Submission to IPART

Public Transport Fares in Sydney and Surrounds

February 2016

Introduction

This document has been prepared in response to IPART's call for submissions following the release of the draft report into Public Transport Fares in Sydney and Surrounds. The document will present IPART's decisions and recommendations in bold blue text, followed by a summarised response (typically support or oppose) in bold black text. Where appropriate, detailed reasoning and suggestions to improve IPART's proposals will be provided after the summarised response.

Responses are provided first to IPART's decisions, then later to IPART's recommendations.

Through-out the submission a different method of calculating fares than that proposed by IPART has been used. IPART suggests that "the distance travelled should be measured as the longest straight-line distance between any tap-on and any tap-off point on the journey" should be used to calculate fares. As the longest straight line between any two Opal locations would be formed by a (straight) line around the world, all journeys would automatically fall into the longest distance band. In this submission straight line fares have instead been calculated using the longest shortest straight-line distance between any tap-on and any tap-off point on the journey. This appears to be the methodology used by IPART in the example fares provided, and would provide a fairer structure than the round the world straight line. Where a rail journey involves changing trains at a station, it has been assumed no tap-on or tap-off would occur. This is the system as employed with magnetic stripe tickets at the majority of locations, and reflects actual customer behaviour.

It should however be noted that this system has only been used to calculate fares for comparison purposes. As documented later in the submission, the straight line distance method of calculating rail fares is not supported.

Draft Decisions:

1: Fares should continue to be different for rail, bus and ferry services.

Support.

This reflects the differing costs in providing each of these services. It would be unreasonable to not set fares to reflect the differing costs of providing each type of service.

2: Light rail fares should continue to be set equal to bus fares for the same distance.

Oppose.

IPART reasons that the CSELR "is replacing significant parts of the bus network"[1] to support setting light rail fares the same as bus fares.

The Sydney bus network comprises 15 regions, of which the majority are located away from the Sydney CBD and south-eastern suburbs.[2] Each region has a significant number of routes. The CSELR is primarily replacing the trunk route to Central Railway Station in Region 9. As such, the CSELR is only replacing a significant section in one region. It is felt inappropriate that light rail fares for the whole of Sydney, and potentially even Newcastle, should be dictated by the fact that one light rail line is replacing one section of a bus network in one region. Additionally, with consideration to the fact that buses replaced large parts of the previous Sydney tram network (and that the light rail is effectively a reintroduction of these tram services), it is felt appropriate that light rail fares be set to reflect the cost of service provision, in line with other modes.

3: Adult Opal fares for single rail journeys in peak periods as set out in Table 1.1.

Oppose.
Please note that no comment is made in regards to fares for non heavy rail modes.
The proposed rail single journey (peak periods) fares are generally supported up to the 45 to 65 km band, and opposed after this. IPART's figures suggest that 1 percent of peak rail passengers travel distances greater than 65 km. With this in consideration any farebox revenue gains from charging these passengers significantly higher fares are minimal. According to BTS figures annual rail patronage for the review area is 310.1 million journeys.[3] IPART's information states that around 56 percent of rail journeys are made during the off-peak period,[4] which means roughly 173.7 million journeys are taken off-peak, and 136.4 million journeys during the peak.

As only 0.1 percent (roughly 1.364 million) of peak journeys are greater than 100 km, assuming there is no loss of patronage, the maximum gain in farebox revenue from this group would be around $1.5 million. The additional revenue from commuters falling into the 85 to 100 km band

1 IPART (December 2015), Draft Report, page 70
2 http://www.transport.nsw.gov.au/sites/default/files/b2b/abouttrans/fact-sheet-new-bus-regions.pdf (accessed 26 January 2016)
3 Bureau of Transport Statistics (May 2015), *Train Statistics 2014*, page 5
4 IPART (December 2015), Draft Report, page 72

(0.1 percent of all peak commuters) would be around $0.8 million. These are relatively small gains, representing significantly less than one percent of total farebox revenue.[5]

Setting the 100+ km peak fare band to $10.86 would also provide a perverse situation where the fare to travel on a NSW TrainLink Intercity train would be more expensive than the low season fare on a NSW TrainLink Regional service. The economy fare between Harden and Junee (100.033 km rail distance, which would fall into the 100+ km fare band) is $10.49, as calculated for travel during the low season in June 2016. Given the regional trains, even in economy, are significantly more comfortable and have better facilities than the intercity trains, the proposed 100+ km peak fare is considered inequitable and unacceptable.

It is recognised that there is an inherit per kilometre costs which justifies higher fares for passenger who travel longer distances, however by travelling longer distances these passengers also provide efficiency savings. For example, a passenger who travels 100 km will use stations and Opal infrastructure a total of two times, where as four passengers travelling 25 km each (that is, travelling the same total passenger-km distance) will use stations and Opal infrastructure a total of eight times. This involves additional costs which are avoided by the single passenger travelling a longer distance. One person travelling a longer distance has a lower requirement for dwell time than a greater number of passengers travelling the same total passenger-km. Effectively, this means the single longer journey serves to maintain punctuality. As dwell time can have a significant impact on on time running, especially during the peak hours, the system as a whole benefits through incentives to reduce dwell time. As longer distance customers contribute to this goal more than shorter distance customers, this should be reflected in their fares.

In addition to this, long distance passengers typically have much poorer levels of service than customers travelling shorter distances. It has been suggested that, following recent timetable changes, long distance services from Goulburn are failing to meet community expectations and needs, and that this is resulting in falling patronage.[6] Services on the Southern Highlands Line last met peak punctuality targets in 2007/2008, and have only met peak punctuality targets twice since 2001/2002.[7] No intercity or regional line in the review area has achieved peak punctuality targets since 2012/2013.

As Southern Highlands line passengers have the longest average journey of all AM peak passengers by quite some margin,[8] it is these passengers which are likely to be most heavily impacted by IPART's proposal to pay more for a service which fails to meet expectations and needs. Altering travel times for some long distance customers, as suggested by IPART to avoid peak fares,[9] is not possible due to the low number of services. As such these passengers will be unable to mitigate the impact of increased fares. It is highly inappropriate that these passengers should have to pay

5 See Appendix 1 for the method used to reach these figures.
6 Chatwin, Ben "The Goulburn Conundrum" in *Railway Digest* (November 2015), pages 34–36
7 http://www.sydneytrains.info/about/our_performance/otr_year.jsp?area=sh (accessed 21 January 2016)
8 Bureau of Transport Statistics (May 2015), *Train Statistics 2014*, page 84
It should be noted that this is for the 3.5 hour AM peak, not the ticketing peak period.
9 IPART (December 2015), Draft Report, page 20

significantly more for peak travel when the service isn't punctual, doesn't fulfil community needs and expectations, and the impacts of the higher fares cannot be mitigated by changing time of travel.

In proposing light rail fares, IPART used the reasoning "for simplicity – light rail trips currently make up only around 2% of all public transport trips."[10] IPART's figures for peak rail usage indicate that only 0.2 percent of peak rail users (and 0.6 percent of off-peak rail users) travel further than 85 km. Given that IPART has indicated that fares for small groups of users public transport users should be set based on simplicity principles, and that customers travelling further than 85 km make up only 0.2 percent of peak rail users, it is felt that the simplicity factor should also be applied to rail journey fares.

It is therefore proposed that the existing 65+ km fare band be retained,[11] with fares set similar to the IPART proposal ($8.87), for example at approximately $9.00. Any shortfall in farebox revenue this results in should either be ignored (given it represents a small fraction of total farebox revenue) or recovered through marginally increased shorter distance fares. When service levels on the longer distance lines improve, increases to the fares charged may be considered appropriate.

4: Multi-mode journeys should be charged based on the distance travelled, measured as the longest straight-line distance between any tap-on and any tap-off point on the journey, according to the fares in Table 2.1. However, the single-mode fare for any of the component journeys can be charged if it is higher than the multi-mode total journey fare.

Oppose.
Rail fares should continue to be charged by rail distance travelled. This is documented elsewhere in the submission.

5: Fares should continue to vary by the distance travelled but:
- **5.1 the distance bands should be as in Table 2.1 for all modes, and**
- **5.2 the distance travelled should be measured as the longest straight-line distance between any tap-on and any tap-off point on the journey.**

5: Support:
- **5.1: Oppose.**
- **5.2: Oppose.**

As identified at the start of this document, IPART's decision to measure distance travelled as the longest straight-line distance between any tap-on and tap-off location on the journey is opposed as this would automatically place all journeys into the longest distance band (the longest straight line between any two Opal locations involves, as identified before, a straight line around the world).
If IPART's intent was for the distance to be measured as the longest shortest straight line between

10 IPART (December 2015), Draft Report, page 70
11 Additional reasoning to support the retention of the 65+ km fare band is included in the response to draft decision 5.

any tap-on and tap-off locations (i.e. the shortest lines are compared, and the longest of these picked for fare calculation purposes), this is also opposed. This model would result in some users of public transport avoiding paying a fare which reflects both the distance they travel and the service provision costs.

In abolishing the current weekly travel cap IPART suggests that customers should not pay less for travelling more, when the decision to measure rail fares by a straight line instead of rail distance does exactly this.

The potential for significant, and perverse, inequities exists with IPART's proposed system. For example, it would become cheaper to travel from Lithgow to Hawkesbury River than to Central. The distance from Lithgow to Hawkesbury River is 99.5 km in a straight line, while Lithgow to Central is 108 km (both distances measured using Google Maps, rounded to the nearest half kilometre). The rail distance for these journeys is 155.8 km (Lithgow to Central) and 189.6 km (Lithgow to Hawkesbury River, made up of 144 km Lithgow to Strathfield, and 45.6 km Strathfield to Hawkesbury River). Under IPART's proposed fares, passengers would pay around 8 percent less to travel almost 22 percent (almost 34 km) further. This is a perverse situation which should be avoided.

A similarly perverse situation exists if a person were to travel from Medlow Bath to Central or Medlow Bath to Yerrinbool. The straight line distance from Medlow Bath to Central is 88.5 km while the distance to Yerrinbool is 81.5 km (rounded to nearest half kilometre, as measured on Google Maps). As such, the trip to Central would fall into a higher fare band than the trip to Yerrinbool. This is despite the rail distance to Central, 115.8 km, being significantly shorter than the 189.6 km rail distance to Yerrinbool (94.5 km Medlow Bath to Granville plus 95.1 km Granville to Yerrinbool). Without exceeding the 85 to 100 km fare band, which would apply for the trip to Central, the person could travel as far as Moss Vale (219 km by rail). This would allow a person to travel more than twice the distance they paid for.

The proposed method of measuring rail fare distances would also prove perverse for shorter (metropolitan) journeys where a person must change trains, and direction, to reach their destination. For example, the straight line distance between Vineyard and St Marys is 14.5 km (rounded to nearest half kilometre, measured on Google Maps) while the rail distance is 26.8 km (14.3 km Vineyard to Blacktown, and 12.5 km Blacktown to St Marys). Under IPART's proposed fare structure, this trip would fall into the 8 to 15 km range, instead of the 25 to 35 km range currently employed.

A similar situation arises if a person was to travel from Holsworthy to Lidcombe. The straight line distance for this journey is 13.5 km (rounded to nearest half kilometre on Google Maps), while the rail distance for this journey is 28 km. Once again, the person would only pay for an 8 to less than 15 km journey whilst partaking of a journey that currently falls into the 25 to 35 km band.

IPART highlighted negative user comments about the existing Opal fare structure, of which one suggested that the weekly travel cap is “a lottery based on where you've[sic] or work”.[12] The proposed method of calculating rail fares will be a lottery based on where people live and work. As identified in the above examples, people travelling longer distances have the very real potential to pay less than people travelling shorter distances. IPART's proposed fare structure, and method of calculating the distance, for rail journeys is inappropriate, providing essentially a lottery for people based on where they live and where they're travelling to. It is suggested that the existing method of calculating rail fares, as well as the 65+ km fare band,[13] be retained.

12 IPART (December 2015), *Frequency discounting and weekly caps: Information Paper 3,* pages 11–12

13 Additional reasoning supporting this is given in response to draft decision 3.

6: Peak and off-peak pricing should continue for rail services, and the off-peak discount should increase to 40%. Bus, ferry and light rail services should continue to have the same fares regardless of the time of travel.

Support.

It is felt appropriate and desirable to continue to provide, and even increase, the off-peak discount for rail services. IPART should extend off-peak discounts for users of rail services who travel against clearly defined flows (typically away from the CBD in the morning peak, towards the CBD in the afternoon peak). In many cases the trains used to provide peak services must travel to outlying locations to stable (during AM peak) and from outlying locations to form peak services (during PM peak). As these services are being provided primarily for the benefit of peak customers (who only use them in one direction), giving customers who use these in the non-peak direction may encourage better utilisation.

Additionally, consideration should be given to a similar style of off-peak discount as available to people travelling from Zone 2 (Victoria/Melbourne) towards regional locations serviced by V/Line. In Sydney/New South Wales, this fare structure can be justified as long distance trains travelling in the outer metropolitan area (for example, beyond Revesby/Glenfield, Blacktown and Sutherland) utilise spare capacity in the network (some peak trains have terminated or branched off by these points), meaning that running these trains does not come at the expense of shorter distance commuter trains. It is however reasonable to expect that people using these trains in the inner city areas pay more during peak periods, as the provision of these services comes at the expense of the provision of shorter distance commuter services. As a majority of intercity PM peak services have spare capacity outside the inner metropolitan area,[14] providing off-peak fares on these services outside the inner metropolitan area serves as an incentive to better utilise the capacity being offered. This would also apply to services travelling towards the country in the AM peak.
In Sydney it is envisaged that the off-peak fares to intercity locations would apply outside an area bounded roughly by Epping, Blacktown, Glenfield and Sutherland.

7: Customers should no longer receive free travel after making 8 journeys between Monday and Sunday.

Oppose. See response below decision 8.

8: A weekly travel credit scheme should be implemented under which, at the end of the Opal week, a customer's Opal account is credited with the greater of: [details omitted for clarity]

Oppose.

IPART's decision to remove the 8 paid journeys cap on Opal fares is not supported. Removing the cap has the potential to significantly increase weekly fares for some people; with the potential that these people will stop using public transport. Additionally, the way the IPART's proposed weekly travel scheme is structured has the potential to act as a significant deterrent to discretionary travel. Mitigating measures suggested by IPART, such as shifting travel to off-peak periods are not available to some customers, and in some cases will not remove the disincentive to use public transport for discretionary travel. A system where a user is credited at the end of the week is

14 http://www.sydneytrains.info/about/our_performance/Train-Loads-by-Line-Mar-2015.pdf (accessed 21 January 2016)

considered undesirable as this will provide a level of uncertainty for users, and require more detailed planning of their weekly travel. The ability to simply turn up and go once the weekly cap is reached will be removed. This is also likely to discourage discretionary travel.

A customer who travels from Campbelltown to Central and return during the peaks, takes four short bus trips on Monday and one short bus trip on Tuesday (reaching eight paid journeys for the week) currently pays the $15 daily cap on Monday plus a $6.46 rail fare and a $2.10 bus fare on Tuesday. Their total weekly spend is $23.56. Under IPART's proposed fare rules, this person would now incur 10 × $6.24 fares (35 km to less than 45 km straight line) for a weekly spend of $62.40 (weekly fare cap). This is a 165 percent increase over current fares. Even if this person only made one short bus trip per day, their weekly spend would increase by 62 percent from $38.56 (2 × $15 daily caps, 1 × $6.46 rail fare and 1 × $2.10 bus fare) to $62.40.

Using IPART's peak rail fare elasticity figure of -0.35, in the first case this would result in a 58 percent reduction of patronage, and in the second case a 22 percent reduction in patronage.

In the case of a person who lives closer to where they work, for example a person living at Wolli Creek and working at Central, the proposed changes are similarly bad. Currently the person can reach their weekly fare cap on the train to work on Tuesday morning, having paid $15 daily cap for two rail and five bus journeys on Monday, and $3.38 for a peak rail journey on Tuesday. Their weekly total being $18.38. Under IPART's proposal, this customer would be paying for 10 × $3.36 fares (3 km to less than 8 km straight line), for a minimum weekly spend of $33.60. This is an increase of 83 percent, which using IPART's peak rail fare elasticity figure would see patronage drop by 29 percent.

However, even after paying for their 10 work related trips, this person could still need to pay to travel on weekends if they travelled further than 25 km (the 25 to 35 km off-peak fare band being $3.42). By making two 25 to 35 km journeys on each day of the weekend, this person would effectively be granted free peak rail travel for two days of the week. The proposed system would therefore either defeat IPART's intention of increasing weekend patronage, or defeat IPART's intention of exposing commuters to peak pricing signals during the week.[15]

Alternatives to IPART's proposal.

IPART is encouraged to investigate other alternatives to the proposal which are less likely to discourage use of public transport for discretionary travel. One such alternative would see the ten trips per week cap retained, but with the first three paid trips per day contributing towards the cap. The daily fare cap would also be retained. With this system, if a person made three or more paid trips per day they would stop paying for their weekly travel after the first trip on Thursday. Any more expensive trips later in the week would not affect the weekly cap. This would provide a similar level of incentive to use public transport for discretionary travel on weekends as the system currently in use, without significantly impacting farebox revenue.

Using the above example commuters, a person travelling from Campbelltown to Central would, instead of paying the $62.40 (10 × $6.24 fares) as proposed by IPART, pay $14.46 each day for the first three days (two × $6.24 peak rail fares, and a $1.98 short bus trip), with another $6.24 rail fare

15 IPART (December 2015), Draft Report, pages 24, 27

on the fourth morning. This would bring their total weekly spend to $49.62. This figure is close to IPART's proposed weekly fare, while still offering a discount which would prove useful if the person wishes to take a peak service to a location greater than 65 km from Central during the rest of the week.

This system would offer greater advantages for people who have a shorter commute to work. In the case of the example commuter from Wolli Creek, their weekly spend would be $29.46 (also close to, though still below, the weekly spend proposed by IPART), made up of 7 × $3.36 peak rail fares and 3 × $1.98 short bus trips. This commuter would then have far greater incentive to use public transport for discretionary journeys through the rest of the week, knowing they have reached their weekly fare cap. This is especially true for longer journeys (e.g. to Wollongong) as, assuming this trip is made after they reached the weekly cap, it would not contribute to their weekly cap as one of their 10 most expensive journeys as proposed under the IPART model. While it is noted that even this system has the capability to insulate people in part from peak pricing signals, it has several advantages as compared to the IPART model.

Firstly, it is easier for a customer to work out their weekly fare under the proposed alternative model. Under the model proposed by IPART, the weekly fare may not be decided until Saturday or Sunday, if the customer usually makes short journeys during the week and decides to take a long journey on the weekend. Once the customer has made the ten journeys that count towards the weekly cap, that's it, the cap doesn't change. This provides certainty to the user, and avoids the user needing to out if their weekend travel will cost them anything.

Secondly, there is no need to load more credit onto the customer's Opal than is actually required. This retains the 'pay as you go' method as currently employed by Opal. This is considered more preferable to the IPART model. As mentioned, customers don't need to find additional money which will later be refunded. This, combined with the ability to simply work out when the weekly travel cap will apply, has the potential to increase customer confidence in the system.

Thirdly, it provides much more incentive than the IPART model for customers who typically make short journeys each day (to/from work or other destinations) to make longer discretionary journeys later in the week (especially on weekends and Friday evenings). This promotes the use of public transport. It also rewards users who must make more than two journeys per day, for example people making site visits.

The system could also be varied slightly so as to give frequent users of public transport discounted weekend transport, whilst generally avoiding insulating them from peak pricing signals. Assuming that the government's original intention was to provide free travel on Friday, Saturday and Sunday for regular commuters (i.e. after having paid for their peak fares Monday–Thursday), the weekly travel cap could apply after eight paid journeys in a week, with a maximum of two paid journeys per day contributing to the cap. This avoids the incentive to make short, unnecessary journeys in order to pay a lower weekly fare, but removes any benefit for customers who must travel more frequently in the discharge of their employment.

The cap could also apply after the tenth paid journey in the week. This is considered less desirable, as it serves as a disincentive against making a longer journey on the Friday evening (e.g. if the person travels away for the weekend immediately after finishing work), and makes the cap harder to reach for people who work less than five days a week (e.g. a person working four days a week would not get free travel until after their second paid journey on the weekend).

While the above proposals do offer a small incentive to make the last journey that contributes towards the cap as short (and therefore as cheap) as possible, it is felt that the benefits these systems offer over the system proposed IPART are worth this trade off. The proposed alternatives are better at ensuring peak customers are exposed to peak pricing signals, while offering greater incentives to use public transport for discretionary journeys later in the week.

9: The weekly cap for Adult Opal fares should be set at $65 from 1 July 2016, $70 from 1 July 2017, and $75 from 1 July 2018.

Support.

10: Daily caps for Adult Opal fares should be set as shown in Table 2.5.

Support.

11: The premium on paper tickets should be 40%, rounded to the nearest 10 cents, as set out in Table 2.8.

Oppose.
Whilst it is acknowledged that maintaining two ticketing systems in parallel results in addition costs, the 40 percent premium does not appear to be justified. In the draft report IPART does not present any reasoning supporting the 40 percent figure, except that it falls between the 18 percent premium in Perth and the average 102 percent premium in London. In maintaining paper ticket premiums near their current levels, a blanket premium of 20 percent should be applied to all paper tickets.

Draft Recommendations:

1: Daily caps for Concession and Child/Youth fares should be set as shown in Table 2.5.

Support.

2: The level of the Saturday and Sunday cap should be kept under review during the determination period to assess customers' response to discounted fares on the weekend.

Support.

3: Pensioner Concession Card holders and NSW war widower/s card holders should be eligible for a Gold Opal card.

Support.

4: Seniors card holders who do not also hold a pensioner or NSW war widowers card should be eligible for a Concession Opal card.

Support.

5: The Gold Opal daily cap should be set at 40% of the concession weekday cap ($3.60 for 2016-17, $3.80 for 2017-18 and $4.00 for 2018-19).

In principle support for raising Gold Opal daily cap.

In principle support is given to raising the Gold Opal daily cap (GODC). It is recognised that the GODC, and before it the Pensioner Excursion Ticket (PET), has remained at $2.50 since 2005. During this time other fares have risen, which has effectively increased the discount offered by the PET/GODC. It must however be considered that the government considers this increased discount acceptable, otherwise the PET price would've been increased. In order to increase cost recovery, in principle is support is given to modest increases in the GODC. The proposed increases, and rate of pegging, recommended by IPART are not supported.

Pegging the GODC at 40 percent of the concession weekday cap is not supported. As users of Gold Opals typically receive a pension payment, which may be their primary source of income, their ability to pay is limited more by this than by other considerations (such as the Consumer Price Index and actual service delivery costs). A fairer way of pegging the GODC would be relative to the pensions for people eligible for the Gold Opal. For example, if the pension increase (either for the primary recipient of Gold Opals, or the average weighted increase for all recipients), was 3 percent during a given period, and it was decided to raise fares by 2 percent above CPI to increase farebox recovery, the GODC should increase by 5 percent in the period.

If IPART continues to recommend pegging the GODC to 40 percent of the concession weekday cap, it is suggested that this is phased in gradually over several years. For example, in order to raise the GODC to $4.00 by 2018/2019, it would be fairer to set the cap to $3.00 in 2016/2017, $3.50 in 2017/2018 and $4.00 in 2018/2019. As noted above, both the level of increase and pegging the GODC to 40 percent of the concession weekday cap are opposed.

As identified by IPART, Sydney public transport fares have increased by slightly more than 30

percent since 2005. The recommended increase in GODC to $3.60 represents a 44 percent increase in one hit for users reaching the GODC. This is significantly more than 'slightly more' than 30 percent. The recommended increase would see GODC users, which often have low incomes and therefore a lower ability to pay, paying more than other customers relative to 2005 fares. This, combined with IPART's proposal to lower the majority of fares in 2016 relative to 2015 levels, would be a 'double whammy' for GODC users.

As the GODC is around 30 percent behind other public transport fares, increasing it by slightly over 30 percent (to $3.30) in the first year of the determination period, the raising it by half the difference between the first year price and the desired last year price (i.e. if the desired last year price is $4.00, it would be raised by 30 cents to $3.60 in the second year), would also be a fairer option than that proposed by IPART.

6: That IPART works with TfNSW to develop a standard set of regulatory accounts for each mode that can be updated annually.

Support.

Additional comments

Where comment has been made about abolishing the proposed fare bands above 65 km (i.e. advocating retention of the 65+ km fare band), this should be taken as applying to both peak and off-peak rail fares. Off-peak rail service levels, especially on weekends, deteriorate the further a customer travels. IPART is essentially proposing that customers who typically are exposed to the lowest levels of service should be paying the most of all users of the rail network. This is felt inappropriate. Higher fares will drive down demand for these services which will lead to worse cost recovery or the abolition of these services. Neither is a desirable public outcome.

Appendix 1

It is assumed that there are 1.364 million peak journeys per year in each of the fare bands 85 to 100 km and 100+ km (that is, 0.1 percent of total peak passengers fall into each band). As there is limited information available to the public about when people in these fare bands make their journeys, it has been assumed that half of these make two peak trips per day (one in the AM peak and one in the PM peak), while the remaining fifty percent only make one trip during the peak per day. The people making two peak trips per day will never pay the full fare for their second trip as the single peak fare is more than half of the daily cap. The other half of passengers are assumed to have travelled so little during the day that they pay the full peak fare.

This means that 341 000 people (representing 682 000 yearly journeys) in each band will pay the daily cap, while the remaining 682 000 journeys are assumed to be paid for in full. It is assumed all passengers pay full fare. This is a worst case assumption and unlikely to be reflect actual usage as 4 percent of morning peak, and 14 percent of afternoon peak, customers use Gold Opals or Pensioner Excursion Tickets. The amount of lost revenue is likely overstated as a result of this assumption.

Based on the proposed fares by IPART, the daily cap passengers will each pay $18 per day, for a total yearly spend by all such customers in each band of $6 138 000. Other customers in the 85 to 100 km band will pay $6 792 720, while other customers in the 100+ km band will pay $7 406 520. The total paid for each band respectively being $12 930 720 and $13 544 520.

If the 65 to 85 km fare was applied to all journeys longer than 65 km (i.e. modified to become 65+ km), the farebox revenue from each of the two fare bands discussed above would be $12 098 680; assuming that all customers paid their fares in full (i.e. didn't reach the daily fare cap before making their PM peak journey) and weren't entitled to any discounts. The lost revenue from not implementing the 85 to 100 km and 100+ km bands would therefore be $832 040 and $1 445 840 respectively. As stated above, this is likely a high estimate as now allowance has been made for passengers travelling on concession fares (e.g. gold opal).

The estimated total lost revenue from abolishing the fare bands above 85 km would be $2 277 880, which is significantly less than 1 percent of total farebox revenue. This figure, as noted above, does not take into account customer discounts, or methods of recovering this difference (for example setting the 65+ km fare higher than the 65 to 85 km fare), and as such is likely an over-estimation of the revenue loss.