



26 August 2015

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Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

Dear Sir/Madam,

IPART Finding the Best Fare Structure for Opal – Public Transport Fares in Sydney and Surrounds, Issues Paper, July 2015

The City of Sydney welcomes the IPART review into the fare structure for public transport services in NSW. The City supports use of public transport and the importance of public transport as an enabler for active travel. An appropriate fare structure will greatly improve the customer experience and provide an opportunity to improve services to support our growing city.

Sydney is the only major Australian city without fully integrated fares. This is a major barrier to creating a connected public transport network, providing a simple and easy to use system of payment for customers and to fully realising efficiencies in service provision and associated costs. A high quality public transport system consisting of adequate services and an excellent customer experience is an essential element in Sydney remaining a globally competitive city.

The introduction electronic ticketing in the form of the Opal card offers the opportunity to undertake a much needed fare structure review. The Opal card has already seen improvements for customers, including price changes for multi trip journeys, transfers and discounts to encourage public transport use. There are many more benefits of electronic ticketing technology that can now be explored.

Each day 630,000 trips are made to the city centre 61 per cent of these are made by public transport. Ensuring public transport remains the preferred mode over private vehicle use is vital to maintaining the economic vitality of the city centre. The public transport fare structure influences how people travel and the review of the structure to reflect this is welcomed.

We understand that a review of the fare structure also enables easier interchange in turn allows for bus network redesign and efficiencies gained that can fund other service improvements. Connections are not necessarily convenient for customers, but an important part of providing a connected network with a high level of coverage.

As the City grows there is a greater need to both encourage public transport use, but also balance this with setting fares to cover operating costs and enable the delivery of a high quality network. Many major public transport improvements planned including in the CBD, the CBD to South East Light Rail, Sydney Metro and Barangaroo Ferry hub. It is therefore timely that in light of major investment and infrastructure improvement that the fare structure is reviewed.

Our full submission is attached to this letter.

Should you wish to speak with a Council officer about the submission, please contact
Bonnie Parfitt, Manager Transport Planning,

Yours sincerely,

Monica Barone
Chief Executive Officer

City of Sydney Council's response to the Issues Paper key questions about the best fare structure for Opal

Proposed assessment criteria - Which are most important and why?

Recommendations:

- *A focus on encouraging greater use of public transport should be high on the list of assessment criteria.*
- *Fares that support increased farebox revenue and cost recovery are important in a city with growing demand for public transport.*
- *Fare structure and levels should be assessed in the context of a multi-modal transport network.*
- *Fare levels should be set to encourage public transport use regardless of mode*
- *Fares should support efficient use of the network.*

The focus of the assessment criteria on encouraging public transport use, minimising impacts on passengers, promotes the efficient delivery of services and cost recovery are all important determining fare structures and levels.

Consideration of a multi-modal transport network

We suggest that the fare structure and level should be assessed in the context of a multi-modal transport network, with recognition of the elasticity of demand for travel by all modes. It is noted in the Issues Paper that public transport imposes a lower cost on society than private transport, but active travel imposes an even lower cost on society. In Sydney approximately three million trips taken by private vehicle every day are less than two kilometres – a relatively easy walking or cycling distance. There is also a dis-benefit if public transport services with capacity limitations are being utilised for short trips that could be taken by walking or cycling. These factors should be considered in the fare assessment.

Fares to encourage greater public transport use

The assessment criteria applied should ideally emphasise greater use of public transport regardless of mode. We recognise that capacity and service provision limitations do exist for some modes and that there are differences in cost provision depending on mode. However, there is still a need to ensure that pricing signals support greater public transport patronage, particularly in congested areas of our city.

Managing demand

During light rail construction and other city transformation projects in the Sydney CBD (the CBD) there will be a need to manage travel and space even more effectively. The State Government has indicated that there is a need to reduce peak vehicle trips in the CBD by up to 10 per cent. If shifted these private vehicle trips are most likely to be substituted with public transport trips. These means

there is a need to both manage demand for public transport trips in the peak, whilst also set fares at a point where they remain competitive with driving to and from, and parking in the CBD.

Farebox revenue

Unlike many other cities, Sydney has not yet fully exploited farebox revenue as a source of funding of transport projects. In London, for example, 40% of Transport for London's income is from fares, making it their largest source of income. The need to enhance the public transport network, provide more services, and improve the quality of the customer experience is essential for Sydney. Funding from farebox revenue provides an opportunity to contribute to this. We note however, that willingness to pay is predicated on the quality of service provided. Customers are more likely to find fare increases acceptable if it is reflected in noticeable service improvements and better provision of infrastructure.

Should there be a higher level of fare integration across modes?

Recommendations:

- *Higher level of fare integration across modes should be an essential component for the fare structure review.*
- *Transfer penalties should be removed between modes in order to maintain and facilitate growth in public transport services.*
- *That integrated fares are coupled with improved customer experience.*
- *That the importance of removing transfer penalties to enable interchange is recognised.*

The City is extremely supportive of a higher level of fare integration across modes. The removal of transfer penalties is essential for customers, as transferring becomes more common. It also supports better provision of services by enabling a more connected and efficient network designed around interchange. Realising the possibilities for network redesign (particularly of bus services to complement rail and light rail) is really only possible if transfer penalties are removed.

Essential for Interchange

As it develops Sydney's public transport network is becoming increasingly reliant on customers transferring between modes or services to complete journeys. For example, changes in the city centre related to the CBD and South East light rail project will require some bus passengers to transfer between services to traverse the CBD. The Northwest Metro and the future Wickham transport interchange in Newcastle are also examples of further moves towards a network based on interchanging. A simple and efficient fare structure is vital in making this acceptable and functional for customers.

The construction of light rail in the city and the removal of buses from George Street will require transfer between modes, both in the immediate and long term. The City strongly encourages walking in the CBD, as it is the most space efficient mode of travel. However, not all public transport users will be capable or willing to complete their journeys on foot. Factors such as trip length, physical ability, family group travel, carrying parcels will all mean that many people will still want to

or need to transfer between modes to complete a trip. Maintaining access to the CBD is essential for the city's economy. Making it easy and affordable for people to do this is vital as Sydney undergoes significant transformation in the coming years.

Network redesign opportunities

One of the biggest benefits of fare integration is the opportunity to create a more connected network. A connected public transport network is essential in Sydney in order to provide good service coverage. The creation of a connected network is predicated on interchange and transfer. A network with feeder services and inter-modal transfer is also more economically efficient than just providing single mode point to point services. However, for passengers, transferring is an inconvenience. In order to incentivise transfer and allow for more efficient network design, it is vital that transfer penalties between modes and between services are removed.

The current public transport network is still radial with the CBD remaining the centre and key interchange points. Whilst a focus on CBD services are still important for commuting in the peak, there is latent demand for cross-city trips that is currently not being met through the design of the network, particularly in the area of bus services. This becomes increasingly important as the city grows in managing capacity in the CBD interchanges. It also allows more trips to be taken for different trip purposes such as recreation and shopping.

Other employment areas in our LGA, including our education precincts, and the South Sydney Employment Lands also generate demand for peak services. There is growing demand for public transport services in these areas. As in many other parts of metropolitan Sydney, the City is experiencing an unprecedented amount of urban residential growth with the City's population set to increase to more than 267,000 by 2030. A public transport network that is able to provide the capacity and meet the diverse travel needs of these residents will require a public transport network in which cross-city trips are easier and transfer to manage demand is encouraged. Allowing interchange to take place more easily means services do not need to be duplicated and can be run more efficiently. This means where costs are saved, more services can be provided to areas that need them.

Customer experience

Current fares are confusing and inconsistent for customers. The current fare structure with limited integration effectively penalises people travelling who need to transfer between modes to make a single journey. We agree that this penalty is unequitable for some passengers, particularly those who have no choice but to transfer in order to complete a journey. We understand that current fares reflect the cost of providing the service and the cost of provision varies across modes across time of day. However, we question whether this needs to be transparent to the customer. If there are ways to create more seamless fares across modes then this should be fully explored.

In order for Sydney to remain a globally competitive we need a public transport system that offers a customer experience on par with other global cities. The introduction of Opal has greatly improved this for Sydney already. The next step is a fare structure that is both internally sophisticated and externally simple and easy. Fares should be logical and clear to customers, particularly for visitors to our city. With tourism being a major part of the city's economy, an easy to understand fare structure

as a component of a high quality public transport network is important for the city's international reputation.

How should fares vary by distance travelled?

Recommendations:

- *Fares should reflect a need to ensure that transport costs are not prohibitive to those who need to travel longer distances to access employment.*
- *Ideally fares should be set to encourage more active transport trips in line with State Government Strategy and to free up capacity on public transport for those who need it.*
- *Fares should be set to ensure that public transport services remain a competitive alternative to private vehicle travel.*

Fares ensure employment access remains affordable

As highlighted in the Issues Paper there is an equity issue around how fares are set by distance travelled. We agree that this is an issue to be considered in the context of setting fare levels. The Sydney CBD is the economic heart of the Sydney metropolitan area. There is an uneven spread across the Sydney metropolitan area of jobs and affordable housing, with jobs continuing to be concentrated in the east of the metropolitan area. While this obviously needs to be resolved through strategic land use and transport planning, it is important that we ensure that all employees, including those on lower incomes commuting longer distances to work can access employment. Around 75% of journey to work trips into the CBD, excluding those made by residents in the Sydney LGA, are made by public transport. Fare levels, concessions, daily caps or other pricing methods should reflect a need to ensure employment in the CBD remains accessible from across the metropolitan area including for those on lower incomes.

Link to other State Government strategies

In addition to fares encouraging greater use of public transport there may be some opportunity to consider the role of fares in encouraging active transport for shorter trips. Many shorter trips currently undertaken by public transport could be taken by walking or cycling, freeing up capacity on the busiest parts of the network. State Government strategies Sydney's Walking Future and Sydney's Cycling Future, both outline a need to encourage active transport to access to public transport interchanges and centres within a two kilometre walking and five kilometre cycling catchment. Emphasis is also placed on providing infrastructure improvements to support this. There is an opportunity to align objectives around encouragement of public transport use and active transport use and using price signals to avoid incentivising public transport trips that could be taken by other modes.

Fares discourage private vehicle commuting

Fares for longer distances also need to be set to ensure that public transport remains a competitive and more attractive form of commuting than private vehicle. We acknowledge that longer distance services cost more to provide and there is a need to reflect this in the fare. However, with a growing CBD, managing congestion by minimising private vehicle trips is essential. Daily parking prices in the CBD remain reasonably affordable and many workplaces still provide free parking for employees. For the many commuters travelling longer distances to Sydney CBD the perception of the cost of travel is an influencing factor in travel choice, particularly when travel time is equal. We support fares being set at a level that maintain public transport trips in place of private vehicle travel.

How should fares vary by the time of travel?

Recommendations:

- *Peak and off-peak pricing is used to encourage more efficient use of the network.*
- *Off-peak fares are used to ensure equitable access to services.*
- *Fares reflect a need to encourage weekend travel.*

Peak and off-peak pricing

Peak and off-peak fares are primarily used as an economic tool to reflect the higher cost of providing public transport services in the peak. In Sydney the most congested peak services are those by rail entering the CBD. We recognise the importance of time of day fare differentiation as a way of covering costs of service and infrastructure provision. This becomes even more important as employment continues to grow in the CBD.

Peak pricing should reflect demand patterns across all modes by time of day. We note from the Issues Paper that peaks vary across modes by time of day. For example, ferries are busiest during weekends and demand for bus services remains high outside the peak. It is difficult and potentially more confusing for customers to set a different peak and off-peak fare by mode. However, it is important to encourage greater use of public transport outside the peaks and to consider how to spread ridership across modes where possible.

Peak and off-peak pricing also has a role to play in managing congestion in peak times, albeit a small one. It is noted that international evidence shows that peak pricing does little to change peak travel patterns as they are usually based on inflexible arrival times. The majority of public transport trips into the CBD occur between 8 am and 9 am and out of the city between 5 pm and 6 pm. These trips are not that elastic as they are undertaken to access employment and education. Many workers entering the CBD do not have flexibility in their working hours. Equally, commuters may be constrained by the availability of services close to home; a train journey is constrained by the service levels of the bus to and from the local station.

Other cities such as Melbourne have trialled discounted travel before the am peak. The schemes indicate that fares that reduce the cost of entering the CBD earlier may be more successful than those encouraging post am peak trips. With many changes in the CBD and capacity issues at stations,

there is a need to encourage those who do have flexibility in their working hours to alter their travel behaviour where possible. Peak pricing can be an incentive to do this.

Peak pricing may encourage more active forms of travel for shorter trips. This in turn reduces congestion on busy services and at busy interchanges. Shorter trips using public transport are more elastic than longer distances, where passengers have less modal choices. Recent City of Sydney research found that 7,000 daily commute trips to the Sydney LGA that could have been made using public transport were being made by bike instead. This equates to the provision 117 buses or 7 Sydney trains.

Social benefits of off-peak fares

The City supports the off-peak discounting across all modes. There are social benefits of off-peak charging during weekdays in supporting those who are not travelling for paid employment, such as older people, students, stay at home parents and those in lower income households. Most commuter trips to the CBD in the peak are taken by those on higher incomes. The use of peak and off-peak pricing can be considered a form of subsidisation for those travelling outside of the peak. Off-peak services are not usually as frequent as peak services and therefore can result in longer travel times. Lower off-peak fares should be used across modes to both encourage off-peak travel where passengers have more flexibility and also to ensure public transport services remain accessible for those who need them.

Weekend trips

Weekend travel patterns are not the same as weekday patterns and weekend congestion on the city's road network is a growing problem. This is in part reflective of Sydney's CBD focused radial public transport network that is not well-designed to cater for non CBD trips, such as those undertaken for recreation and shopping. Off-peak fares are useful in encouraging weekend public transport. Many people who use public transport to commute do not continue to do so during the weekends. Cross-city trips often require transfer in the CBD resulting in long undesirable travel times. This is a deterrent for public transport use. The use of off-peak fares is one method to incentivise more public transport use during weekends.

What discounts should apply to frequent travel?

Recommendations:

- *Recognition is given to the importance of discounts for frequent travel.*
- *Discounts are applied in a way that rewards off-peak travellers and non-commuting trips.*
- *Discounts and incentives encourage active travel access to interchanges.*
- *That discounts for frequent travel encourage additional off-peak trips.*

The City is supportive of discounts for frequent travel. We question the value in the current Weekly Travel Reward due to equity and revenue loss issues. We note that discounts to frequent travel

across the day, such as a daily price cap are more equitable for customers and more likely to support greater public transport usage.

The importance of discounts

The majority of public transport customers entering the CBD each day in the peak are unlikely to shift their non-peak trip mode based solely on receiving free travel after eight trips. These customers are currently receiving significant benefit from the Weekly Travel Reward as the trips they take are not very elastic. It is also likely that these customers reach the eight trips before the working week has ended are likely to be travelling for free in peak times. They are therefore not likely to be encouraged to use the reward to travel by public transport during the weekend. Discounts for frequent travel should ideally encourage non-peak trips.

Daily caps as a form of discount are helpful to keep commuting costs reasonable for those who travel longer distances on a daily basis. Certainty about the cost of travel is important for customers. Fare simplicity and affordability should be key considerations for any discounts applied to frequent travel. This is particularly important for ensuring ongoing use of public transport in the peak and deterring shifts to private vehicle use.

Encouraging off-peak trips

The City supports the use of discounts for frequent travel to incentivise off-peak travel. The number of trips by rail and buses is lower during weekends than during the week. There is opportunity to continue to encourage greater use of public transport during weekends by offering discounts for frequent travel. The current Weekly Travel Reward discount has not appeared to have achieved this. However, any discounts that encourage regular public transport users to continue public transport use for non-commuting trips is important as a contributing factor in managing demand for the private vehicle trips during weekends.

The current Weekly Travel Reward provides a great level of benefit for those undertaking daily commuting trips. However, from the data provided in the Issues Paper it does not appear that this is encouraging customers to take more public transport trips outside of peak times. A discount that encourages non-peak trips is important in achieving mode share targets and ensuring that the public transport network is efficiently used, by encouraging additional trips to be made during times when there is extra capacity in the network.

Incentives for cycling access to interchanges

Discounts for frequent travel could also be linked to opportunities to incentivise cycling to stations through pricing or rewards. This is in line with State Government targets to increase cycling trips to access public transport interchanges. The introduction of electronic ticketing also allows for integration with bike facilities at interchanges. For example a discount for frequent public transport use could be offered to those who travel by bike instead of private vehicle to outlying interchanges where bike facilities are provided. Other incentives beyond frequent travel discounts could also be investigated.

The importance of equity

The current Weekly Travel Reward of free travel after eight trips offers no discounts to those regular commuters such as part-time and casual workers who may not travel enough to receive the Weekly Travel Reward. The data provided in the Issues Paper shows that a large proportion of weekend trips are still paid trips and not free, indicating that a number of off-peak users are not receiving frequency discounts. This system is particularly inequitable for part-time workers and those working weekends. Some of whom are likely to be earning less than full-time workers commuting every day, as they are not receiving the same level of discount as full-time weekday workers. It could also be argued that those commuters travelling in the peak into the CBD may have more ability to pay for additional public transport trips yet are receiving more benefit than those that may have less ability to pay for additional trips. It is important that whatever discounts to travel are chosen reflect a more equitable outcome for all customers.

Do concessions arrangements support optimal use of the public transport network?

Recommendations:

- *Concessions are retained.*
- *Concession fare structures are simple and easy for customers.*
- *Changes to fare structures are well-communicated.*

Concessions are important

Concession arrangements are essential in ensuring affordable access to public transport for those who need it most. The types of concessions currently available apply primarily to two key groups Gold Opal card users and Child/Youth Opal card users. Pensioner Concession card holders also have access to the Gold Opal and as is noted in the Issues Paper, may have less flexibility in travel times and a greater need to travel in the peak. Other Gold Opal card holders such as those who are in retirement are likely to have more flexibility about not travelling during peak travel times.

Our experience is that many older people will on the most part avoid travelling during peak times, in order to avoid crowds in which they may feel unsafe and at risk of being jostled and falling. However, this does not mean they will not need to travel in the peak. We note that accessing services such as attending a medical appointment may require an older person to travel in the peak. For those on a limited income the introduction of higher peak fare may serve as a disincentive to travel during peak times.

Simple fare structure

We suggest that maintaining a simpler fare structure for people on concession cards should be investigated. This is because it is easier to budget for, which is especially important for people on limited incomes like government support. We note that concession card holders are more likely to be sensitive to peak variances and therefore careful thought needs to be given to how to peak

variances may apply to concession cards holders in order to maintain an equitable system, whilst also managing peak demands and maintain capacity on peak services.

Clear communication and information

We also suggest that any changes to concession card fares are carefully communicated to customers. The phasing out of paper tickets and introduction of electronic ticketing has been difficult for some public transport users to understand. Changes should be easy to understand and based around simple messages.

