

FEEDBACK SOUGHT ON PROPOSED PUBLIC TRANSPORT FARES

Monday 21 December 2015

The Independent Pricing and Regulatory Tribunal (IPART) is proposing a package of changes to public transport fares to deliver fairer, more efficient and more integrated fares across all services on which the Opal card can be used.

Releasing the *More efficient, more integrated Opal fares draft report* today, IPART Chairman Dr Peter Boxall said the proposals are designed to deliver a fairer structure of fares, while ensuring fares continue to cover approximately 20% of around the \$6 billion¹ cost of providing public transport.

The proposed changes would mean that over 60% of passengers would pay less next year for using rail, bus, ferry and light rail services across Sydney, Newcastle, the Central Coast, Wollongong, the Blue Mountains and the Hunter.

Over the next 3 years, the average annual increases before inflation under the draft proposals range from 1.8% for rail passengers, to 3.3% for bus and light rail passengers, and 3.5% for ferries.

“This is a complete package of reform delivering the most benefits to the majority of passengers and society as a whole,” Dr Boxall said.

“The package we’re proposing would make public transport fares more integrated by calculating fares for multi-mode journeys in the same way as for single-mode journeys, so customers could switch modes without being penalised.

“Fares would better reflect the cost of providing the services, so there would be an even bigger discount for off-peak rail travel than there is currently, while longer distance journeys would become relatively more expensive compared to shorter distances.

“We are also proposing to reduce the number of free trips enjoyed by some, so more passengers can access lower fares without further increasing the burden on taxpayers.

IPART is now seeking feedback on the fare reform package which includes:

- ▼ **An integrated fare structure for passengers needing to switch** between trains, buses, ferries or light rail on the same journey. Instead of being charged twice or more when switching from one mode to another, the fare would be charged based on the distance from origin to final destination, so that most multi-mode passengers would pay 20% to 50% less for each journey. For example, someone who catches a bus from North Parramatta to Parramatta train station and then catches a train to Town Hall currently pays \$6.92 during peak hours (bus 0-3 km and train 20-35 km). Under the IPART proposals, they would pay \$4.74, representing a 32% saving.

¹ In 2015-16, public transport in the greater Sydney metropolitan area will cost around \$5.5 billion. This is forecast to increase to \$6.4 billion by 2018-19.

- ▼ **Making weekly travel discounts fairer** by eliminating the perverse incentive for regular commuters to take unnecessary shorter trips earlier in the week to qualify for free travel on their longer and more expensive trips later in the week, costing the system more. Under the current structure where all travel is free after 8 journeys, the 62% of passengers who travel fewer than 9 times a week are subsidising those who travel more often, costing around \$150 million each year.
- ▼ IPART is instead proposing a new fairer weekly travel credit arrangement which combines a weekly spending cap and frequency discounts in one scheme. The scheme is designed to reduce the subsidy going from one group of customers to another, while still protecting customers from higher weekly expenditure. Under the proposed new arrangements, passengers would pay for all their journeys as they go and get a credit at the end of the week so that they would only end up paying for their 10 longest journeys, up to a maximum of \$65 a week (up from the current \$60 per week).
- ▼ **Increasing the off-peak discount** on trains from 30% to 40%, meaning lower fares for more than 97% of off-peak rail customers. Currently 56% of all rail journeys are made in off-peak periods. Increasing the discount on off-peak fares would better reflect the lower costs of providing off-peak rail services and promote better use of spare capacity on the rail network.
- ▼ **Changing fare bands so that they are based on the straight-line distance from origin to destination for all modes**, removing the anomaly that while bus and ferry passengers currently pay for distance travelled based on a straight line, train passengers pay according to track distance. This would lead to significant savings for some rail passengers. For example, someone travelling from Cronulla to Town Hall who currently pays \$6.46 in peak hours would pay \$4.74 under these proposals, a saving of 26%.
- ▼ **Introducing new weekend daily caps**, enabling more people to benefit from weekend travel without putting pressure on the system by making travel too cheap on only one day of the week (which is what has happened as a result of the current \$2.50 Sunday cap, in particular for travel on ferries). The new daily cap is proposed to be \$7.20 for adults, \$5.40 for concessions and \$3.60 for children on Saturday and Sunday.

While these and other changes would mean cheaper fares for 96% of single journeys, these fare savings are balanced by more closely aligning some fares to the costs of providing transport services over time, making travel more expensive for some customers. Some of these proposed changes include:

- ▼ **Increasing the per kilometre rate** so that fares for longer distance journeys would increase relative to those for shorter distance journeys to better reflect the higher costs of providing these journeys. This would affect those travelling longer distances (bus fares more than 15 km, and rail fare more than 65 km), long distance fares would still be lower than fares were in 2009.
- ▼ **Setting the Gold Opal Card cap at 40%** of the concession fare (\$3.60) in place of the current daily cap of \$2.50, which has not increased since 2005. Seniors without a Pensioner or War Widow/ers Card would have an Opal Concession Card (\$9 daily cap) rather than a Gold Opal Card.

- ▼ **Increasing the daily cap** from \$15 (Monday to Saturday) to \$18 Monday to Friday, with the proposed lower \$7.20 daily cap to apply on Saturdays and Sundays.
- ▼ **Pricing paper tickets at 40% more than Opal fares** to reflect the costs involving two ticketing systems. Paper ticket premiums in other jurisdictions range from 18% in Perth to 102% in London.

IPART is now seeking community feedback on our draft fare reform package before a final report will be released next year. Submissions will be accepted until 5 February 2016. Any new fares would come into effect on 1 July 2016. The Draft Report is available on IPART's website <<http://www.ipart.nsw.gov.au>>.

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TRANSPORT FARE REFORM PACKAGE - FAST FACTS

- ▼ Passenger impacts will vary depending on the frequency and distance of travel, and the transport modes used. The biggest savings would be for passengers travelling short distances, those changing modes and those making 8 journeys a week or fewer.
 - Fares for 96% of single-mode journeys would fall in 2016.
 - Single-mode fares fall by an average of 8% in 2016/17.
 - 62% of passengers travel 8 times a week or fewer and would be better off due to the cheaper single fares.
 - Fares would fall for shorter distances, and increase for longer distances to reflect costs, but be capped at \$18 a day and \$65 a week.
- ▼ Increases in long distance fares would primarily affect the 3% of Opal Card users who travel the longest distances (more than 65 km by rail, more than 15 km on a bus, or Circular Quay to Parramatta by ferry).
 - Despite these proposed increases, fares for long distance journeys in Sydney would remain substantially lower than in other jurisdictions, particularly for train journeys.
 - For example, compared with Sydney:
 - Fares in Brisbane from 1 July 2016 would continue to be around 10% more for a 50 km single journey to and from the CBD, and around 50% more for a 100 km journey.
 - A 60 km single journey in Melbourne from 1 July 2016 would continue to be around 30% more than in Sydney, and around 50% more for a 100 km journey.
- ▼ Fares will continue to be different for rail, ferry and bus passengers, with light rail fares to be set at the same level as bus fares. This reflects the different costs of providing the services.
- ▼ The proposed fares apply to Adult Opal fares only, as concession fare arrangements are a matter for the NSW Government, but IPART has made some draft recommendations on concession arrangements where they fall within the scope of this review.
- ▼ The price of all day travel for seniors and pensioners has not changed since 1 January 2005, while the CPI has increased by almost 30% and other fares have risen by slightly more than 30%. This means that the discount provided to seniors and pensioners has become more generous compared to discounts available to other concession customers who may be more economically disadvantaged.
- ▼ In 2015-16, public transport in the greater Sydney metropolitan area will cost around \$5.5 billion. This is forecast to increase to \$6.4 billion by 2018-19. The expected growth in costs is mainly due to planned capital investment for the Sydney Metro Northwest and the City and South-East Light Rail extension (CSELR).
- ▼ Our consultant CIE found that operating cost inefficiencies will cost the NSW Government \$859 million over the determination period, with rail, STA and outer metro buses, Sydney Ferries and Stockton Ferries all costing more to operate than a benchmark efficient operator.

- ▼ Fares currently cover around 20% on average of the costs of providing public transport services. Under these proposals, while farebox revenue would increase by around 13%, cost recovery would remain about the same – this is mainly due to increasing costs from the extensions to the transport network.

How we set prices

- ▼ IPART's fare proposal package is based on setting socially-optimal fares at the level that provides the most benefit to both passengers and the community as a whole. It requires a balance between fares that are sufficiently attractive to encourage use of public transport, but are not so low as to put extra pressure on infrastructure.
- ▼ The Draft Report details estimated socially-optimal fares but the recommendations are to gradually transition fares towards this level to minimise the impact on customers, patronage and fare revenue. It means that despite the proposed changes, most fares will still be significantly below estimated optimal levels.