



IPART Issues Paper – Maximum Opal Fares 2020-2024 BusNSW Submission

14 June 2019

Review of Maximum Opal Fares
Independent Pricing and Regulatory Tribunal
PO Box K35
HAYMARKET POST SHOP NSW 1240

Dear Tribunal Members for this review,

Thank you for the opportunity to comment on the review to be conducted by the Independent Pricing and Regulatory Tribunal (IPART) into the Maximum OPAL Fares that will apply from 2020 to 30 June 2024 in Sydney and surrounding areas.

BusNSW is the peak body for the NSW private bus and coach industry. Our mission is to foster the efficient and sustainable growth of public transport in NSW and in doing so, to promote the benefits of bus and coach transport.

BusNSW members provide services for the travelling public in the Opal network through Transport for NSW Sydney metropolitan and outer-metropolitan bus service contracts. These gross cost contracts include a schedule of services and a performance regime to ensure that taxpayers receive value for money. The contracts include key performance indicators and a patronage incentive payment that can be impacted by changes to Opal fares.

BusNSW members are also involved in providing on-demand transport via the Transport for NSW pilots and under bus contracts. BusNSW acknowledges that some services allow customers to pay using an Opal card via OpalPay.

BusNSW acknowledges that public transport is currently the third largest cost to taxpayers after health and education and that passengers pay around a quarter of the costs of providing these services.

BusNSW has prepared a response to each of the thirteen (13) questions posed in the IPART issues paper and have set out these responses below.

IPART has outlined the following five policies as its objectives when setting fares:

- To deliver a financially sustainable public transport network,
- To encourage people to use public transport,
- To maximise the benefits of public transport use to the community,
- To remain affordable for public transport users, and
- To ensure fares that are predictable and stable over time.

1. Are these objectives the right ones to focus on?

BusNSW supports the IPART objectives above as the correct ones for fare setting. BusNSW recognises that some of the objectives compete with each other and that no set of fare decisions can meet all the proposed objectives to the same degree.

2. Are any of the objectives more important than others?

From an industry perspective, BusNSW believes that the following two objectives are the most important:

- Encouraging people to use public transport, and
- Maximising the benefits of public transport use to the community.

BusNSW notes that these objectives largely mirror the mission statement of BusNSW and promote the efficient use of available resources. The NSW Government is making significant investment in new bus services and this is part of a future transport strategy to increase the share of travel by public transport.

In its pre-election brochure titled *“Moving People NSW – Measures to Shape our Communities”*, BusNSW called for more high frequency bus services in Greater Sydney including the consideration of opportunities for Bus Rapid Transit (BRT) and “turn up and go” services. The Coalition made a pre-election commitment to improve bus services in Greater Sydney with more than 14,000 extra weekly bus services to be delivered over the next four years to improve services across Sydney, the Illawarra, Hunter and Central Coast. It is important that the fares and fare products to be applied over this period remain affordable and support the introduction of these additional services.

BusNSW also recognises that when people use public transport, they also generate benefits for and impose costs on others (i.e. ‘externalities’). BusNSW supports an approach where fares encourage people to use public transport and provide external benefits for the community.

3. Should light rail and metro services have their own mode-specific fares? Or should light rail continue to be set in line with bus fares, and metro fares set in line with rail fares?

BusNSW recognises the different operating costs across transport modes. Whilst the same fare levels across all transport modes would provide a consistent approach for customers, BusNSW acknowledges that it would be difficult to implement without creating equity issues and impacting on opportunities for mode specific cost recovery.

BusNSW recognises that people place a different value on the service provided by each mode and their willingness to pay for the services differ significantly. This also applies to other forms of transport that don't use Opal fares, including taxis and ride-share.

The cost of service provision for the mode should be considered when determining fares. BusNSW supports a mode specific element for the fare structure and considers that applying different fares for bus and light rail, for example, is also a way of managing demand in places where both options exist. It is important that fares are transparent in order that the people using the service can assess the value they obtain from each mode and their willingness to pay.

4. Should the \$2 discount for transferring between different modes of transport be higher or lower?

BusNSW believes that fares which encourage greater use of public transport (across all modes) are to be preferred. This includes the promotion of journeys that may involve more than one mode.

The benefit of the current \$2 transfer discount is that it is relatively simple for users to understand. The downside is that this transfer discount applies irrespective of the number of transfers made and is not proportionate to the fare for each mode or the total distance travelled. It is important that any dollar amount used for a transfer discount is increased in line with fare increases in order that the value of the discount is not eroded over time.

BusNSW supports the proposal to adjust fare discounts for journeys including more than one mode, though any change to the discount should be easy for customers to understand and ideally would be more equitable than the current \$2 discount.

BusNSW has previously promoted the use of feeder bus services to the rail network rather than building commuter car parks at rail stations. Transfer discounts should be used to incentivise commuters to use feeder bus services, including contract on-demand services, for first and last mile connections with the rail network, rather than using a car for this journey and impacting on congestion around interchanges.

BusNSW encourages the NSW Government to undertake research to identify the extent to which building commuter car parking at rail stations dilutes the use of buses and active transport (i.e. walking) in accessing rail stations.

5. Do we currently have a good balance between fares for short distance and long-distance travel? Should fares increase more gradually and smoothly as the distance travelled increases?

BusNSW generally supports distance-based fares with the measurement for buses based on the straight line between where the passenger taps on and taps off. The three distance bands for buses are easy for customers to understand and the cap provides an incentive to use public transport for longer distance journeys.

Increasing fares for long distance travel can encourage people to use cars, creating more outer suburb and metropolitan road congestion. Whilst recognising the boundary effects of broad distance bands and the options available via electronic ticketing, the three bands currently used for buses in the Opal network are simple and accepted by the public.

Any adjustment of prices for shorter and longer distances should be carefully considered, including an analysis of how responsive the users of different distance services are to price changes. The recent information on fare elasticities by distance provided by the CEPA/HGroup should guide this analysis.

6. Should we make changes to when and where peak fares apply? Should all modes have peak and off-peak fares?

The transportation of school students often results in a high utilisation of capacity on the bus network during the peak periods. BusNSW would support changes to fares that encourage regular passengers to switch their time of travel from the peak to the off-peak where the service offering is appropriate, and this is an option for them. This would help to spread the passenger load, reduce passenger crowding and improve on-time running performance by minimising boarding delays and crowding. Studies by the Institute of Transport and Logistics Studies (ITLS) suggest that up to 70% of peak trips could switch out of the peak if the appropriate incentives were in place. This would help increase use of off-peak capacity and take pressure off increasing crowding in the peaks on trains in particular but also some bus services.

BusNSW notes, based on information provided by TfNSW (April 2019), that 47% of bus journeys occur in the weekday peaks. The fleet available in the off-peak means that the provision of additional services required to meet any additional demand induced by fares in this period can be achieved at a lower cost to government and the taxpayer.

To manage demand and encourage greater use of public transport, BusNSW would support the introduction of peak and off-peak fares for bus services based on discounted fares for off-peak travel. The changes to fares would need to be carefully considered and supported by an analysis of the elasticity impacts.

Because the Sydney bus network is dispersed and includes a number of cross regional services, the peak demand is generally not in a single direction on a given route. Based on this, BusNSW would support a lower fare at off-peak times across the entire network.

7. Are the current suite of discounts available on Opal services appropriate? Do you support IPART reviewing these discounts?

The following current discounts available are appropriate to recognise frequent travel on Opal services:

- Half price fares once a customer has paid for eight journeys in a week;
- Free travel when a passenger reaches \$15.80 per day, or \$63.20 per week.
- The \$2.70 Cap on Sundays.

BusNSW has the view that discounts are an important way of obtaining positive external benefits by encouraging people to use public transport and improving network efficiency, especially where additional trips are taken on services that have capacity.

Whilst recognising that IPART has not specifically been asked to consider the current frequency discounts and daily/weekly caps and Sunday caps, BusNSW would support a review of all fare products and discounts if it assists in meeting the broad objectives of the Opal fares review.

BusNSW acknowledges that the half price fares (once a customer has paid for eight journeys in a week) is a benefit for the individual, but also creates inconsistencies depending on when different trips (and fares) are taken during the week. The total weekly fare can end up being different even though the travel is effectively the same.

There appears to be merit in reviewing the \$2.70 Cap on Sundays. While this initiative has greatly encouraged public transport use on Sundays, it has also created patronage issues for some services used by tourists e.g. Katoomba and Manly. There may be value in increasing the \$2.70 cap or in expanding the measure to include Saturdays in order to spread patronage more evenly. Other products like family packages should also be considered.

8. Should contactless payment cards and devices attract the same discounts as the Opal card?

BusNSW supports the use of contactless cards and mobile devices for fare payment on public transport based on parity with the Opal card fares and products. It is important that financial institutions do not impose fees on customers using debit or credit cards for public transport.

BusNSW supports a transition to “PrePay-only” services across the bus network and to optimise the “cashless” options available. As outlined above, this should be based on Opal fares and fare products being available for debit and credit cards.

While it is out of the scope of the current review, BusNSW believes that the entire State should have a ticketing solution and the ability to use debit or credit cards for fare payment. Regional and rural bus commuters have endured varying standards of ticketing for decades. Extending contactless payments to these areas would dramatically improve the customer’s experience and provide rural commuters with a seamless integration with the Greater Sydney (Opal) network.

9. What other methods of payment are likely to become available over the next five years?

BusNSW believes that contactless cards and devices will be used more widely over the medium term. This includes credit or debit cards or linked devices such as a phone, tablet or watch.

In the longer term, we consider *Mobility-as-a-Service* (MaaS) subscription services, where users pay a fee to access ride, bike and car sharing, on-demand and mass transit services, will be the major change for public transport payments. The tracking of public and commercially operated trips via a single interface (electronic wallet or MaaS subscription plan) could potentially be via a third party contactless card or device, though this will require different transport operators (and possibly Transport for NSW) to share information and agree on how services can be packaged together.

OpalPay is an example of a system that allows third-party transport operators to interface their point-of-sale systems and fare structures with the Transport for NSW Opal ticketing system. These types of payment systems also allow other retailers to be involved and provide opportunities for loyalty programs by providing discounts for goods and services.

10. Are there any issues regarding fare discounts or concessions that we should consider?

BusNSW recognises that IPART does not typically determine the level of concession fares or consider which groups should be eligible for them as part of the fare review. BusNSW also notes the bus service contracts include the concession entitlements for approved beneficiaries.

BusNSW does not have particular issues regarding discounted or concession fares. BusNSW recognises the previous work undertaken by IPART in regard to the Daily cap for the Opal Gold Card and would support further consideration of any changes that promote a more efficient use of the public transport network.

11. Do you agree with our proposed approach to establishing appropriate fares for on-demand services?

Generally, BusNSW agrees with IPART’s approach to establishing fares for on-demand services; namely:

- Identify the relevant types of on-demand transport services
- Identify the costs, benefits, and willingness to pay for each type of service
- Consider how it relates to other public transport services and whether the price should be regulated

BusNSW acknowledges IPART’s view that on-demand services need to be carefully designed to ensure that low-patronage fixed route transport services are not simply replaced by higher cost on-demand services.

BusNSW supports the use of on-demand services for “first and last mile” services and believes that if an on-demand service is integrated into the broader public transport network, and particularly if

it is part of a TfNSW contract, that it should have regulated fares. In addition to looking at how fares for on-demand services relate to other modes, IPART should consider incentives for connections between on-demand services and other modes via a special “on-demand” transfer discount.

12. Which groups of people are most likely to use on-demand services, and how could this change over time?

Depending on cost, the people most likely to use on-demand services are those who do not have other transport options and do not reside in reasonable proximity to a fixed route service, as well as seniors and those with a disability that may prevent them from accessing a bus stop on a fixed route. In some areas people may use on-demand services if they feel there is a greater level of safety from a service that can pick up and set down closer to their home.

With an ageing population, there could be an increasing need for on-demand services in some areas over time. There may also be changes as people transition to the National Disability Insurance Scheme, as people with disabilities may require different options for transport from their home to daytime activities, place of study or workplace.

BusNSW believes that on-demand services will primarily be used as “first and last mile” services for people to access transport hubs where there are high frequency public transport services. Groups such as the elderly will require a more flexible point to point service which picks up a passenger at a location and time of their choice and takes them to a place of their choosing.

13. How much would you be willing to pay for on-demand services?

People should be willing to pay more for an on-demand service than for a traditional fixed route bus service. This type of service is more aligned with point-to-point transport, such as ride share and taxis, which also require expensive Apps and/or control centres for bookings.

As outlined in the IPART Issues Paper, the current fares for each on-demand service pilot in most cases are comparable to an Adult Opal single trip bus ticket of between \$2.80 (0-3km) and \$5.80 (8km and over) in metropolitan and outer metropolitan areas. BusNSW notes that for this fare the NSW Government’s on-demand pilots are providing a more personalised service than a fixed route service.

BusNSW notes that for regional areas, IPART has previously undertaken a customer survey and recommended that bus operators be able to set a surcharge for on-demand services of up to \$5 per trip. BusNSW considers that the on-demand pilots should include an appropriate surcharge to better understand how it impacts demand.

BusNSW believes that the appropriate fare for on-demand services is somewhere between a fixed route bus service and point-to-point services, depending on the size of the vehicle being used and how “personalised” the on-demand service is. Where a contracted on-demand service has replaced a fixed route service, the fare should be comparable to an Opal single trip bus fare.

Thank you for the opportunity to make a submission in response to the IPART review. Should you require further information on any part of our submission please do not hesitate to contact me on

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