

# **Public Compliance Commitment for the Victorian Government in its role in setting public transport fares in Victoria.**

*This Public Compliance Commitment does not apply to taxi fares, which are subject to a separate process.*

This Public Compliance Commitment (“the Commitment”) is provided to give the people of Victoria confidence that public transport fares from 1 July 2000, under the New Tax System, have been set having regard to Part VB of the Trade Practices Act 1974 and the Australian Competition and Consumer Commission’s (the Commission) Price Exploitation Guidelines.

The Commitment is provided by the Director of Public Transport on behalf of the Victorian Government in its role in setting public transport fares in Victoria. The Director of Public Transport is an officer of the Department of Infrastructure (“the Department”). References in this Commitment to public transport operators refer to the operators of the metropolitan and rural rail, coach and bus transport services in Victoria. These include Bayside Trains, Hillside Trains, Swanston Trams, Yarra Trams, V/Line Passenger, metropolitan bus services, V/Line marketed services, country bus services, Hoys Rail and West Coast Rail. The Department does not operate any services in its own right.

The Department has relied in good faith on the information provided by operators in the assessment of cost structures to determine the expected benefits from the reduction in indirect taxes arising from the introduction of the New Tax System. This information has been used to determine price changes for public transport fares covered by this Commitment with the introduction of the New Tax System.

## **Public Compliance Commitment**

### **Commitment to Comply**

In determining the fare increase applicable from 1 July 2000, we:

- have sought to ensure that the anticipated net cost benefits realised by public transport operators as a result of the New Tax System changes are passed on to consumers;
- have had regard to the *Trade Practices Act 1974* (TPA), in particular Part VB of the Act and the Price Exploitation Guidelines published by the Commission; and
- will ensure, wherever practicable, that operators fully inform consumers of the GST component included in public transport fares, in accordance with the Government’s truth in GST pricing’ policy.

## **Cost changes**

The Department expects the operators of public transport services to derive some cost savings from the introduction of the New Tax System. For metropolitan operators these savings are expected to be derived primarily through the abolition of wholesale sales tax and other indirect taxes. For rural operators, further cost savings are expected to be derived through the Diesel Fuel Rebate Scheme and the Diesel and Alternative Fuels Grants Scheme.

Under the terms of franchise agreements with certain operators, the Department has only one opportunity to review regulated fares for the impact of the New Tax System. Anticipated cost savings to June 2002 have been taken into account in the fare adjustment review. The net benefits of these anticipated savings will be passed on to consumers in the form of smaller price rises coinciding with the introduction of the New Tax System.

The Department has not offset any implementation and compliance costs associated with the introduction of the New Tax System in its analysis of the anticipated cost savings to the operators.

## **GST impact**

Public transport fares will be subject to GST and will therefore include GST in their prices from 1 July 2000. GST will equal 1/11<sup>th</sup> of the price of each fare. Registered businesses will be able to claim back the GST in accordance with the general rules for GST creditable acquisitions.

Public transport fares which are set by Government fall into the following broad categories:

1. Metcard fares for metropolitan public transport services, including trains, trams and buses in and around Melbourne;
2. V/Line, Hoys & West Coast fares for country rail and coach services throughout Victoria; and
3. Country bus fares.

The introduction of the GST in conjunction with the abolition or reduction in current indirect taxes from 1 July 2000 will result in a net increase in the price of public transport fares.

The increases in country bus and rail fares will be lower than those applicable to metropolitan fares due to the additional cost savings that will flow to country operators through the operation of the Diesel Fuel Rebate Scheme and the Diesel and Alternative Fuels Grants Scheme.

## **Consumer information and price displays**

We will ensure, wherever practicable, that operators fully inform consumers of the GST component included in public transport fares, in accordance with the Victorian Government's 'truth in GST pricing' policy.

As a general rule, the increase in public transport fares in response to the New Tax System is equal to the rate of GST (10%) less the anticipated cost savings up to June 2002 (calculated separately for each fare category) and the expected one-off impact of GST on the Consumer Price Index (CPI).

It is expected that the introduction of the GST will influence CPI in the financial year commencing 1 July 2000. This impact on CPI has been estimated on the basis of information available as at the date of this Commitment and is consistent with the Commonwealth Treasury forecasts. Since public transport fares are increased annually (on 1 January) in line with CPI, the fare increase on 1 July 2000 has been discounted by the expected one-off impact of GST on CPI. This ensures that the impact of the GST on public transport fares does not double count the GST effect on the CPI.

The CPI increase to fares on 1 January 2001 will include the cumulative CPI effects from the date of the last fare increase on 1 January 1999 and the impact of GST on CPI. The fare increases on 1 July 2000 and 1 January 2001 will be rounded down to the nearest 10 cents for full fares (except country bus fares) and 5 cents for concession and country bus fares.

### **Complaints handling**

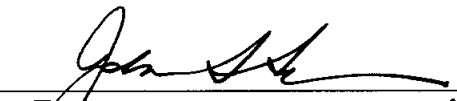
Established complaints handling systems are in place with operators to address queries from the public regarding public transport services and related issues. As part of this system, in the first instance all queries regarding the new fare levels from 1 July 2000 should be directed to the Victrip call centre on 131 638.

In the event that consumers require further information, the Department has also designated an officer to address queries regarding the new fares. This officer can be contacted on 9655 3333.

### **Liaison with the ACCC**

The Department, in its role in setting public transport fares in Victoria, is committed to adopting the principles of the relevant legislation. As part of this commitment we will liaise with the Australian Competition and Consumer Commission to ensure that any complaints made to the Commission and issues arising are dealt with expeditiously and with our full co-operation. The Department has appointed the Director of Public Transport as the point of liaison to be responsible for providing information to, and being the first point of contact for, the Commission regarding this Commitment.

Signed :



John Taylor

Director of Public Transport

15 May 2000