

Closk 37 January 2020

MAXIMUM OPAL FARES

2020 - 2024



DRAFT REPORT

December 2019

IPART has made draft recommendations on Opal fares between 2020 and 2024

IPART sets maximum public transport fares under the Passenger Transport Act when we receive a request from the NSW Government

Our draft recommendations

pave the way for the NSW Government to introduce new fare products such as travel passes, providing greater choice to customers. It ensures public transport remains affordable while at the same time improving the financial sustainability of Sydney's public transport network.



Sydney's public transport network is expanding with new metro and light rail services, as well as additional bus and rail services. The South West metro extension is under construction and work will soon begin on the Metro West between Parramatta and the CBD. As the network expands, the cost of providing public transport will rise. But so will the benefits as services become more convenient, comfortable and faster.

Currently passenger fares pay for around a quarter of the cost of providing public transport. The remainder is funded by taxpayers – equivalent to \$4,900 per household in 2018-19 (the third highest expense after health and education).

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. Cities function more efficiently with a well-designed and used public transport network with less traffic congestion, lower pollution and healthier residents.

Our draft recommendations aim to provide a balance between the contribution passengers make, through fares, and taxation funding to ensure that the public transport network is sustainable over the long term. Our objectives include encouraging people to use public transport, maximising the community benefits and ensuring fares are affordable.

By making some fare changes now and taking advantage of improvements in technology to offer more discounts for regular users, more off-peak fares and better integration between modes, our draft recommendations provide the NSW Government with the opportunity to make changes that will benefit both passengers and the broader community into the future.





Draft recommendations

Higher single fares

Fares for less frequent passengers would increase by an average of 5% each year.

Discounts for more passengers

Currently there are discounts for heavy public transport users, including 50% off after 8 trips in a week, and a \$50 weekly cap. New passes should be introduced for passengers travelling 3-4 days a week that are discounted compared to the single fare.

More off-peak fares

There are currently off-peak fare for trains. Introducing off-peak fares for bus and light rail as well would reduce infrastructure costs over the long term by encouraging some passengers to travel outside the peak.

More integrated fares

To encourage efficient delivery and operation of the network, travel passes should be introduced so that passengers pay the same regardless if they travel on train, bus, or light rail.

Greater access for low income passengers

Lower fare options should be available for healthcare card holders to reduce barriers to partipation in the community.





Our proposed fares provide the NSW Government the opportunity to give passengers greater choice without further reductions in financial sustainability. Implementing all of our draft recommendations would increase the average fare by around 2.5% each year.

We are seeking feedback



IPART's role

We have set draft maximum fares for single trips

for all services where an Opal card can be used, and are operated under a passenger service contract or bus service contract with Transport for NSW (TfNSW).

We have also made draft recommendations

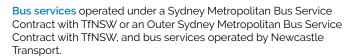
for the NSW Government on how to improve other aspects of public transport pricing.

The NSW Government has the flexibility to implement a set of fares and discounts (including daily and weekly caps) below IPART's maximums. Typically the NSW Government sets fares below our maximum fares.

What services are covered by this review?



Train services operated by Sydney Trains, NSW Trains and Sydney Metro.



Light rail services operated by Sydney Light Rail (including Inner West and CBD and South East light rail) and Newcastle Transport, and light rail services in Parramatta.

Ferry services operated by Sydney Ferries and Newcastle Transport.

On demand services in metro and outer metropolitan areas operated under the authority of a passenger service contract with TfNSW.













Our approach to this review

We sought community feedback

We sought feedback from stakeholders on how Opal could be improved. Stakeholders had a wide range of views, so we focused on the most common themes:



Off-peak fares for modes other than train



Lower fares for shorter distances



Aligning fares between modes



Passes for frequent users



Greater acess to concessions

> There are tradeoffs between these

objectives - not all options will meet the objectives to the

same degree

We assessed stakeholders' ideas against the factors in the legislation and terms of reference

These are summarised in the objectives below

See Appendix A for more information

Do the fares encourage people to use public transport?

Are they affordable for public transport passengers?



Do they maximise the benefits of public transport use to the community

Do the fares deliver a financially sustainable network?

Are they predictable and stable over time?

How we assessed fare options



We developed fare options that would continue to be afforable for different types of passengers and improve the financial sustainability of the public transport network.



We then modelled what would happen to fare revenue, costs, and community benefits if those fares were in place.



Alongside the existing Opal card, the NSW Government has launched Opal Connect, which is an account-based ticketing platform. We recommend that changes to the structure of Opal fares (such as additional types of discounting for regular passengers, and aligning fares between modes) are made through this platform. This would provide additional choice to customers and the opportunity for the NSW Government to trial different products, without changing existing features of the Opal card that are valued by customers.

Our findings

Public transport use



+5%

We expect that public transport use will continue to grow by around 5% per year over the next four years.

Around 12% of all trips in Sydney are made using public transport. Passengers make their travel decisions based on where they want to travel to, the public transport routes available to them, travel times, frequency and reliability of the services, as well as price.



Introducing off-peak fares for light rail and bus services should increase the number of trips outside the peak and encourage some passengers to change their time of travel.



Providing periodical travel passes, which provide regular users with discounts or unlimited travel, encourage passengers to use more public transport.



Integrated fares should also encourage more public transport use as passengers can use different modes to get to their destination the fastest without being penalised for switching modes.

Benefits of public transport to the community

We considered how the community benefits would change under a range of fare options and found that each option would make very little difference.

However, we also found that:



If passengers were asked to pay significantly more than current fares, road congestion would be noticeably worse in some areas – for example, doubling public transport fares for single journeys, could add about 10 minutes to a commute on Parramatta Road in the morning peak.



If fares were significantly lower, or even free, the cost to the community is likely to outweigh the benefits, as **traffic congestion does not continue to fall at the same rate** as fares are reduced.

DOUBLING FARES

likely to add

10 mins

to travel the last 6 km on Parramatta Rd in the AM peak





When a person who travels 20 km on a train or a bus instead of driving, they provide a benefit to the community of around \$10 a trip – mostly from avoided road congestion.

Public transport services are subsidised by taxpayers to recognise these benefits.

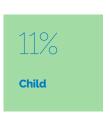
Affordability

Access to transport at an affordable price is a necessary part of a well-functioning society.

30% of Opal card users have access to discounted fares, including seniors and children. Around 5% of passengers have a concession - they are eligible because they are low-income passengers (people with access to the full rate of Centrelink benefits, or who are in full time study or apprenticeship). Concession customers receive half price fares.

We are recommending that passengers who hold a Commonwealth Health Care Card are also eligible for discounted fares. This would provide discounts to an additional 2% of passengers.

14%
Seniors Opal
Gold







IPART recommedations







Proportion of Opal cards used in a typical week. The number of adult cards might be higher than the number of adult users if they have more than one card. This would mean that the proportion of other users would be slightly understated.

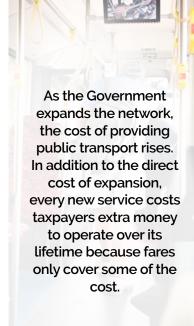
Under our recommendations single fares would rise by an average of 5% each year, or around 30 cents a journey for an Adult Opal card user. We are also recommending that new products are offered that would provide discounts for more customers - regular passengers travelling 3-4 days a week. Over a week, almost all passengers would pay less than \$2 extra, with three quarters of passengers paying less than \$1 more. These impacts would be halved for concession passengers.

Average price change by days travelled

The impact on customers is smaller for passengers travelling more than two days a week

(assuming 2 trips per day, based on adult journeys)

1-2 days	3 days	4 days	5 days
+5%	+3%	+2%	+3%



Financial sustainability

Our draft recommendations help deliver a financially sustainable network over the next four years by allowing the Government to increase single fares.

Our other recommendations on more off-peak fares, more integrated fares and greater access for low income passengers should make better use of the existing infrastructure, while ensuring fares remain affordable. In addition, we estimate that offering off-peak fares on bus and light rail services would encourage some people to move their travel times from the peak into the off-peak periods, saving money by deferring the need for additional services.

We are recommending that the NSW Government provide passengers more choice of ticket types, and in particular travel passes offering fare packages that are attractive to regular users. This should also improve financial sustainability.



Our proposed fares ensure that using public transport remains affordable for passengers while making sure the public transport network is financially sustainable.

Each year the single fare for full paying passengers would increase by around 30 cents, or \$1.20 more over two return journeys made in a week.

We are recommending that single fares increase by an average of 5% each year 5%





Metro and train fares

Distance	Current 2019	Maximum fare 2024	Annual change
0 - 10 km	\$3.61	\$4.40	\$0.20
10 - 20 km	\$4.48	\$5.40	\$0.23
20 - 35 km	\$5.15	\$6.30	\$0.29
35 - 65	\$6.89	\$8.30	\$0.35
65+ km	\$8.86	\$10.70	\$0.46

The proposed single fares in 2024 would only recover around a quarter of the costs of providing public transport. Taxpayers fund the rest as they also benefit from a well-functioning city.

With the current levels of patronage, a 15 km train trip would cost around \$22 instead of our proposed maximum fare of \$5.40 if passengers were to fund all the costs of public transport.



Ferry fares

Distance	Current 2019	Maximum fare 2024	Annual change
0 - 9 km	\$6.12	\$7.40	\$0.32
9+ km	\$7.65	\$9.20	\$0.39



The maximum fares also apply to on-demand services provided under contract with the NSW Government. This would allow the Government to determine the best type of public transport service within the bounds of a single maximum fare.





Bus and light rail fares

Distance	Current 2019	Maximum fare 2024	Annual change
0- 3 km	\$2.24	\$3.20	\$0.24
3 - 8 km	\$3.73	\$4.60	\$0.22
8 - 15 km	\$4.80	\$6.00	\$0.30
20 - 35 km	\$4.80	\$6.40	\$0.40
35 - 65 [*]		\$8.30	
65+ km*		\$10.70	

* Light rail only

The shortest bus fare has increased by more than 5% to allow for bus fares to be aligned with train fares and for 30% discounts in the off-peak.



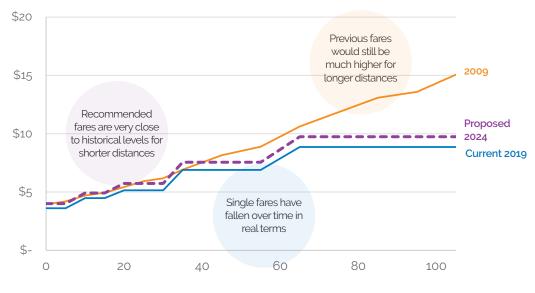
Single fares have fallen significantly in real terms over the last ten years Real fares \$20 \$2019 \$15 -60% -41% -17% \$10 -13% Strathfield Parramatta Gosford Katoomba Newcastle Blakehurst Brookvale to city to Circular Hurstville Quay Quay to city ■2009 2019



Our recommended single fares would put single fares back in line with what customers were paying a decade ago for journeys up to 40 km





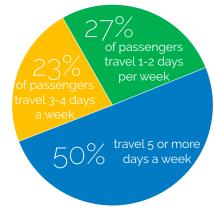


kms travelled

Note: The proposed fares in 2024 have been adjusted in this chart to put them into today's dollars.



We are recommending that additional products are introduced that are tailored to the needs of passengers who travel three and four days a week - most of whom are not receiving travel rewards





There are already

several discounts in place to make travel for regular passengers affordable, but most of these are received by **heavy transport users,** travelling five days a week



Current discounts

50%

fare once 8 trips have been made

Of the 28% of customers receiving frequency discounts, 93% travel at least 5 days a week



\$50

weekly cap

Of the 4% of customers receiving the weekly cap, 86% travel at least 5 days a week



Excludes child and Gold Opal cards



As noted in submissions, many passengers travelling less than five days a week are casual and part-time workers. They would benefit from a targeted product for 3 to 4 days of travel.







We recommend that the NSW Government provides passengers greater choice of public transport passes that take advantage of new technology using the recently established Opal Connect account-based ticketing system.

Passengers would be able to choose different travel passes and products tailored to meet their travel patterns and budgets.

Example of new offerings under Opal Connect

\$20 a month

and pay discount fares for all trips

\$125 for 25 trips

up to 20 km 60 day expiry

\$80 a month

for unlimited journeys in the off-peak

\$20 weekend pass

unlimited weekend travel kids travel free

Distance	Pay as you go fare	Discounted fare	
	2024	2024	
0 - 10 km	\$4.40	\$3.35	
10 - 20 km	\$5.40	\$4.35	
20 - 35 km	\$6.30	\$5.10	
35 - 65	\$8.30	\$7.00	
65+ km	\$10.70	\$8.65	

These are the types of discounts that could be available under Opal Connect

What would a passenger pay?

Distance	Current 8 x single journeys 2019	8 x single journeys	Price increase	\$20 pass discounte fares 2024	
0 - 10 km	\$28.88	\$35.20	5.1%	\$31.80	2.4%
10 - 20 km	\$35.84	\$43.20	4.8%	\$39.80	2.7%

The best option for a short-distance passenger travelling 4 days making 8 trips would be a \$20 pass with access to discount fares



There was a high level of support from stakeholders for products like weekly passes.



I would suggest that people should be able to pre-purchase monthly unlimited public transport passes and apply them to an OPAL card. These could function similarly to the old MyMulti monthly, quarterly and yearly passes with different levels providing different public transport certainty. When compared to current weekly caps, they would provide:

- ▼ More flexibility and incentives for regular public transport users who do not use the full weekly cap, but would benefit from, say, unlimited bus trips.
- More certainty for people to know how much they will pay each week on public transport by these prices being fixed
- Incentives for people to catch public transport in non-peak times and for extended periods of time
- Possible financial benefits for the government from users who travel less on public transport

E Ryan



IWeekend, weekly, and monthly capped tickets would! drive up consistent use of network instead of casual use of the network. It would also allow a person to cap their expenditure. People would use the network more for weekend travel as they'd get it for free with their normal commute, reducing the strain on roads network.

M Mead

As well as providing more affordable and better tailored products to different passengers, we agree that the upfront purchase of a weekly pass encourages more use of the transport network. It means the more the pass is used, the better the value customers will receive from the product.



Fares are currently different for train, bus and ferry. Light rail fares are equal to bus fares.

32

Customers receive a \$2 rebate when switching modes to make a single journey.

We are recommending integrated fares for Opal Connect travel passes so that passengers pay the same regardless if they travel on train, bus, or light rail.

The transport network in Sydney is becoming increasingly integrated. From December, new light rail will open in the Sydney CBD, to connect to bus routes from across Sydney.

Aligning fares between rail, light rail and buses removes any price penalty for changing modes. This would remove any price barrier to customers making their journeys with the most efficient combination of modes. This would then enable transport planners to design the network in the most efficient way, with less duplication between modes.





In all other Australian capital cities, fares are the same regardless of mode of travel. However, overseas it is very common for fares to be different between modes.



of all journeys are made using two or more modes



12%

of customers make more multi-mode journeys than single mode journeys 27%

of customers make at least one multimode journey in a week 36%

of customers use more than one mode of transport each week

Excludes trip made on Gold Opal card and single paper tickets.

Most stakeholders thought fares should be the same for bus, light rail and train. This was generally because many passengers aren't able to choose the transport offered. Other stakeholders, including BusNSW, submitted that fares should be different, because:

- The costs vary between modes
- People place a different value on the service provided by each mode and their willingess to pay for the services differ significantly
- Having different fares can also help manage demand. For example, if light rail and trains are particularly crowded, cheaper bus fares can encourage some passengers to use the bus to help spread the load.



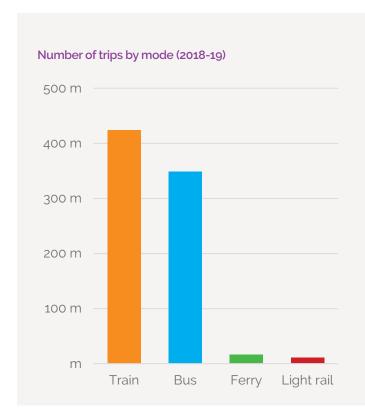
....some forms of transport are more expensive than others... but users often have no influence on what is available in their zones.

Anonymous submission



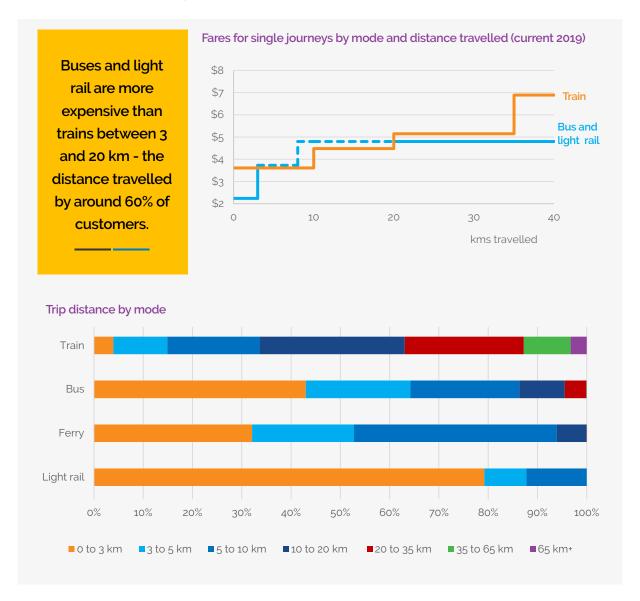
Fares need to reflect both cost and value delivered. i.e. customers should, and will generally be "willing to pay" more for fast, expensive trains than slow, cheap buses. Fares should not be a constant amount per km regardless of mode as this will distort demand (subsidising trips that require more expensive infrastructure) and reduce total revenue (because limited 'willingness to pay' on low-value trips will reduce revenue on trips that customers would be willing to pay more for).

D Thorp





Currently train fares are lower than bus and light rail fares for travel between 3 and 20 kms. Some stakeholders noted passengers would be willing to pay more for train travel as trains provide a faster and more reliable service than buses. Integrating fares would increase train fares in line with bus fares, to better reflect the relative costs and benefits of buses and trains.



In recommending integrated fares for Opal Connect passes, we consider that the benefits of operating and designing the public transport system as an integrated network outweigh the benefits of signalling the costs of providing individual services to passengers, and the potential revenue gains from pricing services differently to reflect customers' different willingness to pay.

The exception to this is ferries. Sydney Harbour ferry services are provided alongside alternative cheaper bus routes. Passengers travelling from Parramatta to the Sydney CBD also have the option of a train. Therefore the passengers paying up to twice as much to use the ferry value this service more highly than the alternative options being offered.

Most stakeholders submitted that ferry fares should remain higher than fares for other modes, but one submitted that mode variation is not worthwhile.



Whilst each mode of transport has a different cost base there should be some consistency between the fares charged across the different modes. The consistency should also mean that travelling a similar distance (possibly with the exception of ferries) should attract a similar fare.

N Lee



There should be off peak discounts for other modes than just rail ... with the exception of ferries given they are the most costly mode to run.

J Patey



IPART should consider whether a 2-tier cap is technically feasible. For example, a \$4 weekend cap for any train and bus travel, excluding ferries (up from \$2.70), and a \$8 weekend day cap for travel including ferries (or half the normal daily cap).

R Heal



In relation to the ferry to Barangaroo wharf from Balmain East] \$6.01 for the ferry ride and \$2.20 for the bus, even though the distance of the bus ride is six times further and can take more than five times longer in time. On face value, the cost of delivery of the bus ride in this case exceeds the cost of the ferry ride, but the fare for the ferry ride is more than twice as much as the bus fare. If the external cost of the road congestion contributed by buses travelling through the narrow streets of Balmain and across the ANZAC Bridge were taken into account (IPART has not previously done this), the bus cost of delivery would compare even less favourably with the ferry.

R Sandell



Unlike other modes, we consider that the revenue losses from reducing ferry fares in line with other modes would outweigh the potential for service delivery efficiences.

There are only 8 ferry routes in the Sydney Harbour and they have a much smaller catchment area compared to buses (because of the large distances between wharfs).



Bus services would still be provided for customers travelling to and from stops between wharfs.

This also means that lowering ferry fares would not produce additional benefits in terms of reducing congestion.



Currently only trains have off-peak fares, with passengers paying 30% less for travelling in the off-peak

We are recommending extending the off-peak discount to buses and light rail

Like trains, these services are crowded in the peak. By extending the off-peak discount to all light rail and bus services, we expect that some passengers would respond by moving their travel times to the off-peak. We know that not all passengers can shift their travel times. However when some passengers shift their travel time to the off-peak fewer additional services are required in the peak resulting in significant savings.

We recommend that peak times align with the current peak times for trains Peak times: Mon-Fri 7 to 9 am 4:00 to 6:30 pm

Off-peak fares apply at all other times

Most stakeholders, including Bus NSW, and the Regional Rail Action NSW, supported extending Off-peak fares to bus and light rail.



Other road users significantly benefit by spreading out bus usage throughout the day. This is because the additional busses contribute to traffic and make the roads slower for all users. Additional busses and traffic increase the chances of delays and make the service less reliable and appealing.

Because bus users are less likely to commute to work their travel is potentially *more* not less flexible than bus users and so they would be more able to change travel times if incentives existed (e.g. it is much easier to slightly delay a trip to the shops or social gathering than work start time).

E Ryan



And all modes should have peak and off peak, it's not fair to only apply to rail, buses and light rail also suffer low patronage in off peak that could be better utilised.

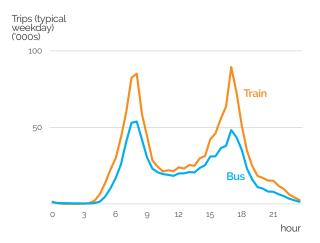
M Mead

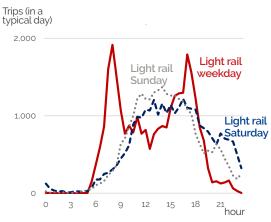


Like for trains, the highest number of journeys on buses and light rail occur during the peak.

The size of the fleet (buses and carriages) is procured to meet peak demand, so the costs to serve passengers are lower outside peak periods.



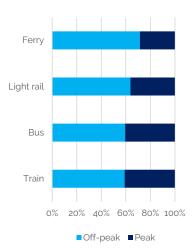




Passengers are also more price sensitive outside the peak, so lower fares are more likely to encourage additional travel at a time where there is capacity.

However, even with these additional journeys, reducing off-peak fares by 30% would reduce total revenue from bus and light rail by around 4%. This is because around 60% of all bus and light rail trips occur in off-peak periods.

To ensure that financial sustainability does not decline, we have allowed for higher single peak fares to offset this reduction in revenue.



Excludes trips made on gold opal card.

Some stakeholders submitted that the difference between peak and offpeak fares should be higher to provide a stronger incentive for passengers to travel in the off-peak.

We have modelled an off-peak discount for bus and light rail of 30% to align it with the current discount for train trips. We would support the NSW Government trialling other discount levels to better understand passengers' response.

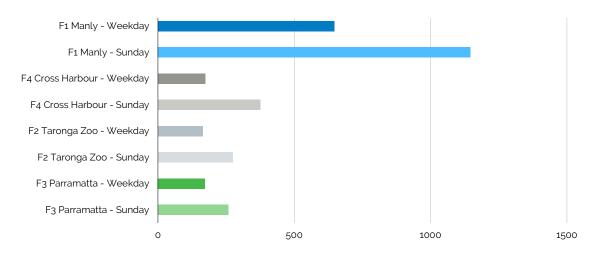
New products to encourage people in the off-peak could also be provided under Opal Connect. For example, passengers could pay a monthly amount for unlimited travel on all off-peak bus, light rail, and rail services.



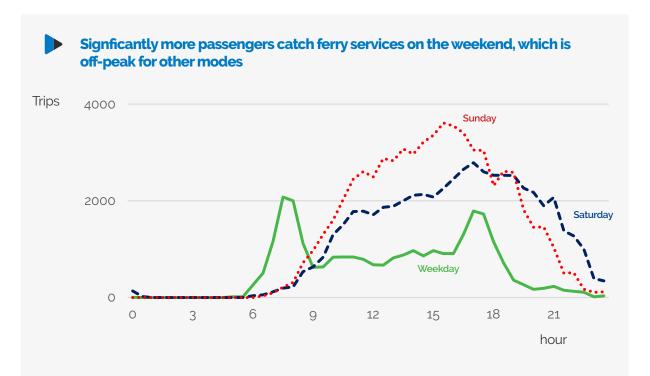


We are not recommending off-peak fares on ferries as ferries are not crowded during the commuter peaks. We support spreading demand on ferries more evenly across Saturday and Sunday through pricing.

There are around 40% less passengers on the busiest week day services compared to the Sunday services



Average number of passengers during busiest services



Rather than having a very low cap for Sunday travel we recommend that the NSW Government increase the cap and apply it to both Saturday and Sunday. This would make public transport more affordable and help manage demand across both days. We have previously recommended that the daily cap for weekend travel be \$7.60. The NSW Government could also introduce weekend travel passes under Opal Connect that provide passengers more choice.





Greater access for low-income passengers

Discounted or concession fares are currently available to children, students, people with a disability, some Centrelink customers and older people. However, some economically disadvantaged groups are currently paying full Adult Opal fares.



We recommend that the NSW Government provide discounted Opal fares to NSW residents that hold a current Commonwealth Health Care Card.

Health care card holders include students, carers and people who aren't well enough to work full time.

This would provide for up to

141,500

extra people to become eligible for discounted Adult Opal fares.

Greater access to concessions for low income passengers was one of the key themes raised in submissions



People on low incomes who may be working infrequent or few hours are often eligible for Commonwealth Health Care Cards. Health care card holders include students, carers and people who aren't well enough to work full time. People who are underemployed can also access Health Care Cards. In NSW, under-employment is a persistent and increasing issue, especially in the lowest paid occupations (retail trade, heath care and social assistance and accommodation and food services all have relatively high numbers of underemployed). Enabling access to transport for those who are struggling to make ends meet is vital for their continued participation in the workforce.

The NSW Government could implement discounted fares for Health Care Card Holders in different ways. For example:

Expand the current concession program providing a 50% discount on Adult Opal fares

Use Opal Connect account based ticketing to provide a discount on Adult Opal fares

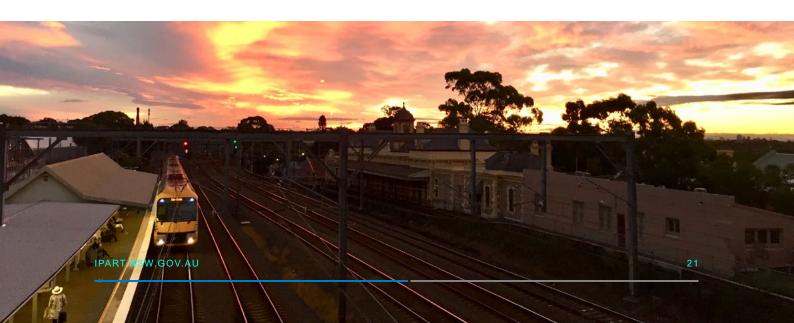
We estimate this recommendation would reduce fare revenue by less than half a million dollars a week.



While our recommendation would expand eligibility for discounted fares, we recognise that there would still be vulnerable people who cannot afford public transport.

Therefore, we recommend that the NSW Government consider implementing targeted programs for vulnerable people. For example:

- Trialling the use of discounted weekly and monthly travel passes to community service organisations to be provided to vulnerable people (in addition to the daily passes already available).
- Providing the opportunity for people to apply for free travel where they have a permanent physical disability, cognitive condition or mental illness that prevents them from using the Opal ticketing system.



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