

# Action for Public Transport (NSW)

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Dear Mr Cox,

Review of CityRail Fares for 2013  
Issues Paper

## Introduction

On 23rd April 2012, IPART released an Issues Paper which discusses many aspects that might be considered in determining maximum rail fares to apply from January 2013.

Section 1.4 of the paper lists thirteen specific issues on which IPART seeks comment, and in this submission Action for Public Transport responds to those items.

Action for Public Transport (APT) is a Sydney-based advocacy group representing public transport users.

## Overview of APT's Comments

While APT generally supports IPART's procedural proposals, which aim to simplify the review, we continue to question many of IPART's ideological views on costs and revenue.

IPART continues to be focussed on the details of percentages, statistics, arcane equations, indices, weighted averages, disproportionate discounts, academic economics, etc.

APT believes that IPART should step back and see the big picture – encourage modal shift, simplify or unify the tickets and fares, consider convenience to users, promote a public transport brand. Every other city has a marketing name, Sydney only has a number.

Sydney, Newcastle and Wollongong are the only cities in Australia where a traveller can still buy a train ticket. All the others have a "ticket" that covers whatever mode is available - train, bus ferry, or tram. IPART is constrained by legislation from considering such a uni-ticket.

Working within the current fare system, APT has recommended some changes that would make travel more convenient for passengers. These include – a new all-day ticket for inner suburban travel, consideration of wider flat-fare zones, removal or reduction of the Gate

Pass fee at airport railway stations, more flexibility in the use of single and weekly rail tickets, and expanding MyZone to include private ferry services.

#### List of Issues for Comment

*1 With the introduction of electronic ticketing for public transport, we propose to use a proportionate approach to regulating fares as an interim measure. As part of this, we propose to set fares for one year rather than establishing another medium-term price path. Do stakeholders agree with this approach? p 17*

Yes. It does not seem worthwhile to go through the whole process again. We are not sure that it was worth the effort in the first place.

Why should the price of the ticket be affected by the method of its delivery – paper, magnetic stripe, credit card or smart card?

*2 We propose to use indexes of costs and benefits drawing on the findings on efficient costs and external benefits from our 2009 determination. Do stakeholders agree with this approach? p 21*

Yes, we agree, but we were not sure why IPART, rather than somebody else, needs to establish efficient costs. Are not costs monitored by internal accountants, auditors and managers within CityRail, by senior officials in TfNSW and Treasury, by the Audit Office, by Parliamentary Committees? Why does IPART do it all again? APT has discussed this matter with IPART, who have given their reasons.

*3 Should the inflators for the indexes be based on publicly available, independent, verifiable data? Are the typical inflators we use in other industries suitable for CityRail? p 21*

CityRail's size and operations are quite unlike those of any other industry, and caution should be exercised when applying other benchmarks or averages to CityRail. Fare evasion is not listed as a cost.

*4 How should we adjust the cost index for expected productivity gains? p 21*

IPART's proposed treatment seems satisfactory, that is, "take into account long-term trends in productivity for the whole economy as well as specific issues that impact the industry in question". (Page 20)

*5 How should City Rail's capital costs be incorporated into the index? Should we apply one of the capital inflators used in other industries or develop one specific to CityRail based on either building blocks allowances or book values? p 21*

Given the unique nature of CityRail's operations and its assets, perhaps there should be a specific method of incorporating CityRail's capital costs into the cost index. Once it is determined, this method should remain fixed for the future, no matter who owns or runs CityRail.

*6 What do you consider to be the most important factors that we should consider when deciding on how fares should transition to an appropriate passenger share? p 24*

Trying to determine an “appropriate passenger share of costs” using a dog’s breakfast of factors such as government policy (and politics), stakeholder submissions, affordability analysis, passenger income and employment profiles, average weekly expenditure on train fares, and the availability of discount fares (3.2.3) is a Herculean task, and probably just as pointless. Do the transport authorities in other cities go through the minutiae like this?

To respond to the question, we note that in 2008, fares were set to recover 28.5% of CityRail’s efficient costs. This figure was established by statistical effort, rational estimates, and political and customer expectations. It is unlikely that repeating the exercise now will produce a figure any more accurate than in 2008. We therefore consider that IPART should adopt the option “to apply the total change in the CityRail index to existing fares to determine the new maximum fares” (Page 22).

*7 Are our proposed pricing principles appropriate for determining fares? Have we missed any additional principles? Are some more important than others? p 27*

4.1.1 Simplicity. *“One of the most common criticisms of Sydney’s current fare system is that it is too complex. However, we note that MyZone simplified the previous fare structure.”*

Number One Priority. MyZone helped, as did all the changes in the private bus world before that, but we are still far from Nirvana.

4.1.2. Cost Reflectivity.

*“For efficiency reasons, it is important that the prices charged for the services reflect the efficient cost of providing the services.”* Not so!. It is important that the operator knows what the efficient cost is, but the price does not have to reflect that cost – provided there is an external contribution in recognition of external benefits provided. Retailers price their goods low to attract customers or high to extract what the market will bear. Insisting that fares should increase incrementally with the distance travelled is so nineteenth century.

*“Generally the cost of providing public transport services . . . increases with the distance travelled . . .”* “Yes, indeed it does!

*Therefore, to be cost reflective, the fares should also increase with the distance travelled.”* That is true, if cost reflectivity is what you want. But distance/cost reflectivity can be applied in greater or lesser degrees. In Melbourne, there is a CBD zone, then Zone 1 extends to Laverton (21 km), and 13-16 km on most other lines - Sunshine (13 km), Mont Albert (15 km), Brighton Beach (15 km), Alamein (16 km). After that, there is just Zone 2 to cover all of metropolitan Melbourne. All of the tram routes are in Zone 1 except extensions of a few km on three lines. So people who travel 5 km to Footscray pay the same as those who travel 21 km to Laverton. For comparison, 15 km from Sydney Central is about Lidcombe or Hurstville.

When MyZone was introduced in 2010, cost reflectivity was abandoned for the outer portions of the bus and rail network. On the buses, the 6-9, the 10-15 and 16-29 section bands all suddenly became a 6+ band, and the sky did not fall in. The same happened on the trains. A maximum weekly fare of \$92 suddenly became \$57.

#### 4.1.3 Revenue Sufficiency

*“Cost Reflectivity is related to revenue sufficiency.”*

True, but so is patronage, and non-operating income (rent, advertising), taxpayer contributions and prevention of fare evasion, etc.

#### 4.1.4. Price Signalling, including peak and off-peak pricing.

*“Cost Reflectivity is related to price signalling, including peak and off-peak pricing.”*

Time related pricing has its successes and failures. The “after 9 am” off-peak return discount is popular, but has two obstacles. The discount was reduced from 40% to 30% a few years ago, and there is no discount on single tickets. Less successful have been the attempts in Sydney and Melbourne to provide discounts to early-birds who travel before the main morning peak. It just doesn’t work – at least not with the current ticketing system.

#### 4.1.5 Consistency with Existing fares

There will always be winners and losers (and no-changers) in any new fare system (tax system, pension system, or whatever). The people who complained about the loss of the Blue TravelPass two years ago seem to have adjusted. The biggest problem is the politicians, who “don’t want any losers in my electorate”, and who then interfere in the process.

#### 4.1.6. Equity

*“While efficiency is important, to ensure that any new fare structure receives support from passengers and the general public, it should also be equitable.”*

That depends on what is meant by equity and equitable. Are they Humpty Dumpty words? “When I use a word,” Humpty Dumpty said, in rather a scornful tone, “it means just what I choose it to mean - neither more nor less.” Life is not equitable.

Have We Missed Any Additional Principles?

##### (a) Encouraging Modal Shift

As well as the peak/off-peak “signals” mentioned in 4.1.4, there should also be signals to commuter motorists and family motorists that it might be cheaper to take public transport.

##### (b) Passenger Convenience

This is similar to, but not quite the same as Simplicity mentioned in 4.1.1. A fare structure may be simple, but if a passenger has to queue up to buy a ticket for each portion of a journey, it is not convenient.

*8 Should we set maximum fares for all services or journeys or only the single ticket? p 28*

It would be simpler to set a maximum price for a single ticket, and then say that the price of a periodical ticket should be no more than 10, or 40, or 450 (or whatever) times the price (not the maximum price) of the single ticket.

*9 If we set fares for all services, should we set fares by determining a maximum for each individual fare or should we adopt a weighted average price cap (WAPC) approach? If we*

*use a WAPC, should we include side constraints, or limits, on the change in fare for individual tickets? p 28*

It seems that the best approach would be to determine a maximum price for each individual fare.

*10 Should there be different levels of discount on weekly tickets across different distances? p 36*

While it may seem “equitable” to provide the same discount to a City-Stanmore weekly (\$26) as to a City-Gosford weekly (\$59), there are differences in the use of those tickets. An inner-suburban resident is quite likely to take more than 10 trips a week on the ticket – perhaps going back into town at night or on the weekend. A Gosford resident, after returning home from work, would not make a second trip to Sydney at night, and would be reluctant to make a weekend trip, at least on a regular basis. There is, therefore, a case for a larger discount on the longer-distance periodicals – or, a smaller discount on the shorter distance weeklies. A Stanmore-City single is \$3.40 and a weekly is \$26, or 7.65 times a single. A Gosford-City single is \$8.20 and a weekly is \$59, or 6.10 times a single. However, the holder of the same priced (\$26) “short” weekly from Wentworthville to Parramatta would be less likely to use it to return to Parramatta at night or on the weekend than would the Stanmore resident.

*11 How should the MyMulti tickets be priced to ensure users of these ticket types are not receiving a disproportionate discount compared to passengers using single and periodical tickets while still allowing and encouraging multi-modal travel? p 36*

This recalls the days when the Ministry peppered its fare submissions with the words “excessive discounts” and virtually accused TravelPass users of cheating or freeloading if they took more than ten trips a week, despite the advertising urging them to do so.

If the uni-mode single and periodical tickets were made multi-modal, like the MyMulti tickets, this question would not be necessary. There would be no “your-train-ticket-costs-less-than-my-bus-ticket” jealousy. It’s not the passenger’s fault that Croydon doesn’t have a bus, or that Kingsford doesn’t have a train. The residents of those suburbs use the transport that the government, in its wisdom, has provided, and the fare (and ticket) should be the same for the same distance (8-9 km).

*12 Do you have any other suggestions on how the MyZone fare structure can be improved? p 36*

(i) Introduce a Range of MyMulti Zone Passes

Introduce a MyMulti1 Day Pass, and a MyMulti2 Day Pass, and change the name of the existing MyMulti Day Pass to MyMulti3 Day Pass. We brought this omission to the attention of the government the day after MyZone was announced in February 2010, and many times since, but nothing has been done. The current all zones Day Pass at \$21 is great for tourists wishing to visit the mountains, or Kiama, or Woy Woy, but too expensive for a local who needs to visit two or three places around the suburbs. A simple, cheaper Day Pass would also remove the inconvenience of buying separate tickets for each portion of the trip.

As we have mentioned before, a simple three-point journey by train from Stanmore to Bondi Junction and return, including a stop-off at Town Hall, requires the wisdom of Solomon when choosing a ticket. Do you buy three singles? Two “short” returns? One “long” return, and a single to replace the wasted portion of the return? And the rules change after 9 am. Again, it is not just the cost, but the time spent queuing up to buy the tickets. A visiting transport professor from America was incredulous when he learned of this.

(ii) Consider Broad Flat-Fare Zones

Consider broad Melbourne-type zones with a flat-fare in Zone 1. See “Cost Reflectivity”.

(iii) Abandon the Gate Pass Fee at Airport Stations

Remove or reduce the Gate Pass fee that is added to the rail fare at the two airport stations. The current Adult Gate Pass fee, on top of the rail fare, is Single \$12, Return \$19 and Weekly \$18.60. The 85% discount on the weekly ticket allows daily airport workers to use the stations. Removal or reduction of the fee will result in greatly increased patronage (and revenue). At present, a taxi is cheaper for two or more people. The government would have to recompense the private company, but the additional patronage should recover some of this expense. The removal of the fee should also decrease the road traffic to the airport (including taxis) – unless there is another secret clause in the airport contract blocking this.

The Gate Pass fee of \$2.60 at Mascot and Green Square stations was removed on 7th March 2011 (SMH 03/03/11) Patronage increased by around 70% at the two stations in the following months. (Wikipedia ‘Green Square’). This refers to a Budget Estimates Committee on 25th October. The government had to compensate the private operators of the stations, but would have received additional fare revenue from the additional passengers. True, some of this increase may have come at the expense of nearby bus routes.

The complete scale of Gate Pass fees can be found at [www.airportlink.com.au](http://www.airportlink.com.au)

(iv) Expand ‘Break of Journey’ Permission

At present, a passenger holding a periodical (multi-trip) rail ticket from A to Z may break and re-join the train journey at any point from B to Y. Passengers holding a single or return ticket are not allowed to do this. Their ticket expires when they exit a station. Consider allowing break-of-journey on single or return rail tickets.

(v) Allow Multi-Destinations on a Weekly Rail Ticket

A person who buys a single ticket at Stanmore can choose to go to Bondi Jct or St Leonards for the same fare of \$4.20. But a person who buys a weekly for \$33.00 must choose one of the two destinations (or routes) at the outset. He cannot one day travel to Bondi Jct if his ticket is to St Leonards, although it is the same fare and in the same general direction. This choice of destination could be introduced with a simple computer program change. Note that a \$33.00 ticket from Stanmore also allows travel to Lidcombe, but that is in the opposite direction, and we are not advocating that option.

(vi) Expand MyZone to Cover Private Ferries

When MyZone was introduced in April 2010, private ferries were excluded from the system, either by accident or design. Although MyZone was able to include almost every private bus

company within a radius of 160 km of Sydney, it failed to include a few small private ferry routes carrying about 0.08% of the total area public transport load.

With the arrival of the new government in March 2011, APT raised the matter again, but the Minister specifically rejected the idea. Even when MyZone was extended to the light rail line in June 2011, the private ferries still remained adrift. After the monorail is closed in the near future, a small number of private ferry users will be the only commuters in the greater Sydney area to be excluded from MyZone. One can only speculate as to the reason – sloth, incompetence, neglect, politics, stubbornness?

*13 Do CityRail passengers have a reasonable capacity to absorb increased fare levels? p 36*

Yes, but . . .

- (a) Some will absorb increased fares, not because they have the capacity, but because they have no alternative.
- (b) If a fare increase chases a few people away, one could still say that the remaining passengers had a reasonable capacity to absorb increased fare levels.
- (c) Many of the remaining passengers will need to rely on concessions to be able to pay the fares.
- (d) People who don't work five days a week have to buy expensive daily tickets.
- (e) Assessing incomes by postcode is not a reliable exercise. See the story in the Daily Telegraph 11th May 2012.

#### Other Items

- (a) Para 3.1 says, in discussing a one-year determination, *"This will provide us with the ability to consider fares across all modes concurrently from 2014."* Does this mean all-modes-one ticket- one-price as in other cities? If not, why not?
- (b) Para 3.2 seems to ignore the fate of those people who, for various reasons, do not have a valid Opal card with them.
- (c) In several paragraphs IPART talks about not being able to determine fares properly until the e-ticket arrives. Why not? Is this putting the cart before the horse?

*"2.4.1 Government has advised that the Opal will begin to be installed for Sydney Ferries' services first at the end of 2012 and CityRail services second from July 2013. We note that Government has not yet announced its preferred fare structure for the Opal including how capped fares and discounts for frequent travel will work. The Government's views on these aspects of the Opal are an important input to our determination."*

Why are they an important input? Does CityRail build a railway carriage, and then genetically design people to fit inside?

Will IPART be included in the deliberations over how the new fares will be structured and priced? Or will it be caught out as in 2010 when the new MyZone fares breached some of IPART's maximum limits.

Details of the fare charging method are still being kept secret by the Public Transport Ticketing Corporation (PTTC), if indeed they know the details themselves. The latest “news” on their website is dated 25th October 2011, more than six months ago. As mentioned in our recent Customer Engagement submission, the Opal card is being developed with no public input. The PTTC has not been in contact with APT since June 2009.

- (d) Sydney, Newcastle and Wollongong are the only cities in Australia where a traveller can still buy a train ticket. All the other cities have a “ticket” that covers whatever mode is available - train, bus, ferry, or tram. If you want to go from Flinders Street to Glen Iris by tram or by train, the ticket is the same and the fare is the same. If you want to go from Toowong to Queen Street Mall by train or by bus or by ferry, the ticket and fare is the same. If you want to go from Hay Street to Fremantle by bus or by train, there is no difference. IPART must push the government towards this model, and set fares that are compatible with a change to such a model.
- (e) Section 15.1 of the Act lists the 12 matters that IPART “must have regard to”, but not necessarily slavishly follow. The Act also says that the Tribunal is to have regard to those 12 matters in addition to any other matters the Tribunal considers relevant. IPART should make more use of this freedom clause.

Please contact us if you require any clarification of these matters.

Yours faithfully,

Allan Miles  
Secretary  
Action for Public Transport (NSW)