

Submission on the IPART issues paper Jan 2024

By Matt Mushalik (MEng) 1 Mar 2024

Document: https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/Issues-Paper-Maximum-Opal-fares-until-July-2028-January-2024.PDF

The focus of this submission is cost recovery and financial sustainability of rail services, in particular metro and light rail.

Summary recommendations

- (1) Sydney Metro (cost incl. CAPEX, interest and revenue) is to be calculated separately from “Metropolitan Rail” just like light rail is also considered as a separate service
- (2) Detailed cost/revenue tables like those from the Centre of International Economics for the 2020-24 IPART report should be included in IPART’s 2024-28 report. The true cost of metros and light rail should be included and fares to be calculated to achieve a cost recovery of 27% to check that these projects were actually affordable from the cost recovery point of view
- (3) All metros and light rail have been financed by debt resulting in growing interest payments which must be included in costs
- (4) IPART should estimate future fares for Metro West and the Metro to the WSA assuming a cost recovery of 27%
- (5) Consider to privatize Sydney Metro line by line and allow higher fares just like for the KSA airport line.

Quote:

“The last time we estimated cost recovery in 2019, we found revenue from fares covered about 27% of the total cost of providing services. Taxpayers covered the remaining 73% through government funding.

Since that time, we expect that cost recovery has further reduced, due to lower patronage post COVID-19. In addition, costs have increased due to higher operating and construction costs of new metro and light rail services and inflation, and the fares have not increased in line with inflation over many years (see Figure 2.1).”

Comment:

The 1st metro line from Chatswood to Tallawong (Metro North West) was opened in May 2019. Similarly, the light rail line L2 opened in December 2019. So data are now available for the whole period 2020-2023. Therefore, analysis of cost and revenue for these 2 new lines should be done separately. That will also help to look at the COVID-19 impact on patronage in a consistent way.

The cost for the Metro North West should include

CAPEX

- construction costs of tunnels, stations and associated works from Epping to Tallawong
- the (unnecessary) conversion costs of the Chatswood – Epping tunnel
- Cost of interest on debt

A cost number of \$8.3 bn was given. Which accounting rules will be applied to annualize CAPEX of these long term investments?

OPEX

The annualised net contract value of \$3.7bn with MTR over the period 2014-34. What was the assumed inflation?

<https://www.treasury.nsw.gov.au/projects-research/public-private-partnerships/awarded-projects/sydney-metro-north-west>

Quote:

“The 2023-24 budget outlines spending for transport and infrastructure till 2026-27. Some of the significant public transport projects include:

- Sydney Metro West - \$13.7 billion
- Sydney Metro – Western Sydney Airport - \$7.9 billion
- Sydney Metro City and Southwest - \$3.3 billion
- Parramatta Light Rail - \$374 million (total cost \$2.9 billion).

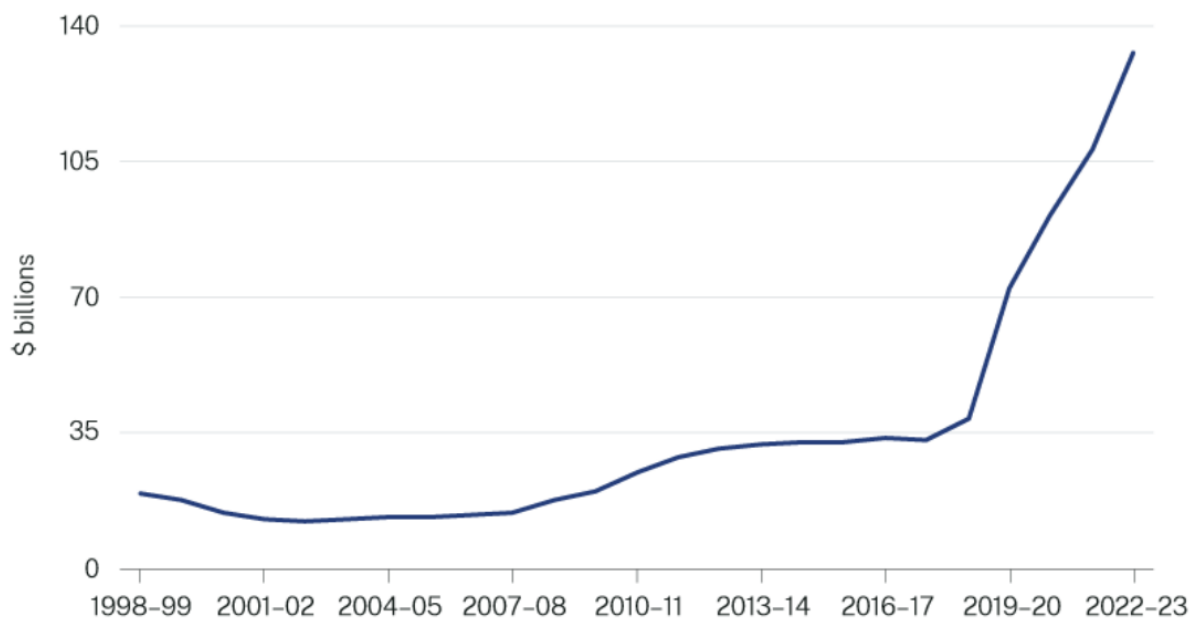
As these projects come online, it will also increase the annual operating costs of the transport network.”

Comment:

These are of course not the total cost which are astronomical. Sydney’s metro projects have become a budgetary sinkhole.

<https://www.budget.nsw.gov.au/2023-24/budget-papers/overview>

Chart 1: Gross debt has risen by \$94 billion from June 2019 to June 2023



<https://www.budget.nsw.gov.au/2023-24/budget-papers/overview>

Metro and light rail projects have been financed by increasing debt. That’s one reason why these projects are so expensive. Contractors and consultants take advantage of that printed money.

During the Parliamentary hearing on the Metro West we heard just 1 station alone costs \$500m. How many kms of light rail could be built with that money?

The unnecessary conversion of the well working Bankstown line costs \$1.1 bn

<https://www.railjournal.com/passenger/metros/sydney-bankstown-line-upgrade-proceeds-despite-cost-hike/>

So with that allegedly better metro service should the fares to/from all Bankstown line stations be increased accordingly? It seems such projects are seen by the public as a free ride. This mind set is not good for cost recovery and financial sustainability.

Let's have a look at what fares the business case (Oct 2016) has used. In table 6.3 it has present values for the NPV calculation

sydneymetro.info/sites/default/files/Sydney%20Metro%20CSW%20Business%20Case%20Summary.pdf

Benefit	Overview	Value	
		PV \$m	PV %
Increase in public transport fare revenue	Additional fare revenue across the entire public transport network as a result of the Project being implemented.	285	2
Increase in public transport fare revenue	With more people living and working along the transport corridor, it is expected that there will be a further increase in public transport revenue.	107	1

Extract on fares in table 6.3

But when it comes to the planned fares themselves, they are all blacked out:

sydneymetro.info/sites/default/files/Sydney%20Metro%20CSW%20Business%20Case%20Summary.pdf

Table 8.1 Annual incremental public transport fare revenue (real \$m 2015)

Fare type	2026	2036
Sydney Trains and NSW Trains	████████	████████
Sydney Metro	████████	████████
Light rail	████████	████████
Ferry	████████	████████
Bus	████████	████████
Total public transport fares	████████	████████

How can IPART and the public work with that?

Table 8.2 Net profit/loss from metro operations (real \$m 2015)

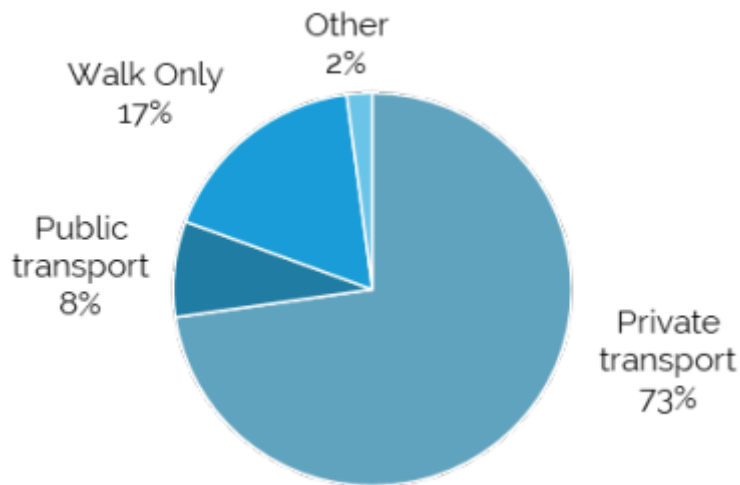
Fare type	2026	2036
Incremental Sydney Metro revenue	████████	████████
Incremental annual operating costs	████████	████████
Net profit from metro operations	████████	████████
Change in revenue for non-metro modes	████████	████████
Net profit/(loss)	████████	████████

All commercial in confidence

<https://www.sydneymetro.info/sites/default/files/Sydney%20Metro%20CSW%20Business%20Case%20Summary.pdf>

Quote:

“Financial sustainability is an important fare setting objective that we consider when setting maximum Opal fares. As part of our review, we will consider financial sustainability as well as fare affordability, and how fares may incentivise additional public transport use which can increase fare revenue and maximise the benefits to the community.”



Comment

Modal split in working families, especially with kids, is mainly the result of tight time budgets on a daily basis, not so much PT fares. Availability of parking at the destination is also a factor.

The PT share of 8% is shockingly low. Sydney would need 100s of kms of light rail on all major roads, branching out into the suburbs, in order to increase this percentage materially. Light rail construction costs in Sydney are very high by international standards. The works involved are actually very simple and mainly subcontractor jobs which could be managed by a skilled team in the Transport Department, not needing international contractors. Unfortunately, all experience with on-road urban rail was lost when the last tram line close in 1961. In the same

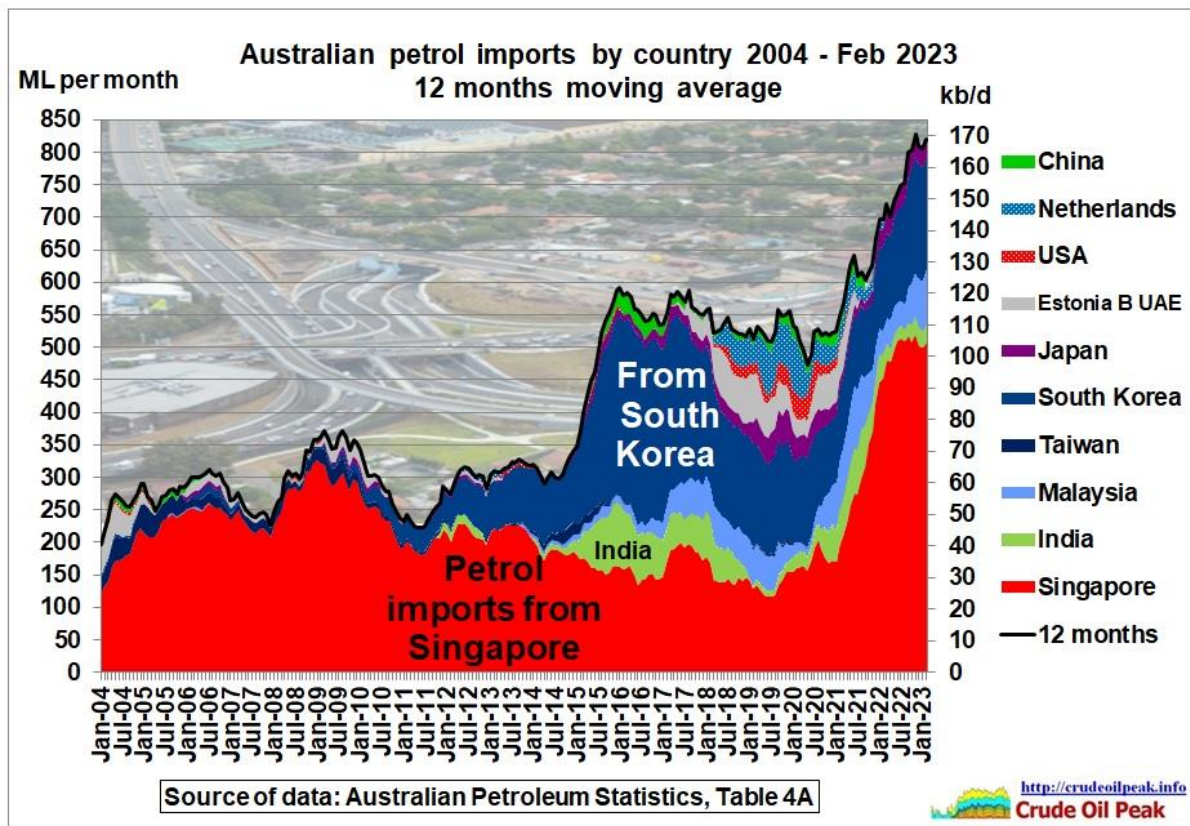
year, incidentally, Frankfurt Council decided to move trams into tunnels in the inner city and that was the birth of a hybrid light rail/metro system. The metros in Sydney are driverless and do not allow this flexibility. Sydney is now stuck with the most expensive rail solution there is.

I have done many submissions, but to no avail. Gladys' personal choice of metros was the wrong strategy because metros are usually good in connecting walkable high density catchments but there are only few of such areas in Sydney.

In my submission on the NWRL dated May 2012 I gave numerous examples, incl. the attached pictured table titled "rail hierarchy"

<https://majorprojects.planningportal.nsw.gov.au/prweb/PRRestService/mp/01/getContent?AttachRef=EXH-90%2120190224T014309.207%20GMT>

It is now too late and the wrong decisions have been made. In the next oil crisis (tanker war in the Middle East, military confrontation around Taiwan) Sydney will have movement restrictions like under Covid.



Prepared by
Matt Mushalik (MEng)
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Appendix C: Hierarchy of Urban Rail System in Frankfurt

Heavy rail



Double deckers are used as city or regional express only; limited stops every 15 mins or so



Single deckers for all stopper services. Average distance between stations: 2.5 kms

Metro



Stops every 800-1000 m, runs every 5 mins



Also above ground on dedicated track.

Light rail – surface metro



8 car trains - high platforms - frequent stops



Simple stations can be built fast

Trams – low floor



Sharing road way



On dedicated track; car lanes gone