



MINISTRY OF TRANSPORT

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Mr Jim Cox
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Dear Mr Cox

I refer to IPART's *Review of Fares for Metropolitan & Outer Metropolitan Bus Services from January 2010: Draft Report and Determination* and would like to convey my appreciation for the opportunity to make a response.

NSWTI acknowledges the work done by IPART to establish the cost drivers in the provision of bus services across metropolitan and outer-metropolitan Sydney, and recognises that an economic assessment of the costs and benefits of bus services is a useful input into the process of determining the level of any fare increase.

Estimates of the external costs and benefits from the delivery of bus services can also be useful in helping to inform decisions about the allocation of funding between taxpayers and passengers. It is important to emphasise that these are estimates only, and there are arguably external benefits derived from the delivery of bus services that have not been captured in this fare determination process. In the same way, there are external costs which may also not have been captured, such as multimodal/network initiatives (eg 131 500; investments in interchanges) and local council costs.

At the same time, the Government has consistently advocated for the consideration of factors outside direct cost recovery in the determination of fares. These include the Government's policy of promoting social and economic inclusion by ensuring that public transport fares are affordable, especially for long-distance commuters; the Government's objective of encouraging more people to use public transport; and prevailing economic conditions.


Fares policy must achieve a sustainable outcome that balances appropriate cost recovery with the impact on commuters and the desire to make public transport an attractive alternative to private vehicle.

As outlined in the Government's response to the IPART Discussion Paper in June 2009, it is important that the full cost profile of the industry is understood when determining efficient operating costs. Ideally, then, cost data from as many operators as practical should be used with the objective of building a fully representative sample of costs in the industry as a whole. NSWTI acknowledges that, for some contract regions, there are some limitations in the available data and NSWTI is working with the operators concerned to address those issues. The broader availability of data will be useful to further inform future approaches to fare setting.

NSWTI also notes that forecasting patronage, especially in the short term with the impact of changing economic conditions, is not an exact science and assumptions can have significant impacts on estimates of required revenues and, therefore, fare levels. This serves to illustrate why economic factors alone should not be used to determine fare outcomes.

From the perspective of both passengers and operators, NSWTI believes there are benefits in considering changes to public transport fares for the various modes at the same time. For this reason NSWTI supports the introduction of a four-year price path for bus that corresponds to the determination for rail.

Yours sincerely



Les Wielinga
Director-General

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