

Integrated fares for multi-trip journeys

Draft Information Paper 1

Introduction

IPART was asked to examine options for more integrated fares as part of our review.

Integration refers to the way fares for journeys on different modes, over different distances, or with multiple component trips relate to each other.

Currently, fares for multi-trip journeys using a single mode (for example, where a customer transfers from one bus service to another) are integrated and the fare for the whole journey is charged as if it was one trip from origin to destination. However, fares for multi-trip journeys made on more than one mode (for example, where a customer transfers from rail to bus) are calculated as if the trips are independent of each other, which results in a higher fare.

We consider that an integrated fare should be charged for all multi-trip journeys whether they involve single or multiple modes. We have analysed options for calculating an integrated fare and our draft decision is that the multi-mode fare should be based on the journey distance as if it had been taken on one of the modes used. We have developed a draft multi-mode fare table using this principle.

The slides that follow set out our draft decisions and recommendations to Government, and explain the analysis underpinning these decisions and their impacts on customers.

Current fares for multi-trip journeys – single mode

The 'Opal trip advantage' provides an integrated fare for multi-trip journeys undertaken on a single mode.

- ▼ If a subsequent tap-on is less than 60 minutes from the last tap-off, and on the same mode, the subsequent trip is considered part of the last trip.
- ▼ A journey from A to B, then B to C, is charged as if it was a trip from A to C (straight-line distance on a bus, or track distance on a train).
- ▼ A 'longer trip' rule applies to **bus** multi-trip journeys, so that where a component trip is longer than the total journey, (eg, a journey from A to B, then B to A), the fare for the longer trip is charged (ie, the A to B fare)
 - ▼ This rule does not apply to **train** multi-trip journeys, so the customer can get a rebate for a return journey.

Current fares for multi-trip journeys – more than one mode

- ▼ If a passenger transfers from one mode to another (eg bus to rail), the trips are charged independently.
- ▼ This makes journey fares more expensive than trip fares for the same distance.

What should fares reflect?

- ▼ The cost of service
 - ▼ Different for different modes
 - ▼ Different peak/off-peak for rail
 - ▼ Different depending on distance travelled (but the relationship between distance and cost is different depending on mode)
- ▼ That the customer should pay for the journey taken, and not be penalised for having to switch modes during the journey.

Our draft decision on integrated fares for all multi-trip journeys

- ▼ The fare for a journey should be charged based on the longest straight-line distance between any tap-on point and any tap-off point during the journey.
- ▼ For multi-mode journeys, the fare to apply should be the fare for the more expensive mode for that journey distance
 - ▼ Journeys involving off-peak rail as well as a Sydney ferry would not receive any off-peak discount
 - ▼ For journeys involving off-peak rail and another mode (other than Sydney Ferries) the fare to apply should be the fare for the **less** expensive mode for that journey distance.
- ▼ Customer would pay for at least the most expensive component trip of the journey.

Our draft decision: customer impacts (1)

- ▼ Most customers who make multi-mode journeys would pay between 20% and 50% less for each of these journeys than currently. For example:
 - ▼ A customer travels by bus from Lane Cove to Wynyard, and then transfers to a peak rail service from Wynyard to Central to complete their journey.
 - ▼ The longest straight-line distance between a tap-on and a tap-off point is from Lane Cove to Central, which is 9 km. This means the total fare for the journey would be \$4.11, which is our draft fare for a journey of 8-15 km that involves a peak rail trip and a bus and/or light rail trip.
 - ▼ As the customer has already paid \$3.36 when they tapped off the bus service, they would pay only an additional 75 cents when they tap off at Central.
 - ▼ Currently a customer making this journey would pay \$3.50 for the 7 km bus from Lane Cove to Wynyard, and \$3.38 for the 3 km rail from Wynyard to Central, which is \$6.88 in total. Therefore, the fare for this journey would be 40% lower under our draft determination.

Our draft decision: customer impacts (2)

Because of our other proposed changes to frequency discounts and daily and weekly caps, the change in a multi-mode customer's **weekly** travel expenditure would depend on their travel patterns.

Most customers (at least 60%) would be paying less than they currently do over a week, but some (generally, those who travel 10 or more times a week and travel the longest distances), would be paying more. For example:

- ▼ A customer travelling from Manly to Central and back 5 days a week would currently pay \$10.56 one way at peak times (\$7.18 ferry + \$3.38 rail), but their daily expenditure would be capped at \$15 and their weekly expenditure at \$60.
- ▼ Under our proposed fares, the same customer would pay only \$6.36 for a ferry/peak rail one way journey, but would not reach either the daily or the weekly cap, and their weekly expenditure would be \$63.60, an increase of 6%.

Other options we considered 1: fully integrated fares

With fully integrated fares, the fare for every mode would be the same for the same distance

Fully integrated fares have the advantage of simplicity, and customers are not penalised for the design of the network (ie, what modes are available for a particular journey)

However, our analysis of socially optimal fares suggests significant differences between the fares for different modes. For example, ferry services are considerably more expensive to provide, so socially optimal fares for ferry services are higher than socially optimal fares for other services.

This option would also require introduction of a price differential between peak and off-peak for all services. The evidence suggests this is not warranted for any mode except for rail.

Finally, equalising fares across modes and keeping cost recovery constant for the public transport network overall would mean that fares for the lowest cost services (bus) would need to rise and fares for the highest cost services (ferry) would fall. There may be significant customer impacts associated with this.

Other options we considered 2: partially integrated fares

We also considered an option where the same fare would apply for all modes but a discount for all kilometres travelled on off-peak rail services and/or an additional charge for all kilometres travelled on a ferry.

This option is more complicated than having the same fare for all modes, but also more cost-reflective.

This approach still means that customers would pay more for travelling on two modes than they would for travelling on one mode if the per kilometre charge is based on distance bands and/or declines over distance travelled as it currently does.

A per kilometre charge that is the same for every kilometre travelled on a particular mode would lead to substantially higher long distance fares than our draft fares. To avoid these customer impacts by restricting these increases would mean major revenue loss.

Other options we considered 3: partial fare rebate for multi-mode journeys

We also considered whether to continue to charge separate fares but to recommend a flagfall or partial fare rebate to passengers when they transfer between modes.

For example, we considered a rebate of \$2 to be applied when a customer starts a second trip on a new mode within the same journey. Although this approach is simple it does not remove the price penalty for multi-mode journeys. Some passengers would continue to pay more for using two modes than they would if they used only one mode.

Under our draft determination, the price of a multi-mode journey would always be equal to or less than the fare that would apply if the passenger had made their entire journey on the most expensive mode they used. In our view this is a fairer system than one that provides a small partial fare rebate for transferring between modes.

Other options we considered 4: common flag fall paid once only for multi-mode journeys (1)

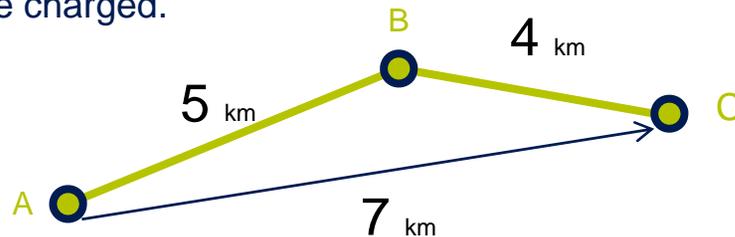
Another variation of the partial rebate approach is to have a common flag fall, or 'access' charge, that a customer only pays once and then a different per kilometre charge for each mode.

As for the first partially integrated fare option we considered, this approach still means that customers would pay more for travelling on two modes than they would for travelling on one mode if the per kilometre charge is based on distance bands and/or declines over distance travelled as it currently does.

A per kilometre charge that is the same for every kilometre travelled on a particular mode would lead to substantially higher long distance fares than our draft fares. To avoid these customer impacts by restricting these increases would mean major revenue loss.

Other options we considered 4: common flag fall paid once only for multi-mode journeys (2)

- ▼ This approach also means that the fare is charged based on a journey distance that is the sum of component straight-line trip distances, rather than a journey distance that is the longest straight line distance between any two tap-on and tap-off points, as single-mode journeys are charged.



- ▼ For example, for single mode 2-trip journeys, the journey distance would be 7 km in the example above.
- ▼ But adopting the flagfall + per km approach would mean that the per km rates would be applied to $5 \text{ km} + 4 \text{ km} = 9 \text{ km}$ journey distance. So the 'transfer penalty' would persist because the total journey distance would be longer than if the journey had been taken only on one mode.

Other options we considered 4: common flag fall paid once only for multi-mode journeys (3)

The distance measurement issue could be overcome by apportioning each part of the trip to the straight line distance travelled.

In the above example, the fare could be calculated as:

- ▼ $5/9$ (the train leg distance divided by the journey distance) of a 7km train fare plus
- ▼ $4/9$ (the bus leg distance divided by the journey distance) of a 7 km bus fare.

However, this does not overcome the distance band and varying per kilometre rate problems.



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