



STANDING COMMITTEE ON PLANNING, TRANSPORT, AND CITY SERVICES
JO CLAY MLA (CHAIR), SUZANNE ORR MLA (DEPUTY CHAIR), MARK PARTON MLA

Inquiry into referred 2019–20 Annual and Financial Reports and Budget Estimates 2020-21
ANSWER TO QUESTION ON NOTICE

Asked by Ms Clay: To the Minister for Transport and City Services

In relation to: Ticket price effect on patronage

- 1) TCCS has the goal of improved efficiency via generating revenue through well targeted fare structures and increasing public transport patronage. Has the impact of increasing fares been accounted for when trying to encourage increased patronage?

Chris Steel MLA: The answer to the Member's question is as follows:–

- 1) Yes, fare levels are designed to reflect the service value of public transport as derived for the user and the community. In setting fare levels and determining increases in fares, Transport Canberra continues to balance cost recovery and fare levels with the community and social benefits derived from providing a public transport service.

As observed by the Independent Pricing and Regulatory Tribunal in New South Wales, “providing a subsidy (for public transport) is justified if it creates an incentive for people to behave in a way that is beneficial to the community – in this case using public transport instead of driving.”

The change in the number of journeys (demand) resulting from a change in the price of a journey can be estimated using the average demand price elasticity for public transport travel, which as an industry rule of thumb is approximately -0.35.

This means that for every 1% increase in price demand for public transport will fall by approximately .35% as much. It is critical therefore, that increases in fares are coupled with a relative net benefit in services to avoid patronage reductions, and a reduction in the value of the service.

For instance, historically, fares for Transport Canberra bus services have increased each year in January to account for inflation, with rounding resulting in slight variations each year. This is consistent with recent practices, and in line with changes in the “All Groups” Consumer Price Index for Canberra.

For the last several years, however, fares have not increased in line with inflation due to other COVID-19 /bushfires and other disruptions.

Increases in patronage, however, has a positive impact on cost recovery by increasing fare revenue. Transport Canberra continues to establish and implement measures to attract public transport passengers to enhance operational efficiencies as well as enhance the overall public good of providing public transport.



LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

QON No. 57

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Cost recovery, however, can also be achieved through mechanisms other than fares and patronage. Transport Canberra continues to seek operational efficiencies through better use of assets and network optimisation measures, which also have a positive impact on patronage, as well as changes to external interdependencies, such as parking.

For example, the ACT Transport Pricing Study (2014) recommended that public transport fares increase by no more than any increase in parking prices over the same period in order to limit any detrimental mode share impacts of fare rises.

Public transport fares are set by a Disallowable Instrument (DI) made under the *Road Transport (Public Passenger Services) Act 2001*.

The Territory currently offers fare concessions for a range of user groups to provide more affordable and accessible services to these groups.

Approved for circulation to the Standing Committee on Planning, Transport, and City Services

Signature:

A handwritten signature in blue ink, appearing to be 'Chris Steel'.

Date: 23/3/21

By the Minister for Transport and City Services, Chris Steel MLA