

Review of Public Transport Fares

Independent Pricing and Regulatory Tribunal

PO Box K35,

Haymarket Post Shop NSW 1240

12 January 2016

Dear Sir/Madam

I am writing in response to your review of public transport fares in Sydney and surrounding areas.

I note that the objectives of the draft determination are to develop a package of fares and fare arrangements that balances the following criteria:

1. encourages the efficient use of public transport
2. promotes the efficient delivery of public transport
3. encourages greater use of public transport
4. minimises impacts on customers
5. is logical, predictable and stable over time, and
6. increases farebox revenue or cost recovery.

My main objections to the proposed determination relate to single rail journeys and discounts for frequent travellers.

**Draft Adult Opal fares – single rail journeys in peak periods**

Your draft determination has proposed changes to single Opal train fares from July 2016. These changes affect the monetary fare from July 2016 to July 2018 as well as changes to the distance bands. This is set out in table 1.1 of your report.

I note that a small discount is being offered in the first year of the determination. However, the proposed fare increase for the two outer years are significant and for some of the shorter journeys

represent increases of around 7 per cent per annum. It would seem that the objective to increase fare revenue overrides the objective to minimise the impacts on customers.

More significantly is the changes to the distance bands. Customers in these bands will face even greater fare increases as the find their 'normal' journeys will from July 2016 have moved into the next fare band. These changes could provide incentives for these customers to engage in practices to evade fares or minimise the fare paid.

A fairer system would be to introduce an transitional fare arrangement for those affected which would minimise the overall fare increase say for two years. As such customers travelling 15 to 20 kms might face a fare increase from July 2016 from \$4.20 to say \$4.50 and customers travelling 25 to 35kms have their July 2016 fare increased from \$4.82 to \$5.25 etc. This approach will still provide an increase in fare revenue relative to the current fares (as per objective 6) but soften the fare increase for these customers, consistent with objective 4 of your determination.

**Table 1.1 Draft Adult Opal fares – single rail journeys in peak periods (\$ nominal)**

Current distance bands	Current fares	Draft distance bands	Draft fares from		
			July 2016	July 2017	July 2018
Route distance (km)	2015	Longest straight-line distance between any tap on and tap off points (km)			
0-10	\$3.38	0 to less than 3	3.30	3.38	3.46
		3 to less than 8	3.36	3.62	3.88
10-20	\$4.20	8 to less than 15	4.16	4.33	4.50
20-35	\$4.82	15 to less than 25	4.74	5.06	5.39
35-65	\$6.46	25 to less than 35	5.70	6.06	6.43
65+	\$8.30	35 to less than 45	6.24	6.86	7.47
		45 to less than 65	7.55	8.29	9.03
		65 to less than 85	8.87	9.99	11.12
		85 to less than 100	9.96	11.45	12.94
		100+	10.86	12.55	14.24

### Discounts for frequent customers

The draft determination proposes to remove the perverse incentive of customers taking unnecessary short trips early in the week to qualify for the frequency discount.

However, I only partially agree with the approach being proposed, to charge all fares during the week, minus the cost of their 10 most expensive journeys in that week. I **disagree** that the discount threshold has been increased from 8 to 10 trips in a week.

The increase to 10 trips is counter to the objectives of the draft determination in relation to the objectives to minimise impacts on customers, and being logical, predictable and stable over time. Specifically, the basis of the 8 trip threshold was based on the historic costing of weekly paper tickets. To increase the threshold to 10 would be a break from this long term arrangement and could remove the incentive to use public transport. The small fare decreases offered in the first year do

not compensate frequent travellers from the proposed change. Also a number of customers only use public transport for work (Mondays to Fridays) and therefore would lose the benefit of one day's free travel.

In addition, the increase to a 10 trip threshold could also be counter to the objective to increase revenue or cost recovery as it could increase the incidence of or incentive to engage in fare evasion.

Thank you for your consideration of my submission and I would be happy to discuss any points in more detail if you require clarification.

Yours faithfully

Natasha Lee JP