

COMPLIANCE STATEMENT

2017-18 Fares for Opal Services

IPART has found that Transport for NSW's (TfNSW) proposed 2017-18 fares for Opal Services comply with our Determination: Transport – maximum fares for Opal Services – May 2016.

IPART's Role

IPART is responsible for determining maximum fares for trips made across all Opal Services excluding Gold Opal, Child Opal, Concession Opal and travel on the School Student Travel Scheme. These include:

- ▼ rail services operated by Sydney Trains and NSW TrainLink Intercity
- ▼ government and private bus services in Sydney, Newcastle, the Central Coast, Wollongong, the Blue Mountains and the Hunter regions
- ▼ ferry services operated by Sydney Ferries
- ▼ light rail services in Sydney, and
- ▼ the Stockton Ferry in Newcastle.

If Transport for NSW (TfNSW) proposes to change fares, it is required to submit a pricing proposal to IPART demonstrating compliance with our determination.

IPART regulates maximum fares for Opal Services using a 'weighted average price cap' approach. Under this approach, average fares are calculated by weighting the prices of trips during the year by the proportion of trips taken at these prices. IPART determines the maximum amount by which average fares can increase (in percentage terms). TfNSW can set individual fares either higher or lower than this amount, provided the average increase across all fares does not exceed it.

Our Determination limits the increase in the Average Adult Fare to 13% between 2015-16 and 2017-18.

TfNSW's Proposal

Transport for NSW has submitted a pricing proposal setting out fares for Opal Services resulting from increasing all Opal fares and caps (with the exception of the Opal gold card daily cap which will remain at \$2.50) by 2.4% from 3 July 2017. There will be no changes to other Opal card benefits such as travel reward and transfer discount.

TfNSW estimates that the increase in the Average Adult Fare between 2015-16 and 2017-18 is 2.4%.

The Average Adult Fare is calculated by adding the average Opal card fare weighted by the proportion of trips taken using Opal cards and the average single use ticket fare weighted by the proportion of trips taken using single use tickets.

TfNSW estimates that from 2015-16 to 2017-18:

- ▼ the increase in the average opal card fare is 9%
- ▼ the increase in the average single use ticket fare is 10%.

Over the same period, the proportion of trips on Opal cards is expected to increase from 89% of all trips to 98% of all trips.

The combined effect of these changes is shown in Table 1. TfNSW estimates that the overall increase in Average Adult Fares from 2015-16 to 2017-18 is 2.4% reflecting the increased use of Opal cards and the reduction in single use tickets.

Table 1 Opal card, single use ticket and average fares increase 2015-16 to 2017-18

	2015-16		2016-17 (actual)		2017-18 (forecast)		Overall change
	Average fare	% Trips	Average fare	% Trips	Average fare	% Trips	
Opal cards	\$2.32	89	\$2.46	98	\$2.52	98	9%
Single use tickets	\$3.86	11	\$4.14	2	\$4.24	2	10%
Average	\$2.49	100	\$2.49	100	\$2.55	100	2.4%

Source: Frontier Economics, *QA of Transport for NSW pricing proposal for compliance with IPART Determination*, July 2016, TfNSW, *2017/18 Fares for Opal services – Pricing proposal June 2017*, June 2017 and IPART calculations.

Note: Figures may not add due to rounding.

From 2015-16 to 2016-17, the average Opal card fare increased from \$2.32 to \$2.46 (a 6% increase). This increase mainly reflects the combined effect of introducing a transfer discount of \$2.00 for adults transferring between transport modes and changing the weekly travel reward from 100% to 50% after eight paid journeys in the week, effective 5 September 2016. We note that:

- ▼ In 2016-17, around 12% of Opal card trips received a transfer discount compared to 2015-16 where no trips received a transfer discount. This change alone reduced the average Opal card fare between 2015-16 and 2016-17.
- ▼ In 2016-17, around 16% of Opal card trips received a weekly travel reward of 50% compared to 2015-16, where 19% of Opal card trips received a 100% discount. This change alone increased the average Opal card fare between 2015-16 and 2016-17.

A copy of TfNSW's pricing proposal is available on our website.

Quality Assurance check

As part of our assessment, we engaged Frontier Economics to undertake a Quality Assurance (QA) check of TfNSW's pricing proposal. Frontier Economics reviewed the data, logic, calculations and assumptions underlying the pricing proposal. It confirmed that TfNSW assumptions are reasonable as well as tested the sensitivity of key assumptions affecting the increase in Average Adult Fares for 2017-18.

Frontier Economics provided assurance that the Average Adult Fares for 2017-18 in TfNSW's pricing proposal have been calculated consistent with our determination.

As part of the QA check, Frontier reviewed TfNSW's proposed trip distribution to ensure it is representative of expected trips in 2017-18. Frontier reviewed other 8 week periods in 2017 and also one longer period – 7 months (from September 2016 to April 2017). This review confirmed that the trip distribution is consistent for all periods tested – other than if the Christmas-January holiday period is included (see the Frontier report for further details).

Frontier Economics concluded that the proposed increase in the Average Adult Fare between 2015-16 and 2017-18 does not exceed 13% and that the TfNSW Pricing Proposal complies with our Determination.

A copy of Frontier's report is available on our website.

IPART's Assessment

We have assessed TfNSW's proposal and confirmed that the increase in Average Adult Fares between 2015-16 and 2017-18 is less than 13% and so complies with our determination. Specifically we have:

- ▼ approved TfNSW's proposed Trip Distribution for 2017-18, and
- ▼ confirmed that the average Adult Fare for 2017-18 calculated using the Approved Trip Distribution is \$2.55.

For any future fare proposals, we will further consider the most representative period to calculate the trip distribution for the relevant period. As part of this assessment, we will consider both the timing and nature of any proposed fare change event.

Future Price Proposals

For future price proposals we will continue to require an independent QA check of TfNSW's pricing proposal.

We also note that TfNSW's pricing proposal relates only to the Fare Change Events set out in TfNSW's pricing proposal and described above. If TfNSW proposes to make any further changes to fares in 2017-18 it will be required to submit a further pricing proposal to IPART.