

# COMPLIANCE STATEMENT

## 2018-19 Fares for Opal Services

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*IPART has found that Transport for NSW's (TfNSW) proposed Opal fares for 2018-19 comply with our Determination: Transport – maximum fares for Opal Services – May 2016.*

### IPART's Role

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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 Opal 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, forecast average fares are calculated by weighting the prices of trips during the current 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 2018-19.

### TfNSW's Proposal

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TfNSW 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 an average of 2.2% from 2 July 2018. There will be no changes to other Opal card benefits such as travel reward and transfer discount.

TfNSW will also introduce a new Opal product on a trial basis in 2018-19. This product, the Opal One Day Travel Pass, will not be available for general sale this year but will be sold to companies such as tour operators. This product will be more expensive than the daily cap on a reloadable Opal card (unless the Sydney airport stations are accessed more than once in a day). Contactless payments are also now available on ferry and light rail.

TfNSW estimates that the increase in the Average Adult Fare between 2015-16 and 2018-19 is 4.8%. The Average Adult Fare is calculated by adding the average Opal card fare weighted by the proportion of trips taken using reloadable Opal cards and the average single use ticket fare weighted by the proportion of trips taken using single use tickets. Over the same period, the proportion of trips made using reloadable Opal cards has increased from 89% to just over 98%.

For 2018-19, TfNSW is proposing a larger percentage increase in single use ticket prices than for reloadable Opal cards (see Table 1 below).

**Table 1: Average Adult Fare 2017-18 and projected for 2018-19**

Product group	2017-18 Observed Values		2018-19 Projected Values		Percentage change
	Trip weighting	Average adult fare	Trip weighting	Average adult fare	Average adult fare
Opal card	98.4%	\$2.52	98.4%	\$2.58	2.4%
Ticket	1.6%	\$4.35	1.6%	\$4.54	4.4%
TOTAL	100.0%	\$2.55	100.0%	\$2.61	2.4%

**Source:** Frontier Economics *QA of Transport for NSW's 2018-19 pricing proposal for compliance with IPART Determination, June 2018*

The full set of Opal fares proposed by TfNSW for 2018-19 are set out in TfNSW's pricing proposal, which 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 2018-19.

Frontier Economics provided assurance that the Average Adult Fares for 2018-19 in TfNSW's pricing proposal are 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 2018-19. Frontier reviewed other periods in 2018 and undertook some sensitivity testing around the choice of the period used in the analysis. 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 2018-19 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

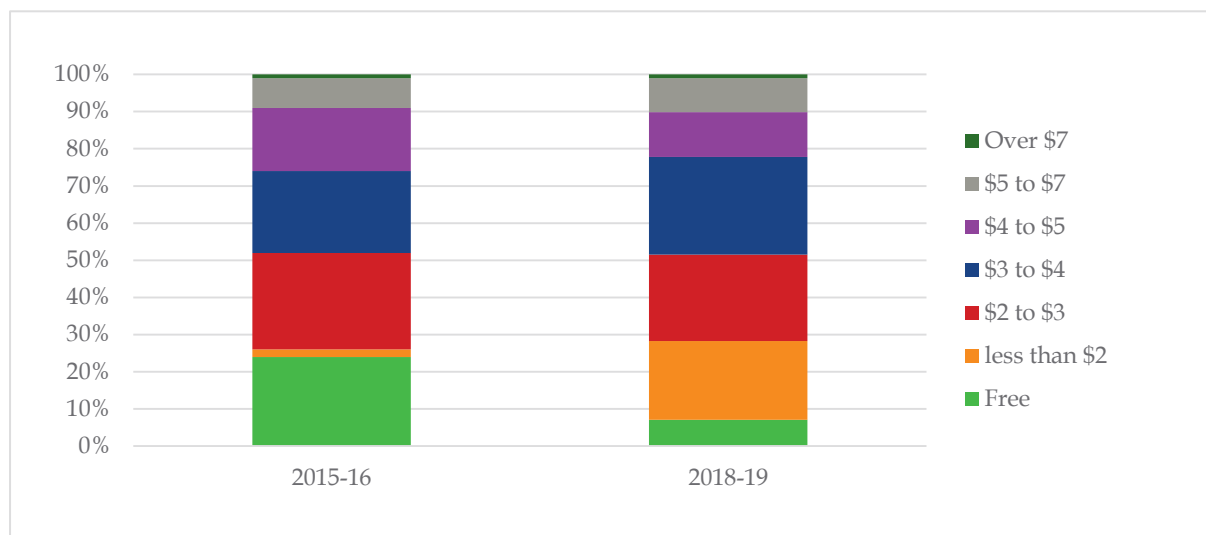
We have considered both TfNSW's proposal and the Quality Assurance assessment undertaken by Frontier Economics. We have confirmed that the proposed fare changes comply with our determination.

The average adult fare will have risen from \$2.49 in 2015-16 to \$2.61 in 2018-19, an increase of 4.8%. These average adult fares were calculated by TfNSW using trip distributions approved by IPART. The trip distributions show what fares were actually paid for each trip made in a representative sample period and then groups these fares into ranges, showing the proportion of total trips made that falls into each range. IPART has reviewed and approved TfNSW's proposed trip distribution for 2018-19.

Using a trip distribution takes into account the impact of changes in fare structure, such as changes to the available discounts as well as the change in fare levels. It is important to take these fare structure changes into account as they affect what customers actually pay.

Figure 1 shows the different trip distributions in 2015-16 and 2018-19 that we approved in our compliance assessments. Over this time, there has been a reduction in the proportion of trips made on the network for free. These trips dropped from around 25% of all adult trips to less than 10%, reflecting the changes made by TfNSW to rewards for frequent travel in 2016.<sup>1</sup> However, there continues to be around the same proportions of trips where the fare is less than \$2.00 (just under 30% of all trips); and less than \$3.00 (around half of all trips made). While there is a greater proportion of trips with fares of between \$3.00 and \$4.00 in the 2018-19 distribution, Figure 1 shows that the proportion of trips with fares of more than \$5 has fallen.

**Figure 1 Trip distribution – change between 2015-16 and 2018-19**



## Future Price Proposals

The compliance assessment we have carried out relates only to the Fare Change Events set out in TfNSW’s pricing proposal dated May 2018. If TfNSW proposes to make any further changes to Opal fares in 2018-19 it will be required to submit a further pricing proposal to IPART. Any such proposal would also be subject to an independent Quality Assurance check.

<sup>1</sup> Prior to September 2016, Opal cards provided for free travel after eight paid journeys in a week.