

## Submission to the IPART review into public transport fares in Sydney and surrounds

Here is my submission to the IPART review.

This submission does not deal directly with the categories of integration, distance, time, frequency, discounts and concessions.

It does however fit under the umbrella of issues such as:

- d) The social impact of the determination or recommendation
- e) The impact of the determination or recommendation on the use of the public passenger transport network and the need to increase the proportion of travel undertaken by sustainable modes such as public transport
- i) Any other matter IPART considers relevant.

The submission puts forward a conceptual framework for consideration by IPART.

The concepts in the submission include:

- Value capture
- Property tax
- Behavioural economics and ‘nudges’
- Public transport system performance

I am happy for the ideas in the submission to be public – in fact I would like them to be – but wish to keep my personal details private unless I give permission.

## **Context**

Today technology enables us to solve a longstanding fare and ‘fair’ problem – the connection between public transport and land use.

Some people live in public transport ‘rich’ environments. These people benefit from (and may well have paid for) higher land values generated by public transport proximity even:

- If they don’t use it.
- Though ‘everyone else’ has paid for it.
- Though the system gets no return from its investment

This is the ‘unfair’ or unsymmetrical nature of the current system.

Importantly for this review these settings do not favour ‘use’, which is against the principle (e).

Other property-based services are designed with the default set the other way. For example, residents pay for a Council rubbish collection whether they put a bin out or not. Street trees, drainage and sweeping are similar.

When the default is set to favour use, people take up the option. The prepaid option can of course be limited: rubbish is limited to 80 litres a week in some places and 600 litres in others. People can buy more rubbish capacity if they want it by hiring a skip for example.

There is a good argument that for rubbish the default is set the wrong way from the point of view of reducing the volume and the cost of collection. But, leaving that aside, the rubbish default ensures the service provider gets paid and the users are motivated to take up the base service.

This would be a useful approach to take with public transport in the public transport rich areas. This submission outlines an approach that is transparent and grounded in financial and behavioural economics.

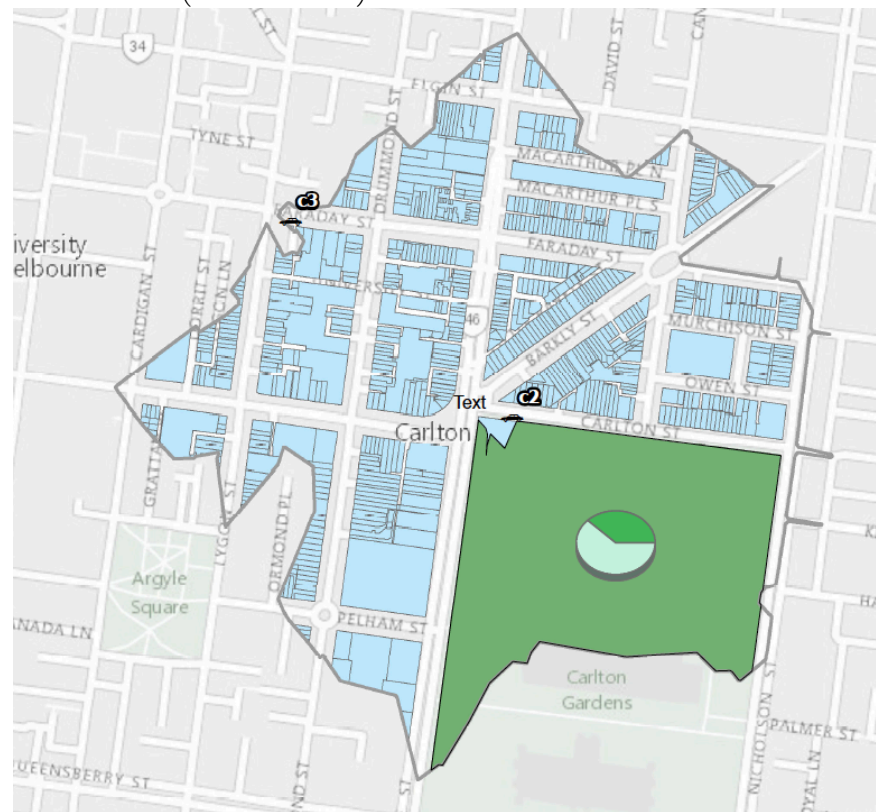
## **The settings**

The approach would be based on a state property tax (or a local government levy) that is passed back to a central point. This money would go into a pool with guidelines on expenditure, performance and reporting similar to the Parking Space Levy (NSW) or the Perth Parking Management Act 1999.

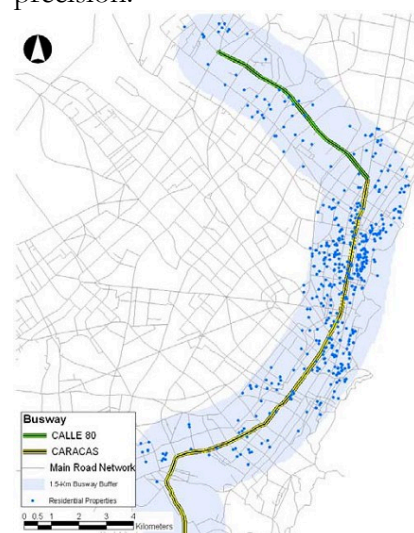
The guiding principle would be ‘a property that is served by (within x metres of) high quality public transport (as defined) will pay the sum of \$x each year in land tax (or rate levy).’

The definition of ‘served’ would be based on a catchment definition such as 500m (or 250m or 800m). The catchment would be an ‘effective catchment’ defined by the actual walking distance from the public transport node to the nearest corner of the land parcel (or other suitable definition). Computers can assess this distance precisely (within a metre) and determinations can be arbitrated.

Here is an example of such a catchment. It maps the effective 500m catchment of a car share vehicle (in Melbourne).



A public transport catchment would of course have more of the nature of a ribbon. These land /public transport corridors are routinely mapped although not with such precision.



The definition of 'high quality' would be 'a service at least every ten minutes between X and Y o'clock'. Specialist services such as NightRide would not qualify; low frequency routes would be excluded.

The definition would include any service even if it were of no value to a particular household. (For example the property owner may object that the service they are near runs east west but their job is to the south.)

## **The mechanism**

The amount would be a ‘nudge’, high enough to trigger the desired behaviour but low enough to be generally acceptable. The amount of \$100 is suggested.

A ‘nudge’ program would be attached to this tax.

The key principle of the nudge program would be that it would allow the household to ‘get back’ the \$100 through using public transport.

The cash back period would have a deadline (perhaps the first quarter of the financial year) to create a stimulus to action.

The onus would be on the householder to opt in. They would apply on line for an Opal card with a stored value of \$20 or would link their existing Opal to the scheme and on doing so receive a \$20 credit. The card would be topped up each time the \$20 was exhausted until either the \$100 was used or until the ‘cash back period’ was over. The user would of course be able to top up the card with their own money once they had ‘got back’ their \$100.

For a householder already using public transport they would – apart from the administration time required – suffer no loss.

All other householders would be able to ‘get their money back’ over a year by choosing to use public transport. There may be some trading or loaning of cards but if this is at a low level, it can be ignored just as the current system ignores the people who game the ‘eight trips’ system by making short trips on the light rail.

There will be ‘breakage’ perhaps of 10 – 20% as with gift card systems. This can be used to run the ‘nudge program’ and/or the breakage can be reinvested in the system.

Other elements can be added to the system. The designation of a property as a ‘public transport levy property’ could be required on the real estate signage and paperwork. This would be a marketing and value indicator for buyers similar to the star rating on refrigerators.

## Overall

This approach is likely to introduce new people to the system (e) and – if the public transport service is good enough (which it will be by definition) they will transition from hostage customers to voluntary customers.

Perhaps the most significant impact on the system will be on the public transport system itself. The system will:

- Get the contact details of most of its potential customers for a number of mutually beneficial uses
- Provide an incentive for public transport systems to improve their services to the minimum standard in order to ‘acquire’ new areas.
- Provide an incentive to keep routes up to standard to avoid having to pay rebates or have routes de-listed
- Provide planners, elected representatives and voters with maps of gaps in the ‘high quality’ system
- Provide a public conversation on public transport performance

