Submission to NSW Independent Pricing and Regulatory Tribunal (IPART), in response to draft recommendations on Opal fares

The draft report makes some progress towards developing a more integrated Opal fare structure. This unfortunately does not extend to fares for ferry travel. I request IPART to reconsider its recommendation to treat ferries as a "special case", with single trip ferry fares significantly higher than other modes and the exclusion of ferries from the proposed new travel pass and other Opal Connect fare products.

Operating Costs of Ferries Compared to Other Modes

The report does not provide exact information on the operating cost of each transport mode and it is not clear to what extent, if at all, depreciation on infrastructure investment has been taken into account. For example:

- Depreciation on the $3 billion cost of constructing the L2 and L3 Light Rail lines.
- Cost of terminals, stops and road infrastructure related to bus operations.

If none of these costs are included, then there is some question about whether IPART has made an accurate estimate of the true operating cost of each transport mode.

Even if it is assumed that IPART cost estimates are accurate, there does not appear to be justification for treating ferries as an exception based on excessive cost of operation.

Cost per passenger km:				
	Light Rail	Ferry	Bus	Train
Median trip distance (1) :	1.9	4.8	3.7	14.9
Operating cost per trip (2):	$4.80	$9.30	$3.70	$11.20
Cost per passenger km:	$2.53	$1.94	$1.00	$0.75

(1) Sourced from chart on page 4 of IPART Technical Paper: "Opal Fares 2020-2024: Services and Use", December 2019.
(2) Sourced from chart on page iv of IPART Issues Paper "Maximum Opal Fares 2020-24", April 2019.

This suggests that the operating cost of Light Rail, not ferries, is the highest per passenger km of any mode in NSW, yet IPART is recommending that Light Rail fares should be equal to bus fares and that ferry fares should be around twice that of both buses and Light Rail.

Average Costs Can be Misleading

Fare differentiation by mode based on aggregate cost data become almost meaningless at the level where customers make individual mode selections. This example demonstrates the issue:

Resident of Balmain East who works at or near Barangaroo in 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 $6.12 for the ferry ride and $2.24 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.

Given the length of travel involved in this case when using a non ferry option, the higher fare for the ferry ride incentivises passengers to use the **least** efficient mode available to them.

External costs and benefits of public transport

While it is clear that there are costs and benefits of public transport that impact or accrue to the general community, it seems implausible that externalities can be measured with any great accuracy, especially as many costs and benefits are intangible and are unable to be quantified. In view of this uncertainty, externalities should not be used as a basis for price differentiation between modes.

Provision of public transport services is supply driven

Underpinning the IPART recommendations is an assumption that price signals will lead to changes in demand patterns and that the supply of public transport services will adjust to reflect demand. This is not what actually happens and nor should it.

Decisions by Transport for NSW on the appropriate public transport technology for individual corridors take into account a range of factors including cost, travel time, scalability, geography and environmental issues. For example, the decision to construct the L2 and L3 light rail lines was due to concerns that Sydney CBD can no longer comfortably accommodate more bus services entering from the Eastern Suburbs. Buses may be cheaper to operate, but for other reasons light rail is a more sustainable option along these corridors.

The same applies to ferries.

Transport for NSW has facilitated the provision of commuter ferry services for residents along the Parramatta River, for example, because ferry technology offers the most efficient means of connecting many points along the river to North Sydney and Sydney CBD. The IPART report argues that “ferry services are provided alongside alternative cheaper bus routes”, but does not acknowledge that, in most cases, the bus alternative is not a realistic option due to Sydney’s unusual geography.

As an example, residents of Abbotsford can catch a RiverCat to McMahons Point before transferring to a bus up to North Sydney. According to Trip Planner, the journey takes a total of 26 minutes, including the ferry and bus rides and the transfer wait. The alternative (without ferry) would be to catch the L38 bus from Abbotsford to Central Station, then a train to North Sydney. But the minimum journey time this way is one hour, about 35 minutes longer than the ferry bus/combination.

Overseas Practice

The report notes that in all other Australian capital cities, fares are the same regardless of mode of travel. But it also says “overseas it is very common for fares to be different between modes.” My experience is that in overseas cities with properly integrated public transport operations, fares are usually the same for all modes. Separate mode fare structures usually occur where there is not an overarching intermodal fare structure and operators collect and keep their fare revenue. This is

common practice is US cities, for example, which have poor governance arrangements for public transport systems. Such an arrangement is not relevant to Sydney where fares are collected by Transport for NSW, not individual operators. It would be wrong for IPART to imply that US practice is superior to well integrated systems, such as those in Brisbane, Melbourne, Singapore, Zurich, Munich and Vienna.

Summary

It is recommended that IPART reconsiders its recommendation to treat Sydney Ferries as a special case, with significantly higher single trip fares than other modes and exclusion from new Opal Connect products. Ferries should be treated the same as all other modes of public transport. Customers of public transport should not incur a fare penalty when the most practical option available to them to reach their destination is to use a ferry. This would bring Sydney into line with other cities with advanced multimodal public transport systems, such as Singapore, Zurich, Munich, Vienna, Melbourne and Brisbane.

Submission by Robin Sandell

22 January 2020