

RESPONSE TO QUESTIONS IN IPART'S APRIL 2019 ISSUES PAPER

IPART is aiming to set fares that help deliver a financially sustainable public transport network, encourage people to use public transport, maximise the benefits of public transport use to the community, remain affordable for public transport users, and that are predictable and stable over time.

1. Are these objectives the right ones to focus on?
 - A. Yes. Financially sustainable requires an understanding of costs for each mode of transport.
2. Are any of the objectives more important than others?
 - A. Encourage people to use public transport, which is closely linked to remaining affordable.

Which fare changes should we focus on

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?
 - A. Unless there are demonstrated cost differences, the number of mode-specific fares should be minimised, with the long-term aim of an integrated fare structure. In the interim, mode grouping should reflect customer expectations. Accessing light rail is similar to accessing a bus. Gateline arrangements for Sydney Metro are similar to those for heavy rail; differential fares would cause difficulties at interchange stations.
4. Should the \$2 discount for transferring between different modes of transport be higher or lower?
 - A. Section 1 of my attached submission shows that current Opal card fares contain implicit flag falls of around \$2 for off-peak heavy rail and bus/light rail, and \$5.50 for ferries. A discount of \$3-4 for transfers to/from ferries would reflect the average flag fall for the intersecting modes of transport. Discounts should also apply to light rail/ferry transfers.
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?
 - A. Section 1 of my submission shows the flag falls and per km charges implicit in current Opal card fares. A flag fall plus per km charge for a provides a good balance between fares for short distance and long distance travel. Fares should increase more gradually and smoothly as distance increases. Current fares have significant jumps when moving from one distance band to another, with the largest being the 66% increase in bus fares at 3kms. A 30c per km charge for buses (with a flag fall of \$1.70) would reduce the increase to around 12% (30c / \$2.60).
6. Should we make changes to when and where peak fares apply? Should all modes have peak and off peak fares?
 - A. Peak fares should only apply when the passenger enters or exits a congested station during congestion hours. Peak fares should be based on arrival and departure times in the CBD, not departures times outside the CBD. Peak fares should be extended to bus/light rail as congestion at CBD bus stops is also an issue.

7. Are the current suite of discounts available on Opal services appropriate? Do you support IPART reviewing these discounts?
 - A. IPART should review all Opal card discounts. Section 4 of my submission notes that the Opal Trip Advantage can produce an unnecessarily large discount where 'doubling back' occurs. Section 5 of my submission suggest the exclusion of peak surcharges from daily travel caps. Section 6 of my submission suggests the application of more financially sustainable Sunday travel caps, which would permit an extension to public holidays and Saturdays. Section 7 of my submission supports the maintenance of existing weekly travel caps.

8. Should contactless payment cards and devices attract the same discounts as the Opal card?
 - A. Section 8 of my submission discusses the anomalies and penalties that currently exist for contactless payments. The current penalties do not reflect the modern world and expose TfNSW to potential claims of price gouging. Contactless payments should attract the same discounts as Opal cards.

9. What other methods of payment are likely to become available over the next five years?
 - A. Other payment methods that may become available in the future should be treated in an equitable manner. That is, unless there are technological limitations, they should attract Opal card fares and benefits, with the only extra cost being for additional handling costs.

10. Are there any issues regarding fare discounts or concessions that we should consider?
 - A. Yes. Section 9 of my submission identifies that single trip fares involve many of the penalties as contactless payments. Although most of these are due to technological limitations, potential claims of price gouging can be minimised by reducing the difference between single trip and Opal card fares.

Pricing for on-demand services

11. Do you agree with our proposed approach to establishing appropriate fares for on demand services?
 - A. Most public transport involves a degree of taxpayer funding. In the long term, funding for new forms of transport should be proportionate to patronage. In the short term, additional (seed) funding may be appropriate, but should be accompanied by clearly defined performance outcomes. These should include withdrawal of route buses where take up is strong.

12. Which groups of people are most likely to use on-demand services, and how could this change over time?
 - A. In residential areas, I suspect that time-poor teenagers and time-rich seniors may be the main users of on-demand services (at different times of the day and week). Autonomous vehicles will have some impact over time.

13. How much would you be willing to pay for on-demand services?
 - A. Being well served by trains and route buses, I do not expect to be a user of on-demand services. However, if they travel a limited distance, I would expect a flat fare consistent with a 3km bus fare (i.e. \$2-4) payable by Opal card.

MAXIMUM OPAL FARES SUBMISSION

Summary

Opal ticketing has been in operation since 2012 and is now fully established. It is time for a fundamental review of all Opal fare structures, which are largely unchanged from pre-Opal days.

I suggest that:

1. Fares for each mode should have a fixed flag fall, a per km distance charge and a maximum.
2. Rail and bus trips starting or ending in the CBD during peak hours should attract a flat surcharge.
3. Opal transfer discounts should be higher for ferries and apply to all mode transfers.
4. The minimum fare for a journey involving several trips should be that of the longest trip.
5. Daily travel caps should be twice the highest off-peak rail fare (with peak surcharges and Airport access fees extra).
6. Sunday travel caps should be 50% of the daily travel cap and extended to public holidays and Saturdays.
7. The basis of weekly travel rewards, travel caps and Airport access fee caps should remain unchanged.
8. Contactless payments should attract standard Opal card fares.
9. Single trip tickets should attract standard Opal card fares plus a flat surcharge.

Further details are attached.

Introduction

Opal ticketing was introduced in 2012 and is now fully established. Fare structures adopted at the time, which are still largely unchanged, reflected pre-Opal fare structures. As noted in IPART’s Issues Paper these fare structures were developed for ease of paper ticketing.

Now that Opal ticketing is fully established, it is time for a fundamental review with aims of greater transparency, reduced anomalies and one eye on further steps towards integrated fare structures.

My suggestions are set out below.

1. Base Fares

Description: Each mode has its own charge structure with different distance bands.

Rationale: Reflects pre-Opal fare structure.

Advantage: Protects fare revenue.

- Issues:
- Non-aligned distances complicate fare comparisons.
 - There are significant fare jumps between fare bands (which can exceed 25%).
 - Different fare structures make integration difficult.

Suggestion: Apply a fixed flag fall, per km charge and maximum for each mode.

Comment: This approach makes fare structures more transparent, with minimal fare jumps.

Under a fixed, variable and maximum charge approach, current Adult Opal fares can be approximated as follows:

- Train (off-peak): \$2.25 + \$0.04/km, maximum \$6.05 (after 95 kms).
- Bus/light rail: \$1.70 + \$0.30/km, maximum \$4.70 (after 10 kms).
- Ferry: \$5.50 + \$0.10/km, maximum \$7.50 (after 20 kms).

Flag fall and per km charges can be compared against underlying costs to consider financial sustainability.

These structures produce the following Adult base fares (\$):

Train (off-peak)			Bus/Light rail			Ferry		
kms	Current	Alt.	kms	Current	Alt.	kms	Current	Alt.
0 - 10	2.47	2.29 - 2.65	0 - 3	2.20	2.00 - 2.60	0 - 9	6.01	5.60 - 6.40
10 - 20	3.08	2.69 - 3.05	3 - 8	3.66	2.90 - 4.10	9+	7.51	6.50 - 7.50
20 - 35	3.53	3.09 - 3.65	8+	4.71	4.40 - 4.70			
35 - 65	4.73	3.69 - 4.85						
65+	6.08	4.89 - 6.05						

All other fares (Child/Youth/Concession/Gold, peak, contactless and paper) should use these fares as their base (updated as appropriate for inflation).

2. Peak Fares

- Description:
- Opal cardholders pay 43% more for rail travel during morning and afternoon weekday peaks than at other times. (For presentation purposes, this is presented as a 30% discount for off-peak fares.)
 - Morning peak times are tapping on after 6am and before specified times between 6.45 and 8am at Intercity stations and during 7-9am at Sydney stations. Afternoon peak times are tapping on during 4-6.30pm.

Rationale: Discourages travel during congested periods.

- Issues:
- Fares are based on the time that travel starts, using 8 time periods to approximate tidal flows from Intercity stations.
 - The additional fare is higher for long-distance cardholders.
 - The additional fare applies irrespective of the cardholder's destination.
 - Peak charging does not apply to other modes, even though CBD bus stops are heavily congested in peak periods.

- Suggestions:
- Apply a flat surcharge of \$1 for passengers entering or exiting CBD stations during 8-9am and 4-6.30pm on workdays.
 - Apply a similar surcharge for bus passengers at CBD bus stops.

- Comments:
- A flat surcharge focuses on entry/exit congestion.
 - A surcharge based on time of entry/exit at CBD stations focuses more directly on periods of congestion.
 - A surcharge for bus passengers would be consistent with the rationale.
 - For presentation purposes, the peak surcharge can be included in peak fares rather than shown separately.

3. Opal Transfer Discount

Description: Opal cardholders can transfer between modes within 60 minutes (except light rail/ferry transfers) and receive a \$2 discount.

Rationale: Encourages multi-modal use.

- Advantages:
- Partially removes duplication of implicit flag falls in fare structures.
 - Reduces penalties for Opal cardholders needing to use multiple modes.

- Issues:
- The implicit flag fall in current off-peak rail and bus/light rail Opal card fares is around \$2. The implicit flag fall for ferries is around \$5.50.
 - No discount for light rail/ferry transfers. This is not consistent with the rationale.

- Suggestions:
- Apply an Opal transfer discount for transfers to/from ferries of \$3-4.
 - Apply Opal transfer discounts to all mode transfers.

- Comments:
- A \$3-4 transfer discount to/from ferries would reflect the average flag fall for the intersecting modes of transport.
 - Discounts for all transfers avoids an issue for CBD and South East Light Rail.

4. Opal Trip Advantage

Description: Within each mode of transport, Opal cardholders can transfer within 60 minutes and have the trips counted as a single journey.

Rationale: Opal cardholders can change buses, ferries or leave stations without penalty.

Advantage: Avoids duplication of implicit flag falls in fare structures.

Issue: Opal cardholders travelling from A to B and then B to A only pay for A to A. This is not consistent with the transfer window rationale and reduces revenue.

Suggestion: Make the minimum fare for a journey containing several trips equal to that of the longest trip (e.g. A to B).

Comment: No impact on Opal cardholders changing buses, ferries or modes.

5. Daily Travel Cap

Description: Opal cardholders can travel all day for a maximum of \$15.80 (Adult), \$7.90 (Child/Youth/Concession) and \$2.50 (Gold).

Rationale: Allows Opal cardholders to make multiple journeys without excessive cost.

Issues:

- A daily travel cap can reduce peak charging deterrent.
- Daily travel caps provide minimal benefits for most Adult and Child/Youth/Concession cardholders.
- The daily Gold card travel cap is only 16% of the Adult cap.

Suggestion: Make daily travel caps equal to twice the highest off-peak Opal card rail fare. That would be \$12.16 (Adult), \$6.08 (Child/Youth/Concession) and \$6.08 (Gold) in 2019.

Comments:

- Daily travel caps would change in line with off-peak Opal card rail fares.
- An alternative cap for Gold Opal cardholders is 25% of the Adult cap.
- Peak surcharges (and Airport access fees) should be additional. See section 2.

6. Sunday Travel Caps

Description: Opal cardholders can travel all day on Sundays for a maximum of \$2.70 (Adult), \$2.70 (Child/Youth/Concession) and \$2.50 (Gold).

Rationale: Allows Opal cardholders to enjoy a day out at a low price.

Advantage: Takes advantage of historically low patronage.

Issues:

- Sunday patronage is increasing.
- Sunday caps are very low.
- Sunday caps provides no benefits to those reaching the weekly travel cap.
- Public holidays have the same charges as Saturdays.

Suggestions:

- Make Sunday travel caps equal to 50% of the daily travel cap.
- Extend the Sunday caps to public holidays and possibly Saturdays.

Comments:

- Based on the daily travel caps suggested in section 5 (twice the longest off-peak rail fare), the Sunday caps would be \$6.08 (Adult), \$3.04 (Child/Youth/Concession) and \$3.04 (Gold).
- Extension to public holidays and Saturdays should be balanced by more financially sustainable travel caps.

7. Weekly Travel Rewards and Weekly Travel Caps

- Description:
- Travel reward: Opal cardholders receive a 50% discount for the 9th and subsequent journeys each week.
 - Travel caps: Opal cardholders can travel all week and pay a maximum of \$63.20 (Adult), \$31.60 (Child/Youth/Concession) and \$17.50 (Gold).
 - Airport access fee cap: Access fees for Airport stations are capped at a maximum of 2 per week for Opal cardholders.

Rationale: Reduces travel costs for regular passengers.

- Advantages:
- Monday to Friday Adult and Child/Youth/Concession cardholders pay for a maximum of 4.5 days.
 - Limits costs for Airport passengers.

- Issues:
- Weekly rewards and caps have reduced value in a public holiday week.
 - Gold Opal cardholders receive no additional discount.

- Suggestions:
- Maintain weekly travel reward of 50% discount after 8 journeys.
 - Maintain weekly travel cap at 4 x daily travel cap for Adult and Child/Youth/Concession cardholders.
 - For Gold Opal cardholders, if the daily travel cap is increased, the weekly travel cap should be set at 4x the daily travel cap.
 - Maintain the weekly Airport access fee cap at 2x the single access fee.

Comment: Weekly travel caps should be a common multiple of daily travel caps.

8. Contactless Payments

- Description:
- Passengers can use contactless payment methods (credit/debit cards) for all modes of transport.
 - Passengers receive the benefit of daily, weekly and Sunday travel caps.
 - Passengers pay peak rail fares and do not receive transfer discounts, Opal trip advantage nor weekly travel rewards.
 - Passengers are charged at adult rates.

Rationale: Contactless payments provide a viable and possibly more secure payment option for both regular and occasional passengers, including visitors.

Advantage: Avoids need to purchase and top up Opal card.

- Issues:
- Charging peak rail fares is an unnecessary penalty.
 - Providing daily and Sunday travel caps, but not transfer discounts nor Opal trip advantage, is inconsistent.
 - Providing weekly travel caps, but not weekly travel rewards, is inconsistent.

Suggestion: Apply standard Opal card fares, unless there is a technological impediment that cannot be removed.

Comment: A penalty-free choice of payment options reflects the modern world and avoids potential claims of price gouging.

9. Single Trip Tickets

- Description:
- Passengers can purchase a single trip ticket for a single mode.
 - Single trip fares are 74% higher than Opal card off-peak rail fares and 22-23% higher than other Opal card fares.
 - Passengers do not receive any of the Opal card benefits (including the Opal trip advantage and daily travel caps).
- Rationale: Designed as a back-up option for passengers without a contactless card.
- Advantage: Available to all passengers.
- Issues:
- Single trip fares are significantly higher than Opal card fares.
 - Lack of access to Opal card benefits can increase this disparity.
 - Overseas and interstate visitors might expect to be able to change buses or ferries without having to buy a second ticket.
 - Single trip tickets cannot be bought on Opal only or pre-pay buses.
- Suggestions:
- For rail travel, apply standard Opal card fares including any peak surcharge and Airport access fee.
 - For bus, light rail and ferry travel, apply standard Opal card fares plus a flat surcharge of \$0.50-1.00 for additional handling costs.
- Comment:
- Reducing the additional single trip costs avoids potential claims of price gouging.

Conclusion

These suggestions are designed to provide a pathway to migrate:

- (a) from historic fare structures that were largely developed for manual ticketing systems,
- (b) towards a fairer integrated fare structure that uses modern technology,
- (c) with minimal impact on fare revenue.

I would be happy to elaborate on any point that requires further explanation.