %
Single ride fares						
1-2 Sections	ADULT	\$1.60	\$1.60	0.00%	\$0.00	10.80%
3-5 Sections	ADULT	\$2.70	\$2.70	0.00%	\$0.00	14.40%
6-9 Sections	ADULT	\$3.50	\$3.60	2.86%	\$0.10	4.83%
10-15 Sections	ADULT	\$4.00	\$4.30	7.50%	\$0.30	2.20%
16+ Sections	ADULT	\$4.80	\$5.20	8.33%	\$0.40	0.57%
1-2 Sections	CONC	\$0.80	\$0.80	0.00%	\$0.00	2.28%
3-5 Sections	CONC	\$1.30	\$1.30	0.00%	\$0.00	2.67%
6-9 Sections	CONC	\$1.70	\$1.80	5.88%	\$0.10	0.93%
10-15 Sections	CONC	\$2.00	\$2.10	5.00%	\$0.10	0.43%
16+ Sections	CONC	\$2.40	\$2.60	8.33%	\$0.20	0.11%
TravelTen						
1-2 Sections	ADULT	\$11.80	\$12.70	7.63%	\$0.90	9.43%
3-5 Sections	ADULT	\$19.70	\$21.30	8.12%	\$1.60	14.04%
6-9 Sections	ADULT	\$24.50	\$27.90	13.88%	\$3.40	7.28%
10-15 Sections	ADULT	\$33.20	\$36.10	8.73%	\$2.90	2.90%
16+ Sections	ADULT	\$41.80	\$44.20	5.74%	\$2.40	0.69%
1-2 Sections	CONC	\$5.90	\$6.30	6.78%	\$0.40	1.79%
3-5 Sections	CONC	\$9.80	\$10.60	8.16%	\$0.80	1.14%
6-9 Sections	CONC	\$12.20	\$13.90	13.93%	\$1.70	0.39%
10-15 Sections	CONC	\$16.60	\$18.00	8.43%	\$1.40	0.15%
16+ Sections	CONC	\$20.90	\$22.10	6.70%	\$1.40	0.04%
TravelPass						22.91%
						100.0%

For Newcastle Services, the Tribunal determined that single ticket and TravelTen prices are to rise by a weighted average 2.89 per cent and that TravelPass ticket prices were to remain unchanged.

The exact ticket changes that have been determined, consistent with the above, are shown in Table 8.2 along with the percentage changes and the proportion of Newcastle Services revenue derived from each ticket type (relative to total revenue derived from singles, TravelTens and TravelPasses).

Table 8.2 Newcastle Services fares and percentage changes

TICKET TYPE	CLASS	2003/04 Ticket Price	2004/05 Ticket Price	Percentage Change	Absolute Change	2003/04 Revenue %
Time						
1 Hour	ADULT	\$2.60	\$2.70	3.85%	\$0.10	42.32%
4 Hours	ADULT	\$5.10	\$5.30	3.92%	\$0.20	0.68%
All day	ADULT	\$7.80	\$8.10	3.85%	\$0.30	0.96%
Time Ten 1 Hour	ADULT	\$21.50	\$22.30	3.72%	\$0.80	12.46%
Stockton	ADULT	\$1.90	\$2.00	5.26%	\$0.10	6.36%
1 Hour	CONC	\$1.30	\$1.30	0.00%	\$0.00	29.33%
4 Hours	CONC	\$2.50	\$2.60	4.00%	\$0.10	0.52%
All day	CONC	\$3.90	\$4.00	2.56%	\$0.10	1.58%
Time Ten 1 Hour	CONC	\$10.70	\$11.10	3.74%	\$0.40	3.61%
Stockton	CONC	\$0.90	\$1.00	11.11%	\$0.10	1.88%
TravelPass						0.30%
						100.0%

The fares are usually gazetted in a format different from Tables 8.1 and 8.2. The format - without reference to previous fares, percentage changes or revenue shares - is shown in Tables 8.3 and 8.4.

8.1 State Transit Authority fares schedule

The fares schedule is part of Determination No. 4 of 2004 made by the Tribunal under section 11(1) of the *Independent Pricing and Regulatory Tribunal Act, 1992*.

Table 8.3 Maximum fares for STA Sydney Buses services from 4 January 2005

SYDNEY BUSES FARES	Adult (\$)	Concession³ (\$)
Single ride fares		
1-2 Sections	1.60	0.80
3-5 Sections	2.70	1.30
6-9 Sections	3.60	1.80
10-15 Sections	4.30	2.10
16+ Sections	5.20	2.60
TravelTen		
Blue: 1-2 Sections	12.70	6.30
Brown: 3-5 Sections	21.30	10.60
Red: 6-9 Sections	27.90	13.90
Green: 10-15 Sections	36.10	18.00
Orange: 16+ Sections	44.20	22.10
TravelPass – Bus and Ferry		
Blue	29.00	14.50
Orange	36.00	18.00
2 Zone	29.00	14.50
Pittwater	49.00	24.50
TravelPass^{1,2} Bus, Ferry and Rail		
Red	32.00	16.00
Green	40.00	20.00
Yellow	44.00	22.00
Pink	47.00	23.50
Purple	54.00	27.00
BusTripper (Bus only daily)	10.90	5.40
DayTripper (Bus/ferry/rail daily)	15.00	7.50

Notes:

1. Quarterly TravelPass = 11 x weekly fare.
2. Yearly TravelPass = 40 x weekly fare.
3. All half fare concessions have been rounded down to the nearest 10 cents.

Sports special return bus tickets

The price of a sports special return bus ticket must not exceed \$5.00 for an adult and \$2.50 for a concession.

Table 8.4 Maximum fares for STA Newcastle Services from 4 January 2005

NEWCASTLE FARES	Adult (\$)	Concession³ (\$)
Time		
1 Hour	2.70	1.30
4 Hours	5.30	2.60
TimeTen 1 Hour	22.30	11.10
All day	8.10	4.00
Stockton Ferry	2.00	1.00
TravelPass^{1,2}		
Orange	36.00	18.00
Yellow	44.00	22.00
Pink	47.00	23.50

Notes:

1. Quarterly TravelPass = 11 x weekly fare.
2. Yearly TravelPass = 40 x weekly fare.
3. All half fare concessions have been rounded down to the nearest 10 cents.

APPENDIX 1 IPART ACT REQUIREMENTS

Section 15 requirements

Section 15 of the IPART Act 1992 details the matters to be considered by the Tribunal when making a determination. The section is reproduced in full below.

(15) Matters to be considered by Tribunal under this Act

- (1) In making determinations and recommendations under this Act, the Tribunal is to have regard to the following matters (in addition to any other matters the Tribunal considers relevant):
 - (a) the cost of providing the services concerned,
 - (b) the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services,
 - (c) the appropriate rate of return on public sector assets, including appropriate payment of dividends to the Government for the benefit of the people of New South Wales,
 - (d) the effect on general price inflation over the medium term,
 - (e) the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers,
 - (f) the need to maintain ecologically sustainable development (within the meaning of section 6 of the [Protection of the Environment Administration Act 1991](#)) by appropriate pricing policies that take account of all the feasible options available to protect the environment,
 - (g) the impact on pricing policies of borrowing, capital and dividend requirements of the government agency concerned and, in particular, the impact of any need to renew or increase relevant assets,
 - (h) the impact on pricing policies of any arrangements that the government agency concerned has entered into for the exercise of its functions by some other person or body,
 - (i) the need to promote competition in the supply of the services concerned,
 - (j) considerations of demand management (including levels of demand) and least cost planning,
 - (k) the social impact of the determinations and recommendations,
 - (l) standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise).
- (2) In any report of a determination or recommendation made by the Tribunal under this Act, the Tribunal must indicate what regard it has had to the matters set out in subsection (1) in reaching that determination or recommendation.
- (3) To remove any doubt, it is declared that this section does not apply to the Tribunal in the exercise of any of its functions under section 12A.
- (4) This section does not apply to the Tribunal in the exercise of any of its functions under section 11 (3).

Table A1.1 indicates where the matters have been considered throughout the report by the Tribunal in making this determination.

Table A1.1 Consideration of section 15 matters by Tribunal for the State Transit Authority determination

Section 15(1)	Report reference
(a) cost of providing the service	Sections 5.1 and 6.1
(b) protection of consumers from abuse of monopoly power	Section 7.1.7
(c) appropriate rate of return and dividends	Section 7.1.1
(d) effect on general price inflation	Section 7.1.2
(e) improved efficiency in supply of services	Sections 5.2 and 6.2
(f) ecologically sustainable development	Section 7.1.3
(g) impact on borrowing, capital and dividend requirements	Section 7.1.4
(h) additional pricing policies	n.a.
(i) need to promote competition	Section 7.1.5
(j) considerations of demand management	Section 7.1.6
(k) the social impact on customers	Section 7.1.7
(l) standards of quality, reliability and safety of the services	Sections 5.3 and 6.3
Premier's letter	
a.) five-year price path	Section 7.2.1
b.) fare increase up to CPI subject to efficiency gains	Section 7.2.2
c.) fare increase above CPI subject to service improvements	Section 7.2.3

Section 16 requirements

Section 16 of the IPART Act requires the Tribunal to report on the likely impact to the Consolidated Fund if fares were not increased to the maximum permitted. This information is contained in Section 7.3.

APPENDIX 2 PREMIER'S LETTER



**Premier of New South Wales
Australia**

18 May 2004

Mr James Cox
Acting Chairman
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office
NSW 1230

Dear Mr Cox

I am writing in relation to IPART's forthcoming review processes with respect to passenger transport fares for 2004-2005, in the context of the Government's recently announced transport reforms.

In light of recent performance issues on the CityRail network, I direct under section 7(1) of the *Independent Pricing and Regulatory Tribunal Act 1992* ('the Act') that the 2004-05 IPART fare review process for CityRail be deferred until further notice. However, fare reviews of other public transport modes should proceed.

Following the Ministerial Inquiry into Sustainable Transport, the NSW Government has committed to delivering parity in fare structures and consistent service levels across public and private bus and ferry transport operators.

I therefore request under section 13(l)(c) of the Act that, when making its investigations into passenger transport fares for all public transport modes, the Tribunal consider the following matters that arise from the Inquiry's recommendations:

- the making of a determination based on a 5-year price path;
- providing that fare increases up to the Consumer Price Index (CPI) should be subject to efficiency gains; and
- providing for fare increases above the CPI to clearly demonstrate customer benefits through improvements in service quality linked to specific initiatives such as bus priority measures.

In respect of the Tribunal's section 9 investigations of privately owned public transport fares, I would ask that you also have regard to the above matters.

Bus Services:

In order to progress with a consistent fare structure for the bus industry and to implement reforms arising from the Unsworth Review of Bus Services, several changes to the existing arrangements, including legislation and the role of IPART, are being considered by the

Government. The proposed legislative amendments will not commence in the first half of 2004.

When calling for public and industry submissions I request, pursuant to section 13(l)(c) of the Act, that IPART consider the Government's preferred approach of moving to a single fare review, including moving to a single fare change applicable to all bus operators.

I also request that IPART consider whether any State Transit fare increase for 2004-05 and later years should be applied on a "weighted average" basis aimed at better aligning Government and private operator fares. Such an approach would result in IPART determining an overall price change for bus fares. Individual fare products may be adjusted to varying degrees but the changes must, in aggregate, be less than or equal to the overall adjustment determined by IPART.

For non-commercial bus services, the Government is developing a new funding approach along the lines recommended by the Unsworth Review of Bus Services (see p.70 of the Final Report), but this may not be completed for 2004-05. Therefore it may be appropriate that the process used for the 2003-04 review be used in 2004-05.

Ferry Services:

In respect of ferry services, under section 13(l)(c) of the Act, I also request that IPART consider adopting the same process outlined above (i.e. single fare increase figure for both private and public operators). As there are no relevant legislative changes planned in relation to ferries, I request that in all other respects IPART consider following existing processes for 2004-2005.

I have no objection to the contents of this letter being made publicly available, if you consider it appropriate.

If your officers wish to discuss these matters, they should contact Ms Zoe de Saram, Policy Manager, Economic Development Branch, at The Cabinet Office on (02) 9228 4930.

Yours sincerely

Bob Carr
Premier

APPENDIX 3 LIST OF SUBMISSIONS AND HEARING PARTICIPANTS

The Tribunal received submissions from the following organisations and individuals:

Organisations

Action for Public Transport
Bus and Coach Association
Blue Mountains Commuter and Transport Users Association
Central Coast Regional Organisation of Councils
Commuter Council of NSW
Engineers Australia Sydney Division, Transport Panel
Independent Transport Safety and Reliability Regulator
Lower Hunter Councils Transport Group
Manly Council
Ministry of Transport
NSW Council of Social Service
Public Interest Advocacy Centre
Rockdale City Council
Ryde Mental Health Consumer Network
Transit Planners Pty Ltd
Transport Workers Union
Vaucluse Progress Association
Western Sydney Community Forum
Western Sydney Regional Organisation of Councils

Individuals

Mr James Barry
Ms Loma Bridge
Mr David Caldwell
Mr Chris Dickson
Mr Kevin Eadie
Mr Mitchell Geddes
Mr Giles Heng
Mr Stephen Hodgkinson
Ms Kristina Keneally
Dr Estelle Lazer
Mr Peter Mills
Mr B. Noad
Ms Freda M. Pont
Mr Norman Rich
Mr Robert Scott
Ms Leyla Spencer

The participants at the hearing on 14 October 2004 were:

Action for Public Transport (Mr Allan Miles)
Bus and Coach Association (Mr Darryl Mellish)
Ministry of Transport (Mr Mark Duffy)
NSW Council for Social Services (Mr Dinesh Wadiwel)
State Transit Authority (Mr John Lee)
Western Sydney Community Forum (Ms Joan Gennery)
Western Sydney Regional Organisation of Councils (Mr Alex Gooding)

Also attending the hearing were:

Mr Colin Berwick (Premier Illawarra)
Mr David Caldwell
Ms Rhonda Daniels (DIPNR)
Mr Frank D'Apuzzo (Buslines Group)
Mr Paul Dunn (STA)
Ms Elissa Freeman (PIAC)
Mr Mitchell Geddes
Mr Darko Krizmank (Westbus)
Mr Richard Langereis (Ministry of Transport)
Mr Peter Mills
Mr Mick Pieri (TWU)
Ms Liz Reedy (ITSRR)
Ms Pauline Ross (Ministry of Transport)
Mr Paul Schuman (STA)
Mr Richard Smith (Busways)
Ms Nadine Thorburn (CityBus Direct)
Mr Peter Threlkeld (Transit First)
Mr George Tisse (Busways)
Mr Paul Trevaskis (Blue Mountains Commuter and Transport Users Association)

APPENDIX 4 FARE HARMONISATION PROPOSAL IN FULL

The specific fares proposed by the MoT are set out in Table A4.1. Also shown are the changes in each fare in both absolute dollars and cents and percentages.

Table A4.1 Individual adult fares proposed by the MoT for 2004/05 and 2005/06

PRIVATE BUS FARES

SECTION	Current fare	Proposed fare	Percentage change	Absolute change
1	\$1.20	\$1.60	33%	\$ 0.40
2	\$1.80	\$1.60	-11%	-\$ 0.20
3	\$2.50	\$2.70	8%	\$ 0.20
4	\$2.90	\$2.70	-7%	-\$ 0.20
5	\$3.30	\$2.70	-18%	-\$ 0.60
6	\$3.60	\$3.60	0%	\$ -
7	\$3.90	\$3.60	-8%	-\$ 0.30
8	\$4.20	\$3.60	-14%	-\$ 0.60
9	\$4.60	\$3.60	-22%	-\$ 1.00
10	\$4.80	\$4.30	-10%	-\$ 0.50
11	\$5.10	\$4.30	-16%	-\$ 0.80
12	\$5.30	\$4.30	-19%	-\$ 1.00
13	\$5.60	\$4.30	-23%	-\$ 1.30
14	\$5.80	\$4.30	-26%	-\$ 1.50
15	\$6.00	\$4.30	-28%	-\$ 1.70
16	\$6.30	\$5.20	-17%	-\$ 1.10
17	\$6.50	\$5.20	-20%	-\$ 1.30
18	\$6.70	\$5.20	-22%	-\$ 1.50
19	\$6.90	\$5.20	-25%	-\$ 1.70
20	\$7.10	\$5.20	-27%	-\$ 1.90
21	\$7.30	\$5.20	-29%	-\$ 2.10
22	\$7.50	\$5.20	-31%	-\$ 2.30
23	\$7.70	\$5.20	-32%	-\$ 2.50
24	\$7.80	\$5.20	-33%	-\$ 2.60
25	\$8.00	\$5.20	-35%	-\$ 2.80
26	\$8.20	\$5.20	-37%	-\$ 3.00
27	\$8.30	\$5.20	-37%	-\$ 3.10
28	\$8.50	\$5.20	-39%	-\$ 3.30
29	\$8.70	\$5.20	-40%	-\$ 3.50
30	\$8.90	\$5.20	-42%	-\$ 3.70
31	\$9.00	\$5.20	-42%	-\$ 3.80
32	\$9.20	\$5.20	-43%	-\$ 4.00
33	\$9.40	\$5.20	-45%	-\$ 4.20
34	\$9.50	\$5.20	-45%	-\$ 4.30
35	\$9.70	\$5.20	-46%	-\$ 4.50
36	\$9.80	\$5.20	-47%	-\$ 4.60

A section is 1.6 kilometres in length.

STA BUS FARES

SECTION	Current fare	Proposed fare	Percentage change	Absolute change
1-2	\$1.60	\$1.60	0%	\$ -
3-5	\$2.70	\$2.70	0%	\$ -
6-9	\$3.50	\$3.60	3%	\$ 0.10
10-15	\$4.00	\$4.30	8%	\$ 0.30
16+	\$4.80	\$5.20	8%	\$ 0.40

STA BUS FARES - TRAVELTENS

SECTION	Current fare	Proposed fare	Percentage change	Absolute change	Current Discount	Proposed Discount
1-2	\$11.80	\$12.70	8%	\$ 0.90	26%	21%
3-5	\$19.70	\$21.30	8%	\$ 1.60	27%	21%
6-9	\$24.50	\$27.90	14%	\$ 3.40	30%	23%
10-15	\$33.20	\$36.10	9%	\$ 2.90	17%	16%
16+	\$41.80	\$44.70	7%	\$ 2.90	13%	14%

STA BUS FARES - TRAVELTENS - second stage to get to 15% discount

SECTION	Year 1 fare	Year 2 fare	Percentage change	Absolute change	Proposed Discount
1-2	\$12.70	\$13.90	9%	\$ 1.20	15%
3-5	\$21.30	\$23.50	10%	\$ 2.20	15%
6-9	\$27.90	\$31.40	13%	\$ 3.50	15%
10-15	\$36.10	\$37.50	4%	\$ 1.40	15%
16+	\$44.70	\$45.30	1%	\$ 0.60	15%

TRANSITWAY BUS FARES

SECTION	Current fare	Proposed fare	Percentage change	Absolute change
1-2	\$1.50	\$1.60	7%	\$ 0.10
3-5	\$2.90	\$2.70	-7%	-\$ 0.20
6-9	\$4.10	\$3.60	-12%	-\$ 0.50
10-15	\$5.50	\$4.30	-22%	-\$ 1.20
16+	\$6.60	\$5.20	-21%	-\$ 1.40

Sydney Buses ticket changes

Although the Tribunal did not alter individual ticket prices (with one exception mentioned below), it made several changes to the way average changes across various ticket types were calculated. The changes were:

1. Correct a small MoT error Subsequent to its submission, the MoT advised the Tribunal that it had incorrectly calculated the proposed *concession* TravelTen fares. With the correct fares, the weighted average increase of 6.1 per cent was shaved to **6.02** per cent.

2. Unround MoT roundings Some 'half fare' fares are greater than half the corresponding adult fare. For example, the MoT proposal increases the Sections 3-5 concession single fare from \$1.30 to \$1.40 but leaves the adult ticket unchanged at \$2.70. This occurs because the MoT has calculated the concession fare by taking half the adult fare and rounding up to the nearest 10 cents.

The Tribunal has determined that STA's traditional and preferred approach - which is to round such fares *down* whenever rounding up would generate a concession fare that was more than half the adult equivalent - will continue to be followed. As a result, some concession fares will be below the fares implied within the MoT proposal. This change reduced the overall increase in STA fares to **5.62** per cent.

3. Adopt boardings as weights In previous reviews, the Tribunal has used boardings as weights rather than revenue (again, consistent with past STA practice). When this is done, the weighted average rise in STA single and TravelTen fares is **5.05** per cent.

4. Determining a smaller rise for the 16+ sections TravelTen. The Tribunal determined a maximum fare of \$44.20 for this ticket in order to prevent the discount from shrinking below 15 per cent. Taking this into account the weighted average rise in STA single and TravelTen fares is **5.04** per cent (singles rise on average by 1.11 per cent and TravelTens by 9.11 per cent).

On a stand-alone basis, a rise of 5.04 per cent would be substantially above the 2.16 per cent rise in the Sydney CPI in 2003/04 but the Tribunal recognises that such a rise is part of a much broader and fundamental agenda.

Private bus ticket changes

Under the MoT proposal, most current (single) ticket prices on the private metro bus network are cut by at least 10 per cent. However, the amalgamation of sections to fit the STA and Transitway section segments created big fare rises for two individual tickets, as Table A4.1 indicates. That said, neither rise exceeded 40 cents.

The overall reduction in private ticket fares, according to MoT calculations, was 5.42 per cent. The Tribunal could not reproduce the figure. A spreadsheet subsequently supplied by MoT indicated that the weighted average fall in private bus single tickets was **5.60** per cent. The weights used for this calculation are estimates of 2006 revenue from single ticket sales by aggregated sections derived by Saha Consulting (drawing on previous research by Indec Consulting). On the basis of very limited information, the research conducted by the MoT's consultants appeared to be defensible and reasonable.

However, it is not usual for the Tribunal to weight price changes by forecasts. When the latest available estimates of actual private bus boardings are used as weights (the latest is 2002), the weighted average change in single ticket prices is **-3.02** per cent. (It would be marginally bigger by 0.1 or 0.2 percentage points if the larger price falls beyond 16 sections were included but these cannot be properly weighted because boardings are amalgamated beyond 15 sections.)

To derive the overall change in fares for STA singles/TravelTens and private bus singles together, the Tribunal combined the STA change of +5.04 per cent and the private bus -3.02 per cent to arrive at a weighted average rise of **2.44** per cent. The weights used are the boardings for singles and TravelTens supplied by STA (for financial year 2003/04) and by Saha (for 2002).

The weighted average change in the combined singles and TravelTens (the latter for STA only) of 2.44 per cent is just over the 2003/04 rises in the national CPI of 2.35 per cent and the Sydney CPI of 2.16 per cent.

APPENDIX 5 ABBREVIATIONS USED IN THIS REPORT

ABS	Australian Bureau of Statistics
BCA	The BCA or Bus and Coach Industrial Association is the peak industry organisation for the NSW private bus and coach sector.
HTS	Household Travel Survey
MoT	The Ministry of Transport, formerly the Transport Co-ordination Authority, formerly the Department of Transport
PAR	Performance Assessment Regime - a series of best practice objectives and standards for buses.
PTA	Passenger Transport Act 1990
RTA	Roads and Traffic Authority, NSW
SSTS	SSTS or School Student Transport Scheme provides subsidised travel for eligible school students on government rail, government and private bus and ferry services and long distance coaches. The scheme can only be used for travel between home and school.
STA	The STA or State Transit Authority is the government-owned provider of bus and ferry services in Sydney and Newcastle.
TPDC	The Transport Population and Data Centre. It is the major source of transport data for the Sydney Statistical District (Sydney, Wollongong, Blue Mountains, Central Coast and Newcastle). The TPDC is a division of the Department of Planning and Natural Resources.



INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES

**DETERMINATION UNDER SECTION 11 (1) OF THE INDEPENDENT PRICING AND
REGULATORY TRIBUNAL ACT, 1992**

Reference No.: 03/325
Determination: No 4, 2004
Government agency: State Transit Authority
Government monopoly services: Regular passenger services (within the meaning of the *Passenger Transport Act, 1990*) supplied by the State Transit Authority, excluding services supplied in relation to the tickets known as the "SydneyPass", the "Sydney Explorer", the "Bondi & Bay Explorer" and any other similar services operating in any other areas.

The Government monopoly services were declared by the Independent Pricing and Regulatory Tribunal (Passenger Transport Services) Order 1998, made on 24 February 1998 and published in Gazette No. 38 dated 27 February 1998 at page 1015.

The following are the maximum prices (to commence from 4 January 2005) determined by the Tribunal for the Government monopoly services set out above

1. *All standard State Transit Authority Sydney Buses services.* The price of any State Transit Authority Sydney Buses ticket must not exceed the price corresponding to that ticket in Table 1.
2. *Sports special return bus tickets and Moore Park Link tickets.* The price of a sports special return bus ticket must not exceed \$5.00 for an adult ticket and \$2.50 for a concession ticket. The price of a Moore Park Link ticket must not exceed the combined price of the rail ticket to Central and the sports special return bus ticket.
3. *School term pass.* The price of a school term pass must not exceed \$40.00 per school term.
4. *Newcastle bus and ferry services.* The price of any State Transit Authority Newcastle bus or ferry ticket must not exceed the price corresponding to that ticket in Table 2.
5. *New or additional charges.* The Authority must not levy any new or additional charges for the Government monopoly services supplied by the Authority other than in accordance with a relevant determination by the Tribunal.

James P. Cox
Acting Chairman
10 December 2004

Table 1 Maximum fares for STA Sydney Buses services from 4 January 2005

SYDNEY BUSES FARES	Adult (\$)	Concession³ (\$)
Single ride fares		
1-2 Sections	1.60	0.80
3-5 Sections	2.70	1.30
6-9 Sections	3.60	1.80
10-15 Sections	4.30	2.10
16+ Sections	5.20	2.60
TravelTen		
Blue: 1-2 Sections	12.70	6.30
Brown: 3-5 Sections	21.30	10.60
Red: 6-9 Sections	27.90	13.90
Green: 10-15 Sections	36.10	18.00
Orange: 16+ Sections	44.20	22.10
TravelPass – Bus and Ferry		
Blue	29.00	14.50
Orange	36.00	18.00
2 Zone	29.00	14.50
Pittwater	49.00	24.50
TravelPass^{1,2} Bus, Ferry and Rail		
Red	32.00	16.00
Green	40.00	20.00
Yellow	44.00	22.00
Pink	47.00	23.50
Purple	54.00	27.00
BusTripper (Bus only daily)	10.90	5.40
DayTripper (Bus/ferry/rail daily)	15.00	7.50

Notes:

1. Quarterly TravelPass = 11 x weekly fare.
2. Yearly TravelPass = 40 x weekly fare.
3. All half fare concessions have been rounded down to the nearest 10 cents.

Table 2 Maximum fares for STA Newcastle bus services from 4 January 2005

NEWCASTLE FARES	Adult (\$)	Concession³ (\$)
1 Hour	2.70	1.30
4 Hours	5.30	2.60
TimeTen 1 Hour	22.30	11.10
All day	8.10	4.00
Stockton	2.00	1.00
TravelPass^{1,2}		
Orange	36.00	18.00
Yellow	44.00	22.00
Pink	47.00	23.50

Notes:

1. Quarterly TravelPass = 11 x weekly fare.
2. Yearly TravelPass = 40 x weekly fare.
3. All half fare concessions have been rounded down to the nearest 10 cents.