

SUBMISSION TO
Independent Pricing and Regulatory Tribunal

IN RESPONSE TO
More efficient, more integrated Opal Fares
Draft Report (Dec 2015)

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1.0 Response Summary

The Independent Pricing and Regulatory Tribunal (IPART) is conducting a major review of public transport fares in Sydney and surrounding areas and has issued a draft report in December 2015. The report included 11 Draft Decisions, 6 Draft Recommendations and 1 Finding.

I have reviewed the report and carefully considered its implications. My submission seeks to address the following issues raised in the report:

Positive Developments

- Integrated fares for multi-mode journeys
- Ending of free travel after first eight Opal journeys
- Introduction of lower cap for Saturday

Negative Developments

- Increasing weekly cap from 8 journeys to 10 journeys
- Weekly Travel Credit System
- Substantial Increase to Sunday Daily Cap
- Extremely Complicated Fare System

2.0 Positive Developments

2.1 Integrated fares for multi-mode journeys

It is an extremely positive development to see that NSW Public Transport fares will finally be integrated to ensure that people who take more than one mode of transport would not be penalised.

This has long been a problem for travellers who have previously been forced to take longer trips or drive to stations/stops to avoid paying twice. This would promote travellers to use public transport more efficiently

2.2 Ending of free travel after first eight Opal journeys

I agree with the IPART report that there is a need to end the scheme where free travel applies after the first 8 opal journeys as the current scheme creates a "perverse incentive for customers to make unnecessary short trips early in the week to qualify for the frequency discount and then travel for free the rest of the week."

The removal of this incentive will ensure customers who use the transport system pay a fairer share of the transport costs.

2.3 Saturday Cap

The Draft Report proposes to introduce a Saturday Cap which I believe is a positive development. Typically public transport on Saturday have significant capacity available and by reducing fares will attract increased utilisation of public transport.

3.0 Negative Developments

The Draft Report states that paper based periodical tickets were introduced to reduce queuing at ticket machines and lower administrative costs. My opinion is that the introduction of periodical tickets was not to lower administrative costs but to:

- ensure customers who were required to frequently take public transport could travel affordably and did not have travel costs which created an extraordinary burden on family budgets and
- increase and promote the use of public transport which provides greater improvement to environment and reduces traffic congestion

3.1 Significant Fare Increase for Frequent Users (Not a Fairer System)

The Draft Report confirms that around 40% of Opal users utilise public transport more than 8 times per week. As the Draft Report confirms, the proposed fare structure would increase the fares for these users by up to 33% mainly due to the increase of journey cap from 8 to 10 journeys.

For example, an Opal user who lives at Hurstville and travels by peak-hour rail to Town Hall for work Monday-Friday will face significant fare increase of over 41%

Current System	Draft Report System
8 journeys of Hurstville to City (10-20km)	10 journeys of Hurstville to City (15-24km)
Cost: \$33.60	Cost: \$47.40
	Increase of \$13.80 or 41%

The Draft Report opinions that "More than 40% of rail customers would be paying less than they are paying now" based on the assumption that most people will move some journeys to off-peak. I do not believe that is a valid argument because the current "off-peak system" already applies to rail and there is no reason to believe that people have the capability to further change their travel patterns. Most people would, if they could, travel outside peak times already due to the higher peak prices and the crowding during peak hours.

Thus it is likely that regular rail users will face a significant increase in fares to subsidise lower single journey tickets. This is NOT a fairer system.

The weekly cap system was designed to ensure that certain customers (particularly low income/ no income) customers do not face an unfair burden in paying for public transport. Unfortunately it is not possible means test public transport fares and thus a weekly cap system sought to mitigate the impact.

Continuing my example above if a family of 4 with single income all went to school/study/work 5 days a week they would be facing a fare increase of 41% which would translate to \$2,870.40 per annum ($\$13.80 \times 4 \text{ persons} \times 52 \text{ weeks}$) or approx. 10% of minimum wage for a single income family.

It is fair for infrequent users to pay more because the impact of the fare on their income is lower. If the same family travelled on public transport once a week, a 41% increase would only result in an increase in fares of \$354.76 per annum ($\$4.16 \times 41\% \times 2 \text{ journeys} \times 4 \text{ people} \times 52 \text{ weeks}$) or approximately 1% of minimum wage. Clearly the impact of an increase on infrequent users is much lower than frequent users.

Therefore by increasing the journey cap to 10 journeys will place a much higher burden on an average family who travels more than another family who travels less due to the amount of money which is spent on public transport.

I propose keeping the journey cap at 8 to avoid the unfair burden which would be placed on frequent users if the cap was raised to 10.

3.2 Eight Journey Cap Does Achieve Its Purpose

The promotion of public transport has been a long held government initiative demonstrated by the recent announcements to spending in public transport. However the new fare system could significantly derail these government initiatives.

The current system promotes customers who are in full-time employment to take public transport throughout the week by allowing customers who travel 5 days a week to only pay for 8 journeys.

The draft report states that "the current frequency discount, they receive free travel for at least two journeys that they would have made even if this discount did not apply".

I would disagree with this assertion as the 10 journey cap would promote customers to drive to work on some days as they no longer receive any benefit from taking public transport every day of the week.

In fact, if a couple who worked full time would save \$16.64 per day ($\$4.16 \times 2 \text{ people} \times 2 \text{ journeys}$) by driving to work one day a week. This would generally be sufficient to cover fuel costs and early-bird parking fees in the CBD. If outside the CBD or free parking is available then substantial discount would result to commuters who chose to drive.

The 10 journey cap would thereby incentivise customers to drive whenever they have the opportunity to as there is no benefit to them if they took public transport throughout the week.

3.3 - Large Fare Increase Due to Change in Weekly Cap Discourages Public Transport

As the Draft Report confirms, the proposed fare structure would increase the fares for the regular users by up to 33%. Such a fare increase will definitely result in frequent users considering abandoning public transport in favour of driving to work.

Utilising my example in Section 1, a couple of two's weekly travel expenses would increase by 41% from \$67.20/week to \$94.80/week. It would be definitely be cheaper to drive to work if a couple was made to pay \$94.80/week for public transport. Driving to work would cost approximately \$80/week assuming a CBD weekly parking cost of \$50 and fuel costs of \$20-\$30. This is particularly true as the car itself is "cost-less" as most families already own a car and do not pay more for the car merely because of driving it to work.

Therefore the change in the weekly cap could be detrimental to public transport and force customers to drive to work. Increasing the cost of public transport does not necessarily increase the proportion of "cost recovery" as the increased costs would result in lower patronage and possibly cause a reduction in overall revenue.

3.4 Complex System of Weekly Travel Credit

The Draft Report proposes that the frequency discount and weekly price cap would be replaced with a more efficient weekly travel credit scheme. I believe the weekly travel credit scheme is extremely complicated and constantly requires users to have a large amount of money loaded into my Opal card.

For example if a user went to work 5 days a week, regularly travelled at other times for lunch/work/school purposes and used public transport during weekends it could easily reach the \$65 weekly cap. This means the user would be required to have at least \$65 even if the final travel cost for the week was actually \$35. This would essentially mean the user would constantly have \$30 of "useless" credit just to satisfy the "weekly travel credit scheme". This could result in allocating close to \$100 for weekly travel (ie \$65 for weekly cap + \$40 minimum automatic top up amount) even though weekly travel is just \$35.

Such a complicated system would also be detrimental to visitors as they will be required to load \$65 to travel during the week but realistically have no way of obtaining their "refunded" travel credit back. This means that visitors are forced to pay for travel which they didn't use. In fact there is currently no feasible way for visitors to get refunds on their remaining credit. The current system requires a foreign visitor to apply for refund via mail which will then be deposited into an Australian bank account or via cheque. Obviously visitors will not have an Australian Bank Account. For a visitor, the cost of mailing in the refund request and the bank fees to deposit a foreign currency cheque issued by a foreign bank results in practically So being refunded.

An alternative simpler system would be (assuming an 8 journey weekly cap) to

1. Debit the cost for first 8 journeys
2. For each subsequent journey which is more than the cheapest paid journey, deduct the difference between the current journey cost and the cheapest paid journey.

("charge for difference of higher fare" system)

This "charge for difference of higher fare" system would mean that only what is required will be deducted to Opal Card and avoid unnecessary amounts being deducted and then refunded later.

3.5 Substantial Increase to Sunday Daily Cap

The Draft Report proposes increasing the Sunday Daily Cap from the current \$2.50 to \$7.20 which represents an increase of 188%. This would definitely serve as a disincentive for people to utilise public transport on a day which has been traditionally difficult to incentivise customers onto public transport.

Utilising an example of a family of four (2 adults and 2 concessions), the proposed increase would increase the Sunday cap from \$10 to \$25.20 which means that driving would essentially result in a similar cost. This would not achieve the aim of the Sunday cap which is to target families to take public transport.

Increasing the cost of public transport does not necessarily increase the proportion of "cost recovery" as the increased costs would result in lower patronage and possibly cause a reduction in overall revenue.

There is a need to promote public transport during weekends as public transport is generally not at capacity during Saturdays and Sundays. As public transport already operates during weekends, any increase in patronage would not materially increase costs (as no extra services need to be provided given the low utilisation and existing capacity available).

3.6 Extremely Complex Fare System

The proposed fare system has over 100 different fares with "daily cap", "weekly cap", "weekend discounts". This represents an extremely complicated system even for customers living in NSW let alone customers from overseas.

Cities like London and Melbourne have "zone" systems which enables users to easily determine the fare and should be a consideration which NSW should adopt.

Many countries and cities around the world who have electronic ticketing systems have been able to provide simple weekly travel tickets (ie. London, Berlin etc). I see no reason why this could not be implemented in NSW and we have to resort to such a complicated fare system.

4.0 Conclusion

It is important to ensure the "cost recovery" of public transport system be achieved under a fair method and that promotion of public transport not be sacrificed for increased revenue.

To achieve this purpose I recommend:

- Retaining the existing cap of 8 journeys
- Utilising a "charge for difference of higher fare" system to deduct higher fares rather than the proposed Weekly Travel Credit System
- Smaller increase to Sunday Daily Cap
- Consideration be given to simplifying the fare system by using "zones" and periodical tickets.