

Comments on IPART Issues Paper

Issue 1: Are our proposed objectives the right ones to focus on?

The objectives are reasonable, however, the discussion of the objectives suggests IPART may not be addressing them appropriately.

Previous IPART determinations (and the Issues Paper suggests that a similar approach will be taken in this review) were based on an assumption that a properly specified algorithm for determining Opal fares will achieve the right balance between car and public transport travel. This does not give sufficient recognition of the serious challenges in transport and liveability faced by Sydney, due to an overwhelming dependence on private motor vehicles. It would be naïve to believe that these problems will be solved by tinkering with public transport fares.

Other countries, especially in Europe, have taken bold policy measures to reduce dependence on private motor vehicles. These strategies are driven by mode shift targets based on quality of life value judgements rather than econometric models. The strategies generally comprise three elements:

- Measures to disincentivise car travel, such as removal of car parking, introduction of road charges and other methods of traffic control/management.
- Improvements to the supply of public transport, increasing the number of trips which can be made conveniently by one or a combination of public transport modes. This ensures that public transport is a realistic alternative to car travel for most journeys, including trips other than the commute to work.
- Infrastructure improvements to increase the convenience of walking and cycling.

While these measures fall outside IPART's area of responsibility, the Tribunal could play a positive role in recommending changes to the Opal fare structure to make public transport more attractive. In particular, it could recommend that existing "pay as you go" fares, which have the negative effect of encouraging residents to ration travel on public transport, are supplemented with multi modal periodical fares (weekly, monthly, quarterly and annual travel passes). Sydney is one of the few cities in the world without periodical fares. If periodical fares are set at a sufficiently attractive level, a tipping point can be reached where most residents opt to use the periodical fare option. Around 80% of public transport journeys in Zurich are taken by travellers using a periodical fare product. It is also worth noting that this approach has proved a highly efficient strategy, with cost recovery in the Canton of Zurich at around 67%, compared to less than 25% in Sydney.

Issue 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?

This issue is presented too narrowly as there is merit in IPART considering whether **any** mode specific fares are appropriate.

At an aggregate level, there is some difference in operating cost between modes. Data provided in the NSW Audit Office report for 2017¹ indicates the following operating cost per passenger journey by mode:

- Trains: \$11.80

¹ This is the last report published by the Auditor General's Office which includes private operators. Private operators are excluded from the 2018 report.

- Ferries: \$7.30
- Buses: \$5.40.

Admittedly this is a fairly crude measure, as the length of journey should be taken into account. If this was done, the operating cost of train journeys would compare more favourably, but the information required to calculate cost per passenger km is not publicly available. Nevertheless, the difference in costs between modes at an aggregate level is not great.

In addition to operating costs, IPART seeks to estimate the external benefits of each mode, including the benefits that may be derived by non users of public transport. While this is a valid aspiration, it is unlikely to be accurate as most external benefits are not readily measurable. If an external benefit is not measurable, it does not mean it is not a real benefit.

A more fundamental question needs to be addressed by IPART. Will setting prices differentially by mode lead to any meaningful improvement in efficiency, or will more be gained from having a simpler fare structure that treats all modes the same? There are some compelling reasons why mode differentiation is not worthwhile:

1. **Lack of choice** – the majority of people in Sydney only have one mode of public transport to choose from in order to make their intended journey. If they have no choice, then price will not direct customers to the “most efficient” mode of public transport. They will simply take the one option that is available to them.
2. **Macro does not apply to micro** – in the situations where residents do have choices, fare differentiation by mode based on aggregate costs become almost meaningless at the level where customers make individual mode selections. As an example, consider the public transport/fare options for a resident of Balmain East who needs to travel to Sydney CBD:
 - The journey by ferry to Barangaroo wharf from Balmain East is a distance of 1.0 km and takes 5 minutes. The alternative is to catch the 422 bus to Sussex Street in the CBD, which is close to Barangaroo wharf but a significantly longer journey - 6.6 km and takes 27 minutes in the AM peak.
 - The current Adult Opal fares applicable for these two trips are \$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.

In this particular case (and there are many others), the existing Opal fare structure is incentivising passengers to use the least efficient mode available to them, despite previous IPART determinations which were intended to do the reverse.

3. **Cost of service is more closely correlated to distance travelled than mode** - a person living in Turrumurra can catch a train to Wynyard for a fare of \$4.40 in the peaks or \$3.08 off peak. As the distance of the journey is 19 km, this represents a cost to the passenger of 23 cents per km or 16 cents per km off peak. By comparison, the Balmain East passenger travelling to Barangaroo by ferry is entitled to be aggrieved at paying \$6.01 per km to travel to Barangaroo (peak and off peak).

Given that distance travelled has a much stronger bearing on cost of delivery than mode, it would appear logical for fare differentiation to be based on distance rather than mode, consistent with most jurisdictions in Australia and overseas which make no distinction between modes.

4. **Supply of services are not demand responsive** – an underlying assumption of previous IPART determinations appears to be that public transport networks will rapidly adjust in response to changing consumer demand. Passengers will move to lower priced, “more efficient” options leading to increased provision of those options and reduced provision of those that are less efficient. Points 1 to 3 above indicate that customers may not in fact choose the most efficient options. Even if they do, the realities of public transport infrastructure construction mean that service provision is a supply driven, rather than a demand responsive process. Building public transport infrastructure requires long lead times and long term planning. Quite properly, decisions on the appropriate technology to use for a particular transport corridor will take into account geography, scalability, cost, environmental impacts and a range of other considerations. Particularly where the preferred solution is rail, there is little flexibility to replace this service with a different technology.

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

A critical element in good design of public transport networks is integration between lines and modes. Transfers are a necessary feature of a well designed, efficient network and no penalty at all should apply to a passenger who needs to make a transfer to complete their journey, regardless of whether one or more modes are involved. Consistent with the recommendation that there should not be mode specific fares, this means that the fare applicable for a journey should be based on the total distance travelled, regardless of whether one or more transfers were made as part of the trip.

Issue 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?

To increase the overall level of fare recovery of public transport, it is appropriate to set fares for longer distance trips which are more closely related to the cost of service delivery. Current fares for long distance trips are significantly under priced compared to other jurisdictions.

In doing this, there is also the need to keep fare structures simple, so it is easier for passengers to anticipate the cost of a journey before they take it. I do not agree with the comment in the Issues Paper that “this is not as important under electronic ticketing”, because it is critical for a person on a low income to know what fare they will incur before taking a trip. For this reason, any increase in the number of distance bands should be kept to a minimum.

Consistent with comments made on Issue 3, the distance bands should be the same for all modes.

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

There is logic in adopting mode specific peak and off peak fares, because of the special issues that apply to demand for different modes. There is value, for example, in having higher fares in the peak for rail travel to overcome capacity constraints during commuter peaks. This is not relevant for ferries, as demand on Sundays is higher than during the commuter peaks.

It may be appropriate, however, for IPART to consider adopting peak and off peak fares for light rail and buses as it may be that demand profiles on these modes are more in line with heavy rail and metro.

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

The need for frequency discounts and fare caps would be removed altogether if periodical fares (including a daily and weekly pass) become an option under the Opalcard system.

The discounted fares available for Sunday travel are exceptionally generous. They have a very distorting effect on some corridors, such as the Parramatta River ferry and train services to the Blue Mountains. In the case of the Parramatta River ferry, no increase in services would be sufficient to prevent demand exceeding capacity, so long as the current level of discount on Sundays. This has the negative effect of delivering a poor customer experience due to the number of passengers who are forced to be left behind. The previous IPART recommendation (not agreed by the NSW Government) was an appropriate determination.

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

Like Sunday fares, the discounts available for Seniors cardholders (Gold Opal), are extremely generous and probably unparalleled in any other jurisdiction. The previous IPART review recommendations on changing Gold Opalcard fares are appropriate.

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

The AECOM report commissioned by IPART raises serious concerns about the level of subsidisation for on-demand services and the impact this may have on alternative services, including fixed route public transport and taxi services. The approach proposed by IPART for establishing appropriate fares is supported, however, care needs to be taken to ensure that on-demand services are not offered where improved fixed route options, with thoughtful, timed connections to rail, light rail and ferries, could be offered at less cost to the taxpayer.

Comments by Robin Sandell

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