



MEDIA STATEMENT

STRICTLY EMBARGOED UNTIL 12:30PM FRIDAY 26 MAY 2006

COMMISSION RELEASES FINAL BUS FARES DETERMINATION

The Independent Competition and Regulatory Commission today released its final determination of ACTION bus fares to apply for the 12-month period from 1 July 2006.

Releasing the decision, Senior Commissioner Paul Baxter said that based on the Commission's assessment of available information, the weighted average price cap for ACTION fares would be increased by 6% from Saturday 1 July.

Mr Baxter said this did not necessarily mean all ACTION fares would increase by the full 6%. "Rather, the Commission's choice of an average price cap is designed to provide ACTION with some flexibility to adjust individual fares within the limitation of the 6% overall increase," he said.

"In particular, the Commission expects that ACTION will review its fare structure in the light of full-fare and concession passengers, bearing in mind the longer-term objectives of the ACT Government's sustainable transport policy."

Mr Baxter said the Commission's final decision was for an increase higher than that proposed in its draft report released in April. In arriving at the fare increase, the Commission had closely examined the effective movement in ACTION's efficient costs since the last price determination in 2003 (and after allowing for a CPI fare adjustment in 2005-06).

"The Commission has sought to ensure that passengers and general taxpayers are not required to meet a higher level of cost than that reasonably required to fund the efficient operation and delivery of the ACTION bus service.

"Submissions by the government and ACTION, and recent public comments by the Minister for Territory and Municipal Services, indicate that appropriate steps are being taken to start to bring ACTION's service delivery costs back to a more reasonable level.

"It will be for future price determination processes to assess whether this objective has been achieved and, if not, what further action might be required."

Mr Baxter said that in considering the question of sharing efficient service delivery costs between the travelling public and the wider community, the Commission had considered a range of issues, including:

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- the elasticity of demand for bus travel, recognising that in part the stated objective of government is to encourage greater use of public transport
- the increase in efficient costs since the last price adjustments and the potential for sharing any operating efficiency gains with the travelling public
- the relative costs of other forms of public transport, where they exist
- fares applying in other jurisdictions as a guide to the consumer acceptance of fares at particular levels
- government policy directions concerning the level of fares to apply to particular categories of passengers (for example, school children and pensioners)
- the composition of the passenger mix that will ultimately impact on the level of fare-box recovery that should be achieved under the approved fare regime, and
- the structuring of the fare regime in recognition of, for example, distances travelled and discounts offered for multiple ticket purchases or time-of-day travel.

“There has been considerable discussion over many years about the proportion of operating costs recovered by way of the fare-box but this outcome can be influenced by a number of factors that have little to do with the actual fares that are set,” Mr Baxter said.

“For example, and most obviously, an uncontrolled blow-out in costs can result in a reduction in the fare-box recovery rate without any change in the level of fares. Similarly, changes in the number of passengers using the bus service can change the fare-box recovery ratio without any change having occurred in the fares themselves.

“While acknowledging that targets for the fare-box recovery ratio have been set at various times, the Commission does not believe that this is the appropriate indicator to use in making decisions on the level of fares once efficient costs and service arrangements are agreed.”

Copies of the final determination can be obtained from the Commission and will be available on the Commission’s website at www.icrc.act.gov.au.

STATEMENT ENDS 26/05/06

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