



IPART Issues Paper – Maximum Opal Fares until July 2028 BusNSW Submission

8 March 2024

Review of Maximum Opal Fares
Independent Pricing and Regulatory Tribunal
PO Box K35
HAYMARKET POST SHOP NSW 1240

Dear Tribunal Members for this review,

Thank you for the opportunity to comment on the review to be conducted by the *Independent Pricing and Regulatory Tribunal* (IPART) into the Maximum OPAL Fares to apply until July 2028 in Sydney and surrounding areas.

BusNSW is the peak body for the NSW private bus and coach industry. Our mission is to foster the efficient and sustainable growth of public transport in NSW and in doing so, to promote the benefits of bus and coach transport.

BusNSW members provide services for the travelling public in the Opal network through Transport for NSW (TfNSW) managed contracts, including both Greater Sydney and Outer Metropolitan Bus Service Contracts. These gross cost contracts include a performance regime to ensure that taxpayers receive value for money. The regime incorporates key performance indicators that can potentially be impacted by changes to Opal fares.

BusNSW notes that operators providing services under Rural and Regional Bus Service Contracts who are in close proximity to the Opal network, are impacted by Opal not being available to their customers. These communities have an expectation that Opal should be able to be used on a public transport journey that incorporates a service in the Opal network.

We note that many of the questions posed in the current IPART Issues Paper are directed more at passengers than stakeholders like BusNSW. Where BusNSW can provide a response to the question asked, we have done so. For questions uniquely directed at passengers we have responded as 'not applicable'. Our responses are set out below.

1. What factors or objectives should we consider when designing fare options?

BusNSW supports the IPART objectives outlined in section 2.6 of the Issues Paper, as the correct ones for fare setting. BusNSW acknowledges the inherent trade-offs among various objectives and understands that no single set of fare decisions can fully satisfy all proposed objectives. Fare decisions should reflect a thoughtful consideration of diverse objectives while striving to maximise overall benefits for public transport users and the broader population.

2. Are some objectives more important than others?

From an industry perspective, BusNSW believes that the following three objectives are the most important:

- Fares ensure that public transport is accessible
- Fares maximise benefits to the community
- Fares create value for customers.

BusNSW notes that these objectives largely mirror the mission statement of BusNSW and promote the efficient use of available resources.

BusNSW has called for more high frequency bus services in Greater Sydney including the consideration of opportunities for “turn up and go” services. The NSW Bus Taskforce has also recognised the importance of making service improvements a priority with sufficient funding.

The Taskforce’s 40:80:1000 vision is a 40 year plan, which would see rapid services go from 3 to 40, frequent services from 17 to 80, and local services and improvements from 600 to 1000. NSW Government funding is needed to implement the proposed *Medium Term Bus Plan* including \$909m for strategic capital costs and \$194m of recurrent operational funding.

It is important that fares and fare products remain affordable and support any future bus service growth in the Opal network. When determining maximum fares, BusNSW recommends that IPART consider the potential for the proposed *Medium Term Bus Plan* to provide greater capacity on bus services in the Opal network.

BusNSW also recognises that when people use public transport, they also generate benefits for and impose costs on others (i.e. ‘externalities’). BusNSW supports an approach where fares encourage people to use public transport and provide external benefits for the community, such as reducing road congestion and pollution.

3. What measures can you suggest we use to assess the impact of the fares on fare setting objectives?

There is currently little relationship between fare increases and the contracts of public transport operators. TfNSW bus contracts provide the opportunity to examine the impact of fares and map them to several of the fare-setting objectives. For example, TfNSW currently uses several surveys to determine customer satisfaction and operator performance. When conducting those surveys, it may be appropriate for TfNSW to ask questions related to fares. This may provide information about their perceptions of fare changes, whether it influenced their decision to use public transport and any other factors that may have influenced their travel choices.

TfNSW publishes a biannual *Customer Satisfaction Index*. Again, this survey may provide the opportunity to gauge the benefits of changes to fares and fare policy.

The impact of fare changes also influences customer behaviour, which can impact on the bus operator KPIs. The ability to assess whether the impact of fare changes has led a shift from the private vehicle to bus is considered an important measure.

Bus transport workers are also aware of public transport fares and may compare the determination of fare increases with wage rises that are influenced by the constraints of bus service contracts and indices.

4. How important is public transport to you? Please explain why it is important, including which modes are most important, which times of day you rely on public transport the most and what days of the week?

Not Applicable.

5. How have your travel patterns on public transport changed over the past few years? Why have they changed, or why have they remained the same?

Over the past few years, travel patterns on public transport have undergone significant shifts, largely attributed to the increasing number of people working from home. With remote work becoming more prevalent, weekday commuting in the peaks has generally decreased, leading to reduced demand for public transport during traditional peak hours. Travel patterns have changed as individuals adjust their schedules to accommodate flexible work arrangements. Additionally, some commuters have opted for alternative modes of transportation, such as cycling or walking, for shorter distances.

The impacts of COVID-19 saw an unprecedented drop in and loss of patronage on public transport. Bus patronage is still recovering to reflect a new normal. It is expected that bus networks will need to continue to evolve to reflect the changes in people's travel patterns.

At the macro level, mode share for buses, as a proportion of public and private transport, hovered between 4.4 per cent and 4.8 per cent between 2008 and 2020. This contrasts with a growing mode share for rail.

There is scope for buses to play a greater role in the NSW public transport mix and this needs to be supported by a recalibration of the NSW Government's spend across different modes. During the 2021-22 financial year, bus carried more than 157 million passengers. This represents approximately 44 percent of total public transport patronage. However, funding of bus services (i.e., contract payments) only accounted for approximately 15 per cent of NSW Government expenditure on operating public transport.

BusNSW supports the prioritisation of long-term growth funding for underserved communities and corridors across Greater Sydney. Designing local, frequent, and rapid bus routes should involve an examination of travel patterns and community requirements. By conducting a comprehensive analysis, planners can tailor routes to align precisely with the demands and preferences of the community.

The following should also be considered when designing local, frequent and rapid bus routes based on an analysis of travel patterns and community needs.

- A better allocation of funding that reflects the sizable proportion of public transport patronage that buses carry.
- The allocation of growth bus funding for areas of Sydney where public transport options are poor.
- A correlation between population growth / density changes and an increase in bus services.
- The development of rapid bus corridors, particularly in areas of Sydney not currently serviced by trains.

6. Tell us what you think of the current fare structure. How could it be improved?

BusNSW supports the current fare structure which is based on mode and distance travelled. There is a need to ensure that the fare structure is easy for passengers to understand and navigate. Complex fare rules are considered a disincentive to bus travel.

Presently, bus operators face the challenge of scheduling numerous split shifts for bus drivers to manage peak services during the morning and afternoon. The requirement for split shifts, with significant breaks between these peak periods, poses difficulties in recruiting and retaining drivers. Introducing a fare structure that incentivises passengers to travel during off-peak hours could help extend the morning and afternoon peak travel periods, enabling operators to offer more straight shifts. This strategy not only aids in attracting drivers to the industry but also facilitates better fleet utilisation and smoother operations for bus companies.

7. Are you willing to pay more to improve Opal service performance?

BusNSW notes that in June 2022, TfNSW announced *Opal next Generation (ONG)* with a \$567.9 million investment in upgrades to the Opal system funded through the 2022-23 NSW Budget.

In December 2022, TfNSW initiated a market sounding exercise with industry stakeholders to gather insights and shape the approach for procuring, developing, and delivering the ONG Program. The exercise was reported to be successful in garnering valuable perspectives, innovative ideas, and insights that will inform the strategies for the procurement, development, and delivery phases of the ONG initiative.

A *Request for Information* was published in July 2023. TfNSW sought targeted input, views and ideas from local and international organisations with relevant expertise and experience in one or more of the following categories:

- experience in the development, implementation, and integration of a ticketing system for an operating transit network
- experience in the development, implementation and integration of software and hardware products or services for an operating transit network
- experience in the development, implementation and integration of a bus tracking and prediction system for an operating transit network.

BusNSW believes the performance of Opal is a matter for the NSW Government and does not support the cost of improving the performance of Opal being passed on to public transport users.

8. What levels of peak time crowding on public transport are acceptable to you before you seek alternative travel options (either mode, time of day or not travelling at all)?

The issue of peak crowding on buses is of significant concern to the industry. Bus operator feedback indicates that customers are sensitive to crowding and that crowding could be reduced if there was greater consideration and flexibility within bus contracts.

Current bus contracts require TfNSW to approve all alterations to bus services proposed by operators. Possible delays in obtaining an approval for changes designed to resolve crowding issues can potentially impact the customer's decision on travel choice. Furthermore, current bus contracts do not adequately address the impact of congestion for travel times across Sydney, which is outside of an operator's control. The change in traffic patterns in recent times has

created challenges for on-time running compliance which directly impacts customers. In some Sydney regions, timetables are based on outdated data.

In other states such as Victoria, the baseline for on-time running is recalibrated annually to take congestion patterns into account. BusNSW believes that timetable alterations to support on-time running compliance in Sydney similarly needs to consider changes in road usage and congestion more frequently.

9. How flexible can you be in staggering your travel times? For example, are they influenced by work, childcare arrangements or education start and finish times?

Not Applicable.

10. Are the current peak arrangements appropriate (e.g. times, discount levels, modes etc.)?

The transportation of school students often results in a high utilisation of capacity on the bus network during the peak periods. BusNSW notes that students using a School Opal card must tap on and tap off every time when using public transport to travel to and from school. Ensuring that students comply continues to be challenging for bus operators.

BusNSW supports changes to fares that encourage regular passengers to switch their time of travel from the peak to the off-peak where the service offering is appropriate, and this is an option for them. This helps to spread the passenger load, reduce passenger crowding and improve on-time running performance by minimising boarding delays and crowding. Studies by the *Institute of Transport and Logistics Studies (ITLS)* suggest that up to 70% of peak trips could switch out of the peak if the appropriate incentives were in place. This would help increase use of off-peak capacity and take pressure off increasing crowding in the peaks on trains, and also some bus services.

BusNSW notes, based on information provided by TfNSW, that almost 50% of bus journeys occur in the weekday peaks. The fleet available in the off-peak means that the provision of additional services required to meet any additional demand induced by fares in this period can be achieved at a lower cost to government and the taxpayer.

To manage demand and encourage greater use of public transport, BusNSW supports the peak and off-peak fares for bus services based on discounted fares for off-peak travel. The changes to fares need to be carefully considered and supported by an analysis of the elasticity impacts.

Because bus services in the Opal network are dispersed and include several cross regional services, peak demand is generally not in a single direction on a given route. Based on this, BusNSW would support a lower fare at off-peak times across the entire network.

11. What price differential between peak and off-peak fares would create an incentive to shift travel times? Should we consider setting maximum off-peak fares?

The discount percentage required to incentivise bus customers to switch from peak to off-peak services can vary depending on various factors such as commuter preferences and the perceived value of off-peak travel. Generally, a discount of around 30-50% off peak fares compared to peak fares could be enticing enough to motivate passengers to shift their travel times. However, the effectiveness of such discounts may also depend on other factors like the reliability and frequency of off-peak services, as well as the flexibility of commuters' schedules. Customer

responses to this question may assist IPART to determine the optimal discount percentage that effectively encourages ridership during off-peak hours.

Currently the high number of peak bus services relative to other times of day results in the need for large numbers of split shifts for bus drivers. This is viewed unfavourably by drivers and is likely to have contributed to the current driver shortage in Sydney.

BusNSW supports the NSW Government's ability to manage fare discounts (below the maximum fare determined by IPART) including off-peak travel discounts, which provide incentives to bus customers to adjust their travel requirements to maximise underutilised services. Any fares that can assist behavioural change by spreading demand across the day would be beneficial.

12. Has the NSW's Government decision to remove peak fares on Fridays impacted your travel decisions?

Not Applicable.

13. What other factors influence choice of travel time?

A customer's choice of travel time for bus services is influenced by several factors, including their work or school schedule, personal commitments, and lifestyle preferences. Commuters often prioritise convenience, opting for bus services that align with their daily routines and minimise disruptions to their activities. Additionally, factors such as traffic congestion, weather conditions, and the reliability of bus schedules play a crucial role in determining the preferred travel time. Cost considerations, including fare prices and potential discounts during off-peak hours, can also influence decision-making. Moreover, individual preferences regarding crowdedness and comfort levels on buses may sway travellers to choose specific times when buses are less crowded. Overall, the interplay of these factors shapes customers' decisions about when to use bus services, highlighting the importance of providing flexible and reliable transportation options to meet diverse needs.

Demographic shifts occurring both within Sydney and across Australia are likely to impact public transport needs. Sydney's population is becoming more diverse, leading to a variety of public transport needs, not simply the home-work commute, but for a range of social and educational purposes. At the same time, the population across Australia is aging which will require more accessible and comfortable public transport options at an affordable price.

14. Have your working from home patterns changed since COVID-19? Do you expect these to continue to change over the next 5 years?

BusNSW observes a significant transformation in work patterns over the past few years, marked not only by changes to the number of people employed but also in the distribution of working hours and locations. These evolving trends have a profound impact on road usage and the allocation of travel time. Recognising the complexity of these changes, BusNSW advocates for a comprehensive analysis of travel behaviour to enhance public transport services, infrastructure, and fare structures. By delving deeper into travel patterns and preferences, TfNSW can better tailor transportation solutions to meet the evolving needs of commuters.

15. Will the introduction of new light rail and metro services over the next 5 years impact your travel decisions?

The introduction of new light rail and metro services over the next 5 years is likely to increase the demand for public transport more broadly in the areas where these modes of transport are available.

BusNSW has previously argued for fare differentials between metro, light rail and bus modes based on the different operating costs across transport modes. BusNSW recognises that people place a different value on the service provided by each mode and their willingness to pay for the services differ significantly. This also applies to other forms of transport that don't use Opal fares, including taxis and ride-share.

The cost of service provision for the mode should be considered when determining fares. BusNSW supports a mode specific element for the fare structure and considers that applying different fares for bus and light rail, for example, is also a way of managing demand in places where both options exist. It is important that fares are transparent in order that the people using the service can assess the value they obtain from each mode and their willingness to pay.

16. What types of new fare options would you like to see following the transition to a new account-based ticketing system?

The following current discounts available are appropriate to recognise frequent travel on Opal services:

- Free travel (Fridays, Saturdays, and Sundays) when an adult passenger reaches \$8.90 per day
- Free travel (Monday to Thursdays) when an adult passenger reaches \$17.80 per day
- Free travel when an adult passenger reaches \$50.00 per week
- A 30% discount on Fridays, weekends, and public holidays for off peak travel
- The \$2.50 Cap for senior/ pensioner

BusNSW has the view that discounts are an important way of obtaining positive external benefits by encouraging people to use public transport and improving network efficiency, especially where additional trips are taken on services that have capacity.

BusNSW would support a review of all fare products and discounts as part of the move to an account-based ticketing system.

A future transport model that is still being evaluated is *Mobility as-a-Service* (MaaS). With MaaS, users pay a fee to access a variety of transport options, encompassing ridesharing, bike-sharing, car-sharing, on-demand buses, and traditional mass transit services. There may be merit in considering how fares and the transition to an account-based ticketing system may influence a shift to MaaS.

BusNSW understands that TfNSW's MaaS platform, *Transport Connect*, is available on select services and is a central hub that gives public transport users access to travel rewards and to view contactless payment activity. TfNSW has advised that as products and services grow, *Transport Connect* will offer even more ways for public transport users to connect their travel services.

17. Do you know how much your usual Opal fare is?

Not Applicable.

18. Are fares an important factor for you when deciding whether to travel on public transport?

BusNSW considers that from a social perspective, bus services provide a positive benefit to their local community by safely and efficiently transporting people (including some who have no alternative) within and beyond their communities. Fares impact the large numbers of people with disabilities, people from culturally and linguistically diverse backgrounds, people who are unemployed, single-parent households and a growing number of people impacted by the private rental market. Affordability of bus fares is a critical factor in determining whether people choose to travel on public transport. Feedback from public transport users and non-users should provide IPART with insights in relation to the importance of fares.

19. Would you like more visibility of fares paid using contactless payments to help you make more informed travel decisions?

BusNSW supports maximum visibility for customers when paying fares, including in relation to contactless payments. Fare transparency is also important so that customers using services can assess the value they obtain from each transport mode and their willingness to pay.

In its efforts to enhance customer comprehension of fare structures related to contactless payments, BusNSW suggests that TfNSW embark on a comprehensive marketing campaign. This campaign would not only clarify the various fares for different modes of public transportation, including bus services, but also extend its scope to encompass alternative modes such as taxis and rideshare for similar distances. By highlighting these distinctions, the campaign would aim to increase fare visibility and empower the community to make well-informed travel decisions. Through clear and accessible information, passengers can better understand their transportation options, leading to improved satisfaction and efficiency in their journeys.

20. Are there other external benefits that public transport provides?

Public transport offers a multitude of external benefits that extend beyond individual passengers and impact society as a whole. One significant advantage is its role in reducing road congestion. By providing an efficient alternative to private car usage, public transport alleviates traffic congestion, especially in urban areas where heavy traffic is prevalent during peak hours. This reduction in congestion not only improves travel times for commuters but also enhances the overall efficiency of transportation networks, benefiting both road users and public transport passengers alike.

Moreover, public transport contributes to reducing pollution, particularly in terms of greenhouse gas emissions and air pollutants. As buses, trains, and other forms of public transit generally emit fewer pollutants per passenger compared to individual cars, their widespread use helps mitigate environmental degradation and improve air quality. This reduction in pollution not only safeguards public health by minimizing respiratory illnesses and other health concerns associated with poor air quality but also addresses broader environmental issues, such as climate change.

Additionally, public transport plays a crucial role in promoting public health and social inclusion. By providing affordable and accessible transportation options, public transit enables individuals from diverse socioeconomic backgrounds to access essential services, employment opportunities, and recreational activities. This improved mobility fosters social inclusion by

reducing transportation barriers that may prevent marginalized communities from fully participating in society. Furthermore, the quality and frequency of public transport services contribute to the overall liveability of communities, enhancing residents' quality of life by providing reliable, convenient, and sustainable transport options. These external benefits underscore the importance of investing in and prioritising public transport infrastructure and services to create more sustainable and equitable urban environments.

BusNSW also notes that the transition to zero emission buses will provide further benefits. The cleaner and quieter vehicles provided by this technology create more liveable communities and better health outcomes. They also have the potential to improve public perceptions of bus travel and thereby grow public transport patronage.

21. Which external benefits of transport are best addressed through fares?

External benefits of public transport that are best addressed through fares include reduced road congestion and pollution. Fares can incentivise individuals to opt for public transport over private vehicles, thereby reducing the number of cars on the road and alleviating traffic congestion. Additionally, fare structures can be designed to reflect the environmental benefits of public transport by encouraging ridership and decreasing reliance on polluting modes of transportation. By appropriately pricing public transport fares, the NSW Government can better align incentives with societal goals of reducing congestion and pollution, leading to broader environmental and social benefits for the community.

22. How can our determination of maximum Opal fares encourage NSW residents to use more sustainable modes of transport?

With the significant growth in Greater Sydney's population over the next thirty years, much greater attention needs to be focussed on improving the popularity and accessibility of public transport. The determination of maximum Opal fares particularly impacts on the most vulnerable members of the community. BusNSW would support any recommendation that expands travel options for socially disadvantaged groups.

Moreover, BusNSW underscores the necessity for a comprehensive marketing campaign aimed at encouraging increased utilisation of public transport, leveraging its affordability and sustainability advantages. Such a campaign should be developed and executed by TfNSW in collaboration with public transport operators and industry associations, drawing upon their expertise and insights to ensure effectiveness. Importantly, funding for this initiative should be provided by the NSW Government to facilitate its widespread dissemination and maximise its impact. By highlighting the cost-effectiveness and environmental benefits of public transport, this campaign can effectively shift public perceptions and behaviours towards more sustainable modes of transportation, ultimately contributing to a greener and more efficient transport system for the community.

23. How should the cost of creating a more sustainable public transport network be balanced between fares and taxes?

In June 2022, the NSW Government announced the rollout plan for ZEBs across the State. The transition plan will see Sydney buses fully transitioned by 2035, followed by Outer Metropolitan regions in 2040. TfNSW is partnering with industry to deliver this transformational change across our bus network.

The first stage of the transition will begin in 2023 and will introduce 1,200 new electric buses for Greater Sydney customers by 2028. As part of the first stage, 11 existing bus depots will be upgraded to support the new fleet and a new bus depot will be built in Macquarie Park. Along with planned new electric buses and those already in service, there will be around 1,700 zero emission buses expected to be operating on Sydney roads by the end of 2028. There is an NSW Government funding commitment of \$2.85 billion for this stage of the project.

BusNSW asserts that attempting to recover costs related to establishing a more sustainable public transport network by raising fares would be counterproductive. Instead, BusNSW advocates for the NSW Government to allocate funding from alternative sources. This approach is justified by the significant external benefits that such a network would offer to the broader community, emphasising the need for government investment to achieve long-term sustainability goals while maintaining affordable and accessible public transport options.

24. How much of your weekly expenditure goes towards public transport use?

Not Applicable.

25. How can we measure affordability of public transport fares?

Measuring the affordability of public transport fares involves a multifaceted assessment that considers various socioeconomic factors and transport-related metrics. Firstly, IPART could analyse the proportion of household income spent on public transport expenses, comparing it to established affordability thresholds to gauge the financial burden. Additionally, assessing fare structures in relation to minimum wage rates or other income benchmarks may provide insight into whether fares are within reach for low-income individuals and families.

BusNSW emphasizes that evaluating the affordability of public transport fares encompasses a thorough examination of whether the cost of utilising public transportation remains fair and accessible across various demographic segments, with particular attention to low-income individuals and families.

26. What measures (like concession/discount arrangements) help you access public transport and/or make public transport more affordable?

BusNSW recognises that IPART does not typically determine the level of concession fares or consider which groups should be eligible for them. BusNSW also notes the bus service contracts include the concession entitlements for approved beneficiaries.

BusNSW recognises the previous work undertaken by IPART regarding the Daily Cap for the Opal Gold Card and would support further consideration of any changes that promote a more affordable use of the public transport network.

27. Are there groups that aren't currently eligible for concessions/discounts that would benefit from such arrangements?

BusNSW supports the current concession entitlements for approved beneficiaries.

28. Is there an appropriate balance between recovering the cost of public transport through fares or through government subsidies?

BusNSW agrees that there needs to be an appropriate balance between recovering the cost of public transport through fares and government subsidies. BusNSW notes that providing equity and accessibility to ensure that all segments of society can use public transport is an important

consideration. BusNSW also acknowledges that the current bus network requires significant investment in infrastructure upgrades, technology enhancements and service improvements. The allocation of subsidies for public transport should consider the triple bottom line benefits.

29. What revenue and cost components should be included in a cost recovery calculation?

Not Applicable.

30. How do you prefer paying for using the Opal network, for example, distance based, zones, caps, etc?

BusNSW generally supports distance-based fares for the Opal network, with the measurement for buses based on the straight line between where the passenger taps on and taps off. The three distance bands for buses are easy for customers to understand and the cap provides an incentive to use public transport for longer distance journeys.

Any adjustment of prices for shorter and longer distances should be carefully considered, including an analysis of how responsive the users of services over different distances are to price changes. Feedback from public transport users and non-users may provide further insights.

31. Which external benefits of transport should be included in our calculation of optimal fares?

When calculating optimal fares for public transportation systems, it's important to consider not only the direct costs and benefits to users and operators but also the broader societal impacts. These external benefits of transport are positive impacts that extend beyond individual passengers and operators and contribute to the well-being of society as a whole. BusNSW considers that focusing on congestion relief will lead to increased productivity and health and well-being outcomes. Public transportation also contributes to public safety by reducing the risk of traffic accidents and fatalities compared to private vehicle travel.

32. Are there any other matters we should include when developing an updated social optimisation model?

BusNSW recognises that social mobility is one of the primary objectives of fare setting policy, and this applies particularly to the most vulnerable members of the community. To this effect, bus service contracts include concession entitlements for approved beneficiaries.

BusNSW recognises the previous work undertaken by IPART in relation to the Opal Gold Card and would support any recommendation that expands travel options for socially disadvantaged groups.

Thank you for the opportunity to make a submission in response to the IPART review. Should you require further information on any part of our submission, please do not hesitate to contact me on

[REDACTED]

Matt Threlkeld
Executive Director
BusNSW

[REDACTED]