



**NRMA Submission to the Independent
Pricing and Regulatory Authority Review of
Public Transport Fares**

February 2016

About the National Roads & Motorists' Association

The NRMA comprises almost 2.4 million members in NSW and the ACT. For more than 90 years, NRMA has represented the interests of its Members in relation to transport and a range of other relevant public policy issues. NRMA's Members use modes of transport including roads, public transport and walking and cycling networks and that's why we fight for both better roads and better public transport facilities.

NRMA views an efficient, attractive and convenient public transport system as complementary to a functional road network. Pricing decisions made around public transport have an impact on our roads and vice versa.

Introductory remarks

The National Roads & Motorists' Association (NRMA) welcomes the opportunity to comment on IPART's Review of Public Transport Fares draft report to the NSW Government.

The NRMA holds significant concerns over the proposed changes to fares, which will add 23 per cent to the fares of the average Monday to Friday train commuter from July 2016 and around 40 per cent from July 2018, in comparison to what they currently pay.¹ In some areas, commuters will face an overnight increase of 48 per cent on their weekly commuting costs, and up to 67 per cent over the review period.²

The NRMA is particularly concerned that the proposed changes to the frequent travel rewards and proposed weekend travel caps for Opal users will create a price signal that discourages weekend public transport use, effectively inducing weekend traffic congestion. At a time when Sydney residents are being warned of disruption to the road network due to construction of major projects and encouraged to use public transport – particularly to access the Sydney CBD – this price signal is completely at odds with the NSW Government's transport priorities and the "Tomorrow's Sydney" public awareness campaign.

After being encouraged onto the Opal ticketing system with the promise of cheaper fares, many customers now facing significant cost increases will view these proposals with a degree of cynicism, particularly those regular commuters who formerly purchased monthly, quarterly and annual tickets.

Previous IPART reviews of the Opal Card fare structure have discussed issues such as cost efficiency of services and the trade-offs that are required to address anomalies in the current fare structure and place fare revenue on a more sustainable footing. The NRMA acknowledges these issues, and the growing pressure faced by the NSW Government to meet a number of spending priorities other than transport services. However, we do not believe that these funding challenges are so urgent as to justify imposing such sudden and drastic increases in the cost of commuting for so many transport customers, as proposed by IPART.

NRMA believes that a generous frequent travel reward scheme can be maintained with more modest annual increases in single fares spread over a longer period than the three-year determination period.

¹ Based on the average increase in weekly fares for commuters to Town Hall station from the median fare band (15-25km).

² Calculation is for the weekly costs for five day per week commuters between Toongabbie, Warwick Farm, Engadine, Holsworthy, Mount Kuring-gai and Town Hall Station.

Further, we believe that other cost-saving and revenue-generating measures must play a role in meeting the Government's cost recovery target. Notwithstanding IPART's role as a price-setter and limitations in considering other factors, NRMA is concerned that customers appear to be bearing a disproportionate burden in the absence of public discussion around the full range of measures that can be deployed to improve the cost-efficiency of public transport services.

Comments on draft decisions, recommendations and findings

Draft decisions

3. Adult Opal fares for single rail journeys in peak periods, single bus and light rail journeys, single Sydney Ferries and single Stockton Ferry journeys are set out in Tables 1.1 to 1.4.

The reviewed fare bands for trains, based on longest straight line distance between tap-on and tap-off points is supported. This will make fare calculations consistent between all modes. Expanding the previous five fare bands to 10 provides a more rational fare which will reflect the additional operating cost of longer distance services.

Across all modes, the proposed changes to single fares are above CPI for the review period. While it is true that a number of customers will pay less in the first year, proportionately these savings are minute in comparison to the additional costs to be faced by regular Monday to Friday commuters. NRMA therefore regards IPART's claims of cheaper fares for 96 per cent of single journeys to be misleading.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.

NRMA supports differential pricing to optimise increasingly limited peak capacity. Off-peak discounts for Opal train customers have proven effective, with a noticeable change in behaviour observed at many stations around the network.⁴ We believe that optimal pricing for off-peak transport is one of a number of measures that is required to get the most out of our finite infrastructure capacity.

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

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:

- the customer's total expenditure on Adult Opal fares in the week minus the cost of the 10 most expensive journeys taken during the week, or
- the customer's total expenditure on Adult Opal fares in a week minus the weekly cap amount.

NRMA notes that, of all draft decisions and recommendations, these proposals will have the greatest impact on regular commuters across the transport network. Many customers who currently benefit from the eight journey free trip threshold may accept that the incentive scheme could be scaled

³ Based on analysis of proposed increases to single fares for all modes to take effect between July 2016 and July 2018.

⁴ Sydney Morning Herald, August 19, 2011. *Opal card: How to beat it and who is using it the most on Sydney trains, buses and ferries* www.smh.com.au/nsw/opal-card-how-to-beat-it-and-who-is-using-it-the-most-on-sydney-trains-buses-and-ferries-20150818-gj1nsm.html

back to improve cost recovery, however the magnitude of the increases for five day per week commuters is simply unacceptable.

For example, the potential increases in the cost of commuting from a selection of locations across the Opal network to the Sydney CBD are outlined below:

Table: Current vs proposed weekly travel costs from selected locations to the Sydney CBD

Station/ Location	Current	July 2016	% increase	July 2017	% increase	July 2018	% increase	% increase current-2018
Stanmore	\$27.04	\$33.60	24%	\$36.20	8%	\$38.80	7%	43.5%
Auburn	\$38.56	\$47.40	23%	\$50.60	7%	\$53.90	7%	40%
Holsworthy	\$38.56	\$57.00	48%	\$60.60	6%	\$64.30	6%	67%
Castle Hill (bus)	\$36.00	\$46.90	30%	\$49.90	6%	\$52.90	6%	47%
Dee Why (bus)	\$36.00	\$41.10	14%	\$43.80	7%	\$46.50	6%	29%
Manly (ferry)	\$57.44	\$63.60	11%	\$70.00	10%	\$75.00	7%	31%

Some of the hardest hit Monday to Friday commuters will be in Sydney’s outer suburbs with increases of \$18.44 per week in Toongabbie, Warwick Farm and Engadine; \$13.80 in Punchbowl; and \$13.32 in Penrith and Richmond. Put into perspective with other significant cost of living increases, a 0.25% increase in interest rates on a mortgage of \$400,000 will cost approximately \$13 per week⁵ and the former carbon tax was estimated to cost \$10.57 per week, per household.⁶

The NSW Auditor General’s report on Transport for NSW service delivery and performance notes that approximately \$189 million worth of free journeys were taken using Opal Cards in 2014-15, which has no doubt continued to increase. This cost is significant, however it is important to recognise there are benefits in encouraging frequent public transport use, particularly on weekends when road congestion is now often worse than weekday peak traffic. In this regard, NRMA believes that IPART has placed too much emphasis on the “perverse incentives” created by Opal travel rewards rather than the non-monetary, city-wide benefits of an attractive travel rewards scheme.

The NRMA acknowledges that existing frequent travel rewards are generous and create a structural deficit in fare revenue. There is scope to recoup more revenue from fares and to close existing loopholes that allow willing customers to game the system. However our preference is for travel rewards to be scaled back more moderately and gradually in combination with other cost-saving and revenue-generating measures.

Under this approach, it may be possible to keep a more attractive frequent travel incentive that reduces the impost on regular commuters and provides a more attractive incentive to use public transport instead of driving, particularly on weekends.

Alternative options

NRMA calls on IPART to consider a longer period of time to achieve its “efficient cost recovery” benchmarks than the three-year determination period. This would allow for the imposition of a

⁵ Calculation based on an interest rate increase from 4.25% to 4.5%. Source: ASIC Moneysmart Mortgage Calculator.

⁶ Based on treasury modelling for 2015-15. Source: Australian Department of the Environment: *Repealing the Carbon Tax*. <https://www.environment.gov.au/climate-change/repealing-carbon-tax>

series of more modest annual single fare increases and the retention of a travel rewards scheme that provides incentives for more weekend public transport patronage.

NRMA also calls on IPART to provide modelling on the cost, revenue and travel demand impact of the following alternatives to the proposed travel credit scheme:

- A 9 journey free trip threshold to replace the current 8 journey threshold
- A 10 journey free trip threshold
- Customers to pay for the 8 most expensive journeys in a given week
- Customers to pay for the 9 most expensive journeys in a given 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.

NRMA notes that these proposed changes to the weekly cap are well above inflation. As mentioned previously, some customers may concede that fare increases above CPI are necessary in light of the apparent funding challenges faced by government, but many more will find consecutive large fare increases unacceptable. Introducing these changes over a six-year period would mean annual increases of 4.2 per cent (rather than the proposed increases of between 7 and 8.5 per cent), which may be easier to bear for the customers who already pay the highest per week commuting costs.

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

For customer convenience and containing operating costs, it is clearly preferable to encourage as many customers to use Opal as possible. If this recommendation is to be adopted, it is vital that purchasing and topping up Opal Cards is made as accessible and user-friendly as possible. Tourists also need to have an option to refund their Opal balance as they leave NSW for their next destination, as is available with London's Oyster Card.

Draft Recommendations

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.

NRMA notes that the tripling of the current Sunday Funday fare offer will provide a substantial and immediate disincentive for families to take public transport rather than drive for outings on Sundays. In addition to changes to the frequent travel rewards, the proposed weekend fare caps are likely to reduce demand for weekend public transport services. NRMA is concerned that, this being the case, Transport for NSW may seek to cut weekend services to save costs, rather than stimulate demand through fare incentives.

We support the review of these proposals to monitor customers' response, however we encourage IPART and the NSW Government to examine, as part of this review process, factors such as road congestion (particularly on Saturdays) as well as the impact of weekend public transport patronage on major tourism precincts that are accessed by public transport – for example increased demand for ferry travel has substantial benefits for the local economy in areas such as Manly and Watsons Bay.

We also urge the NSW Government to consider the impact of the proposed changes to travel rewards on weekend public transport patronage, as well as weekend traffic congestion and parking demand around major weekend destinations as part of this review process.

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

The NRMA notes that this proposal has been the subject of some controversy among seniors' groups across NSW. This proposal places those with a Seniors Card who are not pensioners alongside students, the unemployed and other concession-eligible members of the community. In terms of capacity to pay for services, we believe this is a fair outcome.

As a further consideration, the NRMA believes further off-peak discounts could be offered to Concession Opal Card holders. This could help to rationalise capacity on peak services by stimulating demand for under-utilised shoulder and off-peak services. It would also serve to compensate self-funded retirees and others who may no longer qualify for a Gold Opal Card, many of whom will feel aggrieved by this proposal.

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).

The NRMA believes Gold Opal fares should be free for off-peak public transport services. Free off-peak transport for seniors has proven a huge success in Adelaide, with a recent study finding that the policy has provided for enhanced engagement in the community for senior citizens. More than 150,000 free trips are taken per week, with the majority being for volunteering, civic and social engagements.⁷ The NRMA strongly believes these activities are vital to ensure healthy lifestyles for seniors and to maximise their contribution to the community.

IPART should consider a similar policy as both a demand management mechanism for transport services and as a means of achieving positive outcomes in health and ageing policy. The cost of this proposal must be considered alongside benefits and savings in other policy portfolios.

Additionally, there has been a great deal of discussion about older driver licencing issues. Recently this discussion has focussed on how and when older drivers should give up their licence.

A significant barrier to older drivers making the decision not to drive is unfamiliarity with public transport. Increasing the cost of public transport for this group is likely to create a major disincentive for them to become familiar with public transport. This could result in some older drivers unnecessarily delaying making a decision about whether or not to continue driving.

Findings

1. That operating cost inefficiencies will cost the NSW Government \$859 million over the determination period, with rail, STA and outer metro buses, Sydney Ferries and Stockton Ferries all costing more to operate than a benchmark efficient operator.

The NRMA recognises the costs involved with providing public transport services, and the relative inefficiency of NSW services compared to some other jurisdictions.

Notwithstanding the limited role of IPART in determining fares for end users, NRMA is deeply concerned that too much responsibility for improving public transport cost efficiency is being placed on customers. In the absence of an open discussion of the full range of measures that can achieve

⁷ University of Adelaide media release: *Free public transport critical for seniors' wellbeing*, Monday 11 January 2016

efficiency gains, the commuting public may justifiably view the many of the proposed fare changes as unsubstantiated revenue seeking.

It is noteworthy that the draft report compares the cost efficiency of Sydney Trains with Melbourne's Metro Trains service. What the report does not mention is the comparative fares for Melbourne transport customers using the Myki ticketing system: maximum single fares are \$3.90 with a daily cap of \$7.80; a weekly fare pass (network-wide, all modes) is available for \$39; and an annual pass (network-wide, all modes) is available for \$1520. All of these fares are significantly lower than comparable fares on the Opal system.

It is true that the Melbourne transport network is different to Sydney's in a number of ways. However, such large differences in fares between the two cities suggests that measures other than fare increases can be implemented to achieve the desired efficiency gains.

The NRMA calls on the NSW Government to explore the full range of efficiency gains (e.g. operational, administrative and contractual arrangements) that can be implemented to improve the ratio of revenue to public subsidy. Ideally, a number of these options would be implemented in combination with more modest fare reforms to mitigate the substantial impost on customers as proposed in IPART's draft recommendations.

Other recommendations

Opal refunds for avoidable delays and disruptions

NSW commuters have little recourse when 'avoidable' incidents such as equipment failure or poor planning and decision making result in delays. This means the monopoly providers of these services have little incentive to minimise the length of delays and get commuters moving as quickly as possible. A financial sanction (forgone fare revenue) in such circumstances would drive improvement and innovation in dealing with avoidable issues that cause delay.

On January 5 2015, North Shore bus commuters were delayed by over two hours during the morning peak due to an outage in traffic signals caused by preparatory works for the Sydney light rail project. This was compounded when bus drivers were not permitted to leave the marked bus lane and enter general traffic lanes, which were moving freely. It was later acknowledged that cause of the delay was avoidable and the response to manage the incident was inadequate. Those passengers should have been entitled to a fare rebate.

Other monopoly service providers such as water and electricity utilities are required to provide rebates to customers on a predetermined formula in certain instances of service interruption or poor service. For example, the *Sydney Water Customer Contract* includes a variety of rebates ranging from a 10 per cent discount on quarterly water rates for unsatisfactory water pressure to a 100 per cent rebate on annual rates for three or more unplanned water service interruptions lasting more than an hour over the course of a year.⁸

Transport for London (TfL) has recently introduced refunds for customers who have experienced delays that are deemed to be the fault of the transport operator. Single fares are refunded in full to

⁸ Sydney Water Customer Contract. Viewed 13/8/2015 at:
http://www.sydneywater.com.au/web/groups/publicwebcontent/documents/document/zgrf/mdq0/~edisp/dd_044115.pdf

customers who are delayed 15 minutes on London Underground and DLR services or delayed 30 minutes on London Overground or TfL Rail services.⁹

National Express, also in the, United Kingdom, has recently voluntarily launched 'automatic delay repay' for delayed trains. Under the scheme passengers are entitled to half the cost of their single journey for a delay of 30 minutes or more, the full single journey cost after an hour, and the full price of a return ticket after two hours. Customers on certain services will receive 3p for every minute of delay after two minutes to a maximum of 29 minutes.

NRMA believes Transport for NSW should adopt this policy for Opal Card users as part of its customer-centric mantra. Commuters should receive a rebate on their fare based on a predetermined formula that takes into account the duration of the delay. The widespread adoption of the Opal Card would make the development of a rebate system relatively simple.

Contact information

For any further information on any of the above please contact Mr Reg Chamberlain (Head of Advocacy and Public Policy) on [REDACTED]

⁹ Transport for London: *Service Delay Refunds*. Viewed 11/8/2015 at: <https://tfl.gov.uk/fares-and-payments/replacements-and-refunds/service-delay-refunds>