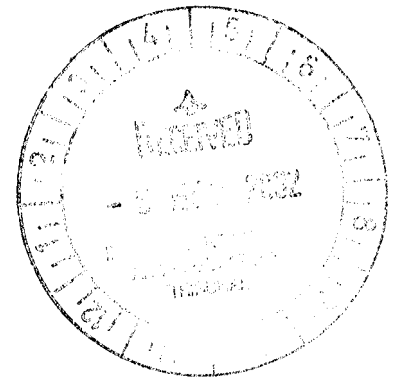




Minister for Transport
Minister for Roads



04 NOV 2002

Dr Tom Parry
Chairman
Independent Pricing and Regulatory Tribunal
Level 2
44 Market Street
SYDNEY NSW 2000

Dear Dr Parry

I am writing in relation to private bus/ferry and taxi fares.

As you are aware, for 2001-02 and 2002-03, the Independent Pricing and Regulatory Tribunal's (IPART) has provided recommendations to the Government on fare changes for these industries. The process has proved beneficial in that it better aligns the fare setting process for both Government-owned and private transport operators and provides the travelling public and operators with greater certainty regarding how fares are set.

You may also recall that the Public Accounts Committee Inquiry into the School Student Transport Scheme recommended that the IPART be given a standing reference to review private operator fares. As such, it is proposed that the IPART continues with this task.

To formalise this approach, I requested the Premier approve a 5 year standing reference under Section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992*, for the IPART to make recommendations on any fare changes. Most recently, the Premier approved this request and I am now writing to you to confirm that the **IPART** is to make recommendations on private bus/ferry and taxi fares up to and including the 2007-08 financial year.

The terms of reference are attached and you will note that they provide for specific matters to be considered in any particular year. For 2003-04, I would ask that the IPART consider the following matters in detail. You may recall that the IPART made comment on many of these issues during the 2002-03 review process:

- identification and broad assessment of alternative approaches to the Cost Index Model which is submitted by the Bus and Coach Association (BCA) as a basis for commercial bus operator fare changes;

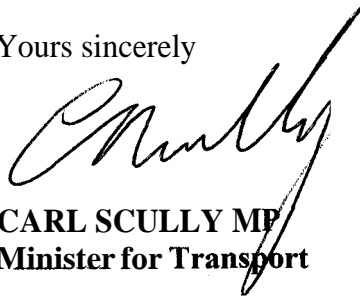
- identification and broad assessment of alternative approaches to the non-commercial model which is submitted by the Bus and Coach Association (BCA) as a basis for non-commercial bus operator payment changes, taking into account any relevant contractual issues; and
- an assessment of the cost items used in the cost index model submitted by the Taxi Council as a basis for establishing taxi fares. Additionally, it is requested that the IPART make recommendations regarding the specific changes to components of the fare structure (flagfall, distance, waiting time and radio) and the relationship to patronage.

In undertaking these tasks, I understand that it will be necessary to consult Transport NSW in relation to matters such as regulation of each industry and the proposed roll-out of the smart card, and with industry stakeholders in relation to the proposed reviews of cost index models. I further understand that the IPART is to release an issues paper on these matters so that the public and stakeholders have an opportunity to provide comments and debate these important matters.

In terms of timing, I would ask that the IPART seeks to report on these matters in June each year so that any fare changes can be considered and determined prior to the start of the financial year. However, for the 2003-04 review, I would ask that the process commences in April 2003 so that the private operator fare review process (and ultimate fare determination) can coincide with that of the process for Government-owned services, which is to commence at that time.

Finally, I can advise that funding for the IPART's 2003-04 review of private bus, ferry **and** taxi fares will again be sourced from Transport NSW.

Yours sincerely



CARL SCULLY MP
Minister for Transport

PRIVATE BUS INDUSTRY FARE REVIEW

Terms of Reference

I, Bob Carr, Premier, approve, under Section 9(1)(b) of the *Independent Pricing and Regulatory Tribunal Act 1992*, the Tribunal entering into an arrangement with the Minister for Transport to investigate and report on the following matters relating to the private bus industry:

1. fares for regular services regulated under the Passenger Transport Act 1990.
2. level of remuneration received from the Government for commercial and non commercial school services.

A final report is to be provided to the Minister for Transport by June each year.

In conducting this investigation, the Tribunal should consider:

- i. the cost of providing the services concerned;
- ii. relativities with the Government owned bus services, including in terms of service, efficiency, cost and ticketing products;
- iii. the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standards of service;
- iv. the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers;
- v. the impact of pricing policies on borrowing and capital requirements and, in particular, the impact of any need to renew or increase relevant assets;
- vi. the need to maintain ecologically sustainable development;
- vii. the social impact of the recommendations;
- viii. 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 as notified to the Tribunal by the Minister for Transport); and
- ix. the effect of any pricing recommendation on the level of Government funding provided to private operators under commercial and non-commercial contracts.

In conducting the investigation the Tribunal will invite submissions from the Bus and Coach Association, the relevant unions and other stakeholder groups including the general community.

PRIVATE FERRY INDUSTRY FARE REVIEW

Terms of Reference

I, Bob Carr, Premier, approve, under Section (1)(b) the *Independent Pricing and Regulatory Tribunal Act 1992*, the Tribunal entering into an arrangement with the Minister for Transport to investigate and report on the following matters relating to the private ferry industry:

1. fares for regular services regulated under the Passenger Transport Act 1990.
2. level of remuneration received from the Government for school student services delivered under commercial contracts.

A final report is to be provided to the Minister for Transport by June each year.

In conducting this investigation, the Tribunal should consider:

- i. the cost of providing the services concerned;
- ii. relativities with the Government owned ferry services, including in terms of service, efficiency, cost and ticketing products;
- iii. the protection of consumers from abuses of monopoly power in terms of prices, pricing policies **and** standards of service;
- iv. the need for greater efficiency in the supply of services so **as** to reduce costs for the benefit of consumers;
- v. the impact of pricing policies of borrowing and capital requirements and, in particular, the impact of any need to renew or increase relevant assets;
- vi. the need to maintain ecologically sustainable development;
- vii. the social impact of the recommendations;
- viii. 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 as notified to the Tribunal by the Minister for Transport); and
- ix. the effect of any pricing recommendation on the level of Government funding provided to private operators under commercial and non-commercial contracts.

In conducting the investigation the Tribunal will invite submissions from the private ferry operators, the relevant unions and other stakeholders, including user groups.

TAXI INDUSTRY FARE REVIEW

Terms of Reference

I, Bob Carr, Premier, approve, under Section 9(1)(b) the *Independent Pricing and Regulatory Tribunal Act 1992*, the Tribunal entering into an arrangement with the Minister for Transport to investigate and report on prices for taxi services regulated under the Passenger Transport Act 1990.

A final report is to be provided to the Minister for Transport by June each year.

In conducting this investigation, the Tribunal should consider:

- i. the cost of providing the services concerned;
- ii. the protection of consumers from abuses of monopoly power in terms prices, pricing policies and standards of service;
- iii. the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers;
- iv. the impact on pricing policies of borrowing and capital requirements **and**, in particular, the impact of any need to renew or increase relevant assets;
- v. the need to maintain ecologically sustainable development;
- vi. the social impact of the recommendations;
- vii. 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 as notified to the Tribunal by the Minister for Transport); and
- viii. the effect of any pricing recommendation on the level of Government funding.

In conducting the investigation, the Tribunal may consult with the Taxi Council and the relevant unions by arrangement with the Department of Transport.