

## Submission to IPART on the Public Transport Fares Review 2015-16

From the referral (PR15/05990) signed by the NSW Premier and Minister for Transport

“task of determining appropriate maximum fares for classes of Opal fares”

“IPART's final maximum fare determination would allow for those changes to be implemented from the middle of next year”

“ 1. The benefits of fare structures that support network integration to increase network efficiency and reduce overall costs;

2. The benefits and costs of spreading demand for public transport to increase efficiency in service delivery and the likely impact of different fares on the travel behaviour of customers, including whether current concession arrangements for peak and off-peak travel support the optimal use of the network;

3. Whether there are strong arguments for or against full integration of fares across all Opal Services, given that some modes have significantly different costs and/or externality benefits;

4. The relative contributions that customers and taxpayers should make to the cost of delivering Opal Services, including light rail as an Opal Service;

5. The technical feasibility of making changes to the current fare structure, given the features of the Opal system and the contracts in place for its implementation and operation;

6. The most appropriate method or methodology for determining maximum fares for Opal Services, including the need for sufficient flexibility to implement any changes to the current fare structure (where relevant);

7. Where relevant, transitional arrangements from the current fare structure to a new fare structure, assuming that new fares would apply from 1 July 2016 and including any customer impacts and technical limitations; and 8. The need to ensure consistency between:

(i) the structure of fares in the final determination of appropriate maximum fares for Opal Services; and

(ii) the NSW Government's announced policy position on the structure of fares for Opal Services.”

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1. Section 1.1, Item 6 of the Executive Summary includes a point which cannot be inferred from the Ministerial referral (15/05590). At no point in the referral is there a point that itemises the statement ‘increases farebox revenue or cost recovery’. Given that the entirety of the IPART deliberations and suggestions are developed in the light of this objective, and the objective itself is not included, there are serious, valid concerns with the outcomes as described in the draft report.
  2. The socially optimal fares for single-mode journeys fails to account for the fact that the majority of travel in Sydney is much more efficient when the traveller has to interchange to

a heavy-rail leg as this removes traffic from the roads onto a defined route vehicle. In addition, there are a great many travellers – especially in the majority of the area of Sydney, that have to change from one mode (bus) to another (typically train) as there is no single route bus to go from origin to destination, except in the Northern Beaches and the North West regions. For instance, no single route service connects the Macarthur or even Liverpool areas (both much closer) to the Sydney CBD than those identified above. In addition, to cross western Sydney from north to south (or vice versa), the traveller is required to change from bus to train, and then often to bus again, with the fares of both bus legs added to the travel cost rather than treated as a continuation of service (as happens when transferring from bus to bus).

3. Light rail trips may make up 'only 2% of all public transport trips' yet, given that it is a single line with a very limited number of services, it would be evident in a whole-of-network assessment that the light rail system is carrying well above the average in 'per vehicle' trips making this an exceptionally well patronised part of the network. The statistical comparison is very unrealistic as an assessment of the network as a whole.
4. The travel credit currently provided, topping out at \$60 per week, can be budgeted for much more readily than what you propose. Currently I have been taking the opportunity to use the bus at morning tea and lunch to make short trips. This ensured that the travel costs for the week were met by my travel (morning commute – morning tea – lunch – afternoon commute) on the first two travelling days of the week (usually Monday and Tuesday). Both days the travel cap was met with the first bus-leg of the evening commute. This has ensured that I am paying about \$30 for the travel for the week, with no pressure to travel more or less than I would normally. By changing to the situation where I will pay for every single trip, then get a recompense for my weekly travel, will ensure that, at the least, I am having to pay over \$100 per week for my travel, with the difference being refunded to my card. That requires that I maintain a balance well over \$100 in my account from which the top up occurs, and hope that no unexpected expenses come in during that week that require my balance to fall so low that no failure of the debit occurs. Each of the commute legs will cost, at this point in time using your calculator,  $\$4.50 + \$7.55 + \$4.50 = \$16.5$ , ten times a week is \$165. However, as you have retained the daily cap – although at an increased value of \$18 – the maximum cost will be  $18 \times 5 (= \$80)$  plus the weekend flat fares (an extra \$14.40 if travel on both days). Am I to be given the interest credit for this more than \$25 you hold each week 'on my behalf' given that you can only draw funds from a credit card?

This system you are proposing looks like the quickest way to ensure that you will push a lot of people back off public transport. If you remove 10% of people off the public system you will increase traffic loads on the roads by 10% (they will still need to get to work), on roads that are already choked. It seems like a totally ridiculous outcome and in fact does nothing at all to meet the objectives 2 and 4 of the Ministerial referral. If anything, pushing more traffic onto the roads will reduce the benefits to tax payers of the Opal System as putting more traffic onto the road reduces the capacity of the road network to cope, increases the traffic bus services have to contend with (making them slower still), reduces the overall productivity of the economy (by adding congestion effects that reduce overall opportunity to produce and reduce the capacity of road-based deliveries to be made in a timely, efficient manner). Overall, the process you are suggesting seems like a fantastic way to make

travellers move away from the system, even if most of the funds taken each week are in fact supposedly returned (less any accrued interest of course, which adds further costs to the taxpayer that is the commuter).

5. This increase of \$5 per year equates to an increase of – respectively – 8.3% in July 2016 (more than 4 times CPI index), 7.69% in July 2017 and 7.14% in July 2018. It is surprisingly difficult to justify these increases given the current increase of costs over a year is in the order of 2%. This is a blatant money grab that relates to point 6 of your objectives which, already shown above, are not found in the Ministerial referral.
6. It is not a perverse incentive to make short trips in the start of the week. It was a recognition of the fact that prior to the introduction of Opal there were many travellers who used longer-than-a-week ticket. Myself, I had a yearly. This cost the equivalent of less than \$45 per week. To say that I was a member of a tiny proportion of the fares purchased each week is a perverse use of statistics. If a yearly ticket is only 2% of the weekly ticket purchases then that equates to buying a weekly, each week, for the year. As yearly tickets were more than 2% of the tickets, then they already equated to the same number of weekly purchasers.

Although the weekly was the longest available – and is not available any more – there were certainly others who purchased monthlies (where one is the equivalent to 4 weekly purchasers yet cost less than those 4 weekly tickets by a significant amount) or quarterlies (where one purchaser is the equivalent of 13 weekly-ticket purchasers, and cost less still than the weekly or monthly on a ‘per week use’ equivalent).

If you are going to set the prices as you say then this ticket I will now have to purchase is the equivalent of an increase (from my last annual ticket) of at least 44% in little over a year. That is itself a totally unreasonable price rise that you have imposed on the people who, for economic purposes, have been able to purchase an annual ticket.

7. This scheme is in no way fairer than the current arrangements. It is a much higher grab at funds which is taken to fulfil the discredited and un-requested ‘Objective 6’ of the criteria in section 1.1 of the Executive Summary. Current arrangements are themselves already patently unfair compared to when I was able to but all of my travel throughout the entire Opal Travel Zone for an annual cost that equated to less than \$45 per week. I would accept that the rises are made over that value at a rate reasonably commensurate with CPI increases, nothing like the increases that are being pushed upon me now in an effort to equate it to the most frequently purchased ticket (but not necessarily representative of the majority of travellers, who were travelling on tickets substantially cheaper than that as they lasted for longer. The purchaser took on the risk by buying a longer-period ticket, and your system is now suggesting that in order to not have that risk you will pay an amount more than 44% higher, AFTER the refund for moneys extracted for travel has already been taken (and any interest charged against those amounts is in no way considered as a cot borne by the travelling taxpayer).
8. Your assertion that ‘multi mode customers will pay less than they currently pay’ is only true were the traveller making only a single trip over the entire fare period. Once you have two commutes per day – each of more than \$7.50 – then the traveller is paying more per day, and over the week (the 10 longest trips most likely being the 10 commute trips made each

week), each trip needs to be AT LEAST 50% cheaper to make it equivalent to current travel costs (where they may have been travelling 8 trips at an average cost of \$7.50 per commute).

To be cheaper overall, no commute trip – under a cap of \$65 per week that is refunded following the travel made during the week – should cost more than \$6.50! Any more than this is going to result in more expensive to users of the system, despite the supposed return of funds that are held to the benefit of the Opal company in their funds held and to the disbenefit of the commuting taxpayer in the form of interest charged on funds used to ‘top up’ the travel costs which can only be obtained at the moment through a credit card transaction or by top up at an appropriate site, which then returns to the formation of queues at vending points and top-up sites that the Opal card was specifically intended to reduce.

9. I personally think that your calculation of fare revenues is faulty. The new system where customers must keep a sizeable amount of funds available in their credit card account to allow for ‘top up’ will quickly drive customers who are borderline users away from the system and back onto the roads as single vehicle users. This will increase the congestion costs of the already congested roads and therefore induce a reduction of the return to government of the system.
10. You continue to say ‘multi-mode customers’ will pay less. However, without the fares being at least 20% cheaper than the current take then this is immediately in error. The reason for this statement is that the new model – of the longest 10 trips – immediately makes the travel for an average week 25% more expensive if they do not meet their daily travel cap. For those like myself and the many tens of thousands who do meet our travel cap each day on our return commute ( in my case, before the second leg – the rail leg – of my trip) the fares will need to be even more significantly cheaper than that to ensure that the total cost that can be returned for the trips is realistically little more than \$6.50 per commute to ensure that the 10 trips that are required in a regular week are near to the amount that will be returned to the commuter is not resulting in so much funds existing in the Opal company’s coffers towards the end of each week. They would surely be considering short-term investment of those funds as a way of increasing their own returns, which is not an unreasonable thing to do, but rather reckless for the government to be promoting that opportunity of a company to profiteer off funds that they supposedly hold in our trust.
11. The ‘optimal fare levels’ are obviously taking into account only the running costs of the public Transport system, and not the impact that has on the efficiency of business making use of the roads and the people who have little to no option but to use the roads. Optimal fares in many jurisdictions around the world are considerably less – especially in the United States of America – because the impact of having more travellers on the public transport system – and the reduction of congestion this permits and therefore the increased high-value economic returns of the road network – is weighed up in a ‘whole of region’ assessment, rather than looking at the Public Transport system in isolation of the other transport effects this enhances.
12. Cost recovery of the provision of Opal Services does not take into account the opportunities Opal has to invest and utilise the large pool of funds that they hold for short periods towards the end of every week. This return to a company can be significant, especially when the amount of funds being held could be effectively double the amount of funds that are in

essence kept by the operator each week. In my own case, more than \$100 of my money will be held by the company at the end of the week before they then are obligated to recompense me early the next week. Multiply that by tens of thousands of users and there could be a million dollars at the end of each week with which the company has the opportunity to gamble. Short-term money market players would see this as an opportunity for a significant windfall each week.

13. You are noting that bus, light rail and ferry passengers will be paying about 10% more than now. That equates to a greater than CPI increase over the forward estimates (less than 8% over that period). That seems unreasonable in the current conditions where the CPI is decreasing, as are most other economic indicators.
14. In finding 1 (last paragraph of the Executive Summary) you note that the cost to government is \$859 million over the three year period. I ask you, what would be the cost to government of the need to provide facility to allow current congestion rates to continue should the potential for more customers to return to the road system as the fares – under the pricing scheme being proposed - become unreasonably high? I put it to IPART that the cost of providing this road infrastructure would be well in excess of that value given.
15. Fares for road-based transport seem not to take into account the costs ameliorated of providing the service of reducing traffic on the road as well as the costs incurred of ensuring that the road network is capable of carrying these services. This is especially noted in the situation where bus services are themselves trapped by the congestion of road users and are therefore unable to stay to near to the 'free run time' timetabling that they are expected to operate to at all times of the day.
16. There is equally spare capacity on most bus services outside peak times – and often within peak times – my own bus services are rarely more than 30% capacity. To identify an opportunity to increase patronage on the rail network yet not the rest of the network is unreasonable. Many bus services run near empty especially after the evening peak.
17. A distance measure is difficult to justify in regard to costs when the majority of short journeys occur on services which stop regularly, so increase the costs in the form of slowing and accelerating; of time in that it takes 10 minutes for the express service to cover the same distance as an all-stops service may take well over double that; of relevance to the travellers in that express, long distance services often travel faster than the equivalent single-occupant vehicle user that may originate from the same location then have issues with delay and congestion as is experienced on all roads heading into the CBD in the morning and evening peak periods.
18. In Draft Decision 5, would that be for a tap on and tap off for each mode of transport or for the widest distance between any tap on and tap off as part of a single journey?
19. The road component of bus transport is not factored into the infrastructure cost (in fact, there is no 'infrastructure cost' element in the analysis at the top of page 20. Why is that the case? Surely bus-specific infrastructure (transit ways, passing opportunities at traffic lights,

bus lanes) and the fact that certain infrastructure has to be provided with buses in mind – even though other road users benefit – should be factored into the equivalence of costs. I believe that there are significant differences in peak and off-peak costs for buses, including wait times / congestion, acceleration – deceleration (wear and tear, inefficiency of fuel use) and need to supply excess capacity to account for services unable to maintain schedules as they get caught in traffic and are unable to present for the start of the next run being undertaken by that driver – vehicle combination, none of which exist for a rail system.

20. The people who are likely to travel outside peak will change little from the current, as those who are able to delay travel are those not causing the peak use at this point in time. Most people using the public system to commute have a more defined period of work or education that they must attend. Certainly, without the opportunity to telecommute, there is a requirement to meet certain expectations of the customer / client that mean that the regular work day is not going to change markedly in much the same way it hasn't at any stage since the industrial revolution.
21. If you are going to identify a peak and off peak situation, maybe an allowance of a 'rolling time' at which the changeover occurs is valid. That the off peak comes into play across the whole system at a single point in time makes it quite easy to account for fares, but disadvantages those who have to travel the much greater distance (Emu Plains, Macarthur, Mount Colah) and have an hour of travel than those who can take advantage of it yet are within 10 minutes of their final destination in the CBD. I imagine that if you did several bands of time over which it comes into play that relate to the arrival time of those trains at Central at or about 9 am would be more likely to spread users over a wider period than is currently seen. This is already partly in place with the outer (interurban) services having an earlier time than the entirety of the suburban network. Essentially, scale that across the whole network.
22. The value of longer period tickets is more than just those points in 2.6. The other major advantage was that there was a guaranteed cost of travel. This will no longer be the case with the process you are suggesting. My point 4 above addresses my concerns.
23. 2.6.1 is used to justify 10 trip charges. However, the original paper weekly tickets were the equivalent of just over three days-worth of travel. This is the benchmark that should be considered. The current opal fares are therefore already increasing the take from the traveller in comparison to the paper weekly. And in the case of the My Multi weekly, there was absolutely no restriction on any use of the ticket at any stage. In the case of the My Multi 3 it was effectively the purchase of full access to the entire system for the period of the ticket. This is now totally negated by the recommendations and makes the traveller even more confused as they will be charged for every single trip and then get refunded. It will take only one computer error affecting the recompense for government to make itself liable for a huge negative response from the travelling public.

And that is presuming that the issues I mention in my point 4 above are addressed, in particular the ability to have an apparently unlimited amount of funds available to be drawn

upon for automatic top ups onto the card. This is – without some form of interest payment made for funds held on trust as it were – essentially an unreasonable holding of the commuter’s funds by the Opal card operator.

It is worth noting that in the report, the number of opal card users that travel the required 8 trips as quickly as possible (say, within 3 days) is not given, yet statistics are used to justify any other potential increase in costs. Is this because it is a minuscule number of the opal card users who are undertaking this process which, the then Transport Minister and now Treasurer, recommended that travellers find a way in which they can make the system work to their advantage?!

24. The scheme is not a ‘weekly travel credit scheme’ as much as a means by which the Opal Card operator is given the opportunity – and a sizeable pool of funds – to do with as they please for the period between when a traveller exceeds the value of the weekly cap and when the refund is supplied. There is no restriction on the operator to restrict it such that that they can do with it whatever they will. It remains much fairer on the person travelling and supplying funds to not be charged any more once they reach the value of that travel cost cap as then there is no advantage to the government of holding those funds and no potential disadvantage to the traveller in having the situation arise where they cannot effectively budget for their travel costs – especially in a non-pay week.
25. The travel credit from the first week is available in subsequent weeks, but it remains such that the cost of travel for a sizeable number of people cannot be forecast. This is particularly the case for the large number of casual workers (a group that continues to enlarge) and may not know what travel they need to take, and will not be paid for the work they undertake that requires that travel until well after. At least be ensuring that there is a cost cap – and then no further funds will be charged to the card – means that the maximum travel costs can be budgeted for, and no potential for a significantly large amount of travel-induced costs that cannot be budgeted for – or indeed funded – can arise. It is very much appearing as a ‘money grab’ by the operator – and the government – when funds above the maximum amount that will be charged are taken with the intent (but absolutely no guarantee) that it will be refunded. Your ‘box 2.3’ relies upon the user being a regularly employed person working in regular, budgetable employment. It seriously disadvantages those who do not have regular work or whose work may require sporadic use of public transport to move around between work places etc. such as attending to meetings, making deliveries etc.
26. Your modelling of how customer behaviour could change is farcical. Regular employees do not have this ability to modify their travel plans, as typically they depend on many other factors (such as child caring arrangements, employer expectations, client expectations). Get in to the real world!

I trust that these items are considered.

Greg Steenbeeke