

Review of fares for metropolitan and outer-metro bus services from 2 January 2008

Public and private bus services in Sydney Metropolitan
and outer-metropolitan regions (except Newcastle)

Transport— Report and Determination
December 2007



Independent Pricing and Regulatory Tribunal

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1 Introduction and overview

The Independent Pricing and Regulatory Tribunal of New South Wales (IPART) has determined the maximum fares that can be charged for Sydney metropolitan and private outer-metropolitan bus services from 2 January 2008. This determination covers all regular passenger services in the 15 metropolitan bus contract regions and nine of the 10 outer-metropolitan bus contract regions (fares for the Newcastle region are presented in a separate report and determination).

The 2006/07 financial year was the first full year in which metropolitan bus services were provided under Metropolitan Bus Service Contracts administered by the Ministry of Transport. Outer-metropolitan bus operators were moved onto similar Outer-Metropolitan Bus Service Contracts during the year. Under these contracts operators are contracted to provide specified services in a given contract region. The Ministry of Transport makes monthly payments to operators to cover the fixed and variable costs of providing these services. Each operator's previous month's farebox revenue is deducted from its monthly payment.

This payment approach means that changes to maximum fares have little impact on operators' revenue. Instead, because fare revenue is significantly less than the cost of the contract payments, this revenue reduces the real cost of the services to the NSW Government. Therefore, IPART's determination on maximum fares for bus services effectively allocates the amount payable under the bus service contracts between passengers and NSW taxpayers

1.1 Overview of determination

IPART has determined fares for the Sydney metropolitan contract regions by applying a 3 per cent increase to the master fare schedule. (The master fare schedule is the fares IPART determined last year, before rounding.) It then rounded these fares to the nearest 10 cents for single tickets and the nearest dollar for adult TravelPass tickets. After rounding, the weighted average increase in maximum fares is 3.6 per cent.¹

For privately operated outer-metropolitan services, IPART determined maximum fares that are harmonised with metropolitan fares. As a result of fare harmonisation, fares for most passengers in the outer-metropolitan regions have decreased, but fares for some tickets have increased. In weighted average terms, fare harmonisation

¹ Based on a revenue weighted average.

results in a 6.3 per cent decrease in fares across all outer-metropolitan regions (excluding Newcastle).

The fare increase under IPART's determination is significantly less than the 6 per cent increase the Ministry of Transport proposed for metropolitan fares. However, IPART has agreed to the Ministry of Transport's proposal to harmonise outer-metropolitan fares with metropolitan fares. Although IPART is concerned that this harmonisation reduces the level of cost recovery in regions where it is already low, it significantly simplifies fare schedules.

In reaching its decisions on metropolitan and outer-metropolitan bus fares, IPART considered the requirements of section 28J of the *Passenger Transport Act 1990* and aimed to balance the competing interests and concerns that this act reflects. For example, public transport passengers seek affordable public transport and ongoing improvements in service quality. The Ministry of Transport seeks prices that will provide a suitable level of cost recovery and the ability to enhance services. The general community seeks to maximise the benefits of public transport services to passengers and the environment at least cost to taxpayers. Because of the diversity of these interests and concerns, IPART must trade-off passenger affordability concerns, service quality expectations and social and environmental benefits against public funding requirements.

IPART decided to increase metropolitan bus fares by 3 per cent, a weighted average increase of 3.6 per cent after rounding,² for the following reasons:

- ▼ Contract payments under the new bus contract regime increased by 3 per cent in the eight months to June 2007 (compared to the eight months to June 2006), and the Ministry of Transport expects that they will increase by a further 3.6 per cent over 2007/08.³
- ▼ The operating costs of other sectors of the bus passenger industry in NSW have increased in the past year. For example, the bus industry cost index measured a 2.85 per cent increase in costs of rural and regional bus operators over the 12 months to June 2007. This increase is mainly attributed to increases in labour costs and bus capital costs.
- ▼ A 3 per cent increase in metropolitan fares should be sufficient to ensure that the level of cost recovery across all metropolitan and outer-metropolitan regions (excluding Newcastle) remains at the current level of around 39 per cent in 2007/08.⁴
- ▼ Patronage increased by 2.7 per cent in 2006/07, and with the significant investment in improvements to the bus system, this upward trend should continue in 2007/08.

² Fare increases weighted by the number of tickets sold. IPART's own calculation.

³ The Ministry of Transport expects metropolitan contract payments to increase by \$25 million in 2007/08. IPART has calculated that this is equivalent to a 3.6 per cent increase - see Ministry of Transport submission, October 2007, p 15.

⁴ Costs are defined as the contract payments to operators.

- ▼ A weighted average bus fare increase of 3.6 per cent fare is unlikely to encourage passengers to switch from using buses to private cars, so the impact on the environment will be minimal.

IPART decided to decrease outer-metropolitan bus fares by a weighted average of 6.2 per cent, to harmonise these fares with metropolitan fares. As noted above, harmonised fares will greatly simplify the fare schedules, which will have benefits for passengers and for the administration and regulation of fares.

In making its determination, IPART aimed to balance the interests of bus passengers and people who do not use bus services but fund much of the costs of these services through their taxes. As noted above, IPART's determination will ensure that the level of cost recovery through fares will remain the same in percentage terms in 2007/08, even though a fare increase has been granted. However, because total costs have increased, the contribution made by NSW taxpayers to metropolitan and outer metropolitan bus operating costs will increase. This contribution is expected to be around \$217 per household in 2007/08.⁵

The sections below outline what IPART's determination means for specific fares.

1.1.1 Changes in fares for Sydney metropolitan bus services

In Sydney metropolitan regions, IPART's determination means that:

- ▼ single section 1-2, section 3-5 and sections 6-9 tickets will increase by 10 cents
- ▼ single section 10-15 and section 16+ tickets will increase by 20 cents.

For passengers on Sydney Buses:

- ▼ section 1-2, section 3-5 and section 6-9 TravelTens will increase by 80 cents
- ▼ section 10-15 and section 16+ TravelTens will increase by \$1.60.

1.1.2 Changes in the fares of Transitway services

For users of Transitway services, IPART's determination means that:

- ▼ Sections 1-2 T-way Bus Plus weekly tickets will increase by 40 cents
- ▼ Sections 3-5 T-way Bus Plus weekly tickets will increase by 70 cents
- ▼ Section 1-2, sections 3-5 and sections 6-9 T-way 10 tickets will increase by 80 cents
- ▼ Sections 6-9 T-way Bus Plus weekly tickets and North Zone and South Zone T-way weekly tickets will increase by \$1.10
- ▼ Sections 10-15 T-way Bus Plus weekly tickets will increase by \$1.50

⁵ Based on annualised contract payments for the 2006/07 year with a 3.6 per cent increase in 2007/08, a constant level of cost recovery and 2006 census data on the number of households in NSW published on the ABS website (Cat no. 2068.0).

- ▼ Sections 10-15 and sections 16+ T-way 10 tickets will increase by \$1.70
- ▼ Section 16+ T-way Bus Plus weekly and North + South Zone T-way weekly tickets will increase by \$1.90.

1.1.3 Changes in fares for outer-metropolitan bus services (excluding Newcastle)

IPART's determination means that the fares that apply in these areas will be the same as fares for an equivalent distance in the metropolitan areas. Changes in fares for passengers on outer-metropolitan buses will vary, depending on the region.

Most fares will fall by between 10 per cent and 40 per cent. The size of the reduction will generally be larger for longer trips than smaller trips, as the maximum fare applies to trips that are 16 sections and over (previously, some fare scales included fares for up to 41 sections).

Some fares will increase substantially in percentage terms. However, in dollar terms, no single fare will increase by more than \$1.80. The regions that will see the most fare increases are the Hunter Valley and Toronto regions.

1.2 Structure of report

This report explains IPART's determination in detail, including why it reached its decisions and what those decisions mean for key stakeholders. It is structured as follows:

- ▼ Chapter 2 outlines IPART's role and review process
- ▼ Chapter 3 discusses the cost of providing bus services and cost recovery
- ▼ Chapter 4 reviews the available evidence on service quality and patronage trends
- ▼ Chapter 5 explains how IPART applied its pricing decisions to determine new fares for each ticket type, and summarises the new fares. It also discusses the implications of its decisions on bus passengers, government funding and the environment.

Appendix E provides a complete list of all new fares, including the master fares (before rounding) and ticket prices (after rounding).

2 IPART's approach to the review

Under the new bus system contracts, IPART's role in regulating metropolitan and outer-metropolitan bus services is limited to determining maximum fares. In addition, IPART only determines maximum full-fare prices. At present, half-fare and concession prices change automatically in line with the changes to the full-fare prices determined by IPART. However, changes in the relationship between concession and full-fare prices are not determined by IPART but are a matter for the NSW Government. IPART does not set other concession fares such as pensioner excursion tickets.

Because the Ministry of Transport pays bus operators to provide services within their contract area, IPART's fare determinations have little impact on operators' revenue. Therefore, these determinations cannot provide signals or incentives for an operator to increase its efficiency or better structure its services to meet the needs of its passengers. Instead, these incentives are provided through its service contract with the Ministry of Transport. IPART has no role in setting or enforcing this service contract, and therefore cannot make orders or set targets in relation to aspects of service (such as patronage, efficiency or service standards).

The Ministry of Transport effectively collects all fare revenue for bus services. Under the current level of fares, fare revenue does not provide a profit for the NSW Government. Instead fare revenue goes some way to reducing the cost of contract payments to taxpayers. Therefore, IPART's role in setting maximum fares for metropolitan and outer-metropolitan bus services is effectively to allocate the cost of providing these services between bus passengers and taxpayers.

The sections below explain the process IPART followed in undertaking its 2007 review of maximum fares for metropolitan and outer-metropolitan bus fares and the matters it took into consideration in reaching its decisions. Box 2.1 provides an overview of the new contract regime.

2.1 Review process

To commence the review, IPART wrote to the Ministry of Transport and asked for a fare proposal for metropolitan and outer-metropolitan bus services and supporting information. The Ministry of Transport provided this proposal on 28 September 2007, and IPART made it available on its website.

Box 2.1 Overview of the bus contract regime

In 2005/06, the NSW Government introduced new Bus Service Contracts across 15 Sydney metropolitan regions as part of its bus reform program. These contracts have now been extended to 10 outer metropolitan regions, including Newcastle.

The contracts specify the terms and conditions of an agreement between the Government, represented by the Ministry of Transport, and individual bus operators to provide bus services in a given contract region (a separate contract has been awarded for each of the 25 contract regions). While the general structure of the contracts is consistent across all regions, specific aspects of the contracts vary from region to region. Individual operators negotiated the exact nature of their contract with the Ministry of Transport, especially with regard to the various initial and ongoing payments.

Sydney Buses, which is part of the State Transit Authority (STA) and is the only publicly owned metropolitan bus operator, was awarded contracts to operate four metropolitan regions. Newcastle Buses and Ferries Services (also part of the STA) was awarded the contract in Newcastle. All other operators are privately owned. The Ministry of Transport has indicated to IPART that the STA is treated identically to private bus operators under the contract system.

Each contract has a term of seven years (2005 to 2012), and includes:

- ▼ service requirements
- ▼ compliance requirements
- ▼ payment conditions
- ▼ other general conditions.

The main source of revenue for operators under the contracts is a monthly payment from the Ministry of Transport. This payment is determined according to a formula, and comprises a variety of smaller payments designed to compensate operators for their fixed and variable costs, and their service obligations under their contract. The fare revenue operators collect is used to reduce the amount of the monthly payments made to operators.

In addition, operators may receive a range of other payments from the Ministry of Transport, or be required to pay penalties to the Ministry, at the end of the financial year. Examples of these payments (or penalties) include incentives for increasing patronage and arrangements to share advertising and charter revenue.

The contracts also include extensive requirements for operators to report information to the Ministry of Transport. Notably, operators must report both their financial and operational performance. Much of this information is provided to the Ministry of Transport on a commercial-in-confidence basis. IPART will liaise with the Ministry of Transport to gain access to the information it requires for its fare reviews.

IPART advertised the review in the Sydney Morning Herald, Daily Telegraph, Newcastle Herald and Illawarra Mercury on Wednesday 29 August and again on Wednesday 26 September. It invited stakeholders including members of the public to make submissions on the Ministry of Transport's fare proposal by 26 October. It held a public hearing on 9 November. (A list of stakeholders who made submissions and attended the public hearing is provided in Appendix A.)

In making its determination, IPART carefully considered the submissions it received and comments made at the public hearing. It also considered additional information provided by the Ministry of Transport. This included information on contract payments, farebox and other revenue, and cost recovery levels for each of the 25 contract regions. It also included some operational performance information the Ministry of Transport collects as part of the new contracts, including information on punctuality, complaints and patronage.

2.2 Matters considered

IPART made this fare determination in accordance with section 28J of the *Passenger Transport Act 1990* (PTA). The matters IPART is required to consider under this Act are detailed in Appendix B. In summary, these matters 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
- ▼ economic efficiency—the need for greater efficiency in the supply of services
- ▼ financial viability—the cost of providing the services and the extent to which revenue recovers this cost
- ▼ environmental protection—promotion of ecologically sustainable development via appropriate pricing policies.

IPART considered each of these matters separately for the 15 metropolitan bus regions and the 9 outer-metropolitan regions, where they were relevant. (For information on the areas covered by each metropolitan and outer-metropolitan bus service region contract, and the operator that currently holds each contract, see Appendix C.)

3 Cost of providing bus services

Some of key factors IPART considered in making its fare determination were the costs of providing bus services in the metropolitan and outer-metropolitan contract regions, the level of costs recovered through bus fares, and the scope for efficiency improvements. IPART's analysis and conclusions on each of these factors is discussed in the sections below.

3.1 Costs associated with Sydney metropolitan bus services

In past determinations, IPART has analysed financial information on Sydney Buses to assess trends in metropolitan bus operators' costs, revenues, cost recovery levels and efficiency. Last year, IPART noted that it hoped for a greater amount of financial and performance information for each of the new bus contract regions for consideration in this year's fare determination.⁶ However, although the Ministry of Transport collects detailed information, not all of this information is available to IPART (see Box 2.1, above).

Given this, IPART has considered the cost of the contract payments the Ministry of Transport makes to metropolitan bus operators. In particular, it considered the changes in these costs over the 2006/07 financial year, and the expected changes over 2007/08.

3.1.1 Changes in costs over 2006/07

On the basis of the information provided by the Ministry of Transport, IPART is of the view that cost increases in 2006/07 were moderate. There is no evidence to suggest that there should be a significant acceleration in 2007/08.

In 2006/07 gross contract payments to metropolitan bus operators totalled \$696.4 million.⁷ As these contracts were first implemented in October 2005, the 2006/07 financial year was the first full year of operation under these arrangements. Therefore, IPART compared the payments for the eight months of 2005/06 in which the contracts were operating to the equivalent period in 2006/07 to determine the change in costs. It found that total contract payments increased by 3.0 per cent in that period of 2006/07 (Table 3.1).

⁶ IPART, *Review of fares for Sydney Metropolitan Bus Services*, December 2006, p 7.

⁷ Contract payments excluding the deduction of farebox (and other) revenue. Gross contract payments include direct costs, indirect costs and overheads with no reduction for farebox revenue collected.

Table 3.1 Contract payments to metropolitan bus operators

	Actual 2006/07 \$m	Eight months to June 2006 \$m	Eight months to June 2007 \$m	Change %
Fixed payments	165.7	109.6	110.4	0.7
Fleet depreciation	30.6	20.9	20.5	-2.2
New fleet periodic payment	9.4	2.8	7.3	158.4
Pass through lease payments	2.2	-	1.5	n.a.
Service payments	231.1	146.8	154.8	5.5
Fuel payments	67.1	44.2	44.3	0.1
Labour reconciliation payments	5.6	0.8	4.7	522.0
Patronage benchmark payments	189.0	122.3	126.0	3.0
Patronage change payments	2.9	-	0.1	n.a.
Additional dedicated scheduled kilometres	0.1	-	0.1	n.a.
Implementation payments	0.2	0.9	-	-100.0
Union time compensation	0.0	-	0.0	n.a.
Additional M2 services	0.4	-	-	n.a.
Various STA adjustments	-3.3	-	-3.3	n.a.
Integrated north-west	1.0	-	1.0	n.a.
Dry hire bus	0.0	-	0.0	n.a.
Additional kilometres	1.7	-	1.7	n.a.
Fuel tax concession rebate	-7.2	-	-7.2	n.a.
Total	696.6	448.4	462.0	3.0

Note: figures have been rounded.

Source: Ministry of Transport, IPART.

The main drivers of the overall increase in contract payments were service payments, new fleet periodic payments, labour reconciliation payments and patronage benchmark payments. The overall increase in contract payments is broadly in line with the change in the consumer price index (CPI), which was 2.9 per cent in 2006/07.

3.1.2 Expected changes in costs over the coming year

The Ministry of Transport estimates that its total contract payments will increase by \$25 million in 2007/08, which is a 3.6 per cent increase from 2006/07.⁸ IPART considers that this estimate is reasonable, in light of an expected increase in service kilometres and the further increases in new fleet periodic payments.

⁸ Ministry of Transport submission, October 2007, p 15.

The Ministry of Transport expects that an additional 2.5 million kilometres will be included in the networks within the metropolitan contract regions in 2007/08. It estimates that this will increase contract payments by around \$3 million.⁹ IPART considers this to be reasonable, as an increase in service kilometres will increase service and fuel payments.

Under the new contract arrangements, new and replacement buses are purchased by the operator. A new fleet periodic payment (NFPP) is then payable to the operator as part of the monthly contract payment. The formula for calculating NFPPs on each vehicle is shown in Appendix D. The total NFPP payable is simply the sum of the NFPP payable on each vehicle purchased.

In 2006/07, a total of \$115 million was spent on new and replacement buses for Sydney metropolitan and outer metropolitan regions.¹⁰ IPART estimates that these purchases will increase NFPPs to operators by around \$1.05 million per month or around \$12.5 million per year.¹¹ Around 80 per cent of the purchased buses were for metropolitan contract regions, implying an increase in NFPPs to metropolitan operators of around \$0.84 million per month or \$10.1 million per year.

Monthly NFPPs to metropolitan operators increased by around \$0.8 million from June 2006 to June 2007, suggesting that the expenditure on new and replacement buses is, to a large extent, already reflected in increased monthly payments. These higher monthly payments over the full year would be expected to increase NFPPs to operators by around \$6.4 million in 2007/08, compared with 2006/07.

IPART notes that 154 out of 209 (or nearly 75 per cent) of the buses added to the Sydney metropolitan fleet are replacements for existing buses. This implies that the increase in NFPPs should be partly offset by lower depreciation payments on the existing fleet at the time the new contract arrangements were implemented.

3.2 Costs associated with outer metropolitan bus services

Bus operators in outer-metropolitan regions were moved onto the new contracts during 2006/07. Therefore, IPART was only able to examine the information available to it on contract payments for part of the year.

⁹ Ministry of Transport submission, October 2007, p 14.

¹⁰ Ministry of Transport submission, October 2007, p 2.

¹¹ This estimate assumes that the maximum number of monthly repayments on each vehicle is 180 (ie, the buses purchased in 2006/07 are not Minibuses) and a Commonwealth 10 year bond rate of 6.17 per cent (the daily average during October, as published by the Reserve Bank of Australia).

3.2.1 Changes in costs over 2006/07

For the portion of 2006/07 when bus service contracts were implemented, gross contract payments to outer-metropolitan bus operators were \$70.8 million (excluding Newcastle). IPART annualised these payments to estimate an annual contract payment amount of \$100.2 million. (The annualised estimate simply scales up the payments for each region to a full 12 months.)

IPART was unable to assess the rate at which costs have increased. However, outer-metropolitan bus service contracts have a similar structure to metropolitan contracts and therefore similar cost drivers. For this reason, IPART considers that cost increases under the contracts in outer-metropolitan regions for 2006/07 are likely to be similar to those in metropolitan regions (around 3.0 per cent).

3.2.2 Expected changes in costs over the coming year

In general, IPART considers that changes in contract payments for outer-metropolitan regions are likely to mirror those of the metropolitan regions. However, for 2007/08, IPART considers that the increase in contract payments to operators in outer-metropolitan regions will be somewhat lower than in the metropolitan regions. This is because neither of the drivers of the expected 3.6 per cent increase in metropolitan regions (increased service kilometres and new bus investment) is likely to be as significant in the outer-metropolitan regions.

3.3 Level of costs recovered through fares

IPART considered cost recovery carefully, because the level of maximum fares it determines will directly affect the balance between passenger and taxpayer funding for bus services. The Ministry of Transport indicated that its proposed increase of 6 per cent for metropolitan fares would maintain the current level of cost recovery, and thus the current balance between passenger and taxpayer funding.¹² However, the Ministry of Transport's proposal to harmonise single fares for outer-metropolitan services with equivalent metropolitan fares would decrease farebox revenue in outer-metropolitan regions. The expected loss of fare revenue due to fare harmonisation depends on IPART's fare determination for metropolitan regions, because the metropolitan fares will be the basis for the outer metropolitan fares.

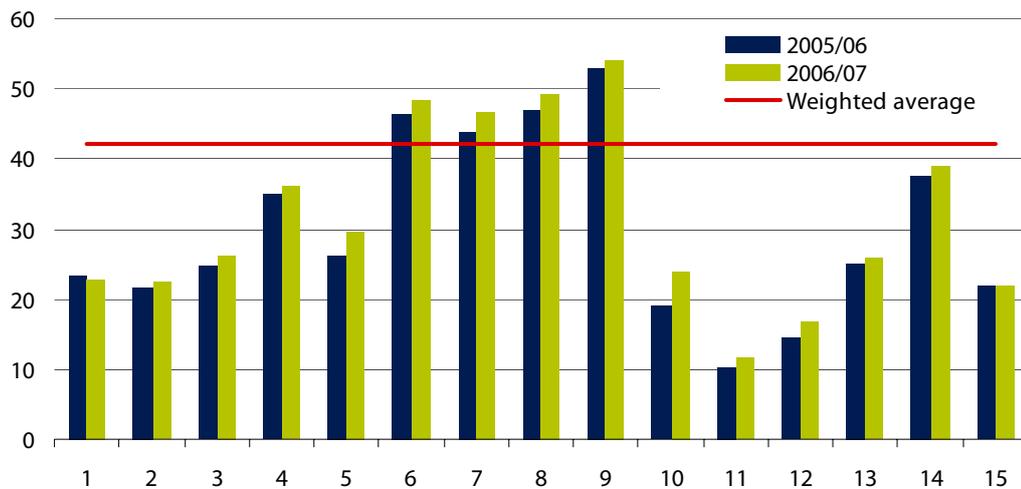
Because of the interrelationship between the Sydney metropolitan and the outer metropolitan fares, IPART considered the level of cost recovery in all metropolitan and outer metropolitan services in aggregate. The sections below discuss IPART's analysis of the current level of cost recovery, the implications of fare harmonisation on cost recovery, and the impact of IPART's determination on cost recovery.

¹² IPART Transcript, *Public Hearing into Review of Fares for Buses and Private Ferries*, November 2007, p 7, lines 42-45.

3.3.1 Current level of cost recovery

The level of cost recovery for metropolitan bus services increased from 40.6 per cent in 2005/06¹³ to 42.2 per cent in 2006/07. The improvement in the level of cost recovery was broadly based across most regions (Figure 3.1). Cost recovery decreased in only two regions (1 and 15).

Figure 3.1 Cost recovery by metropolitan contract region

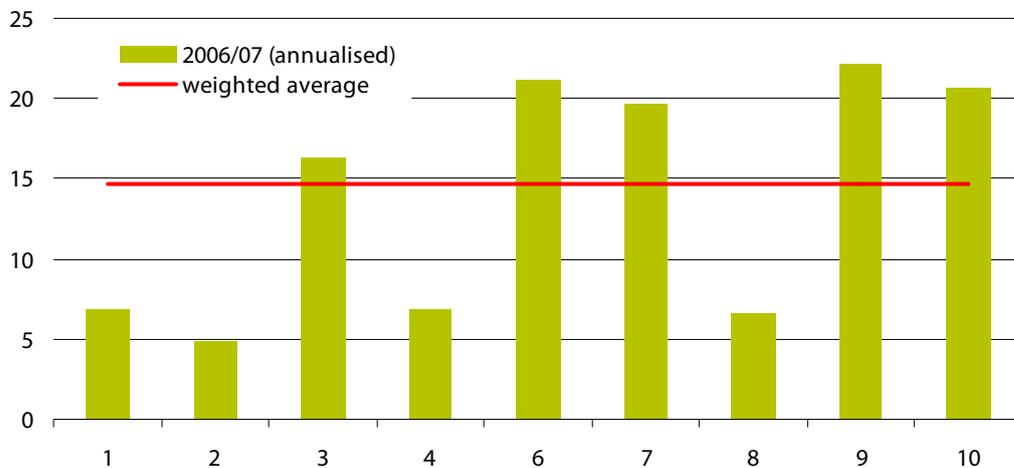


Note: The 2005/06 figures are for the eight months under which the contracts were operating. Cost Recovery is defined as the share of gross contract payments covered by farebox and other revenue.

Data source: Ministry of Transport.

The level of cost recovery in outer-metropolitan regions is much lower. Cost recovery across all outer-metropolitan regions (excluding Newcastle) was 14.7 per cent in 2006/07 and as low as 5 per cent in one region (Figure 3.2).

¹³ The eight months the contracts were operating.

Figure 3.2 Cost recovery by outer metropolitan contract region

Note: Region 5 (Newcastle) has been excluded. The above figures are based on annualised contract payments as data is not available for the full 2006/07 financial year. Cost Recovery is defined as the share of gross contract payments covered by farebox and other revenue.

Data source: Ministry of Transport, IPART calculations.

The level of cost recovery across regions reflects in part, the different services provided by operators. Many services see a high proportion of school students compared with total passenger numbers. As well as providing transport for fare paying passengers, bus services provide free school student travel through the School Student Transport Scheme (SSTS). Where the proportion of students is high, the level of total costs recovered through fares (cost recovery) will tend to be lower. The number of school students using bus services is not measured directly. However, the Ministry of Transport has provided estimates of school student usage for each contract region (Table 3.2).

Table 3.2 Estimated school student travel by contract region

Contract region	Percentage of passengers estimated to be school students travelling under the SSTS
Metropolitan	
1	52.0
2	51.3
3	38.0
4	44.6
5	30.7
6	6.6
7	11.7
8	9.6
9	4.4
10	48.5
11	59.2
12	61.1
13	34.7
14	39.7
15	54.4
<i>Weighted average metropolitan</i>	<i>14.3</i>
Outer-metropolitan	
1	84.0
2	86.6
3	75.8
4	80.4
6	55.1
7	38.6
8	84.6
9	53.7
10	61.9
<i>Weighted average outer-metropolitan</i>	<i>66.1</i>
Weighted average across all regions	20.0

Note: SSTS is the School Student Transport Scheme, which provides free travel for school students. Figures exclude Newcastle (outer-metropolitan region 5), which is considered in a separate report and determination.

Source: Information provided by the Ministry of Transport.

Across all metropolitan and outer-metropolitan regions (excluding Newcastle), the aggregate level of cost recovery was 38.7 per cent in 2006/07 (Table 3.3)

Table 3.3 Aggregate cost recovery

	Contract payments 2006/07	Revenue ^a 2006/07	Cost recovery 2006/07
	\$m	\$m	%
Metropolitan regions	696.4	293.6	42.2
Outer-metropolitan regions (ex Newcastle)	100.2 ^b	14.7	14.7
Total	796.6	308.3	38.7

^a This mainly comprises farebox revenue, though advertising and charter revenue is also included.

^b Annualised estimate.

Source: Ministry of Transport, IPART calculations.

3.3.2 Cost recovery implications of fare harmonisation

In its fare proposal, the Ministry of Transport argued that fare harmonisation will:

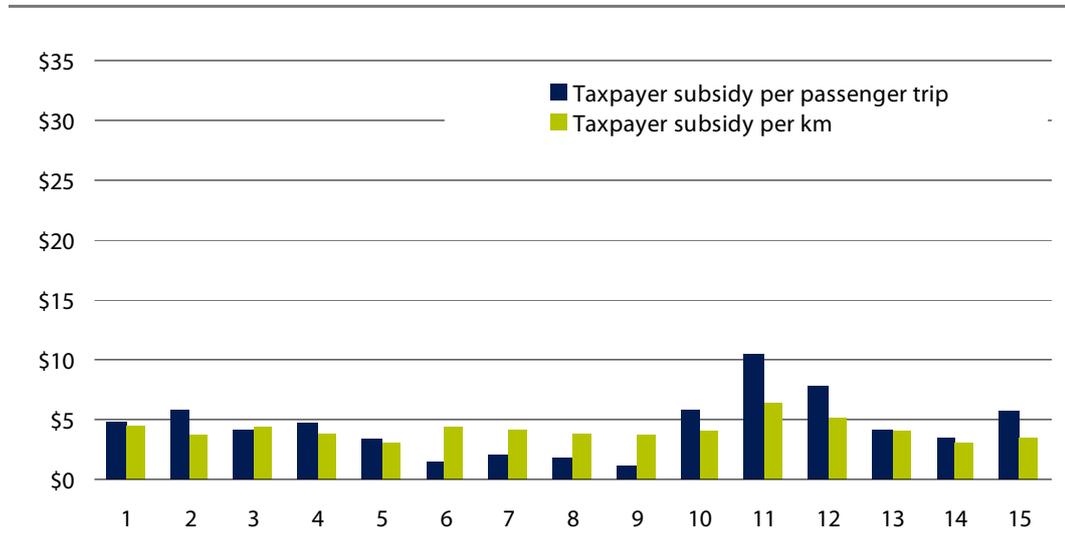
- ▼ promote equity by ensuring that outer-metropolitan passengers pay the same fare for the same distance as metropolitan passengers
- ▼ aid the introduction of strategic corridors and integrated ticketing.

With some exceptions, harmonising outer-metropolitan single fares with those in the Sydney metropolitan area will substantially lower fares for outer-metropolitan passengers. With cost recovery already so low in outer-metropolitan areas, IPART is not convinced that fares, and therefore cost recovery, should be reduced further as a result of fare harmonisation. In some regions, the taxpayer subsidy on bus services is equivalent to more than \$30 per passenger trip. It is not clear whether a subsidy of this magnitude is justified on the basis of external benefits in outer-metropolitan areas where traffic congestion is unlikely to be a major issue.

The taxpayer subsidy reflects actual contract payments divided by the number of passenger trips and service kilometres recorded by bus operators. The actual contract payments include payments made to operators to provide free school student travel but these students are not recorded as passengers and therefore, are not included in the passenger measure used to calculate the subsidy. Based on estimated figures, the Ministry of Transport has advised that the proportion of total passengers that are school students tends to be much higher in outer metropolitan regions (see Table 3.2 above). In 2006/07 the proportion of total passengers that are school students was estimated to be around 15 per cent across the metropolitan regions and around 66 per cent across the outer metropolitan regions (excluding Newcastle). The high proportion of school student travel is one reason for the higher taxpayer subsidy of bus services per passenger seen in the outer metropolitan regions.

The cost to taxpayers associated with public transport in each contract region is illustrated in Figures 3.3 and 3.4.

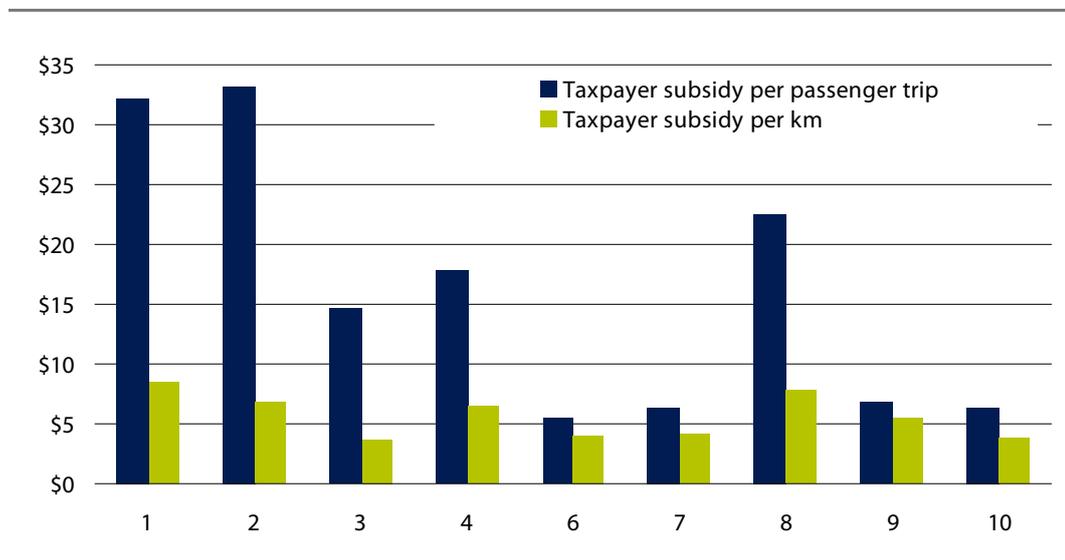
Figure 3.3 Current level of taxpayer subsidy for metropolitan regions, by region



Note: Reflects net contract payments for the 2006/07 year, includes SSTS payments.

Data source: Ministry of Transport, IPART calculations.

Figure 3.4 Current level of taxpayer subsidy for outer-metropolitan regions, by region



Note: Reflects net contract payments for the 2006/07 year, includes SSTS payments.

Data source: Ministry of Transport, IPART calculations.

Nevertheless, fare schedules in many outer-metropolitan regions appear to be unnecessarily complex and arbitrary. IPART agrees that they would benefit from simplification. Harmonisation with metropolitan fares provides a basis for simplifying outer-metropolitan fares. Consequently, the loss of revenue through fare

harmonisation is expected to be relatively minor in the context of total net expenditure on metropolitan and outer-metropolitan bus services of nearly \$500 million in 2006/07.

3.3.3 Impact of fare changes on cost recovery

As indicated in Table 3.2 above, total contract payments in 2006/07 were around \$797 million. The Ministry of Transport estimates that metropolitan bus service contract payments will increase by around \$25 million in 2007/08. IPART considers that outer-metropolitan bus service contract payments could reasonably be expected to increase by around \$4 million. This makes a total increase in contract payments of around \$29 million.

To maintain cost recovery at its current level of around 39 per cent, farebox revenue would need to increase by a little more than \$11 million. IPART estimates that applying a 3 per cent fare increase to the master fare schedule for metropolitan regions would raise farebox revenue by \$10.3 million, assuming no change in patronage. IPART also estimates that this would be offset by a \$0.75 million decline in revenue in outer-metropolitan regions, again assuming no change in patronage.

However, farebox revenue depends on the level of patronage as well as the level of fares. An increase in fares will itself affect the level of patronage, but factors such as household incomes, population, service quality and the price and quality of alternative means of transport are also important. Higher fares would tend to discourage passengers from using buses. However, in IPART's view, a fare increase broadly in line with the change in the consumer price index is unlikely to be a significant deterrent. IPART considers that it is reasonable to expect a modest increase in overall patronage in 2007/08, given the 2.7 per cent increase recorded in 2006/07, the significant investments made in the bus system, and the significant decrease in fares in outer-metropolitan regions.

IPART has undertaken its own analysis of expected cost recovery under different fare increase scenarios. It considers that assuming a modest increase in patronage, a 3.0 per cent fare increase in the metropolitan contract regions should be sufficient to ensure the current level of cost recovery is maintained.

3.4 Scope for efficiency improvements

As Chapter 2 discussed, incentives for improved cost efficiency are now delivered via the service contracts that are in place. IPART no longer has a role in providing these incentives. However, by setting fares for bus services, it can ensure that efficiency gains made are shared with bus passengers. In addition, as an independent regulator, it considers that it should have a role in increasing the transparency and accountability of the bus contract regime to ensure that both passengers and taxpayers are not funding inefficient levels of expenditure.

For this reason, IPART compared the increase in costs observed through the contract payments with the changes in costs for rural and regional bus services (as measured by the bus industry cost index). IPART also compared the costs and revenues across the various contract regions (see Figure 3.5). In future years, IPART will have access to this data over a series of years, which will allow greater analysis and benchmarking.

3.4.1 Comparison with the Bus Industry Cost Index for rural and regional buses

The bus industry cost index (BICI) measures the change in costs for rural and regional bus operators. Although the costs included in the BICI are not directly relevant to those that would have been incurred in providing metropolitan and outer metropolitan bus services, IPART considers it reasonable to look at how these costs have changed over the past year. It expects the major cost drivers to be similar between different bus operators, despite differences in size, ownership and operating environments.

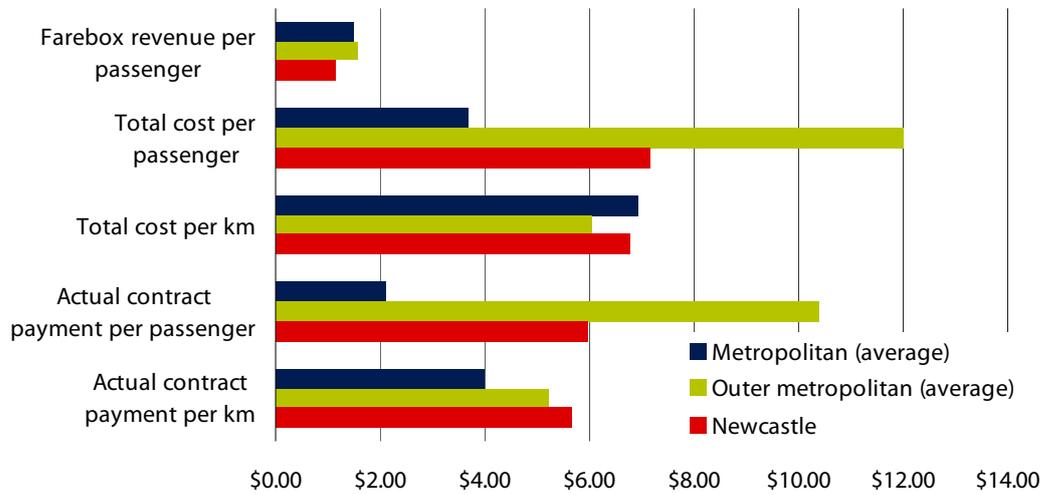
For the 12 months to June 2007, bus operators' costs as measured by the BICI have increased by 2.85 per cent. This increase is mainly attributed to increases in labour costs and bus capital costs. This year, IPART recommended an increase in maximum fares for rural and regional bus services of 2.72 per cent, in line with the increase in the BICI plus a small adjustment for expected improvements in labour productivity.

3.4.2 Comparison of contract payments across the metropolitan and outer-metropolitan regions

The new bus contracts allow comparisons of the costs of providing bus services in each contract region. IPART intends to collect the information provided each year by the Ministry of Transport and to undertake periodic benchmarking of these costs to ensure that expenditure on bus services in NSW is efficient and represents value for money for passengers and taxpayers.

Figure 3.5 compares the available data on contract revenue and costs across the metropolitan and outer metropolitan contract regions, with Newcastle identified separately (Newcastle fares are considered in a separate determination).

Figure 3.5 Comparison of contract revenue and costs across contract regions



Note: Outer metropolitan figures exclude Newcastle contract region. Total cost is 'gross contract payment' (direct costs, indirect costs and overheads with no reduction for farebox revenue collected). Actual contract payments are total costs less farebox revenue.

Data source: Ministry of Transport, figures have been averaged across regions.

4 | Service quality

IPART is required to consider standards of quality, reliability and safety of bus services when making its fare determination. In principle, it believes that bus users' value for money improves if there is an increase in the quality of the bus service they receive.

For this review, IPART examined the available measures of service quality, as well as changes in patronage as an indicator of service quality, and submission comments. It also considered the suggestion made by some stakeholders that service quality could be improved by rounding fares to the nearest dollar.

4.1 Available measures of service quality

The level of services that must be provided is specified in each bus operator's service contract with the Ministry of Transport. The services included in the contract are not affected by IPART's fare determination.

Under the new bus contracts, metropolitan and outer-metropolitan operators are required to report their performance against a number of Key Performance Indicators (KPIs) to the Ministry of Transport on a monthly basis. While this data is more limited than the service standard data provided to IPART in the past, the contracts ensure that the KPI data collected is comparable across the different contract regions.

While IPART considers that the collection of comparable data is valuable, it has some concerns about whether the extent of KPI data provided through the contracts is sufficient to provide a full picture of service quality. In previous years, Sydney Buses provided substantially more information to IPART than is collected under the new bus contract regime (Table 4.1).

Table 4.1 Service quality indicators

Service quality indicators previously provided by Sydney Buses	Service quality indicators provided to IPART in 2007
Reliability	
▼ On-time running	▼ On-time running
▼ Service reliability	▼ Service reliability
▼ Mechanical reliability	
▼ Traffic reliability	
Safety	
▼ Safety incidents	
▼ Security incidents	
Comfort	
▼ Average bus age	
Convenience	
▼ Total kilometres	▼ Total kilometres
▼ Passenger revenue kilometres	▼ Passenger revenue kilometres
Customer Service	
▼ Complaints	▼ Complaints

IPART is also concerned that some of the measures included, such as the on-time running measure, which is based on whether the bus left the depot on time,¹⁴ are not useful measures of the level of service provided to passengers. IPART agrees with the Ministry of Transport that these measures should be improved and intends to liaise with the Ministry of Transport to ensure that the Operational Performance Regime that is currently being developed will provide IPART with access to more relevant data on service standards.

IPART is also concerned about exemptions from providing the required data. For example, while metropolitan and outer-metropolitan operators are required to report full buses (that is, the number of occurrences where customers could not board a timetabled trip because the bus was full to capacity) under the contract regime, Sydney Buses is currently exempt from providing this information. IPART considers that the full bus measure is an important piece of service quality data for metropolitan bus operators, and urges the Ministry of Transport to ensure that this data is reported by all operators in future years.

In addition, IPART considers that service standards for buses should be reviewed by an independent body, as much of the data provided under the contracts is currently self-reported. The Independent Transport Safety and Reliability Regulator (ITSRR) periodically surveys rail users to obtain information on reliability and service standards, but at this stage has not done the same for buses. In IPART's view, there

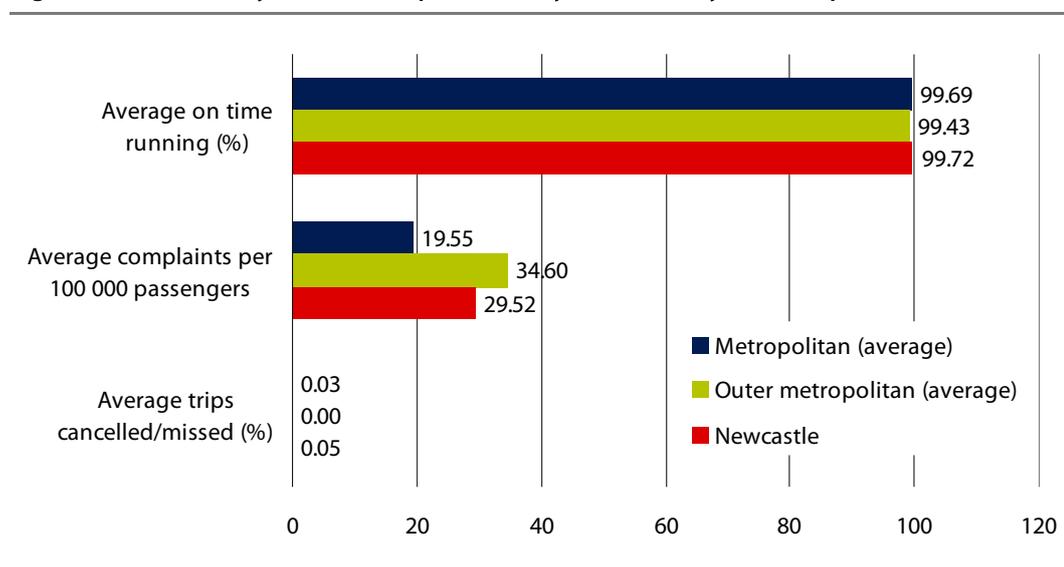
¹⁴ Ministry of Transport submission, October 2007, p 12.

would be benefit in extending the ITSRR's rail survey to buses. The survey would not impact current contracts and incentives, but can inform customers and contribute to future contracts.

4.1.1 Changes in service quality over 2006/07

The Ministry of Transport provided the KPI information obtained under the service contracts to IPART in support of the fare proposal. For outer-metropolitan regions there is less than 12 months data is available due as the contracts have not been in place for a full year. The KPI data provided is summarised in Figure 4.1.

Figure 4.1 Summary of KPI data provided by the Ministry of Transport (2006/07)



Data source: Ministry of Transport submission and supporting information.

These service quality measures are limited. For example, the on-time running measure currently reports whether the bus left the depot on time.¹⁵ Nevertheless, they do not suggest a significant improvement in service standards over the past year. On time running fell slightly, and the percentage of trips cancelled or missed and complaints both increased significantly in percentage terms, albeit from a low base (Table 4.2).

¹⁵ Ministry of Transport submission, October 2007, p 12.

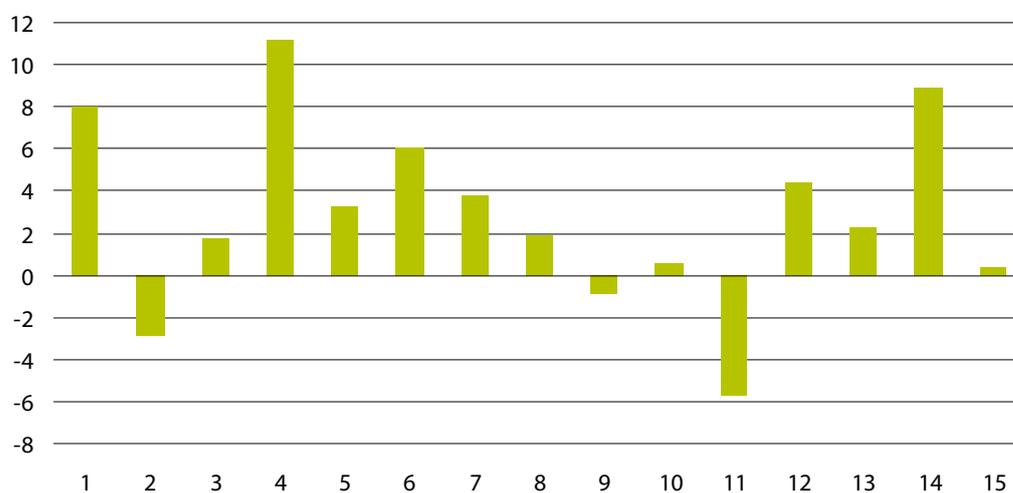
Table 4.2 MBSC key performance indicators

	Average over eight months to June 2007	Change from equivalent period in 2005/06 (%)
On time running (%)	99.7	-0.03
Percentage of trips cancelled/missed (%)	0.05	37.6
Complaints per 100,000 passengers	19.9	14.3

Note: Data differs from Figure 4.1 because the table shows the average over the eight months to June, rather than the full year, to facilitate comparison with the previous year.

Source: Ministry of Transport.

In addition to the KPI data described above, the Ministry of Transport argued that the investment it has undertaken in 2006/07 (see section 4.1.2 below) has improved services and increased patronage. Patronage increased by 2.7 per cent in the eight months to June 2007, compared with the previous year. However, the growth in patronage has been uneven across regions (Figure 4.2). Regions 1, 4 and 14 have experienced strong growth in patronage, while patronage has fallen in regions 2, 9 and 11. In addition, the relationship between improved service quality and the changes in patronage is unclear. For example, integrated networks have been introduced in regions 10 and 13, but patronage growth was only modest in these regions.

Figure 4.2 Change in patronage by metropolitan region (%)

Note: Eight months to June 2007, compared with the same period a year earlier.

Data source: Ministry of Transport, IPART calculations.

While the measures discussed above are limited, they nevertheless suggest that performance standards have not improved overall. Submissions tended to support this view. They indicated that passengers believe that service quality in the Sydney metropolitan area has not improved, or has even fallen.¹⁶

4.1.2 Investments in service quality over 2006/07

Over the past year, the Ministry of Transport has undertaken significant investment in the bus system, particularly in the Sydney metropolitan regions. The government has also allocated \$960 million for bus priority measures and infrastructure improvements to strategic corridors and road networks up to 2011/12.¹⁷ These measures include:

- ▼ bus priority measures and integrated networks
- ▼ the north-west transitway
- ▼ cashless buses.

The upward trend in patronage experienced over the past year is encouraging and IPART considers that the significant investment that has been undertaken in improving bus services suggests that this trend should continue in 2007/08.

4.2 Potential to improve service quality through fare rounding

Historically, single fares have been rounded to the nearest 10 cents. A number of submissions suggested that fares should be rounded to the nearest dollar, in order to reduce cash handling and speed-up boarding times.¹⁸ In fact, this was the primary concern raised in submissions to the review.

IPART understands the benefits of rounding fares, but has decided not to round cash fares to the nearest dollar or fifty cents for the following reasons:

- ▼ Not all passengers have access to cheaper pre-paid tickets, such as TravelTens and TravelPasses (though some private operators offer other discount fares that are not regulated by IPART). Rounded fares may disadvantage those passengers who do not have access to pre-paid tickets.
- ▼ IPART is concerned that rounding master fares in this way will result in long periods of constant fares, followed by a sharp increase in fares, and this would particularly be detrimental to customers who do not have access to discount tickets and therefore must pay the full fare to travel.

¹⁶ For example, see G. King submission, July 2007 p 1, N. Johnson submission, October 2007 p 1, K. Wilson submission, October 2007 p 1, P. Williams submission, October 2007 p 1, A Winklmayr submission, October 2007 p 1, C. Rafaud submission, October 2007 pp 1-2.

¹⁷ Ministry of Transport submission, October 2007, p 3.

¹⁸ For example, see Action for Public Transport (NSW) submission, October 2007 p 3, L. Garam submission, October 2007, p 1 and S. Aitchison submission, October 2007, p 1.

- ▼ Concession tickets, which are set by the Government (not IPART) at 50 per cent of the full adult fare, would still be in increments of fifty or twenty-five cents, limiting the benefits of fare rounding.

Overall, IPART considers that rounding fares to the nearest dollar does not allow it to meet its legislative obligations to consider the costs of providing the services and the social impact of its decisions. However, while IPART does not support the rounding of single trip fares to the nearest dollar, it does accept that service quality could be improved by reducing the level of cash handling on bus services and encouraging greater pre-payment.

IPART notes that the Ministry of Transport intends to expand the use of cashless bus services on busy routes.¹⁹ This should reduce boarding times and therefore journey times for many commuters. For a number of years now IPART has suggested that passengers on private metropolitan buses should have access to the same pre-paid multi-trip discount tickets as passengers of Sydney Buses. In its fare proposal, the Ministry of Transport noted that the Government's integrated ticketing project (T-Card) will enable these passengers to have access to discount and pre-paid tickets.²⁰ However, in light of the recent reports of further delays in the introduction of the T-Card, IPART considers that the Ministry of Transport should again consider introducing interim measures to ensure that private bus passengers have access to these tickets.

¹⁹ Ministry of Transport submission, October 2007, p 4.

²⁰ Ministry of Transport submission, October 2007, p 18.

5 Fares for 2008

IPART has determined the maximum fares for Sydney metropolitan services will increase by 3 per cent, before rounding from 2 January 2008. IPART has decided to retain its approach of rounding these fares to the nearest 10 cents for single fares, and the nearest dollar for Traveypasses. After rounding, the 3 per cent increase results in a weighted average increase in metropolitan bus fares of 3.6 per cent.²¹

In addition, despite concerns about further reducing the level of cost recovery in regions where it is already low, IPART has decided to accept the Ministry of Transport's proposal to harmonise fares in metropolitan and outer-metropolitan regions. It has therefore determined the same maximum fares for single tickets for equivalent trip distances in outer-metropolitan and metropolitan regions.

In reaching its decision on metropolitan and outer-metropolitan bus fares, IPART considered the requirements of section 28J of the *Passenger Transport Act 1990* and aimed to balance the competing interests and concerns reflected in this Act. IPART decided to increase metropolitan bus fares by 3 per cent (before rounding), a weighted average of 3.6 per cent (after rounding), for the following reasons:

- ▼ Contract payments under the new bus contract regime increased by 3 per cent in the eight months to June 2007 (compared to the eight months to June 2006), and the Ministry of Transport expects that they will increase by a further 3.6 per cent over 2007/08.²²
- ▼ The operating costs of other sectors of the bus passenger industry in NSW have increased in the past year. For example, the bus industry cost index measured a 2.85 per cent increase in costs of rural and regional bus operators over the 12 months to June 2007. This increase is mainly attributed to increases in labour costs and bus capital costs.
- ▼ A 3 per cent increase in metropolitan fares should be sufficient to ensure that the level of cost recovery across all metropolitan and outer-metropolitan regions (excluding Newcastle) remains at the current level of around 39 per cent in 2007/08.²³

²¹ Fare increases weighted by the number of tickets sold. IPART's own calculation.

²² The Ministry of Transport expects metropolitan contract payments to increase by \$25 million in 2007/08. IPART has calculated that this is equivalent to a 3.6 per cent increase - see Ministry of Transport submission, October 2007, p 15.

²³ Costs are defined as the contract payments to operators.

- ▼ Patronage increased by 2.7 per cent in 2006/07, and with the significant investment in improvements to the bus system, this upward trend should continue in 2007/08.
- ▼ A weighted average bus fare increase of 3.6 per cent fare is unlikely to encourage passengers to switch from using buses to private cars, so the impact on the environment will be minimal.

In making its determination, IPART has aimed to balance the interests of bus passengers and people who do not use bus services but fund much of the costs of these services through taxation. The level of cost recovery through fares will remain the same in percentage terms in 2007/08, even though a fare increase has been granted. However, because total costs have increased, the contribution made by NSW taxpayers to metropolitan and outer metropolitan bus operating costs will increase. This contribution is expected to be around \$217 per household in 2007/08.²⁴

The following sections summarise the maximum fares for metropolitan and outer-metropolitan bus services as a result of IPART's 2007 determination, and discuss the impact of this determination on passengers, the environment and Government funding.

5.1 Impact of the determination on passengers, the environment and Government funding

Before finalising its determination, IPART considered the likely implication of its pricing decisions on passengers in metropolitan and outer-metropolitan regions and the environment, as required by the *Passenger Transport Act 1990*. IPART also considered the effect on net contract payments made by the Ministry of Transport. (The impact on bus operators will be minimal since farebox revenue is effectively returned to the Ministry of Transport.)

In summary, IPART concluded that as fare increases in metropolitan regions are broadly in line with general inflation they are unlikely to have a significant financial impact on passengers. In outer-metropolitan regions, fare harmonisation will mean most passengers benefit from a fare decrease, though IPART acknowledges that a small number of passengers will experience substantial fare rises. Given that most fare increases are modest, they are unlikely to encourage passengers to switch to private car transport, so environmental impacts will be negligible. IPART's fare determination is not expected to change the balance between passenger and government funding of bus services overall. Further details are provided in the sections below.

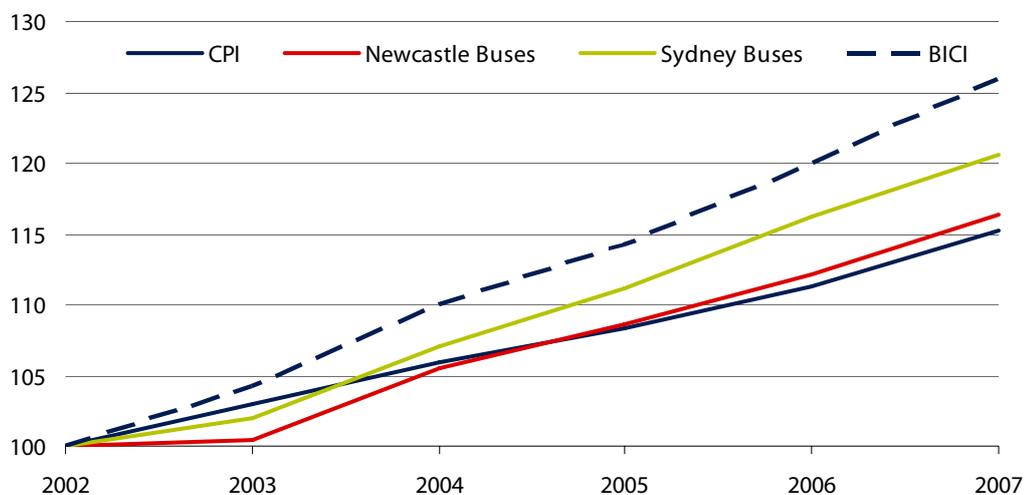
²⁴ Based on annualised contract payments for the 2006/07 year with a 3.6 per cent increase in 2007/08, a constant level of cost recovery and 2006 census data on the number of households in NSW published on the ABS website (Cat no. 2068.0).

5.1.1 Impact on passengers

The increase in fares is in line with increases in general inflation over the past year. IPART does not consider that the increases will have a substantial impact on customers. In this regard, IPART notes that a weighted average fare increase consistent with the CPI is not opposed by the Council of Social Services of New South Wales.²⁵ IPART's determination results in weighted average fare increase of 3.6 per cent. While this exceeds the CPI increase in 2006/07, this is due to rounding. IPART notes that many fares were rounded down last year. IPART also notes that across the metropolitan and outer-metropolitan regions (excluding Newcastle), the proportion of passengers with access to concession tickets is estimated to be around 52 per cent.

While IPART considers that the determination will not have a significant impact on passengers, it is aware that fare increases in recent years have tended to be slightly above the level of inflation for both metropolitan and outer-metropolitan customers. Figure 5.1 illustrates the changes in fares over the past five years compared with increases in inflation over the same period.

Figure 5.1 Index of fare increases and changes in CPI over the past five years



Note: Prior to 2006/07 outer metropolitan bus fares were governed by the BICI.

Fare increases in 2002 and 2003 each cover more than a single calendar year due to the timing of the fare reviews. CPI used is for calendar years.

Data source: ABS, IPART annual reports.

²⁵ Council of Social Services of New South Wales submission, November 2007, p 1.

5.1.2 Impact on the environment

In general, public transport results in lower pollution, carbon emissions and traffic congestion, compared with private car transport. Higher fares tend to discourage passengers from using public transport and therefore reduce these environmental benefits. However, a fare increase in line with general consumer price inflation is unlikely to significantly affect consumer behaviour. IPART therefore considers that the environmental impacts of its determination will be negligible.

5.1.3 Impact on the level of Government funding

Under the current contract arrangements, effectively IPART's role in setting maximum fares is to determine the balance between passenger and taxpayer funding of bus services. IPART considers that the fares it has determined should be sufficient to maintain the current level of cost recovery across Sydney metropolitan and outer-metropolitan regions.

5.2 Summary of fares in the determination

To determine the maximum fares for metropolitan bus services, IPART applied a 3 per cent increase to the master fare schedule it determined as part of last year's review. It then rounded the resulting fare to the nearest 10 cents for single tickets and the nearest dollar for adult TravelPass tickets, in line with the rounding conventions adopted in previous determinations. For outer-metropolitan bus services, it set maximum fares in line with metropolitan fares for equivalent distant trips.

The sections below outline the increases to individual fares and list the fares that will apply from 2 January 2008. A complete list of all fares is provided in Appendix E.

5.3 Single tickets in the Sydney metropolitan area

As a result of IPART's determination:

- ▼ single fares for section 1-2, section 3-5 and section 6-9 tickets will increase by 10 cents
- ▼ single fares for section 10-15 and section 16+ tickets will increase by 20 cents
- ▼ all single trip concession tickets will increase by 10 cents.

Table 5.1 shows the new single ticket fares, and the percentage and absolute change in these fares as a result of IPART's determination. IPART does not have a role in setting the fare for the Pensioner Excursion Ticket.

Table 5.1 Metropolitan single ticket bus fares

Single ticket type	2007 Ticket Price	2008 Ticket Price	Percentage Change	Absolute Change
	\$	\$	%	\$
1-2 Sections	1.70	1.80	5.9	0.10
3-5 Sections	2.90	3.00	3.5	0.10
6-9 Sections	3.90	4.00	2.6	0.10
10-15 Sections	4.60	4.80	4.4	0.20
16+ Sections	5.60	5.80	3.6	0.20

5.4 TravelTen tickets on Sydney Buses

As a result of IPART's determination:

- ▼ TravelTen fares for section 1-2, section 3-5 and section 6-9 tickets will increase by 80 cents
- ▼ TravelTen fares for section 10-15 and section 16+ tickets will increase by \$1.60.

Table 5.2 shows the new TravelTen fares, and the percentage and absolute change as a result of IPART's determination.

Table 5.2 TravelTen fares

TravelTens	2007 Ticket Price	2008 Ticket Price	Percentage Change	Absolute Change
	\$	\$	%	\$
1-2 Sections	13.60	14.40	5.9	0.80
3-5 Sections	23.20	24.00	3.5	0.80
6-9 Sections	31.20	32.00	2.6	0.80
10-15 Sections	36.80	38.40	4.4	1.60
16+ Sections	44.80	46.40	3.6	1.60

5.5 TravelPass fares on Sydney Buses

The fares for two-mode (bus and ferry) TravelPasses and single mode (bus) TravelPasses will increase by either \$1.00 or \$2.00 (Table 5.3). Please note that IPART determined fares for three-mode (bus, ferry, rail) TravelPasses and DayTripper tickets in its recent Review for CityRail in NSW 2007, and so has not changed these fares as part of this review.

Table 5.3 TravelPass fares

	2007 Ticket Price	2008 Ticket Price	Percentage Change	Absolute Change
	\$	\$	%	\$
Blue	31.00	32.00	3.2	1.00
Orange	38.00	40.00	5.3	2.00
Pittwater	53.00	55.00	3.8	2.00
2 Zone	31.00	32.00	3.2	1.00
Daytripper	15.40	16.00	3.9	0.60
Bustripper	11.70	12.10	3.4	0.40

5.6 Other tickets on Sydney Buses

IPART also determines maximum fares for the Sports Special Return Ticket and the School Term Pass. The Sports Special Return Ticket covers return travel from key locations (such as Central Station) to and from the venue for major sporting events. The School Term Pass is a bus pass sold to students who do not meet eligibility requirements for free bus travel under the School Student Travel Scheme (STSS). In line with its determination for all metropolitan fares, IPART has determined fares based on a 3.0 per cent increase to the master fare schedule. This results in an increase of 20 cents to the Sports Special ticket, and an increase of \$1.20 to the School Term Pass.

Table 5.4 Other ticket fares

	2007 Ticket Price	2008 Ticket Price	Percentage Change	Absolute Change
	\$	\$	%	\$
Sports Special	5.20	5.40	3.9	0.20
School Term Pass	41.50	42.70	2.9	1.20

5.7 Transitway 10 fares and weekly fares

Western Sydney Buses operates regular services on the Liverpool/Parramatta Transitway (T-way), and offers singles fares, T-way 10 fares (similar to TravelTens) and weekly tickets. The single fares for Western Sydney Buses are the same price as the single fares for other Sydney metropolitan bus services.

Tables 5.5 and 5.6 show the fares IPART has determined for T-way 10 and T-way weekly tickets. Consistent with the previous year's determination, IPART has decided that the discount for T-way 10 fares will be 15 per cent.

Table 5.5 T-Way 10 fares

	2007 Ticket Price	2008 Ticket Price	Percentage Change	Absolute Change
	\$	\$	%	\$
1-2 Sections	14.50	15.30	5.5	0.80
3-5 Sections	24.70	25.50	3.2	0.80
6-9 Sections	33.20	34.00	2.4	0.80
10-15 Sections	39.10	40.80	4.4	1.70
16+ Sections	47.60	49.30	3.6	1.70

Table 5.6 Weekly fares for T-way

	2007 Ticket Price	2008 Ticket Price	Percentage Change	Absolute Change
	\$	\$	%	\$
T-way bus plus weekly				
1-2 Sections	13.20	13.60	3.0	0.40
3-5 Sections	24.60	25.30	2.9	0.70
6-9 Sections	35.00	36.10	3.1	1.10
10-15 Sections	50.30	51.80	3.0	1.50
16+ Sections	63.80	65.70	3.0	1.90
T-way weekly				
North Zone	35.00	36.10	3.1	1.10
South Zone	35.00	36.10	3.1	1.10
North + South Zone	63.80	65.70	3.0	1.90

5.8 Single ticket fares in outer-metropolitan regions (excluding Newcastle)

From 2 January 2008, passengers in outer-metropolitan regions (excluding Newcastle) will pay the same fares for a single ticket as metropolitan passengers. This will result in a substantial decrease to most fares. However, some fares will increase significantly. Fares that will increase are largely confined to:

- ▼ section 1 fares on most urban routes
- ▼ most fares in the Toronto region
- ▼ most shorter fares in the Hunter Valley region, in particular:
 - most section 1 to 8 fares on urban routes, and
 - most section 3 to 20 fares on urban fringe routes.

See Appendix E for more detail.



Appendices

A List of submissions and participants at hearing

A list of the submissions received and the participants at the public hearing held on 9 November 2007 are summarised in the following tables.

Table A.1 List of submissions received

Submitter	Date received
Bob Scott	7 July 2007
Geoff King	31 July 2007
The Vacluse Progress Association	5 September 2007
R. Pool	11 September 2007
Nick Johnson	4 October 2007
Vincent De Luca OAM	5 October 2007
Les Garam	5 October 2007
Action for Public Transport	10 October 2007
Natalie Chabin	14 October 2007
P. Williams	17 October 2007
Ken Wilson	25 October 2007
Commuter Council	26 October 2007
Clint Rafaud	26 October 2007
P. Tyler	26 October 2007
Sonia Kolar	26 October 2007
A Winklmayr	26 October 2007
Blue Mountain Commuter & Transport Users Association	26 October 2007
Ian Page	29 October 2007
Council of Social Services of New South Wales	2 November 2007

Table A.2 Participants at the public hearing

Speaker	Organisation
Joanna Quilty	Ministry of Transport
Peter Rowley	State Transit Authority
Allan Miles	Association for Public Transport
Kevin Parish	Commuter Council
Alison Peters	Council of Social Services of New South Wales
Paul Trevaskis	Blue Mountains Commuters & Transport Users Association

B Requirements of the Passenger Transport Act

Section 28J of the Passenger Transport states that:

1. This section applies to any service contract for a regular bus service that authorises or otherwise permits the holder (or a person providing the service for the holder under a subcontract or other arrangement) to charge passengers of the service a fare for the use of the service.
2. The Independent Pricing and Regulatory Tribunal (the Tribunal) is to conduct investigations and make reports to the Minister on the following matters:
 - a) the determination of appropriate maximum fares for regular bus services supplied under service contracts to which this section applies,
 - b) a periodic review of fare pricing policies in respect of such services.
3. In respect of an investigation or report under this section, the Minister may require the Tribunal to consider specified matters when making its investigations.
4. Division 7 of Part 3 of the Independent Pricing and Regulatory Tribunal Act 1992 is taken to apply to an investigation under this section in the same way as it applies to an investigation under Part 3 of that Act.
5. In making a determination under this section, the Tribunal is to consider the following matters:
 - 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 standards of service,
 - c) the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers,
 - d) 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 of the feasible options to protect the environment,
 - e) the social impact of the determination,
 - f) standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise) and any suggested or actual changes to those standards,
 - g) contractual arrangements prevailing in the industry,
 - h) such other matters as the Tribunal considers relevant.

C MBSC and OMBSC contract regions

C.1 Metropolitan (MBSC) contract regions

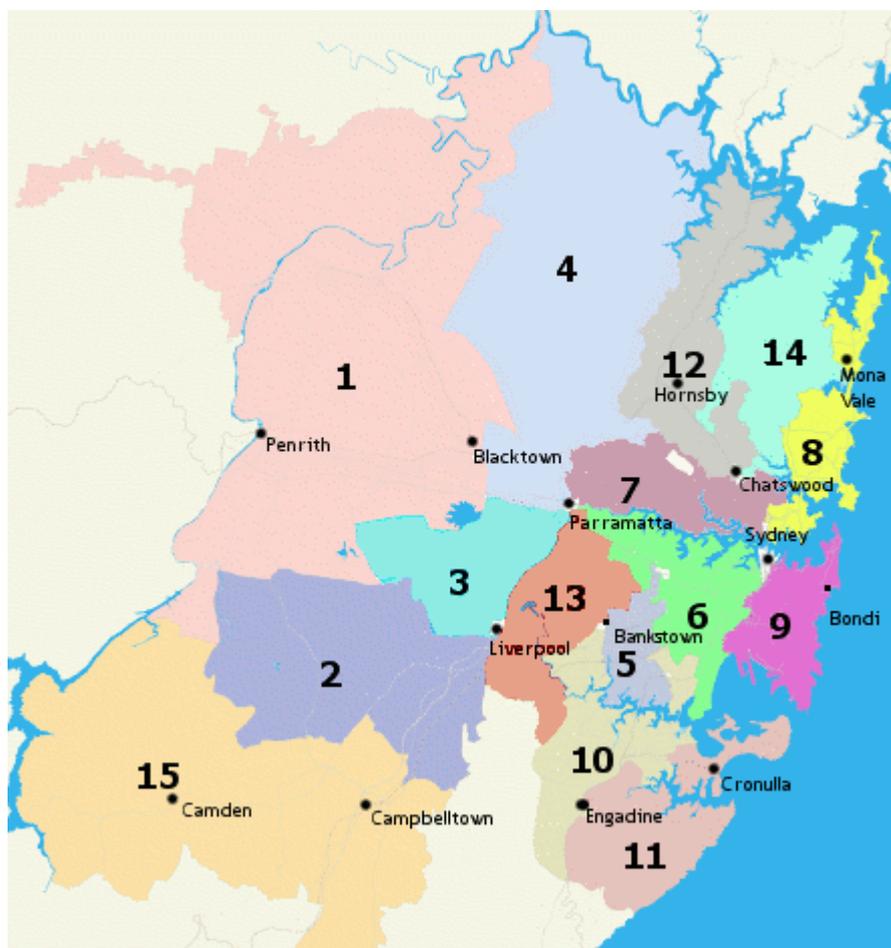


Table C.1 Metropolitan bus operators by region

Region	Operators	Region	Operators
1	Busways Blacktown	7	Sydney Buses Western Region
	Westbus	8	Sydney Buses Northern Region
	Hawksbury Valley Buses	9	Sydney Buses Eastern Region
2	Interline Buses	10	Veolia Transport NSW
	Busabout	11	Caringbah Buses
3	Hopkinsons Metrolink		Crowthers Buslink
	Oliveri's Metrolink Buses		Maianbar and Bundeena Bus Service
	Westbus	12	Shorelink
	Busabout	13	Veolia Transport NSW
4	Hillsbus	14	Forest Coaches
5	Punchbowl Buses	15	Busways Campbelltown
6	Sydney Buses Southern Region		

Source: Ministry of Transport website <www.transport.nsw.gov.au>

C.2 Outer metropolitan (OMBSC) contract regions

No map is available to show the locations of outer metropolitan contract regions. IPART has put together the following table that lists the operators and their centre of operations and/or head office location.

Table C.2 Outer metropolitan bus operators by region

Region	Operator	Centre of Operations/Head Office
1	Rover Motors	Cessnock
2	Hunter Valley Buses	Thornton and Singleton
3	Port Stephens Coaches	Anna Bay
4	Toronto Bus Services	Toronto
	Sugar Valley Coaches	Edgeworth
	Morisset Bus Service	Morisset
5	STA	Newcastle
6	Busways	Central Coast
7	Red Bus Services	Central Coast
8	Pearce Omnibus	Blue Mountains
9	North Wollongong Area Management (Dions Buses)	Wollongong
10	Premier Illawarra	Wollongong

Source: Information provided by Ministry of Transport, IPART research.

D New fleet periodic payments

The monthly NFPP payable on each vehicle is determined by the following formula:

$$(1) \quad NFPP_n = \frac{i \times (CC_{FY})}{1 - (1 + i)^{-M}}$$

Where:

- ▼ $NFPP_n$ is the monthly New Fleet Periodic Payment payable on vehicle n ;
- ▼ CC_{FY} is the capital cost for the vehicle;
- ▼ M is the maximum number of New Vehicle Periodic Payments for the vehicle. This is 120 (10 years) for a Minibus and 180 (15 years) for any other bus; and
- ▼ i is the monthly interest rate (for payment) calculated in accordance with the following formula:

Where:

$$(2) \quad i = (1 + r)^{\frac{1}{12}} - 1$$

- ▼ r is the 10 year Commonwealth Treasury Bond Rate (expressed as a decimal) at the end of the first reporting period in which the Director-General is satisfied that vehicle (n) is in regular service plus a margin of 0.0125.

E The new fares and the master fare schedule

The ticket prices IPART has determined are set out in this appendix, both before and after rounding.

Table E.1 Single fares for bus services in metropolitan (including Transitway services) and outer-metropolitan regions (excluding Newcastle)

Ticket Type	Class	2007 Ticket Price	2008 Master Fare	2008 Ticket Price
		\$	\$	\$
Single ride fares				
1-2 Sections	ADULT	1.70	1.77	1.80
3-5 Sections	ADULT	2.90	2.98	3.00
6-9 Sections	ADULT	3.90	3.99	4.00
10-15 Sections	ADULT	4.60	4.76	4.80
16+ Sections	ADULT	5.60	5.75	5.80
1-2 Sections	CONC	0.80	-	0.90
3-5 Sections	CONC	1.40	-	1.50
6-9 Sections	CONC	1.90	-	2.00
10-15 Sections	CONC	2.30	-	2.40
16+ Sections	CONC	2.80	-	2.90

Table E.2 TravelTen fares for Sydney Buses

Ticket Type	Class	2007 Ticket Price	2008 Ticket Price	Discount
		\$	\$	%
TravelTen				
1-2 Sections	ADULT	13.60	14.40	20.0
3-5 Sections	ADULT	23.20	24.00	20.0
6-9 Sections	ADULT	31.20	32.00	20.0
10-15 Sections	ADULT	36.80	38.40	20.0
16+ Sections	ADULT	44.80	46.40	20.0
1-2 Sections	CONC	6.80	7.20	
3-5 Sections	CONC	11.60	12.00	
6-9 Sections	CONC	15.60	16.00	
10-15 Sections	CONC	18.40	19.20	
16+ Sections	CONC	22.40	23.20	

Table E.3 TravelPass fares for Sydney Buses

Ticket Type	Class	2007 Ticket Price	2008 Master Fare	2008 Ticket price
		\$	\$	\$
TravelPass – Bus and Ferry, Bus only				
Blue	ADULT	31.00	32.10	32.00
Orange	ADULT	38.00	39.52	40.00
Pittwater	ADULT	53.00	54.50	55.00
2 Zone	ADULT	31.00	32.10	32.00
Blue	CONC	15.50	-	16.00
Orange	CONC	19.00	-	20.00
Pittwater	CONC	26.50	-	27.50
2 Zone	CONC	15.50	-	16.00

Table E.4 Other fares for Sydney Buses

Ticket Type	Class	2007 Ticket Price	2008 Master Fare	2008 Ticket Price
		\$	\$	\$
BusTripper	ADULT	11.70	12.06	12.10
BusTripper	CONC	5.80	-	6.00
Sports Special	ADULT	5.20	5.35	5.40
Sports Special	CONC	2.60	-	2.70
School Term Pass	CONC	41.50	42.77	42.70

Table E.5 T-way 10 fares for Transitway

	Class	2007 Ticket Price	2008 Ticket Price	Discount
		\$	\$	%
T-way 10				
1-2 Sections	ADULT	14.50	15.30	15.0
3-5 Sections	ADULT	24.70	25.50	15.0
6-9 Sections	ADULT	33.20	34.00	15.0
10-15 Sections	ADULT	39.10	40.80	15.0
16+ Sections	ADULT	47.60	49.30	15.0
1-2 Sections	CONC	7.20	7.60	
3-5 Sections	CONC	12.30	12.70	
6-9 Sections	CONC	16.60	17.00	
10-15 Sections	CONC	19.50	20.40	
16+ Sections	CONC	23.80	24.60	

Table E.6 Weekly fares for Transitway

Ticket Type	Class	2007 Ticket Price	2008 Master Fare	2008 Ticket Price
		\$	\$	\$
T-way bus plus weekly				
1-2 Sections	ADULT	13.20	13.61	13.60
3-5 Sections	ADULT	24.60	25.34	25.30
6-9 Sections	ADULT	35.00	36.07	36.10
10-15 Sections	ADULT	50.30	51.79	51.80
16+ Sections	ADULT	63.80	65.73	65.70
1-2 Sections	CONC	6.60	-	6.80
3-5 Sections	CONC	12.30	-	12.60
6-9 Sections	CONC	17.50	-	18.00
10-15 Sections	CONC	25.10	-	25.90
16+ Sections	CONC	31.90	-	32.80
T-way weekly				
North Zone	ADULT	35.00	36.07	36.10
South Zone	ADULT	35.00	36.07	36.10
North + South Zone	ADULT	63.80	65.73	65.70
North Zone	CONC	17.50	-	18.00
South Zone	CONC	17.50	-	18.00
North + South Zone	CONC	31.90	-	32.80



Independent Pricing and Regulatory Tribunal

Sydney Metropolitan and Outer Metropolitan Bus Services (excluding Newcastle services)

Determination No. 4 of 2007

Reference no.07/432

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Preliminary

1. Background

- (a) Section 28J(2) of the *Passenger Transport Act 1990* (NSW), permits IPART to conduct investigations and make reports to the Minister on the determination of maximum fares for Regular Bus Services supplied under a Bus Service Contract (**Regulated Bus Services**).
- (b) In investigating and reporting on the maximum fares for Regulated Bus Services, IPART has had regard to a broad range of matters, including the criteria set out in section 28J(5) of the *Passenger Transport Act 1990*.

2. Application of this determination

- (a) This determination fixes the maximum fares for all Regulated Bus Services other than Regulated Bus Services provided by STA Newcastle Buses.¹
- (b) This determination commences on the later of 2 January 2008 and the date that it is published in the NSW Government Gazette (**Commencement Date**).
- (c) The maximum fares in this determination apply from the Commencement Date to the date that this determination is replaced.

3. Replacement of Determination No. 11 of 2006

This determination replaces Determination No. 11 of 2006 from the Commencement Date. The replacement does not affect anything done or omitted to be done, or rights or obligations accrued, under Determination No. 11 of 2006.

4. Schedules

Schedules 1, 2 and 3 and the Tables in those schedules set out the maximum fares for Regulated Bus Services.

¹ The maximum fares for Regulated Bus Services in Newcastle have been separately determined by IPART in Determination no. 5 of 2007.

5. Definitions and Interpretation

Definitions and interpretation provisions used in this determination are set out in Schedules 4 and 5.

Schedule 1 – Maximum fares for single ride tickets

1. Application

This schedule sets the maximum fares for single ride tickets for Regulated Bus Services.

2. Maximum fares for single ride tickets

The maximum fares that may be charged for single ride tickets are set out in Table 1.

Table 1 Maximum fares for single ride tickets

Tickets	Maximum fares	
	Adult ¹ (\$)	Concession (\$)
Single ride fares		
1-2 Sections	\$1.80	\$0.90
3-5 Sections	\$3.00	\$1.50
6-9 Sections	\$4.00	\$2.00
10-15 Sections	\$4.80	\$2.40
16+ Sections	\$5.80	\$2.90

Notes

1. Children up to their 4th birthday are entitled to travel free on all Sydney Buses.

Schedule 2 – Maximum fares (other than fares for single ride tickets) charged by STA Sydney Buses

1. Application

This schedule sets the maximum fares (other than fares for single ride tickets) that STA Sydney Buses may charge for Regulated Bus Services.

2. Maximum fares (other than fares for single ride tickets)

The maximum fares (other than fares for single ride tickets) that may be charged by the STA Sydney Buses for a ticket in column 1 of Table 2 are the corresponding fares in columns 2 and 3 of Table 2.

Table 2 Maximum fares (other than fares for a single ride ticket) charged by STA Sydney Buses

Tickets	Maximum fares	
	Adult ¹ (\$)	Concession (\$)
TravelTen		
1-2 Sections ²	\$14.40	\$7.20
3-5 Sections	\$24.00	\$12.00
6-9 Sections	\$32.00	\$16.00
10-15 Sections	\$38.40	\$19.20
16+ Sections	\$46.40	\$23.20
TravelPass³ - Bus only - weekly		
2 Zone	\$32.00	\$16.00
TravelPass³– Bus and Ferry - weekly		
Blue	\$32.00	\$16.00
Orange	\$40.00	\$20.00
Pittwater	\$55.00	\$27.50
Other tickets⁴		
BusTripper	\$12.10	\$6.00
Sports Special	\$5.40	\$2.70
School Term Pass		\$42.70

Notes

1. Children up to their 4th birthday are entitled to travel free on all Sydney Buses.
2. A section is approximately 1.6 kilometres.
3. Quarterly TravelPass = 11 x weekly fare. Yearly TravelPass = 40 x weekly fare.
4. For the maximum fares for the DayTripper ticket and the Bus, Ferry and Train weekly TravelPasses, please refer to IPART's Determination no. 3 of 2007, as amended from time to time.

Schedule 3 – Maximum Transitway Fares (other than fares for single ride tickets) charged by Western Sydney Buses

1. Application

This schedule sets the maximum fares (other than fares for single ride tickets) that Western Sydney Buses may charge for Regulated Bus Services.

2. Maximum fares (other than fares for single ride tickets)

The maximum fares (other than fares for single ride tickets) that may be charged by Western Sydney Buses for a ticket in column 1 of Table 3 are the corresponding fares in column 2 and 3 of Table 3.

Table 3 Maximum Transitway Fares (other than fares for single ride tickets) charged by Western Sydney buses

Tickets	Maximum fares	
	Adult ¹ (\$)	Concession (\$)
T-way 10		
1-2 Sections	\$15.30	\$7.60
3-5 Sections	\$25.50	\$12.70
6-9 Sections	\$34.00	\$17.00
10-15 Sections	\$40.80	\$20.40
16+ Sections	\$49.30	\$24.60
T-way bus plus weekly		
1-2 Sections	\$13.60	\$6.80
3-5 Sections	\$25.30	\$12.60
6-9 Sections	\$36.10	\$18.00
10-15 Sections	\$51.80	\$25.90
16+ Sections	\$65.70	\$32.80
T-way weekly		
Northern zone Parramatta to Prairiewood (section 1-10)	\$36.10	\$18.00
Southern zone Prairiewood to Liverpool (section 10-19)	\$36.10	\$18.00
North & South zones (section 1- 19)	\$65.70	\$32.80

Notes:

1. Children up to their 4th birthday are entitled to travel free on all Sydney Buses.

Schedule 4 – Definitions and Interpretations

1. Definitions

1.1 General definitions

In this determination:

Bus Service Contract means a contract complying with section 16 of the *Passenger Transport Act 1990* (NSW) and entered into on or before the Commencement Date for the provision of a Regular Bus Service.

Commencement Date means the Commencement Date as defined in clause 2(b) of section 1 (Background) of this determination.

GST means the Goods and Services Tax as defined in *A New Tax System (Goods and Services Tax) Act, 1999* (Cth).

IPART means the Independent Pricing and Regulatory Tribunal of New South Wales established under the IPART Act.

IPART Act means the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW).

Regulated Bus Services means the services defined in clause 1(a) of section 1 (Background) of this determination.

Regular Bus Service has the meaning given to that term in the *Passenger Transport Act 1990*.

STA means the State Transit Authority of New South Wales constituted under the *Transport Administration Act 1988* (NSW).

STA Newcastle Buses means the Newcastle Buses business owned and operated by the STA.

STA Sydney Buses means the Sydney Buses business owned and operated by the STA.

Western Sydney Buses means the body corporate constituted under section 33 of the *Transport Administration Act* and the *Transport Administration (General) Amendment (Western Sydney Buses) Regulation 2002* to operate the Liverpool-Parramatta Transitway Services.

1.2 Ticket definitions

Categories of tickets set out in Schedule 5 of this determination apply to this determination.

2. Interpretation

2.1 General provisions

In this determination:

- (a) headings are for convenience only and do not affect the interpretation of this determination;
- (b) a reference to a schedule, annexure, clause or table is a reference to a schedule, annexure, clause or table to this determination;
- (c) words importing the singular include the plural and vice versa;
- (d) a reference to a law or statute includes all amendments or replacements of that law or statute; and
- (e) a reference to a person includes any company, partnership, joint venture, association, corporation, other body corporate or government agency.

2.2 Explanatory notes and Clarification Notice

- (a) explanatory notes or footnotes do not form part of this determination, but in the case of uncertainty may be relied on for interpretation purposes.
- (b) IPART may publish a clarification notice in the NSW Government Gazette to correct any manifest error in this determination as if that clarification notice formed part of this determination.

2.3 Fares inclusive of GST

Fares or charges specified in this determination include GST.

Schedule 5 – Ticket Definitions

In this determination:

BusTripper means the BusTripper ticket which provides the holder with unlimited travel on all regular Sydney Buses services until 4am.

Sports Special means the sports special return ticket which provides the holder with a return travel from key locations (such as Central station) to and from the venue of a major event.

School Term Pass means a school term pass ticket which provides the holder with unlimited travel between the holder’s home and school.

Sydney Buses Zones means the zones as set out in the State Transit TravelPass Map as at the Commencement Date.

TravelPass – Bus only

TravelPass	Sydney Buses Zones
2 Zone	Combination of any 2 adjacent zones (except Zone 1)

TravelPass – Bus and Ferry

TravelPass	Sydney Buses Zones	Sydney Ferries Boundaries
Blue	1,3,6,7	All wharves except Manly, Homebush, Rydalmere & Parramatta
Orange	1-8 (includes all areas except Pittwater Region, north of Jacksons Rd North Narrabeen)	All except Manly JetCat
Pittwater	All	All except Manly JetCat