

Independent Pricing and Regulatory Tribunal
New South Wales

Review of rural and regional bus fares from January 2018

**Maximum bus fares for regular bus passengers in rural
and regional NSW**



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Invitation for submissions

IPART invites written comment on this document and encourages all interested parties to provide submissions addressing the matters discussed.

Submissions are due by 29 June 2017

We would prefer to receive them electronically via our online submission form <www.ipart.nsw.gov.au/Home/Consumer_Information/Lodge_a_submission>.

You can also send comments by mail to:

Review of rural and regional bus fares
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If you would like further information on making a submission, IPART's submission policy is available on our website.



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1 Introduction

In rural and regional areas of NSW, public bus services are delivered by private bus operators under contracts with the NSW Government. Transport for NSW (TfNSW) administers the contracts, which define the services the operators provide and the payments they receive. The Independent Pricing and Regulatory Tribunal of NSW (IPART) determines the maximum fares the operators can charge passengers for these services.

IPART's current fare determination for rural and regional buses is due to be replaced on 31 December 2017, and we are conducting a review to determine the maximum fares that will apply from the beginning of next year. This paper explains what this review involves and how we will conduct it, outlines the issues we will consider, and seeks comments from stakeholders.

1.1 What does this review involve?

Since our last review in 2012, TfNSW has negotiated new contracts with rural and regional bus operators, and made major changes to the contracting arrangements.¹ IPART has also completed a review of fares for all public transport services in the Sydney metropolitan and outer metropolitan areas (Opal fares), using a new approach designed to promote more efficient delivery and use of public transport.² In light of these changes, we will revise our approach for setting rural and regional bus fares, and use this new approach to set maximum fares from 1 January 2018.

There have also been developments in how public transport can be delivered, including the emergence of more flexible, on-demand services. Rather than having fixed routes and timetables, on-demand services are provided when and where customers request them. As part of our review, we will consider the development of on-demand services and provide advice to help the Government explore how best to price them in rural and regional NSW.

1.2 What matters are we required to consider?

In making our fare determination, we are required to consider the matters set out in section 124(3) of the *Passenger Transport Act 2014* (the Act). These are the matters we typically consider in all our price reviews, including the cost of providing the services, the need for greater efficiency in supplying the services to reduce costs for the benefits of consumers and taxpayers, and the need to protect consumers from abuses of monopoly power.

The Minister for Transport's referral (Appendix A) also asks us to consider six additional matters, including:

¹ <https://www.transport.nsw.gov.au/operators/buses-coaches/contracts> accessed 3 May 2017.

² IPART, *More efficient, more integrated Opal fares – Final report*, May 2016.

- ▼ the equity of current rural and regional bus fares compared to Sydney metropolitan bus fares
- ▼ the benefits and costs of simplifying the current fare structure
- ▼ issues related to travel across borders, including concession fares and different eligibility criteria between states
- ▼ the development of on-demand services in regional areas
- ▼ issues related to eligibility of concession fares in NSW and the level of subsidy provided by the NSW Government, and
- ▼ customers' willingness and capacity to pay given demographics and current service quality in regional NSW.

1.3 How will we conduct this review?

In conducting the review, we will undertake public consultation, do research and analysis, and obtain expert advice. We have appointed a consultant (AECOM) to investigate and provide advice on efficient costs of providing rural and regional bus services in NSW.

This Issues Paper is the first step in our consultation process, and identifies the key issues on which we seek stakeholder input. We invite all interested parties to make submissions in response to the paper by 29 June 2017. Page iii (at the front of the paper) explains how to make a submission.

Once we have undertaken our analysis and considered the advice and submissions we receive, we will release a Draft Report that explains our draft determination, findings and recommendations, and seek further submissions. We will also hold at least two public forums – one in Sydney and one in a regional area – to provide stakeholders with another opportunity to comment on the Draft Report.

We will consider all submissions and public forum comments on the Draft Report before making our final determinations and recommendations, and provide our Final Report to the Minister for Transport and Infrastructure in December.

Table 1.1 sets out an indicative timetable for the review. We will update this timetable on our website as the review progresses.

Table 1.1 Indicative timetable for the review

Key milestone	Proposed timing
Release Issues Paper	16 May 2017
Submissions to Issues Paper due	29 June 2017
Release Draft Report	Mid-September 2017
Public hearing (Sydney)	October 2017
Public hearing (Regional NSW)	October 2017
Submissions to Draft Report due	October 2017
Provide Final Report to Minister	December 2017

1.4 The structure of this paper

The remaining chapters provide more information on the review, our proposed approach and the issues we will consider:

- ▼ Chapter 2 explains the context for the review, including information on users and providers of rural and regional bus services, and how and where they are provided.
- ▼ Chapter 3 outlines the assessment criteria that will be used to guide our decision-making for this review.
- ▼ Chapter 4 discusses our proposed approach for determining maximum fares.
- ▼ Chapter 5 focuses on our proposed approach for providing advice on the development of on-demand services in rural and regional NSW.

Each chapter identifies the issues on which we particularly seek stakeholder comment. For convenience, they are also listed below.

1.5 Issues we seek comment on

1	Do you agree with our proposed assessment criteria for the review? Which ones do you think are most important and why?	13
2	Do you agree we should determine fares for a five-year period? If not, what is the appropriate length of the fare determination?	15
3	Are there benefits of aligning the fare determination with the term of bus contracts?	15
4	Do you agree with our proposed approach for estimating the total efficient costs of providing rural and regional bus services? Are there other approaches or issues we should consider?	17
5	Do you agree with our proposed approach for estimating the efficient marginal costs of providing rural and regional bus services? Are there other approaches or issues we should consider?	19
6	What types of external benefits do you consider relevant in setting rural and regional bus fares?	19
7	Do you agree that the fare structure should be simplified? If so, how many sections do you think are appropriate and why?	22
8	Do you think there should be a different fare structure (or number of sections) for country town and regional routes between towns and cities?	22
9	Do you think there should be daily or weekly caps for travel on rural and regional bus services? Should IPART determine these caps or are operators better placed to understand where these may encourage more efficient use of bus services?	22
10	Should fares be more equitable between Sydney metropolitan area and rural and regional areas of NSW?	23

11	Do you consider that eligibility for RED ticket targets the people with the greatest need for concession fares?	24
12	Should the price of the daily cap for the RED ticket change in line with the general change in adult fares?	24
13	What do you consider are the biggest barriers to seamless bus travel in cross-border areas? To what extent do differences in fare structure between NSW and other states prevent travel across borders?	27
14	Should there be a mutual recognition of some or all concession cards across state borders for those living in cross-border areas?	27
15	Do you agree that social inclusion should be considered in the context of service provision and service coverage when planning for public transport services in regional areas?	30
16	In your regional area, which groups of people are most likely to use on-demand services, and how could this change over time?	34
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2 Context for this review

This review affects the maximum fares bus operators can charge from 1 January 2018 for all regular passenger services they provide under rural and regional bus service contracts, and the people who use and may potentially use these services. To provide context for the review, the following sections outline:

- ▼ the areas included in rural and regional NSW, and the passenger transport options in these areas
- ▼ who uses rural and regional bus services
- ▼ who provides these services and the recent changes to their contracting arrangements, and
- ▼ the contract areas and number of operators in each area.

2.1 Areas included in rural and regional NSW

For this review, rural and regional NSW includes all areas of the State except the Sydney metropolitan area, and the outer metropolitan areas including Newcastle, Wollongong, the Hunter region and Blue Mountains (see Figure 2.1).

Figure 2.1 Rural and regional NSW



Note: Bus services in the Hunter region are provided by both outer metropolitan bus services and rural and regional bus services.

Data source: Transport for NSW, *Public transport service planning guidelines – Rural and regional NSW*, October 2015, pp 4 and 10.

In these areas, public transport services are provided by buses, trains, taxis and community transport providers. However, the vast majority of trips are made by private vehicle. TfNSW reports that people within rural and regional areas make around 7.5 million trips every day, whereas:

- ▼ rural and regional buses carry just over 5.7 million passengers **per year**, and
- ▼ NSW TrainLink carries less than 1 million passengers **per year** within these areas.³

Transport for NSW note that public transport use in rural and regional NSW is influenced by access to private vehicles, the availability of parking at key locations and the frequency of bus services. The ease of car travel and low cost of and availability of parking in these areas means that public transport services are generally used by those in the community that are unable to drive or do not have a vehicle in the household.⁴

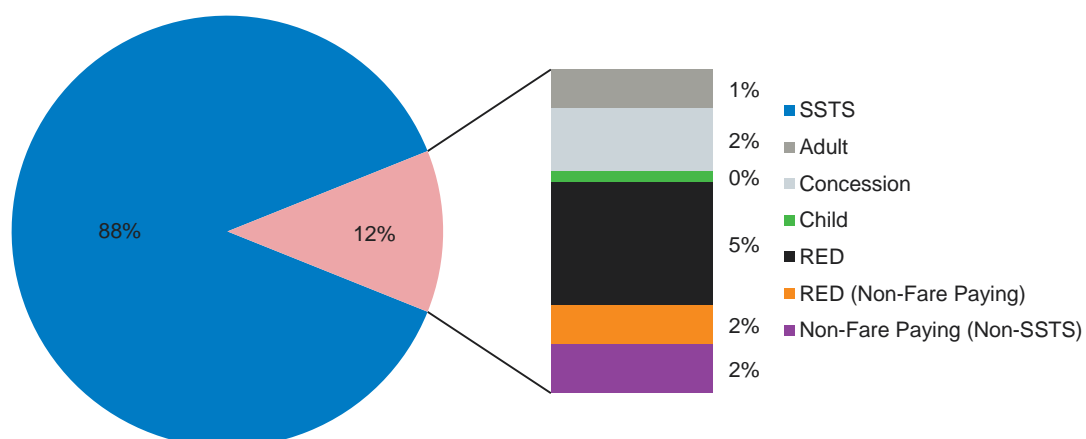
2.2 Who uses rural and regional bus services

Currently, the largest users of rural and regional buses are:

- ▼ school students who travel free under the School Student Transport Scheme (SSTS), and
- ▼ concession passengers who pay half fare, use the Regional Excursion Daily (RED) tickets or travel free.

Based on information from TfNSW on Large and Medium operators, trips by school students represent 88% of the total bus trips in rural and regional NSW. Around 10% of the trips are made by passengers paying half fare, using the RED tickets or travelling free. Only around 2% of the total bus trips are undertaken by full-fare paying adult passengers.⁵

Figure 2.2 Bus use in rural and regional areas



Note: Based on patronage information for the first six months since the commencement of the new contracting system as reported by the Large and Medium operators.

Data source: TfNSW.

³ Transport for NSW, *Public transport service planning guidelines – Rural and regional NSW*, October 2015, p 8.

⁴ Ibid.

⁵ We will incorporate information on Small and Very Small operators when they become available.

2.3 Who provides rural and regional bus services and their contracting arrangements

In rural and regional NSW, public bus services are provided by private bus operators under contracts with the NSW Government.⁶ The contracts are administered by TfNSW and specify the services the operator will provide (routes, timetables and service levels) and the payments from the Government. In total, these payments cost NSW taxpayers \$419 million per year.⁷ Operators retain the revenue they receive from fares. Operators may charge below the maximum fares determined by IPART if they wish.

At the time of our last review in 2012, there were two types of contracts for rural and regional bus services – Contract A and B. Contract A was for the provision of dedicated school bus services, and Contract B was for the provision of regular passenger services to fare-paying passengers. Contract B operators could also provide dedicated school services, and carry school students on regular passenger services without charging them fares. IPART determined the maximum fares operators under Contract B could charge fare-paying passengers.⁸

Last year, TfNSW introduced a new contract system and negotiated new contracts with the existing bus operators. The new contract system includes four types of contract – Large, Medium, Small and Very Small – based on the number of buses in the operator’s contracted fleet (see Table 2.1). The new contracts generally commenced between April 2016 and June 2016.

Some long distance bus services are provided under a special Funding Agreement with TfNSW by Murrays Australia and Premiers Motor Services. While these services are not included in the new contracts, we are required to determine maximum fares.

Currently, 576 operators deliver rural and regional bus services through 656 contracts. As Table 2.1 shows, around 94% of the new contracts are Very Small or Small contracts, and only 6% are Medium or Large contracts. The vast majority of operators on Small and Very Small contracts previously provided dedicated school bus services under the old Contract A. Most Large and Medium contracts delivered regular passenger services and dedicated school services under the old Contract B.

⁶ Other bus operators provide private bus services for longer journeys over 40 km (eg, Greyhound). These services are not provided under rural and regional bus contracts, and so are not affected by this review.

⁷ Transport for NSW.

⁸ IPART, *Rural and regional bus fares from January 2013 – Final report*, December 2012, pp 4-5.

Table 2.1 New contract types and number and percentage of operators

Contract type	Number of buses in contracted fleet	Number of contracts by contract type	% of contracts by contract type
Large	More than 40	7	1%
Medium	16 to 40	33	5%
Small	6 to 15	83	13%
Very Small	5 or less	533	81%
Total	-	656	100%

Source: TfNSW.

The new contracts measure performance against several Key Performance Indicators (KPIs). KPIs are reported in a consistent manner by all operators within the different types of service contract – Large, Medium, Small and Very Small.

The new contracts are for an initial term of five years and will be automatically extended for an additional three years, subject to the operator meeting the KPIs. All routes and timetables are specified in the contracts.

As under the old contracts, operators receive contract payments from the NSW Government. Annual contract payments are based on the services provided as specified in the contract, and are fixed during the contract period. However, the services can be varied during the contract period, and the rates for service variations are specified in the contracts.

Operators also retain all of the revenue collected from fare-paying passengers. Fare revenue is a very small proportion relative to the annual contract payments they receive from the Government. Based on information from TfNSW, the total revenues collected by Large and Medium operators from fares are estimated to be less than 5% of their total annual contract payments.⁹

One of the key changes from the old to the new system relates to the exclusivity of contract. The old contracts allowed bus operators exclusive right to provide services for journeys below 40 km.¹⁰ Under the new contract system, TfNSW may contract with one or more services providers to provide bus services along or near the routes covered by existing contracts.¹¹

Appendix B provides more detailed information on the new contract system compared to the old system.

2.4 Contract areas and number of contracts in each area

The new contract system divides rural and regional NSW into six contract regions, as shown on Figure 2.1. Table 2.2 shows the major population centres and the number and percentage

⁹ This figure is calculated based on annualised fare revenue collected by Large and Medium operators for the first six months since the commencement of the new contracting system.

¹⁰ IPART, *Rural and regional bus fares from January 2013 – Final report*, December 2012, p 10.

¹¹ Rural and regional bus service contracts, Clause 5.3, Contract templates are available at <https://www.transport.nsw.gov.au/operators/buses-coaches/contracts> accessed 3 May 2017.

of bus contracts under each type of contract in each of these regions. Operators service over 3,200 routes across rural and regional areas.¹²

Table 2.2 Number of bus contracts under each contract type by contract region

Region	Major regional centres	Large	Medium	Small	Very Small	Total
Central West & Western	Bathurst, Broken Hill, Dubbo, Orange	1	4	14	128	147
Illawarra	Nowra-Bomaderry, Ulladulla ^a	0	2	4	7	13
Murray-Murrumbidgee	Wagga Wagga, Albury-Wodonga	1	3	22	106	132
New England	Tamworth	1	11	16	118	146
North Coast	Coffs Harbour, Port Macquarie, Tweed Heads	3	8	19	91	121
Southern	Queanbeyan	1	5	8	83	97
Total		7	33	83	533	656

^a These are major towns.

Source: TfNSW.

¹² Information from TfNSW.

3 Proposed assessment criteria for this review

As Chapter 1 discussed, for this review we must determine the maximum fares for rural and regional bus services to apply from 1 January 2018, and provide advice on the development of on-demand services in rural and regional areas. In making our decisions, we will consider the matters specified in the Act and the Minister's referral (Section 1.2).

To guide us, we have developed a set of assessment criteria that reflect these matters. The sections below provide an overview of these criteria, and then discuss them in more detail.

3.1 Overview of our assessment criteria

We propose to use the following criteria to guide our approach and decision-making for this review, in that our review should result in fares that:

1. promote the efficient delivery and use of public transport
2. maximise benefits for customers
3. are logical, predictable and stable over time, and
4. consider the impacts on fare revenue and bus operators.

This differs from the approach we used when we last reviewed rural and regional bus fares in 2011. In that review, we considered the annual change in the costs of providing rural and regional bus services over the determination period, which we measured by updating the Bus Industry Cost Index (BICI). We then set fares to change in line with this change in costs.

As noted in Chapter 1, Transport for NSW (TfNSW) has negotiated new contracts with rural and regional bus operators, and made major changes to the contracting arrangements. There have also been developments in how public transport can be delivered, including the emergence of more flexible, on-demand services. Given these developments, we consider that it is important to adopt a new approach that considers the efficient costs and benefits of providing bus services as well as alternative transport options.

We also consider that a BICI approach would not allow us to take account of the additional matters we must consider in this review, specified in the Minister's referral. These include the equity of rural and regional bus fares compared to Sydney metropolitan bus fares, the benefits and costs of simplifying the current fare structure, and customers' willingness to pay, given demographics and current service quality in regional NSW.

In addition, using the criteria would be consistent with the approach we developed for our most recent determination of fares for Opal services in Sydney and surrounds. This review used similar criteria and we consider that they are relevant to all of our reviews of public transport services.

3.2 Promote the efficient delivery and use of public transport

The efficient delivery and use of public transport has two aspects:

- ▼ the costs incurred in providing the services are efficient (ie, they are not higher than necessary due to inefficient practices and investments), and
- ▼ the right amount of the right type of services is provided.

When a person chooses to use a public transport service there are costs and benefits to that person, and to the wider community (including other users of public transport). In the context of this review, people can choose between public and private transport (eg, buses and private cars). In addition public transport can be delivered using:

- ▼ different modes (eg, buses, taxis and community transport)
- ▼ different types of buses (eg, standard buses and mini-buses)
- ▼ different levels of flexibility (eg, fusing more frequent fixed-route bus services or greater use of on-demand services).

For this review, we propose to assess the efficient costs of providing rural and regional bus services, and compare them with the actual costs of these services (ie, the contract payments) and those of alternative services (such as taxis and community transport). In our view, only efficient costs should be taken into account in setting fares, as passengers should not be required to pay for inefficiencies. It will also help us understand how on-demand services could be used to promote efficient delivery of public transport services in rural and regional areas, and form our advice to the Government.

We also propose to consider external benefits of bus services and alternative transport options in rural and regional NSW (such as private vehicles, taxis and community transport) and take these into account in making our decisions (see Box 3.1).

In our recent review of fares for Opal services in Sydney and surrounds, we found most forms of public transport had external benefits compared to private transport. Fares that take these external benefits into account encourage more people to choose public transport by making it cheaper than it otherwise would be.

We also note that fares affect people's decisions about whether they use bus services, and how often they use them. For example, the overall fare influences how the cost of using buses compares to other options (such as taxis and community transport), as well as people's decisions about whether to travel at all. The fare structure (for example, whether fares keep increasing with the distance travelled, or are capped after a certain distance) can also affect these decisions, as can the availability of the service.

In line with the Minister's referral, we will specifically consider certain aspects of the current fares, including whether they are equitable compared to Sydney metropolitan bus fares, and the benefits and costs of simplifying the fare structure. We will also consider factors other than fares that are also important in influencing decisions on using bus services – including the availability, convenience, frequency, speed, comfort, safety and physical accessibility of services.

Chapter 4 outlines how we will consider these all of these matters when determining maximum fares.

Chapter 5 outlines how we will consider these factors providing advice on the development of on-demand services in rural and regional areas.

Box 3.1 External costs and benefits of transport

All motorised forms of transport impose external costs, including private transport (car, motorbike, truck) and public transport (train, bus, ferry, light rail). These costs include pollution (air pollution, greenhouse gases and noise), some accident costs, and costs associated with traffic congestion. They are borne by society through poorer health, higher mortality, medical costs, emergency services costs, and lower productivity.

But the size of these costs differs by form of transport and the context in which it is used. When people use public transport where it has lower external costs than the alternative transport options, some external costs are 'saved'. These saved costs are known as the 'external benefits' of public transport.

3.3 Maximise the benefits for customers

To maximise the benefits for customers we propose to balance the cost of delivering the bus services, the current level of services, and fare revenue.

Fares and fare changes have different impacts for individual passengers. We propose to assess the customer impact of potential fare changes in terms of:

- ▼ Fare equity – are people who make the same kinds of journeys paying the same fares. To assess this, we will compare rural and regional bus fares to Sydney metropolitan bus fares as well as fares in other jurisdictions. Chapter 4 outlines our preliminary analysis.
- ▼ Fare affordability – would people in rural and regional areas be able to pay the fares. To assess this, we will consider the average incomes in these areas and compare them with those in Sydney.

We will also consider customers' willingness to pay for public transport and the extent to which the level of demand will change in response to a change in fares (known as the price elasticity of demand).

If necessary, we will also consider whether the customer impacts mean that special arrangements should be put in place to transition fares from where they are to where they should be.

3.4 Logical, predictable and stable over time

In our view, it is important that fare structures and levels are logical, predictable and stable over time. Fares that reflect these principles provide a fairer system, allow people to work

out whether they are being charged correctly, and encourage more people to travel on public transport.

We note that there is an increasing role for technology to play in helping people use and pay for public transport (for example electronic ticketing and use of mobile phone applications). TfNSW has identified five key technology strategies to shape future transport decisions:

- ▼ **Personalise customer interaction.** Develop digital platforms to provide information, frictionless payment, easy navigation and two way engagement to customise transport experiences.
- ▼ **Transform the mass transit network.** Apply technologies to automate mass transit solutions, improve their efficiency, deliver better service frequency and reduce transit times.
- ▼ **Foster shared, demand-responsive services.** Develop flexible and shared-use transport service models to meet market needs and extend transport access.
- ▼ **Enable connected and automated vehicle platforms.** Support adoption of vehicles and infrastructure that use automation to efficiently, reliably and safely move people, goods and services.
- ▼ **Create intelligent transport networks, managed with data.** Install technologies and build networks that actively gather data. Use artificial intelligence and real time analytics to manage demand, optimise capacity, improve flows and customer outcomes.¹³

As part of this review, we will consider how our decisions and recommendations can assist Government in pursuing these strategies.

3.5 Consider impacts on fare revenue and bus operators

Changes in fares have an impact on the overall level of fare revenue collected by bus operators, and thus may affect their financial viability. In setting fares, we propose to assess the potential impact on operators' fare revenue. However, as Chapter 2 noted, the total revenues collected by Large and Medium operators from fares represent less than 5% of their total annual contract payments.¹⁴ We also note that under the contracts, if there is a material change in fares, TfNSW and bus operators can agree to an adjustment to the annual contract price to reflect the impact of the change in fare revenue.

IPART seeks comments on the following

- 1 Do you agree with our proposed assessment criteria for the review? Which ones do you think are most important and why?

¹³ TfNSW, Technology Roadmap available at <https://future.transport.nsw.gov.au/technology/program/overview/technology-strategies/>, accessed 4 May 2017.

¹⁴ This figure is calculated based on annualised fare revenue collected by Large and Medium operators for the first six months since the commencement of the new contracting system.

4 Determining maximum fares

In determining the maximum fares for rural and regional bus services, we will assess the following issues:

- ▼ the length of the determination period
- ▼ the efficient costs of providing the contracted services over this period
- ▼ the external benefits that arise when people use these services rather than alternative transport options
- ▼ the appropriate fare structure, including the benefits and costs of simplifying the current structure
- ▼ the equity of the current fares compared to Sydney metropolitan bus fares
- ▼ the eligibility of concession fares in NSW and the level of subsidy provided by the NSW Government, and
- ▼ the impact of different fare structures, concession eligibility and other factors affecting travel across borders.

The following section gives an overview of our proposed approach to determining maximum fares. The sections below then discuss each of these issues in more detail, including our proposed assessment approach and preliminary views where we have them.

4.1 Overview of our proposed approach to determining maximum fares

Setting the maximum fares for public transport typically involves deciding:

- ▼ how to share the efficient costs of providing bus services between the people who use rural and regional services (customers) and the community (taxpayers)
- ▼ how to share customers' portion of the costs between different groups of customers, such as those who travel long distances versus those who travel short distances, and those who use the services frequently versus those who use them occasionally, and
- ▼ how to encourage both the efficient use and delivery of public transport services so as to get the most benefits from these services for the least cost.

We propose to consider the efficient costs and benefits of providing bus services. We will consult with the community and review their feedback on fare structures and levels. In particular, we are keen to understand the extent to which the level of demand will change in response to a change in fares (known as the price elasticity of demand).

We then propose to consider a range of options for fares. We propose to assess these options and make draft decisions that provide fare outcomes that balance our assessment criteria (see Chapter 3). We will invite comments on our draft decisions before making our final determination of maximum fares.

4.2 Length of determination period

Typically, the length of our price determinations ranges from one to five years. For this review, we propose to determine fares for a five-year period, from 1 January 2018 to 31 December 2022. This would align the determination period with the initial term of the new bus operator contracts, which may have practical benefits. Compared to a shorter period, it would make fares more predictable and stable over time, consistent with our third assessment criteria (discussed in Chapter 3).

IPART seeks comments on the following

- 2 Do you agree we should determine fares for a five-year period? If not, what is the appropriate length of the fare determination?
- 3 Are there benefits of aligning the fare determination with the term of bus contracts?

4.3 Efficient costs of providing bus services

Unlike some of the Sydney metropolitan bus contracts, the recent rural and regional bus contracts were not competitively tendered. Competitive tendering of contracts can be used to determine the efficient cost of providing services. In the absence of competitive tendering, to assess the efficient costs of providing the services, we propose to estimate:

- ▼ the total efficient costs of providing the contracted services in each year of the determination period, and
- ▼ the efficient marginal cost of providing these services.

We need to understand both these costs to set fares that promote the efficient delivery and use of public transport (our first assessment criteria). We expect that the efficient costs will vary according to the size and type of fleet used to deliver services. As Chapter 2 discussed, there are four types of contract, based on the size of the operator's contracted bus fleet – Large, Medium, Small and Very Small.

4.3.1 Estimating total efficient costs

To estimate the total efficient costs, we propose to use a building block approach. This approach is commonly used by IPART and other regulators to estimate the total revenue a business needs to generate to recover the efficient costs of providing the regulated services to the required standard over the price determination period.

For rural and regional bus services, we will establish a separate building block model for services provided under Large, Medium, Small and Very Small contracts. For each contract type, we will calculate and add the following 'cost blocks' for each year of the determination period:

- ▼ operating expenditure
- ▼ an allowance for a return on assets
- ▼ an allowance for a return of assets (depreciation), and
- ▼ allowances for tax and working capital.

Operating expenditure

This cost block represents an estimate of the efficient operating costs associated with providing the contracted bus services. Operating costs include day-to-day costs such as driver costs; fuel costs; bus-related costs including registration, insurance, repairs and maintenance; overheads and administration costs (such as accountancy/legal fees, non-bus insurance and utility costs).

To assist us in estimating these costs, we have engaged an external consultant, AECOM, to review the total efficient operating and capital costs each type of operator would need to incur to provide the contracted level of services for the next five years.

As part of this task, AECOM will examine whether there are currently cost inefficiencies in providing these bus services, and whether there are constraints that may prevent bus operators achieving efficient costs. This will involve evaluating whether the current bus fleet is appropriate to deliver the contracted level of service, and whether the contracted level of service is being provided for the least cost. The carrying capacity of buses in some areas may be higher than the demand for services provided at different times of the day – particularly, in areas where buses are mainly used to provide school services during the morning and afternoon peak periods or seasonal services.

Many operators also use their buses to provide charter services. These services generate additional unregulated revenue that can be used to cover a proportion of overhead and administration costs. We have asked AECOM to consider the impact of this revenue on the efficient costs of the regulated services.

Our detailed cost analysis will help us estimate the allowances for a return on assets and depreciation (discussed below). In addition, it will provide information on whether rural and regional public transport services can be delivered more efficiently in the future – for example, by greater use of smaller and more economical buses, and/or more flexible, point-to-point or on-demand services.

Allowance for a return on assets

This cost block represents an assessment of the opportunity cost of the capital invested in the physical assets necessary to provide the contracted bus services (such as bus fleet, depots and equipment). To calculate this allowance, we need to:

- ▼ Estimate the value of the necessary assets at the start of the determination period (the initial asset base).
- ▼ Decide on the appropriate rate of return for the rural and regional bus industry. We will use our standard weighted average cost of capital (WACC) methodology to decide on this rate. See Appendix C.
- ▼ ‘Roll forward’ the value of the asset base each year to reflect expected changes in this value (including capital expenditure on additional buses) over the determination period.
- ▼ Multiply the value of the asset base in each year by the rate of return.

The asset base refers to the value of a business' assets used to provide the relevant services, which are funded by shareholders. The current funding model for buses will also need to be considered when estimating the asset base (See Fleet funding in Table B.2, Appendix B). Once the value of the initial asset base is established, this value is 'rolled forward' at the end of each year in a price setting period. Typically it is adjusted to reflect capital expenditure, asset disposals, depreciation and the consumer price index (CPI) over the year.

As this is the first time we are applying a building block approach to determine the total efficient costs of rural and regional bus services, we need to determine an initial asset base for rural and regional bus services. The primary assets associated with providing bus services include buses, depots and office space.

We note that there is an observable market value for most buses (both new and second hand). We will consider these market values and also consider the funding model for new buses in establishing the initial asset base and making a decision on how to roll these values forward each year.

Allowance for a return of assets (depreciation)

This allowance recognises that through the provision of the services, the buses and other assets will wear out over time, and therefore operators need to recover the cost of the assets over their lives. To calculate this allowance, we will need to decide on the appropriate asset lives and depreciation method.

Allowances for tax and working capital

We will use our standard methodologies to calculate these allowances.

IPART seeks comments on the following

- 4 Do you agree with our proposed approach for estimating the total efficient costs of providing rural and regional bus services? Are there other approaches or issues we should consider?

4.3.2 Estimating the efficient marginal cost

The marginal cost of a good or service is the additional operating and capital cost associated with producing one additional unit of that good or service. For rural and regional bus services, this cost can be measured as one additional passenger journey or passenger kilometre, or an increment of passenger journeys or passenger kilometres.¹⁵

If the marginal cost is measured as one passenger journey, the result would vary widely depending on the spare carrying capacity on the service. If the bus is nearly empty, the additional cost of carrying one additional passenger would be close to zero. However, if it is completely full and a new service is required to carry the additional passenger, the marginal cost would be the full cost of providing the new service. Fares that reflected the full

¹⁵ It can also be measured by estimating the reduction in the total efficient cost that would result from a reduction in the demand for the bus services.

incremental costs of providing a new bus would not meet our assessment criteria – to maximise benefit for customers and to be stable over time.

Instead, an average incremental cost approach could be used to generate more stable and understandable fares. We could examine how the total cost of providing bus services would increase (or decrease) if a large increment of patronage were added (or subtracted). This increment could be, for example, 10% of total demand at the given time of day. During the peak hour, this increment would probably create the need to invest in a larger bus fleet. Hence the peak incremental costs would include capital costs.

In contrast, out of peak hours, a 10% increment in demand would probably be able to be met with the existing fleet. Hence, the off-peak incremental costs would include only operating costs, so it would be lower than the peak capital costs.

Some of the costs of providing bus services are driven by the number of passenger journeys, irrespective of the distance travelled by each passenger. The capacity of the bus network is primarily affected by the need to meet peak demand, which tends to be much more concentrated both time-wise and geographically than off-peak demand. Therefore, the number of passenger journeys during the peak times contributes most to the overall costs associated with establishing the bus network capacity such as vehicle fleet size and the number of services available.

In rural and regional NSW, bus services are provided with the aim to ensure equity of access for all residents. Bus services typically cover a large geographical area. School travel represents over 88% of bus journeys.¹⁶ As a result, providing school bus services is likely to determine the peak demand and the type of vehicle available for off-peak services, and hence impacts on the costs of providing services.

Other costs are driven by the total distance travelled, irrespective of how many passengers are on the buses. For example bus operating costs are likely to vary by the distance travelled. Compared to trains and ferries, the efficient marginal costs of providing bus services are generally driven by the distance travelled (number of passenger km) rather than by the number of passenger journeys. This is because variable costs such as fuel, driver labour and vehicle costs, which increase with the distance travelled, represent a high proportion of the total costs of providing bus services.

To assist us in exploring these issues, AECOM will provide advice on the efficient marginal costs for:

- ▼ different operator types (ie, Large, Medium, Small and Very Small)
- ▼ different time of day (ie, morning and afternoon)
- ▼ different contract regions (Central West & Western, Illawarra, Murray-Murrumbidgee, New England North West, North Coast and Southern), and
- ▼ varying levels of spare capacity on bus services (ie, utilisation).

¹⁶ Based on patronage information from TfNSW for the first six months since the commencement of the new contracting system as reported by Large and Medium operators.

IPART seeks comments on the following

- 5 Do you agree with our proposed approach for estimating the efficient marginal costs of providing rural and regional bus services? Are there other approaches or issues we should consider?

4.4 External benefits of using the bus services

As Chapter 3 discussed, to encourage the efficient use of public transport services, fares should take account of the external benefits of using these services as well as the efficient costs of providing them. In the Opal fare review in 2016, we estimated the external benefits associated with using public transport (see Table D.1 in Appendix D).

Our preliminary view is that the magnitude and nature of external benefits are likely to be small in rural and regional areas.¹⁷ First, the congestion effects are likely to be small. Second, many people using rural and regional buses may not have access to a private vehicle which means that the avoided road congestion of using public transport would be smaller in rural and regional areas than in Sydney and surrounds.

In our previous public transport reviews, we have not estimated and considered the external benefits of social inclusion when setting fares, as in our view many of these benefits are private (ie, they benefit the person using public transport rather than society in general). The ability of people to access resources such as education, employment, health and other services (eg, cultural, sporting activities) improves a person's well-being. These well-being benefits are not external to the user, and therefore are not relevant in how we set adult (or full paying) fares.

Our preliminary view is that social inclusion benefits are important and should be considered for setting concessions policy and in assessing the level of service provision and service coverage in planning rural and regional transport. That is, it is important to ensure a minimum level of public transport services is available to allow those who don't have access to private vehicles to participate in society. We propose to consider this issue in forming our advice on on-demand transport services in rural and regional areas, discussed in Chapter 5.

IPART seeks comments on the following

- 6 What types of external benefits do you consider relevant in setting rural and regional bus fares?

4.5 Appropriate fare structure

Fare structure refers to the range of elements that determine how the fare for a particular public transport journey is calculated. It includes elements such as if and how fares vary based on the origin and destination of the journey (eg, if there is a distance or zonal fare structure), if and how fares vary by the time-of-day or day-of-week the journey is undertaken (eg, if there are peak and off-peak fares), as well as if and how fare discounts or

¹⁷ We note that the method we used to calculate external benefits for Opal services cannot be applied for rural and regional bus services. The Strategic Transport Model that we used to estimate travel behaviour does not cover regional NSW.

caps apply after a certain number of journeys within a defined period (eg, daily and weekly caps).

4.5.1 Distance based fares

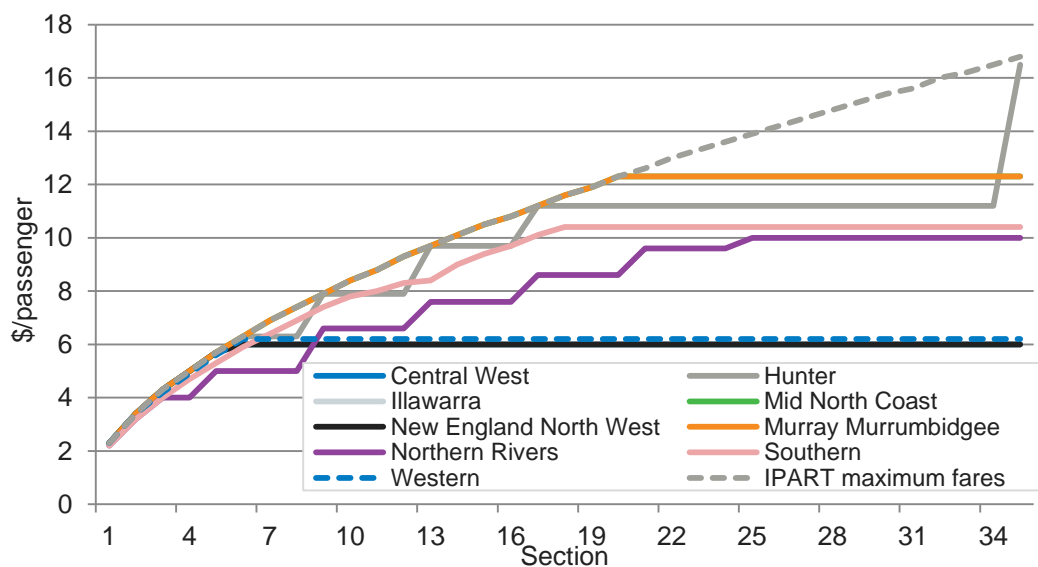
Currently, the maximum fares we set are contained in the fare schedule of our rural and regional bus determination. These fares have a distance-based structure, so the price a passenger pays depends on the length of their bus journey. Distance is measured in sections of approximately 1.6 km, and there is a separate fare increment for each section. There are up to 220 sections, allowing for passenger journeys of up to 350 km.¹⁸

Fares that vary with distance travelled tend to be efficient if costs vary by distance, as they do for bus services. We note that other states also use time based and zonal fare structures.

We propose to consider whether the current distance-based fare structure is appropriate, and the costs and benefits of simplifying it. As preliminary analysis, we have compared the actual fares charged by a sample of bus operators in nine different rural and regional areas to the maximum fares for journeys of up to 35 sections under the current determination (Figure 4.1).

This analysis suggests that the actual fares bus operators charge have a simpler fare structure, with fewer sections, than we use to set maximum fares. Most of those in our sample have 25 sections or less, so fares for longer journeys are capped at the fare for the last section.

Figure 4.1 Maximum regulated bus fares compared to actual fares charged by sample of bus operators



Data source: <http://www.buslinesgroup.com.au/orange-fares> for Central West, <http://www.buslinesgroup.com.au/picton> for Illawarra, <http://www.busways.com.au/travelling-with-us/fares-coffs-harbour> for Mid North Coast, <http://blanchs.com.au/fares/> for Northern Rivers, <http://www.buslinesgroup.com.au/tamworth-fares> for New England North West, <http://qcitytransit.com.au/fares-sections> for Southern, <http://www.busaboutwagga.com.au/faresandsections.html> for Murray-Murrumbidgee, <http://www.murtons.com.au/fares.asp> for Western; IPART analysis.

¹⁸ IPART, *Maximum fares for rural and regional buses from 1 January 2017 – Fact sheet*, 18 November 2016.

In addition, only two contracted bus operators – Murrays Australia and Premiers Motor Services – provide long route services beyond 200 sections, and these long-distance services are not covered under the new contract system. As discussed in Chapter 2, we will determine the maximum fares for these operators as part of this review.

Further, based on data from our 2012 review, typical passenger journeys on rural and regional buses (implied by the number of sections bus operators set fares for) appear to be no more than 32 km or 20 sections.¹⁹ This indicates that there is a mismatch between the number of sections that we set fares for and the typical journey for a rural and regional passenger.

We consider the length of typical passenger journeys is likely to be different for trips on country town routes, and trips on regional routes between towns and cities. We will consider whether a different fare structure is warranted on these different routes.

4.5.2 Peak and off-peak fares

Fares can also vary by the time of day or the day of week to reflect the higher costs of providing services during peak periods. For example, for Opal train services peak fares are 30% higher than off-peak fares. A price differential between peak and off-peak times may also promote more efficient use of spare capacity and delay the need for additional investment to meet demand.

We note however that for rural and regional bus services, peak demand is mainly driven by school services – the majority of school students receive free travel²⁰ and cannot easily change their travel times.

4.5.3 Discounts for frequent travel including daily and weekly caps

Discounts for more frequent travel can reduce the price of travel for those people who use the system often. They can provide efficiency benefits where additional trips are made that otherwise would not have been made and can also make travel more affordable for people who use the system often. Fares for Opal services currently include a daily cap of \$15 and weekly cap of \$60 as well as half price travel after eight journeys.²¹

IPART's current determination sets fares for single trips only. As noted above, operators can charge fares below the maximum and could potentially apply daily or weekly caps for more frequent travel. However, we note that in the absence of electronic ticketing, this may be administratively complex for operators and the benefits of encouraging greater demand may not exceed the costs of implementing the caps.

We propose to consider whether a daily or weekly cap should apply to rural and regional bus services and how these would be best implemented.

¹⁹ IPART, *Rural and regional bus fares from January 2013 – Final report*, December 2012, p 30.

²⁰ The bus contract payments (funded by taxpayers) cover the costs of providing free school travel.

²¹ <https://www.opal.com.au/en/about-opal/benefits-of-travelling-with-opal-card/>, accessed 11 May 2017.

IPART seeks comments on the following

- 7 Do you agree that the fare structure should be simplified? If so, how many sections do you think are appropriate and why?
- 8 Do you think there should be a different fare structure (or number of sections) for country town and regional routes between towns and cities?
- 9 Do you think there should be daily or weekly caps for travel on rural and regional bus services? Should IPART determine these caps or are operators better placed to understand where these may encourage more efficient use of bus services?

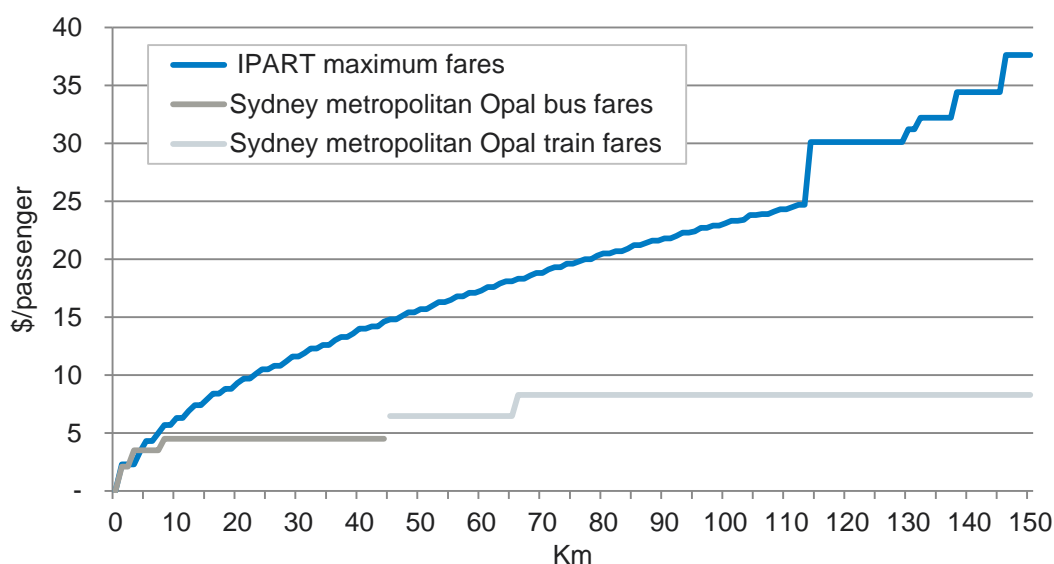
4.6 Equity of current fares compared to Sydney metropolitan bus fares

The Minister's referral specifically asks us to consider the equity of current rural and regional bus fares compared to Sydney metropolitan bus fares. One way to assess fare equity is to compare rural and regional bus fares for journeys of different distances to fares in the Sydney metropolitan area and in other jurisdictions for the same distances.

Our preliminary analysis is shown in Figure 4.2, and compares current maximum fares for rural and regional buses and the Sydney metropolitan bus and train fares for trips up to 150 km.²²

This analysis suggests rural and regional bus fares are similar to Sydney metropolitan Opal bus fares for short trips (up to Section 2, or around 3.2 km), but are materially higher for longer trips. For example, for a journey of 44 km, the maximum single adult fare in rural and regional NSW is \$14.60, compared to \$4.50 in the Sydney metro area.

Figure 4.2 Maximum rural and regional bus fares vs Sydney metropolitan Opal fares



Note: Opal bus and train fares are based on Adult Opal card fares. Adult Opal single trip ticket fares are higher than Adult Opal card fares. The longest bus route in Sydney is a distance of 44 km. Beyond 44 km, the figure shows train fares for comparison.

Data source: TfNSW; IPART analysis.

²² Note that rural and regional bus services extend to over 350 km.

However, as noted above, the costs and benefits of rural and regional buses are likely to be different to Sydney metropolitan buses, and we need to consider these differences as well as equity in determining fares.

IPART seeks comments on the following

- 10 Should fares be more equitable between Sydney metropolitan area and rural and regional areas of NSW?

4.7 Concession arrangements for rural and regional buses

Rural and regional bus services provide concession pricing for students, economically disadvantaged and older people. Concession pricing usually serves social policy objectives and is a matter for the Government, and so falls outside the scope of IPART's fare reviews. However, for this review, we have been asked to consider issues related to the eligibility of concession fares in NSW and the level of subsidy provided by the NSW Government.

We have **not** been asked to review the free travel arrangements for school students under the SSTS.

4.7.1 Eligibility of concessions for rural and regional buses

The people who are eligible for concessional pricing are identified in TfNSW's Rural and Regional Bus Service Contracts.²³ The types of travel entitlements on rural and regional buses include:

- ▼ free travel for young children, school students (under SSTS arrangements), profoundly disabled people, veterans and war widow/ers
- ▼ half fare concessions for primary, secondary, tertiary students and apprentices/trainees, jobseekers, pensioners,²⁴ seniors and NSW and Victorian War Widow/ers, and
- ▼ \$2.50 capped all day travel for all pensioners, NSW seniors and NSW & Victorian War Widow/ers on a RED ticket.²⁵

Generally, the same categories of people are eligible for free travel and half price concessions when travelling on the Opal network compared to rural and regional buses.

On the Opal network, the Gold Opal card entitles pensioners, seniors and NSW War Widow/ers unlimited daily travel for the capped price of \$2.50 similar to the RED ticket in regional areas.²⁶ Gold Opals replaced the previous paper Pensioner Excursion Ticket (PET) which provided all-day travel for a fixed price of \$2.50 – a price that has remained unchanged since 2005.²⁷

²³ <http://www.transport.nsw.gov.au/sites/default/files/b2b/bus/draft-rrbsc-medium-271115.pdf>, pp 143-146 accessed 4 May 2017.

²⁴ Pensioners in this context are holders of Commonwealth Pension Concession Cards issued by Centrelink and may therefore include some young people.

²⁵ See Appendix F.

²⁶ https://www.opal.com.au/en/about-opal/opal_for_senior_pensioners/ accessed 3 May 2017.

²⁷ IPART, Final Report, *More efficient, more integrated Opal fares*, p 73.

As part of our review of Opal fares in 2016 we made recommendations on concession arrangements including the Gold Opal. We considered that the benefits of concession arrangements should be targeted at the people who most need them.

In our view, it is appropriate for governments to decide which groups of customers should receive additional direct subsidy through concessions, and the size of the subsidy, based on the government's social policy objectives. The provision of half price concession fares to groups with very low incomes is standard practice in transport fare schemes.

In the case of Gold Opal, we found that the daily cap of \$2.50 provided a further direct subsidy to some groups of customers and was set so low relative to concession fares, that Gold Opal customers may pay significantly less than half the adult fare. In addition, the eligibility criteria for Gold Opal are relatively broad. We recommended that:

- ▼ The daily cap for Gold opal be increased from \$2.50 to \$3.60 and increase annually in line with adult fares after this.²⁸
- ▼ Seniors Card holders should be eligible for half fare concessions rather than the Gold Opal. However, if Seniors Card holders continue to be eligible for the Gold Opal, the Government should review the eligibility arrangements for the Gold Opal.

We considered that this would be an affordable increase given that the cap had not increased for 11 years while the general level of prices (measured by the CPI) had risen by 32% and pensions had increased 74% over this period.²⁹

In rural and regional areas, the price of the RED ticket has remained fixed at \$2.50, similar to the Gold Opal. However, all pensions and other Government income support payments are regularly adjusted with cost of living changes. For example, most pensions are indexed twice each year.³⁰ Over the last five years, adult fares for rural and regional bus fares have increased by an average of 1.4% each year.³¹

Similar to our recommendation for the Gold Opal, we will review the eligibility for and the daily cap of the RED ticket.

IPART seeks comments on the following

- 11 Do you consider that eligibility for RED ticket targets the people with the greatest need for concession fares?
- 12 Should the price of the daily cap for the RED ticket change in line with the general change in adult fares?

²⁸ As at May 2017, Government has not implemented this recommendation.

²⁹ IPART, Final Report, *More efficient, more integrated Opal fares*, p 75.

³⁰ Currently, pensions are indexed by the greater of the movement of CPI or the Pensioner and Beneficiary Living Cost Index (PBLCI) and benchmarked against a percentage of Male Total Average Weekly Earnings (MTAWE).

http://www.aph.gov.au/about_parliament/parliamentary_departments/parliamentary_library/pubs/rp/budgetreview201415/indexation accessed 4 May 2017.

³¹ IPART calculations.

4.8 Cross border travel issues

For some people living in rural and regional NSW, the closest capital or regional city may be in a neighbouring state or territory. It may be more convenient for them to travel across borders for work, education, business or to access key services. However, if public bus services are not available, not well integrated or uneconomical, people may be inhibited from doing this.

The NSW Government is committed to collaborating with other states on cross-border travel issues. It has signed Memorandum of Understandings (MOUs) with the ACT and Queensland Governments to ensure local public transport for people living in cross-border regions should be seamless. The MOUs identify integrated border bus services and greater efficiency in delivering flexible transport solutions as priority areas. The NSW Government has also appointed a NSW Cross Border Commissioner to identify and help resolve issues that occur by being located near a state border.³²

For this review, we have been asked to consider issues related to bus travel across borders, including concession fares and different eligibility between states. The following sections explore key issues, including where bus travel across borders occurs, the different fare structures and pricing between different states, the applicability of concessions and subsidies, and connectivity of services across borders.

4.8.1 Where cross-border travel issues exist

NSW shares a border with four other Australian states – Queensland, the ACT, Victoria and South Australia. The NSW Cross Border Commissioner has identified several areas where public bus transport across NSW borders can be problematic, particularly in densely populated areas such as the Tweed/Coolangatta and on the ACT border.³³

Commuters on the Queensland-NSW border travel frequently both north and south. For example, about 30% of people in the Tweed area work in Queensland and about 15% of children go to school there.³⁴ Many other services used by NSW residents including the Gold Coast airport are located in Queensland.

In the ACT, Canberra provides key educational and government services as well as the main airport in the region, while the regional NSW centre of Queanbeyan provides much of the commercial and industrial development for the area. There are an estimated 20,000 traffic movements from NSW into the ACT daily.³⁵

Most of the traffic movement on the NSW-Victorian border occurs around the more densely settled twin towns of the Murray River, including Albury-Wodonga, Wentworth-Mildura, Moama-Echuca and Tocumwal-Cobram.³⁶

³² http://www.dpc.nsw.gov.au/programs_and_services/office_of_the_nsw_cross_border_commissioner, accessed 1 May 2017.

³³ Correspondence with Cross Border Commissioner, April 2017.

³⁴ <http://www.goldcoastbulletin.com.au/news/sun-community/a-go-card-extension-over-the-border-could-see-a-push-for-the-light-rail-to-travel-further-south/news-story/8bdc54d3e8befac96baf478a092cbb70>

³⁵ Correspondence with Cross Border Commissioner, April 2017.

³⁶ NSW Government, Trade and Investment Cross-Border Commissioner, *NSW Cross-Border Commissioner Listening Tour Report*, 21 May 2012, p 7.

Far Western NSW is very sparsely populated with Broken Hill as the major centre. Adelaide is the closest capital city to Broken Hill, and tends to be the main supply source for Broken Hill.

4.8.2 Fare structures in NSW and bordering states

The fare structure for rural and regional buses in NSW is different to that in other states as shown in Table 4.1. Ticket prices also vary (see Appendix E).

As explained earlier NSW uses a distance-based fare structure. However, other states use a time-based or zonal system.

Table 4.1 Overview of fare structure, pricing and ticketing systems across borders

State/Area	Fares		Ticketing system
	Basis for structure	Basis for pricing	
NSW Sydney Metro	Distance	Sections (1.6km average over bus route capped at 8km ^a)	Electronic Opal card
NSW rural/regional	Distance	Sections - up to 220 (1.6km average over bus route – not capped) ^b	Paper ticket
ACT (Canberra)	Time	Flat rate for 90 mins includes free transfers	Electronic MyWay card (cash fares also available)
Queensland (Gold Coast/Brisbane)	Zones	8 zones maximum with fare based on the location of the start and end point of journey	Electronic go card (cash fares also available)
Victoria (Some Regional towns, eg, Wodonga)	Time	Flat rate for 2 hrs includes free transfers, daily, weekly, monthly tickets also available	Paper ticket
Victoria (Metropolitan and some Regional towns)	Time + Zone	Flat rate for 2 hrs includes free transfers (based on location of start and end point of journey), daily, weekly, monthly, annual tickets also available	Electronic Myki card

a Transport for NSW specifies the maximum fare which may be charged for a given section. Sections must average 1.6km in length over the entire length of a bus route, but may vary between 1.3 and 1.9 km.

b However, most bus operators set fares up to 25 sections.

Source: <https://www.transport.act.gov.au/myway-and-fares/fares>; <https://translink.com.au/tickets-and-fares/fares-and-zones/current-fares>; <https://www.ptv.vic.gov.au/tickets/general-information/victorian-fares-and-ticketing-manual/>; accessed 4 May 2017.

4.8.3 Pricing in NSW and bordering states

Price differences between NSW rural and regional areas and regional centres in neighbouring states may be significant. Appendix E provides a comparison of fare schedules for select buses operating either side of the NSW-ACT, NSW-Queensland and NSW-Victorian border.

4.8.4 Concessions eligibility in NSW and bordering states

Our preliminary analysis indicates that concession eligibility is similar across states as seen in Appendix F. Most jurisdictions accept a variety of transport concession authority cards issued by the Commonwealth Government (eg, Pensioner Concession Card issued by Centrelink and Gold or White Veterans/War Widow/ers Card issued by the Department of Veterans Affairs and their own State-issued cards such as Seniors cards).

However, there is some variability among jurisdictions in accepting concession cards issued by neighbouring states outside their own borders. For example, the NSW RED ticket is not recognised across borders. Within NSW, all Pensioner Concession Card holders and NSW Seniors (but not Seniors from states and territories outside NSW) are eligible for concessional travel using a RED ticket.

4.8.5 Connectivity of services between states

Connectivity of services relates to how quality of service impacts on customers use of services. Border communities may face disproportionate impacts on their ability to access public transport due to the need to use multiple ticketing systems, bus routes and timetabling in travelling from one location on one side of the border to another location on the other side of the border.

IPART seeks comments on the following

- 13 What do you consider are the biggest barriers to seamless bus travel in cross-border areas? To what extent do differences in fare structure between NSW and other states prevent travel across borders?
- 14 Should there be a mutual recognition of some or all concession cards across state borders for those living in cross-border areas?

5 Pricing on-demand services

On-demand transport services are a more flexible and customer-focused way to meet people's travel needs. They differ from traditional public transport services in that some aspects of the service vary according to customer needs and demand – for example, the departure time, route, pick-up and drop-off points, type of vehicle, and payment method. The customer experience of on-demand services sits somewhere between travelling by private car and catching a traditional, fixed-route public transport service.³⁷

The NSW Government is working towards incorporating on-demand services into the package of transport options it provides for people in regional areas. For example, it has developed a policy framework for delivering public transport services in these areas that recognises the important role on-demand services can play. It already provides one type of on-demand transport services in these areas through contracts with 92 community transport organisations³⁸ and funding of \$74 million a year.³⁹ And it recently committed \$15.5 million a year to improve point-to-point⁴⁰ transport services for customers with disabilities.⁴¹

Over the next 10 years, Transport for NSW (TfNSW) plans to undertake transport service planning reviews for all the major regional centres, major towns, towns and villages identified in the Regional Transport Plans. We propose to provide advice on the cost and pricing of on-demand services within this context, to assist the Government in planning how best to use on-demand services to meet people's travel needs in regional areas. Competition for on-demand services could drive innovation and provide service improvements for customers and efficiency gains for the wider community.

The section below provides more information on how the Government plans to deliver public transport services in regional areas. The next sections discuss the key issues we propose to consider in forming our advice on on-demand transport services, including:

- ▼ the demand and need for these services
- ▼ the types of on-demand services that could be used to meet different transport needs
- ▼ the costs of delivering different types of on-demand services, and
- ▼ the potential providers of on-demand services.

³⁷ A range of terminology is used to describe on-demand services, including flexible transport and demand responsive transport. In this paper, we are using on-demand services.

³⁸ <http://www.transport.nsw.gov.au/operators/community-transport-operators> accessed 10 May 2017

³⁹ Correspondence with Transport for NSW on 21 April 2017.

⁴⁰ Point-to-point transport services are defined in Section 5.1.2.

⁴¹ <http://www.transport.nsw.gov.au/sites/default/files/b2b/publications/point-to-point-accessibility-and-inclusion-fact-sheet.pdf>

5.1 Planning for public transport services in regional areas

As noted above, the NSW Government has a comprehensive planning framework for delivering public transport services in regional areas. It has also introduced reforms to the point-to-point transport industry that will facilitate the development of on-demand services in regional NSW, and is undertaking pilot studies to explore and test on-demand services.

5.1.1 Planning framework

The Government's planning framework includes a 20-year master plan, Regional Transport Plans, and guidelines for public transport service planning. Box 5.1 provides more detail. Within this framework, TfNSW is responsible for providing an integrated approach to planning and delivering a safe, reliable and efficient transport service in regional areas. These include different combinations of:

- ▼ fixed route and timetabled services such as bus, coach, train and plane, and
- ▼ on-demand services such as community transport, taxis, hire car, tourist and ride share.

Box 5.1 Planning framework for public transport services in regional areas

The Government's planning framework for providing public transport services comprises five elements:

- ▼ **NSW Long Term Transport Master Plan,^a** which sets a 20-year framework for the NSW Government to deliver an integrated, modern transport system that puts the customer first and identifies key transport challenges facing regional NSW.
- ▼ **Regional Transport Plans,^b** which provide a strategic direction for the delivery of transport infrastructure and services in 10 regions across NSW over the next 20 years. Informed by local input, the plans outline a package of actions to address the specific challenges of each region.
- ▼ **Public Transport Service Planning Guidelines for Rural and Regional NSW,^c** which provide for short and medium term service planning by Transport for NSW across government funded bus, coach and train services.
- ▼ **Rural and Regional Passenger Transport Servicing Principles,^d** which inform improvements to services and ensure that service planning meets the changing travel needs of customers. The servicing principles are access, flexibility, connectivity, legibility, timeliness, information provision and efficiency.
- ▼ **Guidelines for Public Transport Service Planning,^e** which support the planning and development of public transport services and focus on four key areas – service capacity, service coverage, service provision and service performance.

^a NSW Government, NSW Long Term Transport Master Plan, December 2012.

^b The Regional Transport Plans (December 2013) are Central Coast, Central West, Hunter, Illawarra, Mid North Coast, Murray-Murrumbidgee, New England North West, Northern Rivers, Southern and Western.

^c Transport for NSW, Public Transport Service Planning Guidelines - Rural and Regional NSW, October 2015.

^d Transport for NSW, Public Transport Service Planning Guidelines - Rural and Regional NSW, October 2015, p 13.

^e Transport for NSW, Public Transport Service Planning Guidelines - Rural and Regional NSW, October 2015, pp 17-26.

One of TfNSW's key roles is planning and procuring transport services, including government-funded bus, coach, train, and community transport services. The Guidelines for Public Transport Service Planning⁴² identify four key factors that must be considered in planning transport services in regional areas:

1. **Service capacity**, which relates to the number of people who can be moved by each vehicle and how to make the most efficient use of existing infrastructure when moving people.
2. **Service coverage**, which considers services to meet existing customer demand and services to extend the reach of public transport. Service coverage can facilitate travel opportunities to meet the needs of different customer groups. It also can provide social benefits by ensuring inclusion and equity of access to all members of the community.
3. **Service provision**, which relates to the components required for quality service delivery including minimum service frequency, spacing of services, accessible services, and services that complement other service providers.
4. **Service performance**, which considers service patronage, operational performance, customer feedback and the rate of take up of new services. It also considers the overall network design and the network's responsiveness to changes in the public transport service environment. A service performance review is generally conducted at the regional or modal level.

We note that two of the factors – service coverage and service provision – recognise the need for public transport services to promote social inclusion, by connecting people to jobs, services and social networks. In previous transport reviews, stakeholders have emphasised the importance of social inclusion. Some also argued the benefits of social inclusion should be taken into account in setting fares. As discussed in Chapter 4, we consider the main benefits of social inclusion are private not external benefits, and therefore do not propose to include them in setting maximum fares for rural and regional bus services.

However our preliminary view is that social inclusion is best addressed in planning transport services in regional NSW. In particular, we agree that social inclusion should be evaluated when considering service provision and service coverage. This should ensure that a minimum level of service is available to those who do not have access to a private vehicle such as people with a disability, elderly people, young people, isolated communities, and people on low incomes.

IPART seeks comments on the following

- 15 Do you agree that social inclusion should be considered in the context of service provision and service coverage when planning for public transport services in regional areas?

5.1.2 Reforms to point-to-point transport

The Government has recently introduced reforms to the taxi, hire car and rideshare industry in the *Point to Point Transport (Taxis and Hire Vehicles) Act 2016*. These reforms recognise that transport services are evolving in response to new technologies, community expectations and customer demands. They aim to improve safety and choice for customers, provide

⁴² Transport for NSW, Public Transport Service Planning Guidelines - Rural and Regional NSW, October 2015, pp 17-26.

more opportunities for the industry and allow all modes of point-to-point transport to compete fairly.

Point to point transport services provide more flexible and convenient options for customers to get from their chosen pick-up point, at a time that suits them, directly to their destination. These services include taxis, hire cars, tourist transport, rideshare services and community transport.

5.1.3 Pilot studies for on-demand transport services

TfNSW is currently undertaking pilot projects for providing on-demand services in some regional areas. One of these, the Flexible Transport Project, is testing options for delivering improved public transport in the western area of NSW. As part of this project, TfNSW recently sought tenders to provide a weekly on-demand service between the towns of Tottenham and Dubbo.⁴³ It is also considering pilot projects for on-demand transport services in metropolitan and outer metropolitan Sydney. Box 5.2 provides more detail on these projects.

⁴³ Request for Tender ID TfNSW 2017/001.
<https://tenders.nsw.gov.au/?event=public.rft.showArchived&RFTUID=D26228C0-F98D-6D0E-DE26206A0943D3B7>

Box 5.2 On-demand transport pilot projects

On-demand weekly service between Tottenham and Dubbo

TfNSW recently sought proposals to operate a service between Tottenham and Dubbo, one day per week for a period of six months. The key outcomes of this project are:

- ▼ Safe and reliable provision of a weekly public transport service between Tottenham (via Albert and Narromine) and Dubbo. Customers would have sufficient time (approximately four hours) to undertake activities in the regional city of Dubbo, before returning home.
- ▼ Provision of services to any member of the public including people with disabilities. The provision of fully accessible services is a longer term objective. In the first six months of the Pilot TfNSW is seeking to obtain the highest degree of accessibility in balance with other objectives.
- ▼ Service quality. This is a booked service so that customers have confidence they have a seat and connections work smoothly.
- ▼ Value for money. Provision of quality services in the most cost effective manner possible.

The objective is to improve services using existing transport resources, for the least cost, while providing a quality service.

Source: Transport for NSW, Request for Tender ID TfNSW 2017/001

On-demand services in Sydney

TfNSW also sought expressions of interest for on-demand public transport pilot projects in metropolitan and outer metropolitan Sydney. Its objective is to identify and implement new, creative and better ways to ensure people can utilise public transport to travel to their desired destination quickly, safely, easily and efficiently at a time that suits them.

TfNSW identified some types of transport journeys that could be improved, including:

- ▼ Transport between mass transport hubs and customer homes (or close to home)
- ▼ End-to-end journeys that are currently provided in a sub-optimal manner (eg, service frequency, travel time, multiple interchanges)
- ▼ Poorly patronised routes
- ▼ Local trips that are currently not well serviced
- ▼ Regions or routes where off-peak services are sub-optimal (such as late evening services)

The pilot projects are expected to commence from July 2017.

Source: Transport for NSW, Request for Expression of Interest: On-demand Transport – RFEIOI, 5 December 2016, pp. 4, 7-8.

5.2 Demand and need for on-demand transport services

A range of factors influence the demand and need for on-demand services in regional NSW, including broad demographic changes, regional characteristics, regional community characteristics, and the level of latent demand.

5.2.1 Demographic changes and regional characteristics

The Government's planning framework identifies that, over the next 20 years, many changes will influence the demand and need for transport services across regional NSW, including on-demand services. The key changes include:

- ▼ **An ageing regional population.** With 21% of the regional population expected to be over 65 years by 2031,⁴⁴ the demand for transport connections between towns and larger regional centres will increase as more people need to access health and other services.
- ▼ **Uneven population and employment growth.** The population in some regions such as the Hunter, Southern, and Central Coast is expected to grow strongly, while other regions (Western and New England) may experience reductions in population.

The planning framework also identifies that the differing characteristics of different regional areas across NSW have implications on the potential demand for on-demand services and how this demand will change over time.

The Government's planning framework indicates that public transport resources should be focused on meeting the needs of those without private transport options, but should also provide a base level of service in major regional centres.⁴⁵ Table 5.1 provides more details on the specific factors outlined in the planning guidelines to assess the needs of a particular regional community.

⁴⁴ NSW Government, NSW Long Term Transport Master Plan, December 2012, p 233.

⁴⁵ Transport for NSW, Public Transport Service Planning Guidelines - Rural and Regional NSW, October 2015, p 13.

Table 5.1 Factors for assessing a regional community’s transport needs

Factors	Characteristics
Origin Generators	<ul style="list-style-type: none">▼ Population aged 11 – 20 years▼ Population aged 60 years and over▼ Student numbers▼ % of population not holding a drivers licence▼ % of households with no vehicle▼ Australian Bureau of Statistics, SEIFA Index of Relative Socio-Economic Disadvantage▼ NSW Department of Planning and Infrastructure, Projected Annual Population Growth Rate of NSW LGAs
Destination Generators	<ul style="list-style-type: none">▼ Location of major regional centres, major towns and towns, and the relationship of the trip origin to these▼ Location of hospitals and health services▼ Location of education facilities▼ Location of transport hubs▼ Tourist attractors▼ Retail services and precincts▼ Specialised precincts and sectors▼ Land use activities
Customer Assessment	<ul style="list-style-type: none">▼ Available transport services (contracted, non-contracted)▼ Customer benefits and impacts▼ Consideration of alternatives

Source: Transport for NSW, Public Transport Service Planning Guidelines - Rural and Regional NSW, October 2015, Table 9, p. 19.

On-demand services may be better able to meet some needs identified in these assessments rather than traditional fixed route services. For example, current community transport services are focused on meeting the particular needs of the elderly and people with disabilities. On-demand services could also meet the needs of the general public.

IPART seeks comments on the following

- 16 In your regional area, which groups of people are most likely to use on-demand services, and how could this change over time?
- 17 Which factors do you consider are most important when assessing the need for on-demand services in your regional area?

5.2.2 Latent demand

Latent demand measures the number of people who don’t currently catch public transport services, but would do so if circumstances were different. The provision of a different combination of public transport services in a particular regional area could lead to an increase in the demand for services. For example, in Sydney the demand for point-to-point transport (particularly ride sharing) has grown while the demand for taxis has been relatively stable.⁴⁶ Another example is the supply of flexible bus services (Kan-go) in Hervey Bay Queensland resulted in a 45% increase in patronage in the first year of operation (See Appendix G).

⁴⁶ IPART, Survey of Point-to-Point Transport Use November 2016, Information Paper, p. 1.

TfNSW has developed the Unmet Needs Project⁴⁷ to identify and estimate unmet transport needs across NSW. This project aims to improve the planning for funded services, to better allocate available funds to areas of highest need and where there is potentially latent demand.

We propose to assess latent demand in regional areas. To do this, we need information about why customers do not currently use public transport services. For example, it may be because prices are too high, the waiting time is too long, and the journey takes too long. To help us understand this issue, we have developed a short online questionnaire available on our website.

5.3 Types of on-demand services

On-demand transport services can provide a better transport option where demand for public transport is low, the supply of traditional public transport is costly, and trip patterns are dispersed. Generally, on-demand services will have two main characteristics:

- ▼ They provide opportunities for people to travel to certain destinations at certain times when there is demand, but may vary the route slightly depending on the volume and nature of demand.
- ▼ They vary the means of transport (such as different modes and vehicle sizes) depending on the volume and nature of demand.

The Regional Transport Plans typically identify a range of potential delivery models for on-demand transport. These include:

- ▼ fully demand-responsive services, providing a door-to-door service for pre-booked trips
- ▼ partially demand-responsive services, providing a door-to-door service for pre-booked as well as 'turn up and go' trips at designated times and places
- ▼ standard route services with the capacity to divert within designated areas on request
- ▼ services operating on a fixed route from, for example, a town centre to a designated point, after which they provide a flexible 'roaming' service across a designated zone
- ▼ services operating at set times to and from a designated point, but to a variable, non-fixed route that depends on pre-bookings and is determined by the driver.

There are a number of examples of more flexible bus services that are provided in other jurisdictions. Appendix G provides more detail on Kan-go in Queensland, Roam Zone in South Australia, Telebus in Victoria, Flexibus in the Australia Capital Territory.

IPART seeks comments on the following

- 18 What types of delivery models for on-demand services could be used to meet the needs in your regional areas and who could provide them?

⁴⁷ TfNSW, Unmet Needs Project: Public Transport Accessibility Levels, Fact Sheet, November 2015. <http://www.transport.nsw.gov.au/sites/default/files/b2b/lact/ct-fact-sheet-unmet-needs-nov-2015.pdf>

5.4 Costs of delivering different types of on-demand services

To evaluate whether a better mix of traditional and on-demand public transport services could be delivered in regional areas, we will consider the costs of different transport options, including rural and regional buses, community transport and taxi services.

As Chapter 4 discussed, to assist us in setting maximum fares for rural and regional bus services, we have engaged AECOM to assess the efficient costs of providing these services. As part of this assessment, AECOM will estimate the efficient marginal costs of delivering the contracted level of services for each type of bus operator (Large, Medium, Small and Very Small) for varying levels of bus utilisation. AECOM will use this information to develop a model that estimates the efficient marginal cost of providing different types of bus services in different regional areas.

We propose to develop a similar cost model for alternative public transport options in a regional area. The model could be used to compare the marginal costs of fixed route bus services to the marginal costs of other alternative, more flexible modes of transport that are available (such as community transport or taxi services).

We also intend to apply our cost model to a few case studies in different regional areas such as the Central West, mid North Coast, and the Murray-Murrumbidgee. In our view, such a model would be useful to assist the government in evaluating on-demand services, and where they could be used most effectively and efficiently.

5.5 Potential suppliers of on-demand services

There is a range of potential options for supplying on-demand transport services in regional areas. The Regional Transport Plans generally identify the available modes of delivery of on-demand services (such as bus, taxi and community transport operators).

The transport option used to supply an on-demand service on a specific day and time can vary depending on:

- ▼ the needs of customers (including the number of customers and their origin, destinations and needs for support or assistance)
- ▼ the resources available (such as vehicles and drivers), and
- ▼ the costs of supplying the service relative to the urgency and importance of the travel.

A first step is to evaluate if there is scope to utilise existing transport resources in a regional area more efficiently. These could include:

- ▼ **Bus services.** Currently bus services in regional NSW provide fixed route and timetable services and there may be scope in the future to provide more on-demand services for some types of services. For example, a town service could operate on a fixed route and then a roaming service could be added across a defined zone.

- ▼ **Community Transport.** Currently community transport provides a range of on-demand services for some transport clients including isolated communities, elderly people, and people with disabilities. The point-to-point transport reforms will allow community transport operators to provide a range of new booked point-to-point services, as long as they comply with contract requirements.⁴⁸ It may be that the nature of community transport services can be expanded to meet more customers' needs.
- ▼ **Taxi services.** Taxis currently provide essential point-to-point transport services in rural and regional NSW. As at April 2015, there were 1,358 taxi licences in country areas and Wheelchair Accessible Licences make up almost 20% of these licences.⁴⁹ It is expected that the point-to-point reforms will reduce costs and red tape for taxis in regional areas.

Other transport options which could be developed in a regional area over time to supply on-demand services include:

- ▼ **Hire cars.** Under the recent reforms of point-to-point transport, a hire car does not need to have a hire car licence or pay a licence fee of \$3,000 per year.⁵⁰ Also geographic boundaries for booked services have been removed meaning hire cars can provide booked services anywhere in NSW.
- ▼ **Tourist services.** Under the point-to-point transport reforms, tourist service providers have more opportunity to compete for a wider range of booked work, including work for government agencies and large corporations, as they will no longer be restricted to providing services to "tourists". There are around 1,000 tourist vehicles in NSW with 8-12 seats.⁵¹
- ▼ **Ride share and car share services.** Recent years have seen growth in car share services and the introduction of ride share services. For example, 7% of adults in country towns had used ride share in 2016 which was up from 3% in 2015.⁵² Under the point-to-point reforms, ride share operators (such as UberX or Ridesurfing) can operate booked services anywhere in NSW.
- ▼ **Courtesy transport services.** Courtesy transport services are usually free bus services provided by a venue (such as a pub or registered club) to eligible passengers. In 2016 19% of adults in country towns had used courtesy transport.⁵³

The supply of bus services is currently characterised by services that operate with a fixed route and timetable. These services are specified in Rural and Regional Bus Service Contracts and can only be changed only by a contract service variation.⁵⁴ As discussed in Section 2.3, the current contracts for bus operators are for a five-year period and can be

⁴⁸ TfNSW, Point to Point transport reform – Improving accessibility, choice and inclusion, Fact Sheet <https://www.transport.nsw.gov.au/sites/default/files/b2b/publications/point-to-point-accessibility-and-inclusion-fact-sheet.pdf>

⁴⁹ IPART, Review of taxi fares outside Sydney to apply from July 2015, Final Report, p 46.

⁵⁰ TfNSW, Hire car operators FAQ, p.1, <http://www.transport.nsw.gov.au/sites/default/files/b2b/publications/point-to-point-hire-car-operators-faq.pdf>

⁵¹ TfNSW, Bus Operators, community transport and courtesy transport FAQs, p.1, <http://www.transport.nsw.gov.au/sites/default/files/b2b/publications/point-to-point-bus-operators-community-courtesy-transport-faq.pdf>

⁵² IPART, Survey of Point-to-Point Transport Use November 2016, Information Paper, p. 3.

⁵³ IPART, Survey of Point-to-Point Transport Use November 2016, Information Paper, p. 5

⁵⁴ Rural and Regional Bus Service Contracts, see Clause 5.4, Contract templates are available at <https://www.transport.nsw.gov.au/operators/buses-coaches/contracts> accessed 3 May 2017.

extended for an additional three years depending on performance. The contracts are also non-exclusive, which means that TfNSW may contract with one or more service providers to supply bus services along or near the routes specified in the contract.⁵⁵ Competition for on-demand services could drive innovation and provide service improvements for passengers and efficiency gains for the wider community.

Community transport services are supplied by local council and community organisations and they provide a range of services which can include shopping services, regular shuttle services, and services where someone is picked up and taken to an appointment. These services are specified in Community Transport Service Contracts and these contracts are typically for a two or three year period.

As part of our review we will consider how best to use on-demand services in a way that complements the existing services.

IPART seeks comments on the following

- 19 In the context of the recent point-to-point transport reforms, who could provide more on-demand services in your regional area?
- 20 What incentives could be developed to facilitate the provision of more on-demand services?
- 21 Are there any constraints that could prevent the development of on-demand services in regional areas?


⁵⁵ Rural and Regional Bus Service Contracts, see Clause 5.3, Contract templates are available at <https://www.transport.nsw.gov.au/operators/buses-coaches/contracts> accessed 3 May 2017.



Appendices



A Referral



Passenger Transport Act 2014
Section 123(1)(a)

Referral

I, the Hon Andrew Constance MP, Minister for Transport and Infrastructure, with the approval of the Hon Gladys Berejiklian MP, Premier of New South Wales and Minister administering the *Independent Pricing and Regulatory Tribunal Act 1992*, under section 123(1)(a) of the *Passenger Transport Act 2014*, refer to the Independent Pricing and Regulatory Tribunal (IPART) the following matter for investigation and report:

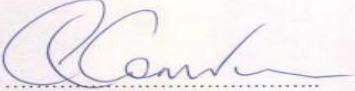
Appropriate maximum fares for rural and regional bus services.

In addition to the matters contained in section 124 of the *Passenger Transport Act 2014*, the following matters are referred to IPART, under section 123(2)(b) of the *Passenger Transport Act 2014*, for consideration in undertaking this investigation:


- The equity of current fares compared to Sydney metropolitan bus fares.
- Benefits and costs from simplifying the current fare structure.
- Issues related to travel across borders, including concession fares and different eligibility criteria between states.
- The development of on demand services in regional areas.
- Issues related to eligibility of concession fares in NSW and the level of subsidy provided by the NSW Government.
- Customers' willingness and capacity to pay given demographics and current service quality in regional NSW

IPART is to publish a draft report as soon as practicable but no later than 15 September 2017.

IPART is to submit its final report and determination under this referral to the Minister for Transport and Infrastructure as soon as practicable but no later than 15 December 2017, or such later date as notified in writing by the Minister for Transport and Infrastructure.

Signed: 
Hon Andrew Constance MP
Minister for Transport and Infrastructure

Date: 2/2/17

Signed: 
Hon Gladys Berejiklian MP
Premier of NSW

Date: 20/12/2017

B Comparison of old and new contracting system

In April 2016, new size-based contracts were negotiated by Transport for NSW (TfNSW) with existing bus operators. Under the new contract system, the contract categories are defined by the number of buses contracted per operator, as shown in Table B.1. In total, there are 656 contracts by 576 bus operators. Of a total of 656 contracts, there are seven Large contracts, and 33 Medium contracts. There are 83 Small contracts and 533 Very Small contracts.

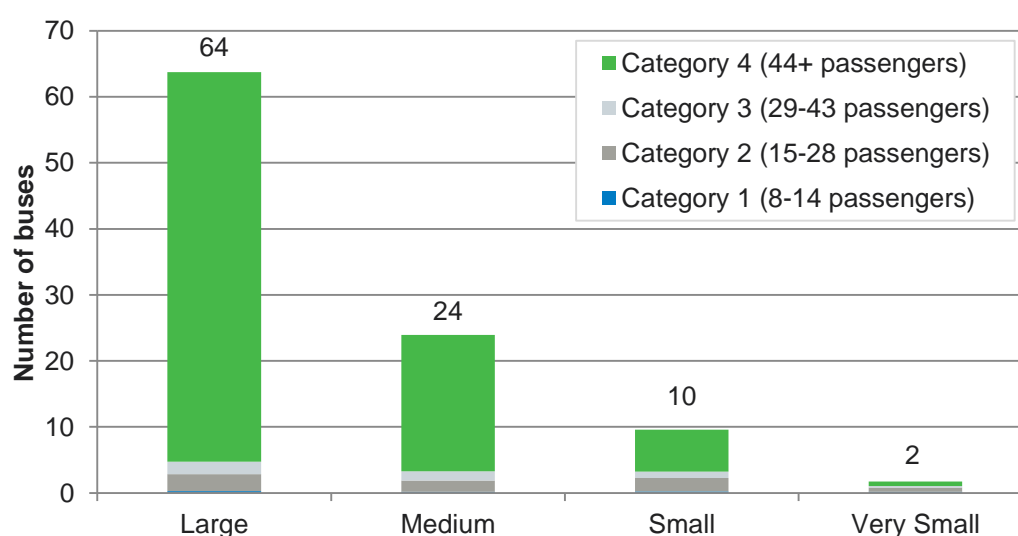
Table B.1 Size-based contract category

Contract type	Number of buses	Number of contracts
Large	More than 40 buses in the contracted fleet of an operator	7
Medium	16 to 40 buses	33
Small	6 to 15 buses	83
Very Small	5 or less	533
Total		656

Source: TfNSW.

Figure B.1 shows the average number of buses per contract. Medium and Large contracts have mostly Category 4 buses, which has authorised adult seating capacity of over 44 passengers. Small and Very Small contracts have a mix of Category 1 to Category 4 buses.

Figure B.1 Average number of buses by contract type



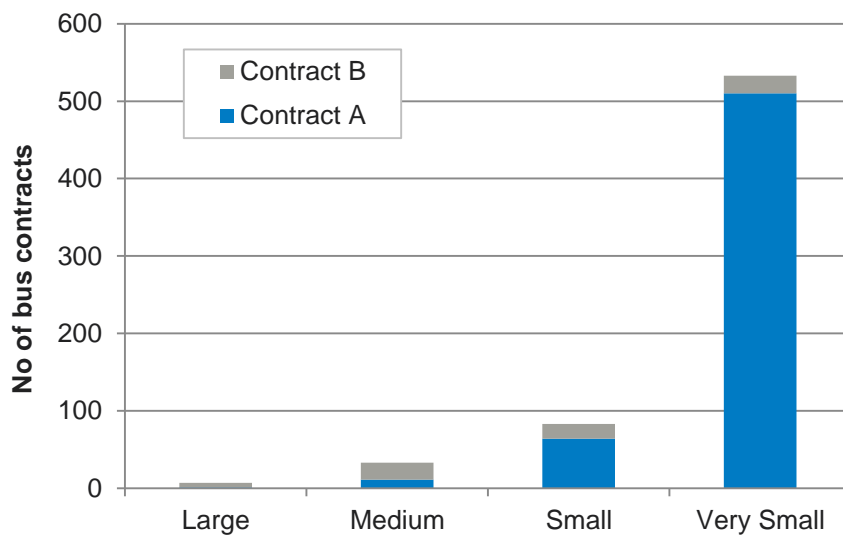
Data source: TfNSW

Prior to the current size-based contract system, there were two types of contracts for rural and regional bus services:

- ▼ **Contract A** which was for the provision of dedicated school bus services, and
- ▼ **Contract B** which was for the provision of regular passenger services to fare-paying passengers. Operators on this contract could also provide dedicated school services, and carry school students on regular passenger services without charging them fares.

Figure B.2 shows the total number of bus contracts by contract size, and their categories under the old contract system. Most Large and Medium contracts were previously classified as Contract B, which was for the provision of regular passenger and dedicated school services. Small and Very Small contracts, accounting for about 94% of the total bus contracts, mainly provided school bus services under Contract A.

Figure B.2 Number of bus contracts under the old and new contract systems



Data source: TfNSW.

Key changes from the old to new contracting system are summarised in Table B.2.

Table B.2 Comparison of old and new contracts

Area	Old contracting system (Contract B)	New contracting system
Appointment process	<ul style="list-style-type: none"> ▼ Negotiation with incumbents. ▼ Contracts for rural and regional bus services were not competitively tendered. 	<ul style="list-style-type: none"> ▼ Offer and negotiation with incumbents. ▼ Contracts were not competitively tendered.
Tenure (years)	<ul style="list-style-type: none"> ▼ 7 years 	<ul style="list-style-type: none"> ▼ Initial term of 5 years with a possible extension of 3 years subject to meeting Key Performance Indicators (KPIs).
Performance based contract	<ul style="list-style-type: none"> ▼ Contracts were not based on performance. 	<ul style="list-style-type: none"> ▼ Yes. New contracts include reporting on KPIs, which vary by contract type. ▼ For Large and Medium contracts, the contract price may be adjusted where KPIs are not met.
Service design approval	<ul style="list-style-type: none"> ▼ Bus operators were responsible for service design. 	<ul style="list-style-type: none"> ▼ TfNSW is responsible for approving services and service changes.
Exclusivity of contract	<ul style="list-style-type: none"> ▼ Contracts provided operators with an exclusive right to provide bus services for journeys below 40km. 	<ul style="list-style-type: none"> ▼ No exclusive right. TfNSW can now contract with one or more service providers.
Payment model	<ul style="list-style-type: none"> ▼ Contract payment was based on the number of students registered under the School Student Transport Scheme (SSTS), plus top-ups. ▼ Contract payment included an additional payment for change in patronage, and payments for half fare and other concession passengers, which increased when maximum fares determined by IPART increased. ▼ Operators retain any fare box revenue collected. 	<ul style="list-style-type: none"> ▼ Contract payment is an agreed fee for service subject to service charges and indexation. ▼ Contract payment is fixed subject to adjustments or service changes and indexation. ▼ Maximum fares determined by IPART do not have an impact on payments under the new contractual agreements. ▼ Operators retain any fare box revenue collected.
Fleet funding	<ul style="list-style-type: none"> ▼ Funded by operators 	<ul style="list-style-type: none"> ▼ TfNSW funds all new buses. . ▼ New Category 1 and Category 2 buses are sourced from the NSW Government Pre-Qualification Scheme. ▼ New Category 3 and Category 4 buses are purchased through TfNSW's Bus Procurement Panel
Responsibility for SSTS administration	<ul style="list-style-type: none"> ▼ Bus operator was responsible for administering SSTS. 	<ul style="list-style-type: none"> ▼ TfNSW is responsible for administering SSTS. This reduces SSTS administration costs for bus operators.
Reporting requirements	<ul style="list-style-type: none"> ▼ Operators were required to provide a summary of costs for the operation of their bus contracts. ▼ Operators were required to report their performance in areas such as reliability, patronage, performance against specified KPIs, complaints, complaint handling processes and service disruptions. ▼ Reporting is not audited. 	<ul style="list-style-type: none"> ▼ Operators are required to provide operational, performance and commercial reports. ▼ The frequency and type of reporting depend on the contract. <ul style="list-style-type: none"> – Large: Quarterly – Medium: Half-yearly – Small and Very Small: Yearly ▼ Reporting is not audited.

Source: Transport for NSW, *Rural and Regional Bus Contracts: Presentation to R&R Operators*, July 2014; Rural and Regional Bus Service Contracts templates available at <https://www.transport.nsw.gov.au/operators/buses-coaches/contracts> accessed 4 May 2017, IPART, *Rural and regional bus fares from January 2013 – Final report*, December 2012, p 3; pp 4-10, 18, 39.

C Weighted Average Cost of Capital

As discussed in Chapter 4, our proposed approach to estimating the efficient costs of providing for rural and regional bus services involves estimating the appropriate rate of return for the rural and regional bus industry.

IPART's approach for calculating a return on capital is to multiply the value of the asset in each year of the review period by an appropriate rate of return estimated using a weighted average cost of capital (WACC). The WACC is the expected cost of debt and equity, weighted to take into account their proportions in a capital structure.

Consistent with our standard approach, to determine the WACC for a typical bus operator delivering bus services in rural and regional NSW, we will:

- ▼ estimate the possible range for the WACC, by calculating values for each of the parameters that determine the cost of debt and the cost of equity, and then
- ▼ make a decision on the appropriate WACC point estimate within the range based on IPART's WACC decision rule, which takes into account the level of economic uncertainty.

The sections below provide an overview of IPART's WACC methodology and discuss how we propose to determine individual parameters underlying the WACC.

C.1 IPART's WACC methodology

To determine the WACC, our current WACC methodology is to:

1. establish a WACC range and midpoint by
 - a) estimating a feasible range based on long-term average (ie, 10-year average) and a feasible range based on current market data (ie, 40-day average)
 - b) using the midpoints of these two feasible ranges as the upper and lower bounds of the WACC range, and
 - c) using the average of the upper and lower bounds as the midpoint of the WACC range.
2. choose a WACC point estimate from within the final WACC range based on our WACC decision rule.⁵⁶ Our default position is to select the midpoint. However, we consider whether it is appropriate to choose a point other than the midpoint having regard to the level of economic uncertainty.

We use our uncertainty index⁵⁷ as a measure of economic uncertainty, and select the midpoint if the uncertainty index is within or at one standard deviation from the long-term average of zero. If the uncertainty index is more than one standard deviation from the long-

⁵⁶ IPART, *Review of WACC Methodology – Final Report*, December 2013.

⁵⁷ http://www.ipart.nsw.gov.au/Home/Industries/Research/Reviews/WACC/Uncertainty_Index_Model accessed 5 May 2017.

term average of zero, we consider selecting a point other than the midpoint within our final WACC range.

We established this framework as part of our review of WACC methodology in 2013, and have commonly applied across all industries we regulated. While we are currently reviewing our WACC methodology, the new methodology will apply to IPART's reviews which determine or recommend prices from 1 July 2018. Therefore, the new WACC methodology will not apply to our review.⁵⁸

C.2 Estimating WACC parameters

The parameters underlying the WACC calculation can be grouped into two categories:

- ▼ **Market-based parameters**, which include risk-free rate, debt margin, inflation rate and MRP. These parameters are common to businesses in all industries.
- ▼ **Industry-specific parameters**, which include equity beta and gearing ratio. These parameters are specific to the business' particular industry.

C.2.1 Estimating the market-based parameters

Risk-free rate

The risk-free rate is used as a point of reference in determining both the cost of equity and the cost of debt within the WACC. It is used as a base rate to which an equity or debt risk premium is added to reflect the riskiness of the specific business for which the rate of return is being derived.

In line with our current WACC methodology, we will estimate the risk-free rate as:

- ▼ The 40-day average of the 10-year Commonwealth Government Security yields published by Bloomberg. This will be used to estimate the cost of debt and cost of equity using current market data.
- ▼ The 10-year average of the 10-year Commonwealth Government Security yields published by Bloomberg. This will be used to estimate the cost of debt and cost of equity using long-term averages.

Debt margin

The debt margin represents the cost of debt a company has to pay above the nominal risk-free rate. Following our current WACC methodology, we will estimate the debt margin as:

- ▼ The two-month average⁵⁹ of the RBA's monthly estimates of the credit spreads for 10-year corporate bonds rated as BBB. This is used to estimate the cost of debt using current market data.

⁵⁸ IPART, *IPART to review WACC methodology in 2017-18*, 25 November 2016.

⁵⁹ This is as an approximation for the 40-day average.

- ▼ The 10-year average of the RBA's monthly estimates of the credit spreads for 10-year corporate bonds rated as BBB. This is used to estimate the cost of debt and cost of equity using long-term averages.
- ▼ We include an allowance of 12.5 basis points in the debt margin for debt raising cost.

Inflation rate

The inflation rate is used to convert the nominal post-tax WACC into a real post-tax WACC. For this parameter we will use a 10-year geometric average of the 1-year RBA inflation forecast and the middle of the RBA's target band of inflation (currently at 2.5%) for the remaining nine years.

Market risk premium

The market risk premium (MRP) is the expected rate of return over the risk-free rate that investors would require for investing in a market portfolio. The MRP is an expected return and is not directly observable. Therefore, it needs to be estimated through proxies. In line with our current WACC methodology, we will use both current market data and long-term averages. For the:

- ▼ current market data we will establish an MRP range using our six MRP methodologies to estimate the cost of equity, and
- ▼ long-term averages we will use an MRP range of 5.5% to 6.5% with a midpoint of 6.0%, based on the historical arithmetic average of the excess market return over the risk-free rate, to estimate the cost of equity.

C.2.2 Estimating the industry-specific parameters

Equity beta

The equity beta measures the extent to which the return of a particular security varies in line with the overall return of the market. It represents the systematic risk of a security that cannot be avoided by holding it as part of a diversified portfolio. The equity beta does not take into account business-specific or diversifiable risks.

In each price review we conduct, we determine the value of the equity beta for the relevant business. Subject to data availability, we will estimate the equity betas of (listed) bus companies, and consider the equity betas that other regulators have applied to bus operators.

Gearing ratio

The gearing ratio is the proportion of debt to total assets in the business' capital structure. Regulators commonly adopt a benchmark capital structure rather than the actual capital structure of the regulated entity, to ensure that customers will not bear the costs associated with an inefficient capital structure.

Similar to our proposed approach for determining the equity beta, we will determine the gearing ratio for a benchmark bus operator by estimating the gearing ratios of listed bus companies and considering past regulatory decisions.

D External benefits of using bus services

Table D.1 outlines the potential external benefits of public transport we have considered in previous fare reviews. We estimated and considered those highlighted in grey in setting fares for Opal services in Sydney and surrounds in 2016.

Table D.1 Potential external benefits associated with using public transport

External benefit	Definition and how we estimated it
Congestion	Avoided road congestion when people use public transport instead of driving, measured by <ul style="list-style-type: none"> ▼ the value of time saved by existing drivers ▼ the value of vehicle operating costs, such as fuel, avoided by existing drivers ▼ the benefit of more predictable travel times for existing drivers
Environmental benefits	Avoided environmental costs when people use public transport instead of driving, measured by <ul style="list-style-type: none"> ▼ the value of avoided air pollution ▼ the value of avoided greenhouse gas emissions
Accidents	Avoided road accidents when people use public transport instead of driving, measured by <ul style="list-style-type: none"> ▼ the value of avoided cost of taxpayer funded services ▼ the value of avoided uninsured fatality costs of non-car occupants
Active transport	Health benefits when people walk or cycle to or from public transport, measured by the value of avoided health system cost savings
Service frequency	Benefits of additional services being added as more people use public transport, measured by the value of time saved by existing public transport users due to increased service frequency
Excess burden of taxation	Changes in the costs of taxation reflecting the Government contribution to public transport services
Crowding	Costs to existing public transport passengers if the level of services doesn't increase in response to increased patronage
Social inclusion	Benefits associated with people's ability to participate in society, including education, employment, public service, social and recreational activities due to the increased mobility public transport provides
Agglomeration	Benefits associated with people locating near each other. The benefits include better matching of skilled workers with jobs, knowledge transfers between firms and sharing infrastructure and inputs.

Source: IPART, Review of external benefits of public transport – Draft report, December 2014.

E Cross-border Fares

E.1 NSW–QUEENSLAND

Table E.1 Surfside Buslines (NSW) Fare Schedule (\$)

Sections ^a	Adult fares				Pension/Child fares			
	Single	Daily	Off-Peak	Weekly	Single	Daily	Off-Peak	Weekly
1	2.30	4.60	3.50	18.40	1.20	2.40	1.80	9.60
2	3.40	6.80	5.10	27.20	1.70	3.40	2.60	13.60
3	5.20	10.40	7.80	41.60	2.60	5.20	3.90	20.80
4	6.00	12.00	9.00	48.00	3.00	6.00	4.50	24.00
5	6.90	13.80	10.40	55.20	3.50	7.00	5.30	28.00
6	7.60	15.20	11.40	60.80	3.80	7.60	5.70	30.40
7	8.20	16.40	12.30	65.60	4.10	8.20	6.20	32.80
8	8.80	17.60	13.20	70.40	4.40	8.80	6.60	35.20
9	9.60	19.20	14.40	76.80	4.80	9.60	7.20	38.40
10	11.30	22.60	17.00	90.40	5.70	11.40	8.60	45.60
11	12.00	24.00	18.00	96.00	6.00	12.00	9.00	48.00
12	12.90	25.80	19.40	103.20	6.50	13.00	9.80	52.00
13	13.90	27.80	20.90	111.20	7.00	14.00	10.50	56.00
14	14.90	29.80	22.40	119.20	7.50	15.00	11.30	60.00
15	16.40	32.80	24.60	131.20	8.20	16.40	12.30	65.60
16	17.50	35.00	26.30	140.00	8.80	17.60	13.20	70.40
17	18.50	37.00	27.80	148.00	9.30	18.60	14.00	74.40
RED	2.50							

a: Average section length is 1.6km.

Source: <http://www.surfside.com.au/tickets-and-fares/> accessed 23 April 2017.

Table E.2 TRANSLink (Queensland) – South East Queensland Adult fares (\$)

Zones travelled	go card	go card off-peak	Single paper ticket
1	3.20	2.56	4.60
2	3.90	3.12	5.70
3	5.96	4.77	8.60
4	7.85	6.28	11.40
5	10.32	8.26	15.00
6	13.09	10.47	19.00
7	16.28	13.02	23.60
8	19.32	15.46	28.00

Note: Concession fares are 50% of the adult fares.

Source: <https://translink.com.au/tickets-and-fares/fares-and-zones/current-fares>, accessed 23 April 2017

E.2 NSW-ACT

Table E.3 Qcity Transit (NSW) Fare Schedule (\$)

Sections	One Way (\$)		Return (\$)	
	Full fare	Concession	Full fare	Concession
1	2.20	1.10	4.00	2.20
2	3.20	1.60	5.80	3.20
3	4.00	2.00	7.20	4.00
4	4.70	2.30	8.50	4.60
5	5.30	2.60	9.50	5.20
6	5.90	2.90	10.60	5.80
7	6.40	3.20	11.50	6.40
8	6.90	3.40	12.40	6.80
9	7.40	3.70	13.30	7.40
10	7.80	3.90	14.00	7.80
11	8.00	4.00	14.40	8.00
12	8.30	4.10	14.90	8.20
13	8.40	4.20	15.10	8.40
14	9.00	4.50	16.20	9.00
15	9.40	4.70	16.90	9.40
16	9.70	4.90	17.40	9.80
17	10.10	5.00	18.20	10.00
18	10.40	5.20	18.70	10.40

a: Average section length is 1.6km.

Note: Qcity Transit indicated that with the exception of the first section, its fares are below the maximum fares set by the NSW Government.

Source: <http://qcitytransit.com.au/fares-sections>, accessed 24 April 2017.

Table E.4 ACTION Buses (Canberra) Fare Schedule (\$)

	My Way Adult		MyWay Concession		Cash Fare ^a	
	Peak	Off Peak	Peak	Off Peak	Adult single	Adult daily
Fare	3.06	2.43	1.53	0.00	4.80	9.20
Weekday cap	9.20		4.60			
Weekend/ public holiday cap	5.59		2.07			

a Single cash fare tickets include 90 minute free transfer. Daily tickets are valid until midnight on the day of purchase.

Note: Free 90 minute transfer applicable for all tickets - enables connecting to a different bus or commencing a return journey using the same ticket.

Source: <https://www.transport.act.gov.au/myway-and-fares>, accessed 24 April 2017.

E.3 NSW-Victoria

Table E.5 Martin's Albury buses – Fare Schedule (\$)

Section	Single Fares		Return Fares	
	Adult	Pensioner/Child/ Student	Adult	Pensioner/Child/ Student
1	2.30	1.10	4.40	2.20
2	3.20	1.60	6.20	3.10
3	3.90	1.90	7.60	3.80
4	4.00	2.00	7.80	3.90
5	4.10	2.00	8.00	4.00
6	4.20	2.10	8.20	4.10
7	4.30	2.10	8.40	4.20
8	4.40	2.20	8.60	4.30
9	4.50	2.20	8.80	4.40

Note: Martin's Albury buses notes that with the exception of the first section, all its fares are below the restraints set by the NSW Government.

Source: <http://www.martinsalbury.com.au/ticketing/fares-sections>, accessed 1 May 2017.

Table E.6 Wodonga - Albury Category A Fare Schedule (\$)

Ticket type	Fare for one zone	Fare for two zones
Full Fare 2 hour	2.40	3.20
Concession 2 hour	1.20	1.60
Full Fare Daily	4.80	6.40
Concession Daily	2.40	3.20
Full Fare Weekly	22.40	32.80
Concession Weekly	11.20	16.00
Full Fare Monthly	94.80	134.40
Concession Monthly	47.40	67.20

Source: Victorian Fares and Ticketing Manual, Effective 1 January 2017, Regional Towns Bus Fares, Category A, p 129.

F Concession eligibility for public transport in NSW, Queensland, ACT and Victoria

Table F.1 Concession eligibility for public transport buses – NSW, Queensland, ACT and Victoria

NSW Rural and Regional	Sydney Metro (Opal network)	Queensland	ACT	Victoria
FREE TRAVEL				
Children				
▼ 3 and under	√	4 and under	5 and under	4 and under
▼ Primary/ secondary school students (SSTS)	√	√	√	√
Aged				
-	-	-	ACT Seniors aged 70+	-
People with disabilities				
▼ Vision impaired persons plus attendant and guide dog	√	√	Permanent impairment and TPI Travel Pass	√
▼ Assistance Animals (Hearing Dog)	√	√		√
▼ Attendants for profoundly disabled persons	√	x	Not specifically mentioned	Not specifically mentioned
Veterans/ War Widow/ers				
▼ World War 1 veterans and wives /widows plus attendant	√		DVA Gold Cards with TPI or EDA plus attendant	DVA Gold Card with TPI or EDA (Victorian resident)
▼ Australian & New Zealand war veterans with service related disabilities and Department of Veterans Affairs (DVA) pension plus attendant	√		DVA Gold Cards embossed with Totally and Permanently Incapacitated (TPI) or Extreme Disablement Adjustment (EDA)	
▼ Blinded Soldiers plus attendant	√			
▼ People recognised for service to the State plus attendant	Not specifically mentioned			
▼ Companion accompanying person with profound disabilities of lifelong nature	Not specifically mentioned			

CONCESSION – Half fare

Children/ Students

▼ Primary and Junior Secondary Students 4-15	√	Children 5-14	All students of Australian institutions	Children 5-18
▼ Secondary students 16-18	√	√		
▼ Full-time University, TAFE, private college (16+) or full time School Students (19+)	√	√ (Queensland residents)		

Apprentices/Trainees

Indentured Apprentice/Trainee	√	Post-secondary students residing in Queensland	Not specifically mentioned	Not specifically mentioned
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Pensioners/Seniors

▼ Seniors (all states/territories)	√	√	√	√
▼ Pensioners (Centrelink and DVA issued cards - all states/territories)	√	√	√	√

All Pensioners but only NSW Seniors also entitled to RED tickets^a Gold Opal

Centrelink customers

Jobseekers (on maximum benefit)	√	√	Not specifically mentioned	√
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Asylum seekers

Also entitled to RED ticket	√	√	Not specifically mentioned	√
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NSW & Victorian War Widowers

(with DVA card)	√	Queensland residents with Gold DVA card	DVA Gold Card	DVA Gold or White Card
Also entitled to RED ticket				

^a RED ticket approved for services under a Rural and Regional Bus Service Contract that allows Approved Beneficiaries unlimited travel for that day on the Operator's contract bus services.

Note: Eligibility conditions may apply for some travel entitlements. As well, different transport concession authority cards may be issued by different jurisdictions. However, most Commonwealth Government-issued concession cards are accepted across jurisdictions.

Source: <https://www.transportnsw.info/tickets-opal/ticket-eligibility>; <http://www.transport.nsw.gov.au/sites/default/files/b2b/bus/draft-rrb-sc-medium-271115.pdf>; https://www.transport.act.gov.au/__data/assets/pdf_file/0009/1041849/Concession-Cards-2017-A3-Poster-v1.pdf; <https://translink.com.au/tickets-and-fares/concessions>; https://www.ptv.vic.gov.au/search/getSearchForm?Search=concession&UserFilter%5B0%5D=0&UserFilter%5B1%5D=1&action_getSearchResults.x=0&action_getSearchResults.y=0; <https://transportnsw.info/search/node?keys=gold+opal=&Search>; accessed 24 April, 2017.

G Examples of on-demand services

G.1 Kan-go in Queensland

Kan-go is flexible bus service currently operating in Hervey Bay, Queensland. It was first introduced in 2008 for a 12-month trial. The service enables passengers to make a booking and be picked up from specific locations or (close to) their own homes.

25% of its route, around the City Loop, is a normal fixed route bus (ie, the black line in Figure G.1), but once it leaves the city it becomes a flexible service. This flexible service is available in zones highlighted in orange, blue and pink, which are called “roam zones”.

Figure G.1 Kan-go service area



Data source: qconnect Hervey Bay Kango timetable.

Passengers pay regular bus fare, and bookings must be made at least 30 mins prior to departure time. It was reported that the service has been very popular with older passengers, and that patronage increased by “45%” in its first year, indicating that there existed substantial latent demand for flexible transport prior to the introduction of Kan-go.⁶⁰

Figure G.2 shows the Kan-go timetable. Travel in the roam zones operates between 8am and 6.05pm Monday to Saturday.

⁶⁰ <http://www.abc.net.au/news/2008-07-02/kan-go-bus-service-to-continue/2490752> accessed 23 March 2017.

Figure G.2 Kan-go timetable

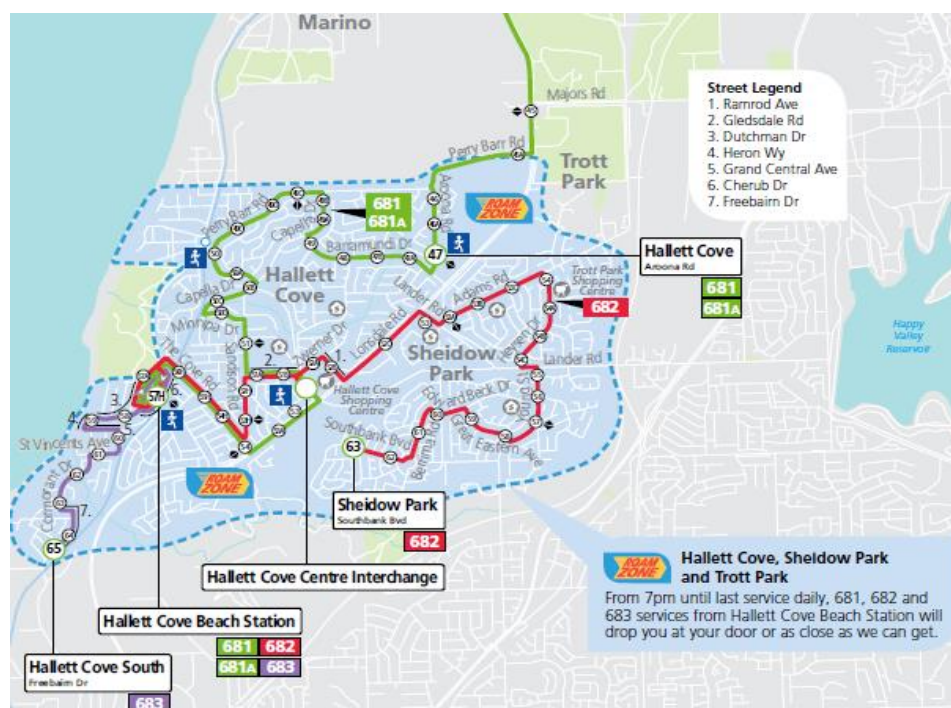
Kan-go Monday to Saturday											
major stops/zones	am					pm					
trip number	1	2	-	3	4	5	-	6	-	7	8
C roam zone pick up	8.00-8.10	9.00-9.10	-	10.29-10.39	11.29-11.39	12.29-12.39	-	2.13-2.23	-	4.48-4.58	5.50
B roam zone pick up	8.10-8.22	9.10-9.22	-	10.39-10.51	11.39-11.51	12.39-12.51	-	2.23-2.35	-	4.58-5.10	5.55
A roam zone pick up	8.22-8.27	9.22-9.27	-	10.51-10.56	11.51-11.56	12.51-12.56	-	2.35-2.40	-	5.10-5.15	6.00
Centro	8.31	9.31	10.00	11.00	12.00	1.00	1.44	2.44	-	5.19	6.05
Woolworths Torquay Rd	8.37	9.37	10.06	11.06	12.06	1.06	1.50	2.50	4.25	5.25	-
RSL Torquay Rd	8.39	9.39	10.08	11.08	12.08	1.08	1.52	2.52	4.27	5.27	-
Library and University	8.40	9.40	10.09	11.09	12.09	1.09	1.53	2.53	4.28	5.28	-
Centro	8.45	9.45	10.14	11.14	12.14	1.14	1.58	-	4.33	5.33	-
Nissen St/Old M'borough Rd	8.47	-	10.16	11.16	12.16	-	2.00	-	4.35	5.35	-
A roam zone drop off	8.47-8.52	-	10.16-10.21	11.16-11.21	12.16-12.21	-	2.00-2.05	-	4.35-4.40	5.35-5.40	-
B roam zone drop off	8.52-9.00	-	10.21-10.29	11.21-11.29	12.21-12.29	-	2.05-2.13	-	4.40-4.48	5.40-5.45	-
C roam zone drop off	9.00-9.10	-	10.29-10.39	11.29-11.39	12.29-12.39	-	2.13-2.23	-	4.48-4.58	5.45-5.50	-

Data source: qconnect Hervey Bay Kango timetable.

G.2 Roam Zone in South Australia

Roam Zone bus services started operating in 2001, and are operating from Hallett Cove Beach Station to Sheidown Park, and Hallett Cove Beach Station to Hallett Cove South. These services usually operate after 7pm until last service seven days a week, and take passengers to their door, or as close as street conditions will allow. Passengers will need to hail the bus from stops marked with a Roam Zone sign. Once aboard, passengers can ask the driver to drop them off anywhere within the Roam Zone area highlighted in the figure below.

Figure G.3 Roam Zone area



Data source: <https://www.adelaidemetro.com.au/routes/682> accessed 20 April 2017.

G.3 Telebus in Victoria

Telebus typically has a scheduled route, but passengers can also ring and book a pickup for a small charge within an area served by the route. Passengers can also hop on and off the bus at the Telebus stops.

There are nine Telebus areas in Victoria:

- ▼ Ferntree Gully - Stud Park SC (Telebus Area 7)
- ▼ Lilydale - Chirnside Park (Telebus Area 1)
- ▼ Mooroolbark Station - Chirnside Park (Telebus Area 2)
- ▼ Mooroolbark Station - Chirnside Park (Telebus Area 3)
- ▼ Mooroolbark Station - Croydon Station (Telebus Area 4)
- ▼ Stud Park - Ferntree Gully Station (Telebus Area 8), and
- ▼ Stud Park - Stud Park (Telebus Area 9).⁶¹

G.4 Flexible Bus in ACT

The Flexible Bus service is available to Canberra residents who have limited access to public transport options, and operates in four travel zones.

- ▼ Belconnen
- ▼ Inner South/Woden/Weston
- ▼ Tuggeranong, and
- ▼ Gungahlin.

The Flexible Bus service is specifically designed for residents such as the aged or people with a disability. It is a free service which operates off a basic timetable, picking up residents from their home and taking them to local community service providers such as local shopping centres and hospitals. Bookings must be made two days prior to travel. Pick up of passengers from suburbs around particular zones commence at 9:30 am and return trips start at 1:30 pm.

Services are provided for the following passengers:

- ▼ seniors card holders with mobility issues or aged 70 or over
- ▼ living in a nursing home and/or retirement village
- ▼ impacted by a permanent or temporary disability that prevents you from accessing regular route services
- ▼ holders of a Vision Impaired (VIP), or Total and Permanently Incapacitated (TPI) travel pass.⁶²

⁶¹ <https://www.ptv.vic.gov.au/timetables>, accessed 20 April 2017.

⁶² <https://www.transport.act.gov.au/getting-around/accessible-transport-options>, accessed 20 April 2017.