



Maximum Opal fares until July 2028

## Draft Report

August 2024

Transport >>



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## Acknowledgment of Country

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders both past and present.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

## Tribunal Members

The Tribunal members for this review are:

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Dr Darryl Biggar  
Jonathan Coppel  
Sharon Henrick

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## Invitation for submissions

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

## Submissions are due by Monday, 16 September 2024

We prefer to receive them electronically via our [online submission form](#).

You can also send comments by mail to:

Maximum Opal fares until July 2028  
Independent Pricing and Regulatory Tribunal  
PO Box K35  
Haymarket Post Shop, Sydney NSW 1240

If you require assistance to make a submission (for example, if you would like to make a verbal submission) please contact one of the staff members listed above.

Late submissions may not be accepted at the discretion of the Tribunal. Our normal practice is to make submissions publicly available on our [website](#) as soon as possible after the closing date for submissions. If you wish to view copies of submissions but do not have access to the website, you can make alternative arrangements by telephoning one of the staff members listed above.

We may decide not to publish a submission, for example, if we consider it contains offensive or potentially defamatory information. We generally do not publish sensitive information. If your submission contains information that you do not wish to be publicly disclosed, please let us know when you make the submission. However, it could be disclosed under the *Government Information (Public Access) Act 2009* (NSW) or the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW), or where otherwise required by law.

If you would like further information on making a submission, IPART's [submission policy](#) is available on our website.

## The Independent Pricing and Regulatory Tribunal

IPART's independence is underpinned by an Act of Parliament. Further information on IPART can be obtained from [IPART's website](#).

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# 1 IPART has made draft decisions on maximum Opal fares until 2028

IPART sets maximum public transport fares under the Passenger Transport Act when we receive a request from the NSW Government. This is called **determining** the maximum fares – Transport for NSW cannot charge more than the determined maximum, but may charge less.

In setting maximum fares, IPART has a responsibility to balance potentially conflicting considerations, including:

- the efficient cost of providing the services
- protecting consumers from abuses of monopoly power
- the social impact of the determination
- the effect on the level of Government funding (that ultimately comes from taxpayers).

This is a complex task, and this Draft Report sets out our draft decisions and recommendations and explains how we developed them, including what we heard from stakeholders about setting Opal fares. We want your feedback on those draft decisions and recommendations before we finalise the determination for fares to apply for the next 4 years.

## 1.1 The context: public transport is expanding, costs are increasing, and the COVID-19 pandemic disrupted travel patterns

The Opal network is expanding with new metro and light rail services. As the network expands, the cost of providing public transport will rise. But so will the benefits as services become more convenient and faster.

Currently passenger fares pay for less than 20% of the cost of providing public transport. The remainder is funded by taxpayers. Funding public transport through a mix of taxation and passenger fares is the norm in most cities across the world. It recognises the significant benefits of public transport for the community, as well as the direct benefits to the passengers using the service.

Cities function more efficiently with a well-designed and used public transport network with less traffic congestion, lower pollution, and healthier residents with access to employment, education and leisure activities.

Since our last review of Opal fares in 2020, the world has experienced both direct and ongoing impacts of the COVID-19 pandemic. Work and travel patterns have changed. These changes could be temporary or long-term, but they have had an impact on the ability for public transport to recover costs, with patronage still lower than before COVID-19 even as the network expands and costs increase.



The cost of living has also been increasing more rapidly in recent years, increasing affordability concerns. However, public transport fares are still lower in real terms than they were when Opal fares were first introduced in 2014. In other words, inflation since 2014-15 has grown faster than fares. And in our patronage paper we show that passengers are taking fewer trips by public transport in 2022-23 than they were in 2018-19. Together with the rising costs experienced across the economy and because of higher levels of service provision, the share of costs paid for by passengers towards the operation of the public transport system has fallen.

It is important that the costs of public transport are equitably balanced between taxpayers and passengers. This does not mean an equal split between passengers and taxpayers but at a minimum means that the contribution of taxpayers is at a rate that Government spending can sustain without reducing service levels, and achieving standards of safety, reliability and quality. It also considers the external benefits that passengers of public transport provide to society, such as avoided road pollution or congestion (See our paper on modelling socially optimal fares).

Lowering fares further would be unlikely to support this equitable balance, even if additional people were incentivised to increase their public transport usage. In particular, the balance of costs would be inequitable for taxpayers who live outside the Opal network or in areas where public transport service is poor.

However, cost recovery is not the only factor we consider when setting fares. Affordability for all groups and ensuring fares represent value for money, recognise external benefits and incentivise a greater share of sustainable transport modes are all relevant considerations in our fare-setting approach.<sup>1</sup>

## 1.2 Our draft decisions result in a 2% average increase to maximum fares

Our draft decisions aim to provide a balance between the contribution passengers make through fares and the contribution from taxpayer funding, to ensure that the public transport network is sustainable over the long term. We also seek to ensure that fares are affordable, have a simple structure, and maximise community benefits as well as providing value to passengers.

Our draft decisions result in a 2% average increase compared to current maximum fares.

- For bus and light rail, most maximum fares would stay the same as they are now, with a small (1.6%) increase to maximum fares in the 3 to 8 km distance band.
- For train and Metro, maximum fares would rise between 0.7% and 4.1%, depending on the distance band.
- For Sydney ferry services, maximum fares would increase by between 3 and 4%.
- The Newcastle-Stockton Ferry maximum fare would increase by 7%.

IPART is also proposing that maximum fares increase by CPI on each 1 July until 2028.

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<sup>1</sup> In our Information Paper - Affordability we set out more details on issues of affordability and draft recommendations, such as using concession fares to target specific groups of people experiencing disadvantage.

These are the maximum fares that can apply, but Transport for NSW can, and usually does, set fares below the maximum permitted.

IPART does not determine concession fares, caps or discounts. However, we have made draft recommendations to Transport for NSW to consider reviewing the links between these so that fare change events apply consistently across the fare package. This would mean that the transfer discount increases when fares increase, maintaining its value for customers. It would also mean that daily caps and weekly caps keep the same relativity over time.

## 1.3 All our draft recommendations

### Recommendations

1.	That Transport for NSW extend the eligibility for Concession Opal to holders of a Commonwealth Health Care Card and/or Low Income Health Care Card.	19
2.	That Transport for NSW consider reviewing current peak and off-peak arrangements (times, fares and timetables) to clarify the objectives and determine if they remain appropriate in the post COVID-19 environment.	23
3.	That Transport for NSW consider reviewing the relativities between fare types, discounts, caps and other elements of the Opal fare package, ensuring fare change events apply consistently across the fare package.	24
4.	Where significant impacts to service quality occur, the Government should consider whether fares should be reduced or other rebates can be offered to compensate for inconvenience or increased travel / wait times	25
5.	That Transport for NSW consider conducting a study into the attitudes and motivations of its passengers towards ticketing non-compliances to understand and cost-effectively address the increase in fare non-compliances and reduce associated revenue losses since 2019.	26

## 1.4 Questions on which we seek comment

We seek feedback on any matters you wish to raise within the scope of the review. We are particularly interested in your views on the following questions.

### Seek Comment

1.	How can Transport for NSW work with community service organisations to provide short-term assistance to people experiencing vulnerability with their transport needs?	18
2.	What are the challenges people with disability face when using the Opal system to pay for public transport?	18
3.	Under our Draft Determination maximum fares would apply from 1 December 2024 and then be inflated by CPI each subsequent 1 July. This provides Transport for NSW	

	with flexibility to set its own price path over the determination period.	
	What are your views on allowing Transport for NSW flexibility to set its own price path over the determination period? Should IPART set the price path instead (for example, specifying the allowable real increases in each year of the determination) or apply additional constraints to individual fares?	20
4.	Under our Draft Determination, maximum fares stay constant in real terms and Transport for NSW can increase fares by actual CPI each 1 July. This is different from our approach in 2020 when we included an estimate of future CPI in the determined fares.	
	What are your views on whether estimated future CPI should be included in fares, or allowed to be included based on actual inflation experienced?	20
5.	We have made a draft decision to remove the CBD increment. This could be implemented in a revenue neutral way by recovering forgone revenue across all train trips taken on the Opal network, through an increase of around 3 cents to the maximum fare per train trip.	
	What are your views on removing the CBD increment and recovering the forgone revenue through all train trips taken on the Opal network?	
	As an alternative to the distance-based CBD increment, are any costs specific to busy locations (e.g. CBD stations) that should be reflected in fares, possibly as an additional charge?	21
6.	Should the Newcastle ferry and Sydney ferry modes be integrated into a single Ferry mode with three distance bands? If so, where should the shortest distance band be set?	21

## We want to hear from you

We seek feedback on our draft decisions and recommendations. To have your say, you can:

- attend our public hearing on 3 September 2024
- provide a submission by 16 September 2024.

We will consider all the feedback we receive, as well as the results of further analysis, in forming our final decisions and recommendations.

We will release our Final Report and Determination in October 2024.

### Have your say

Your input is critical to our review process.

[Submit feedback »](#)

You can get involved by making a submission or attending the public hearing.

[Attend the public hearing »](#)

## 2 How the draft maximum fares compare to current fares

The legal document that sets maximum fares is called the Determination. We have published a Draft Determination that sets out the draft maximum fares until 30 June 2028. The fares in the Draft Determination do not include GST. Therefore, public transport fares are GST-liable so when Transport for NSW decides what fares to charge, GST is added.

Transport for NSW does not have to charge the maximum, and as of July 2024, all Opal fares are set below the maximum.

Under our Draft Determination, maximum fares would increase by CPI each 1 July until 2028. The percentage change shown in the tables in this section is the "real" change – that is, without the effect of inflation.

### 2.1 Draft maximum fares compared to current maximum fares

We set maximum fares for 1 July 2020 to 30 June 2024 in a Determination in 2020. The 2020 Determination allowed maximum fares to increase by CPI on 1 July 2024 if the Determination had not been replaced. The maximum fares in the tables below would apply from 1 December 2024 until the Determination is replaced.

Table 2.1 Metro and train services (\$2024-25, excluding GST)

Distance band (km)	Maximum fare July 2024	Draft maximum fare 2024-2028	% real change
0 to ≤ 10	\$4.14	\$4.17	0.7%
> 10 to ≤ 20	\$5.09	\$5.30	4.1%
> 20 to ≤ 35	\$5.94	\$6.09	2.5%
> 35 to ≤ 65	\$7.82	\$8.13	4%
> 65	\$10.08	\$10.45	3.7%

Table 2.2 Bus services (\$2024-25, excluding GST)

Distance band (km)	Maximum fare July 2024	Draft maximum fare 2024-2028	% real change
0 to ≤ 3	\$3.02	\$3.02	0%
> 3 to ≤ 8	\$4.33	\$4.40	1.6%
> 8 to ≤ 20	\$5.65	\$5.65	0%
> 20	\$6.03	\$6.03	0%



Table 2.3 Light rail services (\$2024-25, excluding GST)

Distance band (km)	Maximum fare July 2024	Draft maximum fare 2024-2028	% real change
0 to ≤ 3	\$3.02	\$3.02	0%
> 3 to ≤ 8	\$4.33	\$4.40	1.6%
> 8 to ≤ 20	\$5.65	\$5.65	0%
> 20	\$6.03	\$6.03	0%

Table 2.4 Ferry services (\$2024-25, excluding GST)

Distance band (km)	Maximum fare July 2024	Draft maximum fare 2024-2028	% real change
0 to ≤ 9	\$6.97	\$7.19	3.2%
> 9	\$8.66	\$9.00	3.9%
Newcastle ferry service	\$3.02	\$3.23	7%

Source: IPART analysis

## 2.2 Draft maximum fares compared to current Opal adult peak fares

As noted above, all current Opal fares are set below the maximum fare that could be charged. To help people understand how our draft maximum fares compare to current Opal adult peak fares, the tables below **include** GST.

Table 2.5 Metro and train services (\$2024-25, including GST)

Distance band (km)	Opal adult peak fare July 2024	Draft maximum fare 2024-2028 + GST	% difference
0 to ≤ 10	\$4.20	\$4.59	9.2%
> 10 to ≤ 20	\$5.22	\$5.83	11.6%
> 20 to ≤ 35	\$6.01	\$6.70	11.5%
> 35 to ≤ 65	\$8.03	\$8.94	11.4%
> 65	\$10.33	\$11.50	11.3%

Table 2.6 Bus services (\$2024-25, including GST)

Distance band (km)	Opal adult peak fare July 2024	Draft maximum fare 2024-2028 + GST	% difference
0 to ≤ 3	\$3.20	\$3.32	3.8%
> 3 to ≤ 8	\$4.36	\$4.84	11.1%
> 8	\$5.60	\$6.22	11.0%

Note: IPART determines maximum fares for 4 distance bands for bus services, but Transport for NSW has merged the two longest distance bands.

Table 2.7 Light rail services (\$2024-25, including GST)

Distance band (km)	Opal adult peak fare July 2024	Draft maximum fare 2024-2028 + GST	% difference
0 to ≤ 3	\$3.20	\$3.32	3.8%
> 3 to ≤ 8	\$4.36	\$4.84	11.1%
> 8	\$5.60	\$6.22	11.0%

Note: IPART determines maximum fares for 4 distance bands for light rail services, but Transport for NSW has merged the two longest distance bands.

Table 2.8 Ferry services (\$2024-25, including GST)

Distance band (km)	Opal adult peak fare July 2024	Draft maximum fare 2024-2028 + GST	% difference
0 to ≤ 9	\$7.13	\$7.91	11.0%
> 9	\$8.92	\$9.90	11.0%
Newcastle ferry service	\$3.20	\$3.55	11.0%

## 3 What we heard from stakeholders

In January 2024, we published an Issues Paper explaining some key issues for setting maximum Opal fares. We included questions to stakeholders on how we should approach this review.

Over a six-week consultation period, we received feedback on our issues paper through our website, and a survey on the NSW Have Your Say website.

We considered this feedback to inform the analysis and draft decisions set out in our Draft Report and Draft Determination. We also obtained cost and Opal trip information from Transport for NSW, as well as data from the ABS and other sources to complete the analysis before making our Draft Determination and draft recommendations.

For more detail on what we heard from stakeholders please see our [Information Paper - What we heard](#). This section of the Draft Report sets out an overview of key issues raised by stakeholders.

### 3.1 Affordability

Stakeholders had concerns about the impact of fare increases in the context of other cost of living increases. For example, one survey respondent said:

"I am tired of a system that does not consider heavy public transport users who may not be eligible for the concession card but who still struggle to pay for transport if they do not have a regular income."

Stakeholders considered that high fares are a financial burden, especially for frequent users or those travelling long distances. Many submissions advocated for free public transport or fare reductions to address concerns of affordability, or to reflect service quality.

Other comments linked affordability concerns to fairness of the fare structure. For example, concerns were raised about the fairness of:

- the cost of long and short distance travel<sup>2</sup>
- multi-mode fares where some commuters have no choice but to switch modes
- peak-hour pricing being perceived as an unfair surcharge for non-discretionary travel (rather than a discount for off-peak trips)
- the removal of the free or half price trip incentive after eight trips.

Some stakeholders expressed a view that public transport operators should not make a profit from fares. However, there is no need for this concern as fares only cover about 18% of operating costs on average and passenger fares are not contributing to profit in the Opal system.

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<sup>2</sup> This included passengers who travel 1-2 stops or stations and sought shorter and cheaper fare bands, as well as passengers who highlighted the financial impact of travelling long distances to access work or education and pay the maximum fare bands.

One of our fare-setting objectives for this review is to ensure that public transport is accessible, including through being affordable to vulnerable groups. We discuss how we address this objective in section 4.2 of this report, and our [Information Paper - Affordability](#) discusses our analysis of affordability in more detail.

## 3.2 Fare options

We asked respondents to our survey which features of Opal fares and payments are most important to them. The three most popular options for high frequency users were:

1. Daily travel caps.
2. Weekly travel caps.
3. Opal transfer discount.<sup>1</sup>

Among low frequency users the most popular options were:

1. Daily travel caps.
2. Lower concession or Gold Senior/Pensioner fares.
3. Off-peak discounts.<sup>2</sup>

Although IPART does not determine caps, discounts or concessions, we have considered how those features of Opal fares and payments fit together as a package and made a draft recommendation to Transport for NSW. We discuss this at section 4.6 of this Draft Report.

Our [Information Paper - Fare package options](#) discusses our analysis of and draft recommendations on fare package options in more detail.

## 3.3 Environmental sustainability

Some submissions asked us to consider the environmental benefits of increased public transport patronage compared to alternatives such as private motor vehicles. This is also one of the factors we must consider under the Passenger Transport Act. The "external benefit" of reduced pollution and greenhouse gas emissions is one reason why most jurisdictions subsidise public transport.

When we developed a socially optimal fares model as part of this review, we incorporated information about the value of the external environmental benefits of public transport, including reduced greenhouse gas emissions and avoided pollution from vehicle emissions.

For more information about how we factored external environmental benefits into fares, you can read our [Information Paper - Socially optimal fares](#).

### 3.4 Fare evasion

Some stakeholders also raised the issue of fare evasion across the Opal network. Submitters and survey respondents suggested that people not paying for fares and getting unwarranted free travel meant that other people had to pay higher fares.

Passenger compliance is managed by Transport for NSW and the NSW Government. However, this is an important issue for some stakeholders, and we undertook analysis of the financial impact of fare evasion. We discuss this and our draft recommendation to Transport for NSW in section 4.6 of this Draft Report.

For more information about the impact of fare evasion, you can read our [Information Paper - Financial and operational performance](#).

### 3.5 Seniors/Retirees

Submissions also encouraged us to consider the benefits of the Gold Opal card, which provides Seniors Card holders with concession fares up to a daily cap of \$2.50.

Submissions and survey responses emphasised the benefits of encouraging older people to be out and about, keeping them fit and engaged in society.

In section 4.6 of this Draft Report, we discuss our draft recommendation to Transport for NSW to consider linking the package of caps, discounts or concessions, including Gold Opal.

For more information about how we considered the impact of fares on seniors/pensioners, you can read our [Information Paper - Affordability](#).



## 4 How we developed draft fares and draft recommendations

Our Issues Paper set out fare-setting objectives that incorporate all the factors the Passenger Transport Act (the Act) or the Referral require us to consider.

We considered these fare-setting objectives, analysed data and stakeholder feedback, and took into account the complex and sometimes conflicting perspectives and outcomes. We will also consider all feedback and relevant information in developing our final decisions after this important consultation on our Draft Report.

Our Draft Determination provides simplicity and transparency (a table of maximum fares using the existing default distance bands and mode-based pricing), while also allowing flexibility for Transport for NSW to choose to set fares using alternative distance bands, as long as the deemed average fare does not exceed the maximum average fare based on the default bands.

This allows flexibility for Transport for NSW to implement fare reform as a result of technological change (e.g., the next generation Opal ticketing technology, the contract for which is currently being tendered), operational changes (e.g., from changed travel patterns following the commencement of new Metro and light rail lines or responding to unexpected external shocks such as the COVID-19 pandemic), or Government policy.

This section explains how the fare-setting objectives guided our development of draft fares and draft recommendations.

### 4.1 Fares are set to support the financial performance of the public transport network

Under this fare-setting objective we have considered the following factors:

- cost recovery in the post COVID-19 environment (the Referral)
- the cost of providing the services (the Act)
- the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers (the Act)
- the effect of the determination or recommendation on the level of Government funding (the Act).

#### Public transport services are funded by both passengers and taxpayers

The majority of funding for public transport comes from taxpayers. As public transport provides benefits (such as reduced pollution, reduced traffic congestion and reduced accidents) to other members of society who are not public transport passengers, it is appropriate that taxpayers pay a share of the costs of providing public transport.

## Patronage growth is likely to drive improved cost recovery from fares

Cost recovery from fares is currently at the relatively low level of 18% (based on 2022-23, the last full year for which cost and revenue data are available).

COVID-19 restrictions caused a drop in patronage and revenue from the second quarter of 2020 onwards. Patronage and revenue have still not returned to pre-COVID levels. Work and travel patterns have changed and some of those changes may be long-term.

However, as patronage continues to increase, cost recovery from fares should increase as well. We consider that a range of factors will drive an increase in patronage over the course of the determination period:

- The introduction of new metro and light rail services is likely to encourage some people to shift more of their travel from private modes to the new services (resulting in overall patronage growth for the whole network), due both to improved network coverage and travel times, and increased capacity – patronage increases as more trips per person are taken.
- The population of the Greater Sydney area is projected to continue to grow at around 1.2% per year. This growth should increase patronage if the additional people in the population use public transport in the same proportion as the people already in the Greater Sydney area. Greater Sydney encompasses the majority of the Opal network.
- Technology enabling account-based ticketing to be rolled out at scale would permit the introduction of subscription package options, which could increase patronage through more innovative ticketing options.

For more information on patronage experience in the past, and patronage forecasts for the future, please see our [Information Paper - Patronage](#).

## Our draft decision is that maximum fares should not decline in real terms

We do not consider that passengers who continue to use public transport should pay more because patronage has dropped. Increasing fares to try to increase cost recovery from fewer passengers may in fact decrease patronage further if passengers react to higher prices by using public transport less.

However, nor should maximum fares be decreased. The currently determined maximum fares are set at a level we considered to be affordable in 2020. Although Transport for NSW has not increased prices to the maximum permitted, we consider that we should not decrease the maximum prices to the currently charged levels and inhibit Transport for NSW's flexibility to respond to circumstances.

We have therefore made a draft decision that none of the maximum fares for our 2024-2028 determination should be below the maximum fares in the current 2020-2024 determination.

## We undertook revenue modelling to test financial performance of different fare options

We modelled projected revenue from fares for the future years of the determination based on different options for fares, including:

- current applied fares
- current determined maximum fares
- our proposed draft fares which are on average 2% higher than current determined maximums
- fares which increase at longer distance bands by up to 20% more than current determined maximums.

We found that our proposed draft maximum fares would likely increase cost recovery from fares to 23.5% in 2025-2026, if Transport for NSW were to charge the full permitted maximum, and if patronage growth is in the moderate range. This compares to 18% currently, and our estimate of 26% for 2019-20, a year which was affected by COVID lockdowns only in the fourth quarter.

## We developed a socially optimal fares model

In order to work out an appropriate contribution from passengers in the form of fares, we developed a socially optimal fares model which takes into account the financial costs of providing public transport services on the Opal network as well as the costs and benefits for people who are not passengers, including avoided traffic congestion, avoided traffic accidents, and avoided greenhouse gas emissions.

The inputs to the model include financial data from Transport for NSW, and established values for inputs like the cost of traffic congestion and the cost of emissions. We also had to make assumptions about the way costs were **allocated** – for example, are specific types of costs related to how far a passenger travels or related to the fact that a passenger has chosen to make a journey? We consulted with a technical working group on the structure of and data inputs to the model.

To find out more about the model, please see [Information Paper - Modelling socially optimal fares](#) for a short overview, or a longer [Technical Paper - Modelling socially optimal fares](#), the [Summary - Opal technical workshops](#) or the model itself. All are available on our website.

The model produces a range of different estimates for fares depending on the assumptions made. Most of the modelled fares are higher than current maximum fares, except for some of the shortest distance fares which are lower. Longer distance fares are significantly higher than current maximum fares.

Given these differences, and the need to also consider other fare-setting objectives including affordability, we do not propose to set fares at the modelled estimates. However, we have taken into account the direction that fares would go (with bigger increases at longer distances) if they followed the socially optimal estimates.

## 4.2 Fares ensure that public transport is accessible

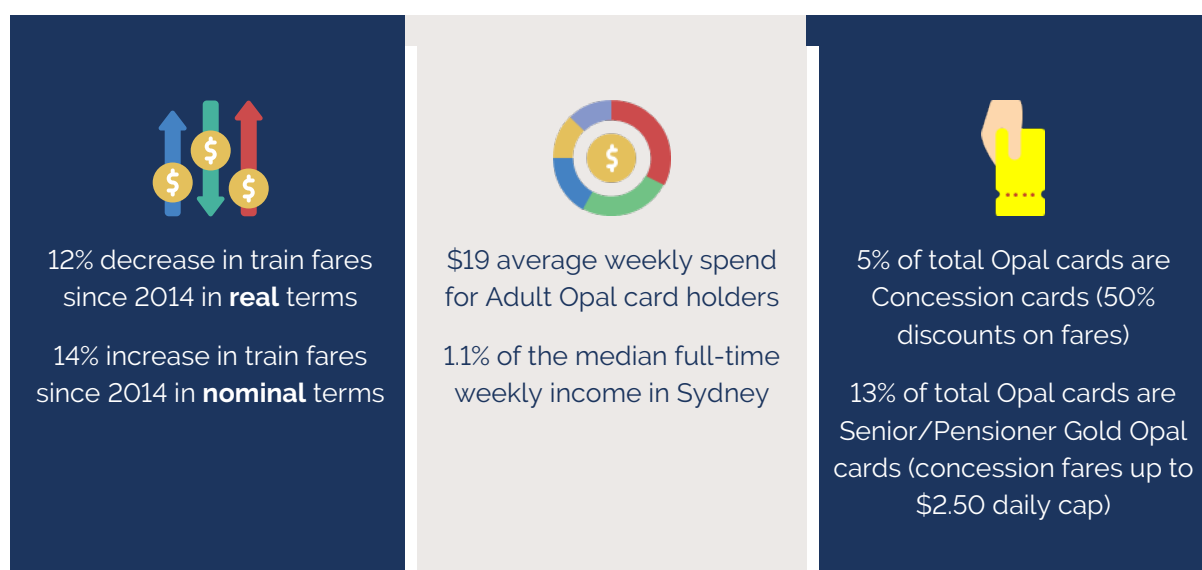
Under this fare-setting objective we will address the following factor:

- ensuring affordability and accessibility for disadvantaged groups (the Referral).

Public transport connects our communities to essential services like healthcare, education, and employment. Accessible public transport empowers individuals to reach these opportunities, in turn fostering vibrant and connected cities. Affordable fares are an important component of access to public transport. When fares become too high, they can discourage public transport use, limiting the positive impacts of public transport and disproportionately affecting those who rely on it the most.

We looked at different measures of affordability for existing Opal fares. We found that fares for all modes have decreased in real terms since the introduction of the Opal card in 2014, that Adult Opal card holders spend on average \$19 a week for public transport, and that 18% of Opal cards are Concession Opal cards. We consider that all of these statistics are key indicators for affordability.

### Affordability: key statistics

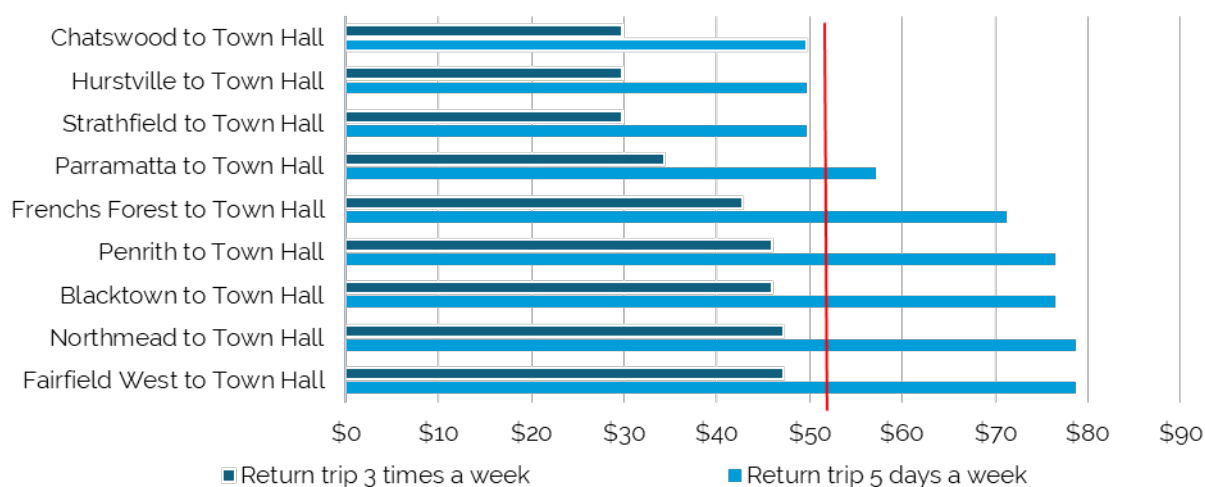


Source: Data provided by Transport for NSW, IPART analysis

We also selected a list of popular public transport routes for commuters to the CBD and calculated how much it would cost under current fares to travel several times a week for work.

For those who commute 3 or fewer times a week into the CBD, total weekly fares remain below the \$50 weekly cap even for longer distances. Those who travel 5 times a week or more would spend more if there was no weekly cap. Having to switch public transport mode also results in higher costs. We selected the Fairfield West, Northmead, Frenchs Forest and Marsden Park routes as they involve a bus trip followed by a train trip. The total fare for these journeys includes a \$2 inter-mode discount per mode switch, but it is still significantly higher than commuters who only take one mode for their trip.

Figure 4.1 Typical weekly travel expenditure selected trips to the CBD



a. All trips are at peak times with no concession discounts

b. The red line corresponds to the \$50 weekly cap

Source: TfNSW TripPlanner, IPART analysis

For more information on our analysis of affordability, please see our [Information Paper - Affordability](#).

### Seek Comment



1. How can Transport for NSW work with community service organisations to provide short-term assistance to people experiencing vulnerability with their transport needs?



2. What are the challenges people with disability face when using the Opal system to pay for public transport?

### Factoring affordability into our proposed draft maximum fares

To address affordability for our proposed draft fares, we put a limit on the percentage increase we would allow on the fares currently charged by Transport for NSW, which are all below the allowed maximum determined fares. Some fares are currently 11% below the determined maximum fare, so we decided that proposing to set the new maximum determined fare at most 11% above current charged fares would help preserve affordability, while not allowing any maximum determined fares to fall below the current maximum.



## Caps and concessions help preserve affordability

Opal fares also have a system of daily and weekly caps as well as concessions available for different groups of financially vulnerable people, all of which serve to preserve public transport affordability. IPART does not set the caps or the concession fares, but we have identified a financially vulnerable group that does not currently receive a concession and propose a recommendation to extend concession eligibility to them.

### Draft Recommendation



1. That Transport for NSW extend the eligibility for Concession Opal to holders of a Commonwealth Health Care Card and/or Low Income Health Care Card.

## 4.3 Fare structures are simple and flexible

Under this fare-setting objective we have addressed the following factors:

- the Opal mode and distance-based fare structure (the Referral)
- incorporating new services into the Opal fare structure (the Referral)
- the appropriateness of the current methodology for determining maximum Opal fares (the Referral).

### Our Draft Determination retains both simplicity and flexibility

We propose to retain the existing distance bands and keep light rail fares at the same level as bus fares in the interests of simplicity. We propose to set fares for on demand services at the same level as the maximum fares for single mode journeys for the relevant mode of transport.

However, we have also incorporated in the Draft Determination a methodology by which Transport for NSW can introduce different fare bands and calculate a revenue-neutral recalibration of fares to give Transport for NSW flexibility to undertake fare reform if required.

As noted above, Transport for NSW also has flexibility about whether and when to increase fares to maximum permitted levels. Under this methodology, TfNSW could, in principle, raise some fares provided that it lowered other fares. We could set additional constraints on this ability, such as the extent to which any individual fare could increase in one year

### We propose to make simplifying changes to distance calculation for train travel

We have proposed two simplifying changes to the way Transport for NSW can calculate distances and thereby allocate train trips to distance bands:

1. The 'CBD increment' which adds an additional distance specified by Transport for NSW to the distance travelled for train trips that start or finish in the CBD must be removed.

2. The distance of any trip by train is to be determined by the shortest distance by rail between the departure point and the destination point. (This is generally the case now but there are exceptions, and this change will mean that if a new service comes on-line and makes the shortest distance shorter, a lower fare may apply to both the new service and an existing service.)

## We have set draft fares in real terms (that is, without the effect of inflation included)

Our draft decision is to allow an immediate real increase (above inflation) in maximum fares of on average 2%, and then allow the maximum fares in the Draft Determination to be inflated by the actual change in the All groups Consumer Price Index (CPI) for Sydney in each year over the determination period.

In the past we have generally set a price path which included a forecast level of inflation each year. We considered that this approach gave certainty over what fares would be in nominal terms. While inflation was consistent and low, we had confidence in the accuracy of our forecasts. However, with the recent higher and more volatile levels of inflation, we consider it is preferable to allow Transport for NSW the flexibility to adapt to changing external circumstances.

All other things being equal, we would expect to see Transport for NSW apply the real increases in increments over the full period of the determination, but they have flexibility to respond to cost of living concerns, or unexpected events such as we saw with COVID-19. Alternatively, we could set the price path for each of the 4 years of the determination, or we could set additional constraints, such as the extent to which any individual fare could increase in one year.

## Seek Comment



3. Under our Draft Determination maximum fares would apply from 1 December 2024 and then be inflated by CPI each subsequent 1 July. This provides Transport for NSW with flexibility to set its own price path over the determination period.

What are your views on allowing Transport for NSW flexibility to set its own price path over the determination period? Should IPART set the price path instead (for example, specifying the allowable real increases in each year of the determination) or apply additional constraints to individual fares?



4. Under our Draft Determination, maximum fares stay constant in real terms and Transport for NSW can increase fares by actual CPI each 1 July. This is different from our approach in 2020 when we included an estimate of future CPI in the determined fares.

What are your views on whether estimated future CPI should be included in fares, or allowed to be included based on actual inflation experienced?



5. We have made a draft decision to remove the CBD increment. This could be implemented in a revenue neutral way by recovering forgone revenue across all train trips taken on the Opal network, through an increase of around 3 cents to the maximum fare per train trip.

What are your views on removing the CBD increment and recovering the forgone revenue through all train trips taken on the Opal network?

As an alternative to the distance-based CBD increment, are any costs specific to busy locations (e.g. CBD stations) that should be reflected in fares, possibly as an additional charge?

## We have changed the way we have calculated the Newcastle Ferry Service maximum fare for the first time since Opal was introduced in 2014

Fares for Newcastle and Sydney ferry services are not integrated into a single fare schedule (unlike fares for Newcastle and Sydney bus services).

Sydney Ferry fares have two distance bands, 0-9 km and over 9 km. The Newcastle Ferry Service has only one route, Newcastle-Stockton, a distance of less than 1 km.

When Opal was introduced in 2014, the Newcastle Ferry Service (Newcastle-Stockton) maximum fare was set to equal the shortest distance band maximum bus fare, due to technological limitations of the Opal card that prevailed at the time.

In our 2016 and 2020 Opal fare reviews, we maintained this equivalence. However, for the current review, we have looked again at the Newcastle Ferry Service maximum fare and made the draft decision to set it independently of the bus maximum fares, as the two modes have different cost structures, and quite different resulting fares in Sydney. Transport for NSW continues to have discretion to set the actual fare for the Newcastle Ferry Service equal to the shortest distance band bus fare, if technological constraints still apply.

We considered integrating the two ferry schedules into one schedule with three fare bands. This would mean an additional shorter distance band would apply to Sydney Ferries as well as incorporating the Newcastle Ferry Service. However, there is currently a large differential between the Newcastle Ferry Service maximum fare (\$3.02) and the shortest distance band Sydney Ferries fare (\$6.97), so integrating the schedules would result in either a large increase for the Newcastle Ferry Service fare or a large decrease and reduction in revenue for the shortest Sydney Ferries routes. Therefore, our draft decision is to maintain the separate fare schedule for the Newcastle Ferry Service but set the maximum fare independently of bus fares. We are interested in feedback on this draft decision.

## Seek Comment



6. Should the Newcastle ferry and Sydney ferry modes be integrated into a single Ferry mode with three distance bands? If so, where should the shortest distance band be set?

For more information on fare structures, please see our [Information Paper - Form of determination](#) and [Information Paper - Fare package options](#).

## 4.4 Fares support better travel options

Under this fare-setting objective we have addressed the following factors:

- managing demand and optimising the efficiency of transport networks (the Referral)
- standards of quality, reliability and safety of the services (whether those standards are specified by legislation, agreement or otherwise) (the Act).

We propose that in determining fares they should provide signals to passengers that assist in selecting suitable travel options.

This might include differentials between different modes, time or day of travel, locations, distance or switching based on opportunities to use the capacity in the network efficiently.

### Managing demand and optimising efficiency through peak and off-peak fares

We have had regard to the impact of the Draft Determination on the use of the network. We received stakeholder feedback and ideas about the peak and off-peak arrangements (hours and discounts). The design of peak hours should encourage passenger behaviour that aligns with the objectives of Transport for NSW. These objectives may change in response to patterns of demand and network constraints. Well-designed peak hours will achieve an appropriate balance between peak and off-peak patronage.

Peak and off-peak fares can be designed to achieve one of two types of passenger behaviour. These are:

- reductions in usage of heavily congested service to avoid costly capacity augmentations
- encouraging increased usage of excess capacity in intra peak and off-peak services.

As post-COVID impacts of working from home, together with new services coming on-line have shifted travel patterns and increased peak hour capacity, the objectives of the off-peak discount may have changed. Its main benefit now may be to incentivise greater use of the Opal network during the intra peak and off-peak periods rather than to discourage usage during the peak periods.

We consider that Transport for NSW is best placed to monitor changes in demand and determine when peak and off-peak pricing should apply to help manage demand across the day and incentivise off-peak travel. As travel patterns continue to shift, and new capacity continues to come on-line in the form of new metro and light rail projects we consider a determination that provides Transport for NSW the operational flexibility to respond to demand with pricing incentives and complementary operational activities such as timetabling is important.

As a result, we have decided not to set peak and off-peak fares in our Draft Determination but made a draft recommendation for Transport for NSW to consider reviewing current arrangements.

## Draft Recommendation



2. That Transport for NSW consider reviewing current peak and off-peak arrangements (times, fares and timetables) to clarify the objectives and determine if they remain appropriate in the post COVID-19 environment.

## Standards of quality, reliability and safety

We consider that fares should reflect and support the service standards required of transport operators and expected by customers. We have investigated the performance of Opal services against standards of quality, reliability and safety over the term of the current determination and more information can be found in our [Information Paper - Financial and operational performance](#).

## 4.5 Fares maximise benefits to the community

Under this fare-setting objective we have addressed the following factor:

- the social impact of the determination or recommendation (**the Act**).

If fares were only reflective of the financial cost of running a public transport system, and did not consider the external benefits to society, then fares would likely be too high. Higher fares could discourage passengers from using public transport and increase road congestion. However, if fares are too low this could lead to overcrowding of public transport services, requiring new capacity to be provided which would increase the costs to NSW taxpayers. Additional services and infrastructure would compete with other Government priorities, such as education and health.

The socially optimal fares model helps us to understand how fares can maximise benefits to the community, by incorporating data inputs for external benefits of public transport and also allowing for two other large but difficult to quantify benefits to be factored into the share of public transport funding paid by taxpayers:

- Public transport investments allow individuals and businesses to cluster together at higher density, which is known as the agglomeration benefit.
- Public transport also provides people with the ability to access employment, education, volunteering or socialising, leading to a social inclusion external benefit experienced by society and not just the individual accessing these services, through a more productive economy, and reduced healthcare and criminal justice costs.

## 4.6 Fares create value for customers and taxpayers

Under this fare-setting objective we have addressed the following factors:

- the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standards of service (the Act)



- the impact of the determination or recommendation on the use of the public passenger transport network and the need to increase the proportion of travel undertaken by sustainable modes such as public transport (the Act)
- the likely cost to the Consolidated Fund if Transport for NSW does not increase fares to the level permitted (the Act).

By setting maximum fares we are protecting consumers from the abuse of monopoly power.

## Creating value for customers by linking the elements of the fare package

We consider that the relativities between fare types, discounts and caps should remain consistent and fare change events should be applied to all fare types. For example, the transfer discount that applies when a passenger changes modes during a journey has remained \$2 since it was introduced in 2016. If the package of discounts and caps were linked, the transfer discount would automatically increase as fares increase, maintaining its value for passengers

Our draft recommendation is that Transport for NSW consider a recalibration of the fare relativities to ensure fare changes do not create skewed fare structures over time. This could include:

- setting the transfer discount to 70-90% of the lowest bus fare
- linking the Gold Opal card daily and weekly caps to a percentage of the adult or concession caps
- resetting the relationship between daily caps and weekly caps considering the reduced patronage and appropriate incentives to increase travel
- recommencing escalations of weekly caps (taking into account the context of rebates and prices for private passenger transport such as toll relief caps).

Recalibrating the fare package to link together all elements of the fare rules together would not mean that Transport for NSW would be locked into these components, but changes would be intentional in response to customer preferences or operational requirements. For example, during the COVID restrictions of 2020, short distance fares and other fare rules were intentionally changed to incentivise shifts in travel behaviour to assist with social distancing on services.

## Draft recommendation



3. That Transport for NSW consider reviewing the relativities between fare types, discounts, caps and other elements of the Opal fare package, ensuring fare change events apply consistently across the fare package.

## Creating value for customers by providing rebates for service disruption

Our Draft Determination does not link service quality to the fares. Service quality is regulated through other instruments such as contracts and other legislation. Where service quality has been significantly impacted, such as during storm events or industrial action<sup>3</sup>, governments have responded by providing fare free days or similar initiatives to compensate impacted passengers. These initiatives result in fares applied at a rate lower than our maximum appropriate fares determination, and the Government and Transport for NSW can determine the circumstances in which they should apply.

Where a service is known to be impacted, our draft recommendation is that the Government should consider whether it is appropriate to reduce fares in response. For example, where buses will replace trains for a significant period, and the rail replacement service results in a longer commute or waiting time, the Government could consider temporarily applying a lower fare to compensate for the inconvenience.

## Draft Recommendation



4. Where significant impacts to service quality occur, the Government should consider whether fares should be reduced or other rebates can be offered to compensate for inconvenience or increased travel / wait times

## Creating value for taxpayers by reducing fare non-compliance

In feedback to our Issues Paper, some stakeholders raised concerns about fare evasion on the Opal network. Some of these concerns were around the rates of fare evasion observed, a perceived lack of enforcement, and the relationship of fare evasion to revenue loss or fare increases. Some stakeholders considered fare increases would not be necessary if fare evasion was enforced more strongly.

We considered the available data to estimate the impact of fare evasion. Transport for NSW conducts a fare compliance survey twice a year to measure fare compliance and estimate revenue loss across the public transport network.

We reviewed the survey data which shows that fare evasion and other forms of non-compliance have increased across the network since 2019, reversing the previous trend, which had seen fare non-compliances been declining since 2016.<sup>4</sup> However, the cost of fare evasion is paid by the taxpayer rather than other passengers. Lost revenue caused by fare evasion does not result in higher maximum Opal fares.

Ticketing compliance and enforcement is the responsibility of Transport for NSW and the NSW Government to ensure passengers pay for the services that they use.

## Draft Recommendation

5. That Transport for NSW consider conducting a study into the attitudes and motivations of its passengers towards ticketing non-compliances to understand and cost-effectively address the increase in fare non-compliances and reduce associated revenue losses since 2019.

## Creating value for taxpayers by increasing fares to the maximum permitted

We are required to assess the likely cost to the Government (and thus taxpayers) if fares are not raised to the maximum permitted.

We have modelled revenue for the period of the determination based on our draft maximum fares, and also modelled a comparison case where Transport for NSW only increases fares by CPI each year.

We have done the modelling of revenue from our draft maximum fares both including an estimated elasticity response (i.e. the higher fares we are proposing lead people to use public transport less) and without (i.e. people continue to use the same amount of public transport even with higher fares). Table 4.1 shows the revenue that we estimate would be forgone, both with and without an elasticity assumption.

The revenue forgone is lower if the modelling includes an elasticity assumption because there is not as much additional revenue from higher fares due to people travelling less.

**Table 4.1 Likely cost to the Government if fares not increased to maximum permitted (revenue forgone, \$2024-25, \$m)**

	2024-25	2025-26	2026-27	2027-28	Total
Implement CPI increases only	81	83	86	88	337
Implement CPI increases only (demand response)	29	30	31	32	121

<sup>1</sup> IPART, Have Your Say Opal Fares survey results, August 2024, p 16.

<sup>2</sup> IPART, Have Your Say Opal Fares survey results, August 2024, p 25.

<sup>3</sup> [Free travel on the NSW Opal train network from Monday to Friday | Transport for NSW](#)

<sup>4</sup> Transport for NSW, [Fare Compliance Survey Results Data](#), accessed February 2024.

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