

Submission to IPART on Issues Paper “Finding the best fare structure for Opal”

While many aspects of the Opal card system have been successfully implemented, its impact has been affected by lack of a proper review of the fare structure. The current IPART review is therefore welcome.

There are many anomalies in the current fare structure:

- When Opal was introduced, the discrete fare structures for trains, buses, light rail and ferries were substantially kept as they were, with little commonality in fare band ("sections") or prices. Off peak fares are available for trains, but not other modes.
- If a journey involves a transfer, the passenger pays separately for each mode, but only one fare if there is no mode change. There appears to be no justification for charging an additional cost for mode transfers. This has been highlighted by the Eastern Suburbs Light Rail project, where exceptions will be made for commuters who currently use a bus only to reach the CBD, but now must change to the Light Rail. Why make an exception for this group and not for the many other commuters who are already required to make mode transfers?
- Weekly, monthly and annual travel passes are not available under Opal - this is in contrast with overseas practice, especially continental Europe, where such passes are heavily discounted and are the dominant fare type. There is a weekly cap for Opal cards of \$60 per week, but the underlying structure is "pay for what you use". This encourages people to ration their public transport travel, which is not a desirable outcome if the policy objective is to achieve mode shift from private cars to public transport.
- Although service hours (or service kilometres) are the principal driver of costs in public transport, long distance travel is curiously cheap compared to short trips under Opal. The off peak fare for the 165 kilometre train ride from Newcastle to Sydney time is \$5.81. Anywhere else in the world, this trip would be treated as an intercity journey, not a metropolitan transit ride.
- There is probably no other city in the world which offers the generous concessions for pensioners in New South Wales. An all day pass to go anywhere for Opal Senior/Pensioner ticketholders is \$2.50, compared to the full fare daily cap of \$15. The \$2.50 all day go anywhere pass has been extended under Opal to **all** passengers on Sundays. In the case of ferries, Sunday is the day with highest demand, so the logic of offering such substantial discounts for Sunday travel is not clear.

Comments on Issues Paper

General

The first matter specified in the referral to IPART by the NSW Government is an extremely important one, which IPART should consider very carefully:

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

It implies that the policy objective is to reduce the overall cost of the public transport network, which is not the same as treating each route, or even each mode, as separate profit centres. Establishing a simpler, integrated, mode neutral fare structure is likely to lead to an increase in use of public transport and less demand for private car travel.

Sydney's public transport network is characterised by low farebox recovery and low mode share compared to other equivalent cities in advanced economies. It is strongly recommended that IPART examines the approaches taken in continental European cities, such as Zurich, Munich, Berlin and Vienna, which enjoy both high farebox recovery rates and high public transport mode share. In each case, this is achieved by taking a whole of network approach to public transport planning so that a high percentage of residents have access to a network that connects them to where they need to go, at a time that suits them. This is supported by widespread use of periodical tickets (weekly, monthly and annual passes), which offer very substantial discounts over single trip tickets and encourages users to use public transport for trips which, in Sydney, are more likely to be made by private car, because **the "pay as you go" Opal card encourages rationing of public transport travel.**

IPART's proposed approach to the review

1 Do you agree with our proposed assessment criteria for the review? Which ones do you think are the most important and why?

The issues paper proposes the following criteria to assess selected options for fare structure and fare levels:

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 passengers
5. is logical, predictable and stable over time, and
6. increases farebox revenue or cost recovery.

Items 3-6 are appropriate, but items 1 and 2 imply an unrealistic picture of the public transport "market". The design of the public transport network is determined by the NSW Government, on advice from Transport for NSW. Neither the operators nor passengers decide how the networks are structured, which modes operate in which corridors, service frequencies or the level of connectivity between lines in the network. These are all determined as part of the policy process by government.

Because this is the case, passengers actually have very little choice about which mode of public transport to use and it is not realistic to suggest

"fares can encourage efficient use by encouraging people to:

- Make more efficient choices between private transport (driving a car) and public transport...
- Make more efficient choices between different modes of public transport...
- Make more efficient choices about the time of day they travel"

People use cars often because there has been a policy decision not to offer public transport that meets their needs; the mode of public transport they use is the only one available to them – there is no choice available; and people do not necessarily have a choice about the time they need to travel.

2. Should there be a higher level of fare integration across modes? Opal provides an integrated ticket but still charges different fares for different modes of transport. Do you see value in also making fares more integrated?

The IPART draft review earlier this year on the external benefits of public transport provided little support for the need to differentiate public transport fares on the basis of mode. The report provided the estimates of external benefits as a range of values (Table 1.1 on page 8). For trains and buses, the range is 12 to 20 cents per passenger km. For ferries it is 1 to 20 cents per passenger km.

As the data is presented in a range, and if IPART was applying normal statistical standards to its work, then the true value of ferry external benefit could be one cent per passenger km, or 21 cents, or anywhere in between. No value between one and 21 is more likely than another.

This means the external benefits of ferries could be twice as high as buses and trains or they could be as little as one twentieth.

Cost information published by the NSW Auditor General suggests also that operational costs, if based on cost per passenger km, do not vary significantly between trains, buses and ferries.

If there is such a high level of uncertainty about the external benefits of individual modes, even when limited to so called “measurable external benefits”, one would have to question whether making a distinction based on mode serves any purpose at all, other than to make fare structures much more complicated than they need to be.

3 There are many different options for increasing fare integration. They range from further integration for multi-leg journeys, which retains mode-specific fares but puts measures in place to remove penalties for switching modes, to full integration where fares do not differ by mode of transport, or by the number of trips made in each journey. Which of these options do you support and why?

There is ample evidence in world practice in public transport planning that transfers are a necessary element of network design, if they are to operate efficiently and maximise the number of origin-destination pairs which are conveniently accessible by users. Applying a fare penalty to travellers because their journey necessarily involves a transfer between modes, is very poor policy.

4 If you support full fare integration, would you continue to support it if it meant that fares for some journeys, in particular, single mode journeys made in the peak had to rise? Why or why not?

This question implies an assumption that, overall, a greater cost is incurred by transport operators if passengers must make transfers. The overwhelming world evidence is that well connected networks with high levels of transfers are more efficient and overall achieve higher farebox recovery than poorly connected networks. As the premise in the question is incorrect, there is actually no need to increase peak fares for single mode journeys.

5 Sydney currently has a fairly flat distance based structure, with fares not increasing substantially over distance travelled, and not at all beyond the first 65 km for rail trips and 8 km for bus trips. Increasing fares for longer distance journeys would allow fares for shorter distance journeys to be lower. Is this something you would support?

Fares should be more closely related to distance travelled, as it is distance travelled (or time travelled) which is the main driver of cost, not mode.

6 A distance based fare structure that is based on kilometres travelled, rather than grouping the distance travelled into bands would remove the fare advantages/ disadvantages that currently apply to people who live or work near fare boundaries. This has the potential to help alleviate problems with parking at some stations and would be more equitable. However, it would also be more difficult for passengers to estimate their fare in advance. Which of these is more important to you?

A zonal system of some kind, similar to what is done in continental Europe, is easiest to understand.

13 Does the weekly travel reward (free trips after you pay for the first eight journeys) encourage you to use more public transport than you would otherwise? Are you more likely to make shorter bus or light rail journeys early in the week in order to access the discount sooner?

The weekly travel rewards should be replaced by options for weekly, monthly and annual “go anywhere” passes, similar to those available for Oyster card users in London. The passes should offer substantial discounts, as occurs in cities in continental Europe. This will reduce the tendency for Opal card users to ration their use of public transport.

14 Would you support discounted fares on more services (eg, a \$2.50 daily cap for rail, bus and light rail travel on Saturdays and Sundays) if that meant that you were unable to use free trips during peak times?

No. The \$2.50 cap for Sunday travel should be discontinued. In the case of ferries, it encourages excess demand on a day when there is already high demand for ferry travel.

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