

Price of travel on weekends

Draft Information Paper 4

Introduction

For many passengers, weekend travel is free as they have reached the weekly travel reward or weekly cap.

For other passengers, the price of public transport on Sundays is subject to a daily cap of \$2.50:

- ▼ This cap applies to all trips made on all Opal services on Sunday
- ▼ It applies to all passengers, irrespective of what type of Opal card they hold
- ▼ It provides substantial discounts on many of the more expensive trips, including ferry services.

Offering discounted fares in quieter times of the day or week – when people’s travel may be relatively elastic (price sensitive) – may be efficient if it increases demand during these times and improves cost recovery. However, this is only the case when the additional passengers do not impose extra costs on the system over and above what they pay in fares.

We reviewed the impact of the \$2.50 cap on demand for public transport and the costs of providing services, and considered whether the current Sunday discount arrangements should be changed.

The slides that follow set out our draft decision and recommendation to Government, and explain the analysis underpinning these decisions and their impacts on customers.

Draft decision and recommendation

We consider that the current Sunday daily cap of \$2.50 is not efficient and should be replaced with a new Saturday and Sunday daily cap that differs depending on what type of Opal card a passenger holds:

- ▼ For Adult Opal holders, our draft decision is to set this cap at 40% of the adult weekday cap
- ▼ For Concession Opal holders, our draft recommendation is that the Government set this cap at 30% of the adult weekday cap
- ▼ For Child and Gold Opal holders, our draft recommendation is that the Government set this cap at 20% of the adult weekday cap.

Draft decision and recommendations on daily caps from 1 July 2016

	Weekday daily cap	Saturday and Sunday daily cap
Adult Opal	\$18.00	\$7.20 (40% adult weekday cap)
Concession Opal	\$9.00 (50% adult weekday cap)	\$5.40 (30% adult weekday cap)
Child Opal	\$9.00 (50% adult weekday cap)	\$3.60 (20% adult weekday cap)
Gold Opal	\$3.60 (20% adult weekday cap)	\$3.60 (20% adult weekday cap)

The \$2.50 Sunday cap has changed the demand for ferry services

The \$2.50 Sunday travel cap was introduced several years ago around the time the MyZone fare system was put in place (when it was known as the Family Funday Sunday ticket and had to be purchased as a separate paper ticket).

Opal, which was progressively introduced from 2012, has now also made travel on public transport over the weekend free for passengers who make more than 8 trips on public transport in a week.

Since then, the pattern of demand for ferry services has changed:

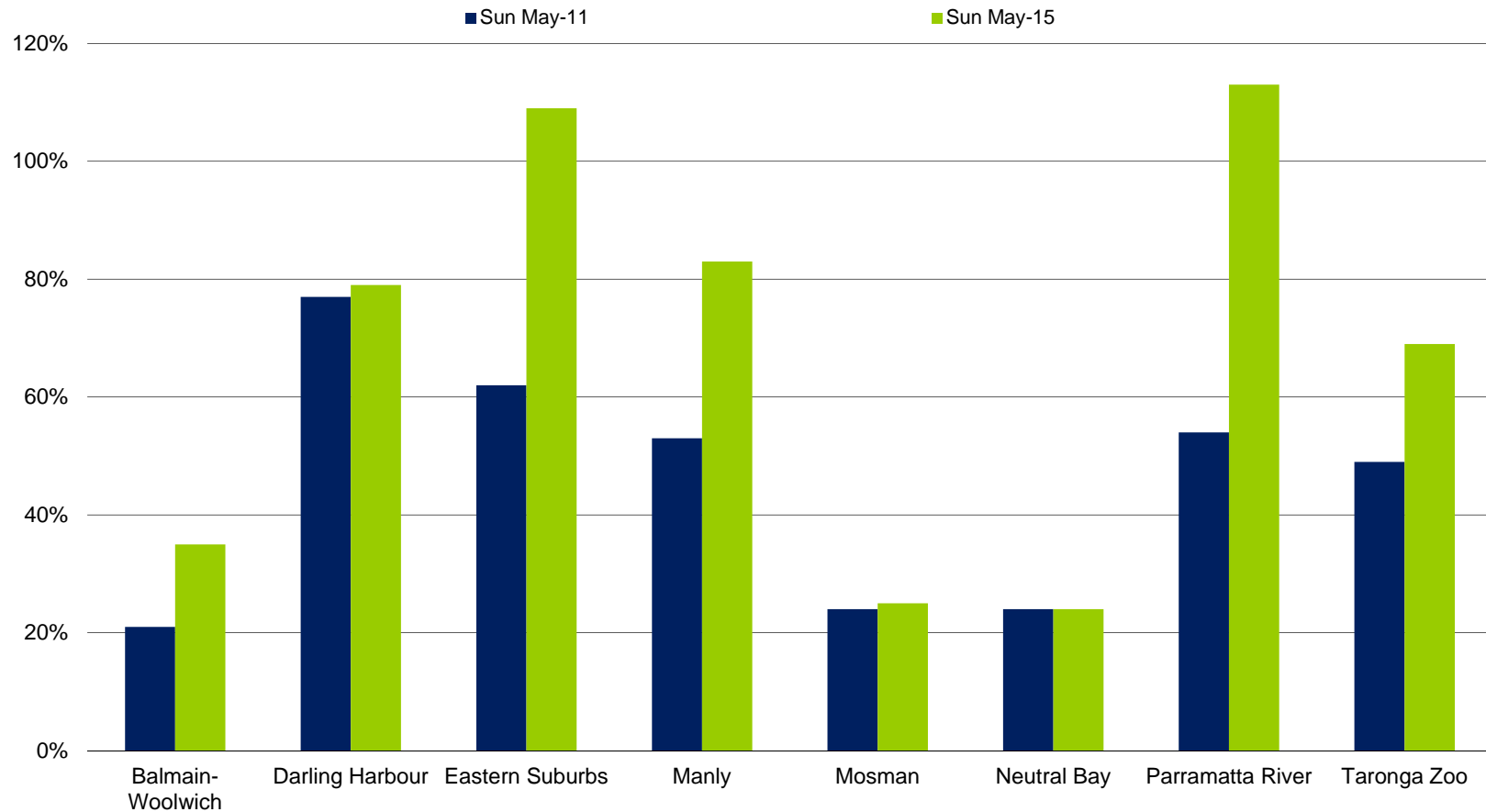
- ▼ Sunday ferry loads for many services have increased significantly
- ▼ Saturday ferry loads have also increased for some services but have fallen for others
- ▼ Many outbound services now have their peak loads on Sundays including Eastern Suburbs, Manly, Taronga Zoo and Parramatta River ferries.

Several factors may have contributed to these changes. However we consider the current weekly travel reward and \$2.50 Sunday travel cap have contributed as they provide large discounts for ferry travel at times when demand is likely to be relatively price elastic.

Rail and bus services still have clear weekday peaks.

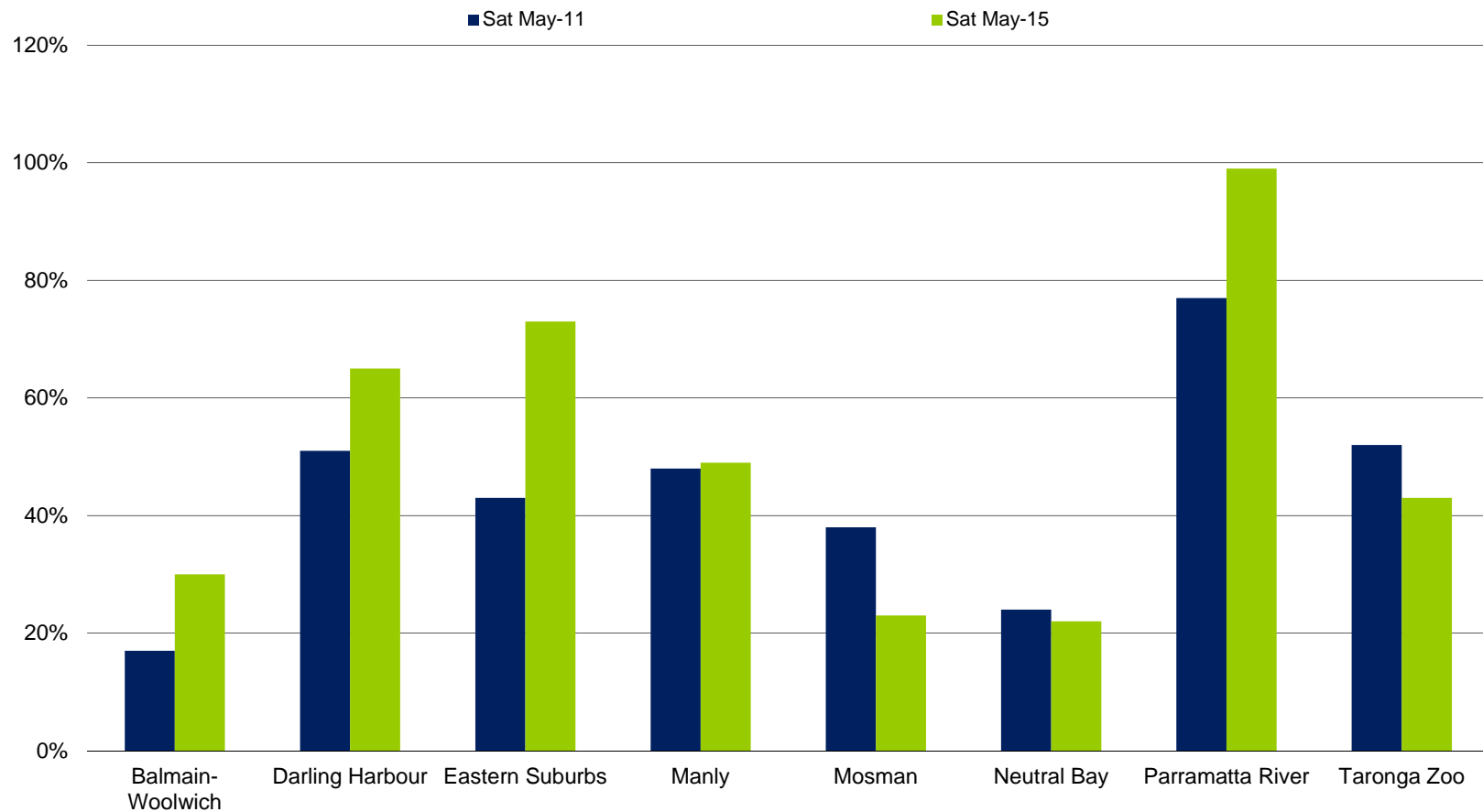
Sunday outbound maximum ferry loads in May 2011 and May 2015

(Maximum load percentage by route, Bureau of Transport Statistics, Ferry Load Census, August 2015 – chart shows outbound services only)



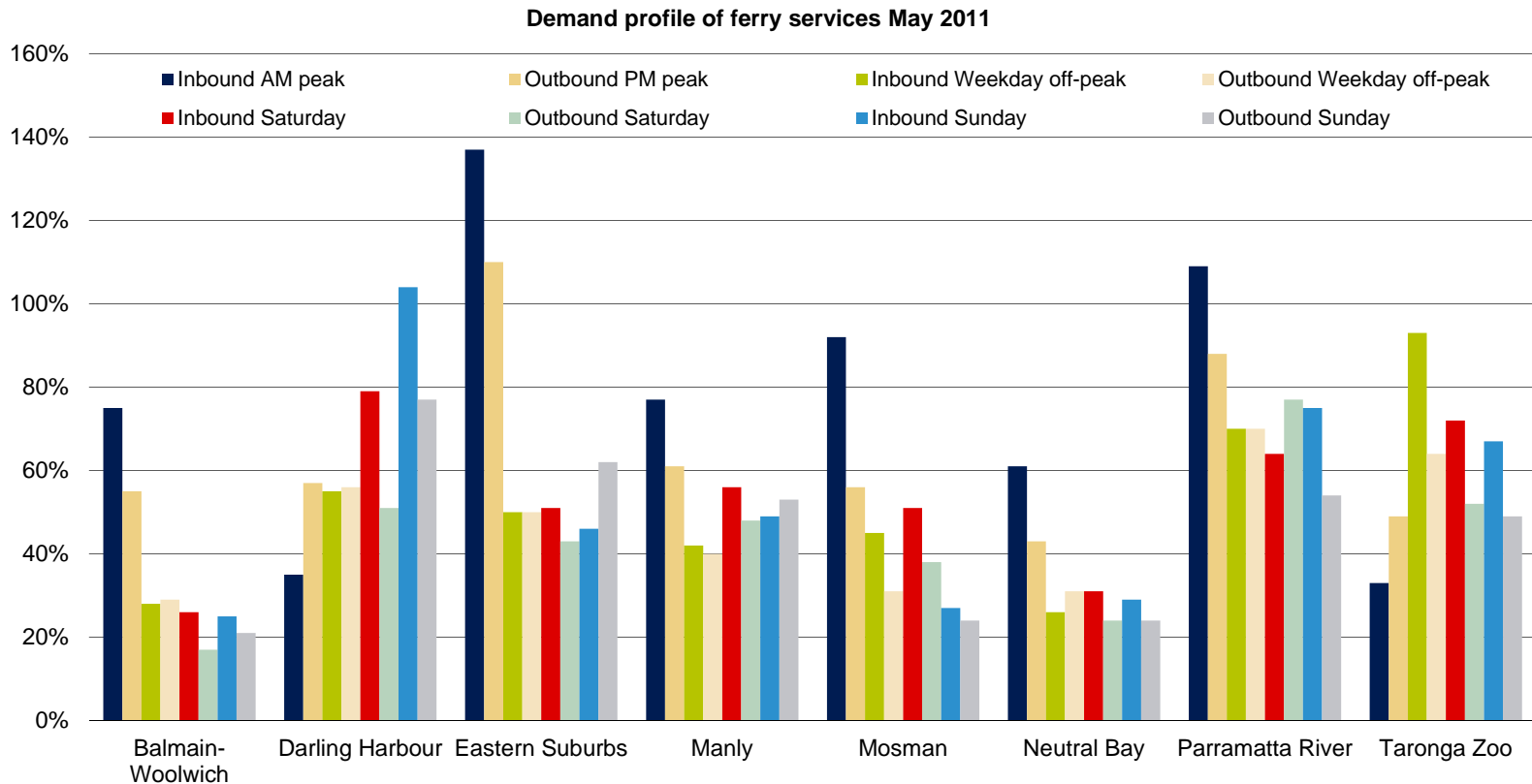
Saturday outbound maximum ferry loads in May 2011 and May 2015

(Maximum load percentage by route, Bureau of Transport Statistics, Ferry Load Census, August 2015 – chart shows outbound services only)



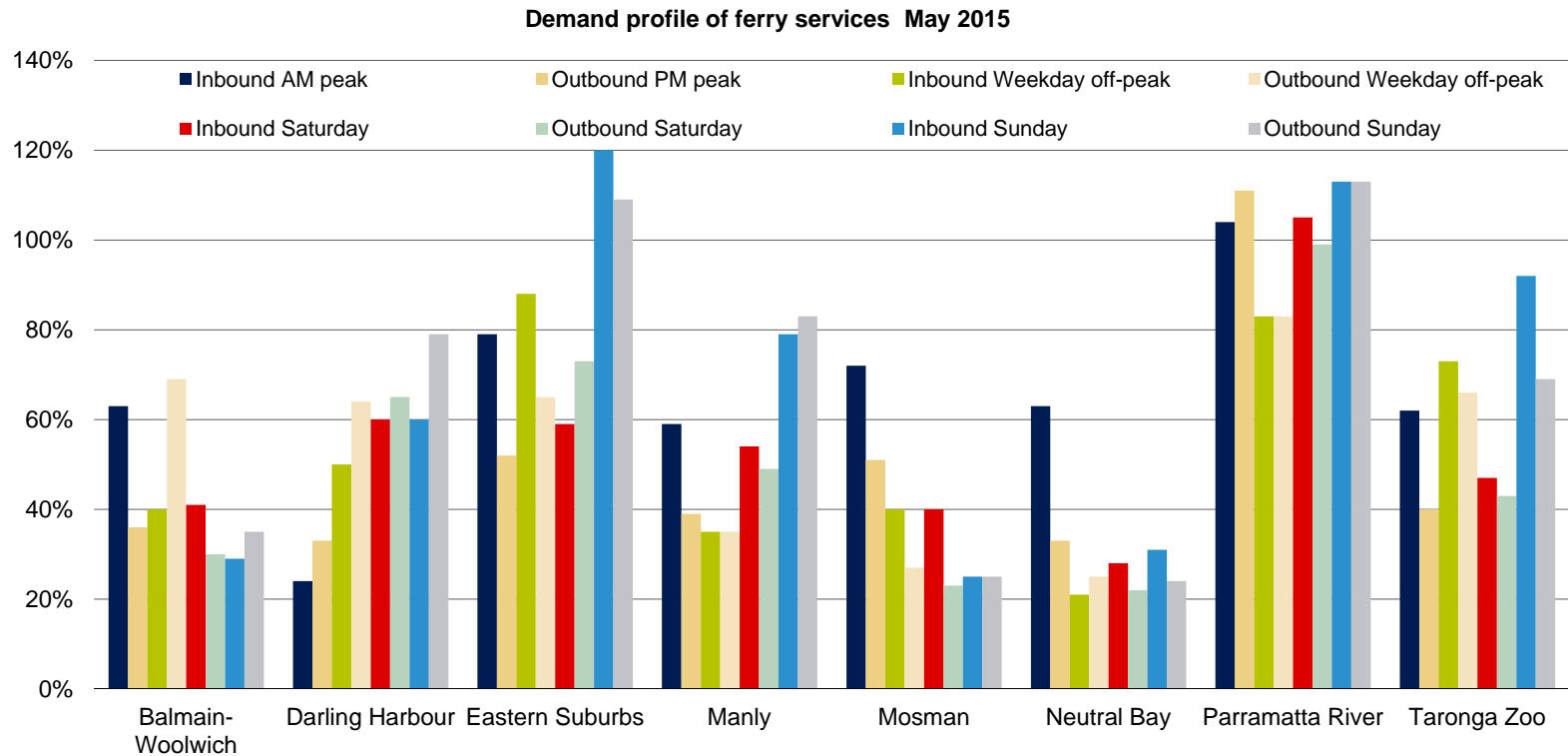
Demand profile of ferry services in 2011

(Maximum load percentage by route, Bureau of Transport Statistics, Ferry Load Census, August 2015)



Demand profile of ferry services in 2015

(Maximum load percentage by route, Bureau of Transport Statistics, Ferry Load Census, August 2015)



High demand for ferry services is driving up costs

High demand for ferry services is driving up the costs of providing public transport:

- ▼ Private ferry operators are being paid substantial amounts to provide supplementary services¹
- ▼ The Government is investing in new ferries to meet the peak loads including:
 - ▼ Adding extra services along the Parramatta River on Sundays²
 - ▼ Purchasing six new ferries to service the inner harbour from 2016³
 - ▼ More than doubling the number of services between Circular Quay and Manly on weekends to transport more passengers and ease crowding.⁴

As noted earlier, it is not efficient to discount off-peak fares by so much that costly investment is required to meet the demand that the discounts create.

1 Cost information provided to IPART by Transport for NSW.

2 Minister for Transport Media Release, Sydney's Ferry Future: new vessels, new wharves and more services <http://www.transport.nsw.gov.au/sites/default/files/b2b/releases/130522-sydneys-ferry-future.pdf> accessed 16 July 2015.

3 NSW Government News, Sydney ferries receive a major upgrade, 4 April 2014 <https://www.nsw.gov.au/news/sydney-ferries-receive-major-upgrade> accessed 16 July 2015.

4 Transport for NSW, Cheaper fares, more services and new vessels for Many Fast Ferry customers <http://www.transport.nsw.gov.au/media-releases/cheaper-fares-more-services-and-new-vessels-manly-fast-ferry-customers> accessed 16 July 2015.

This suggests the \$2.50 Sunday cap is too low

In our view, the available information suggests that:

- ▼ The current Sunday \$2.50 cap is too low, particularly for ferry services, and should be raised.
- ▼ Some of the increase in Sunday ferry demand is likely to be due to passengers substituting Saturday travel for Sunday. We are recommending replacing the weekly travel reward which is likely to make Saturday travel less attractive for passengers who currently reach 8 journeys by Friday, after which travel is free. Therefore, we propose the same daily travel cap apply on both days of the weekend in order to spread demand more evenly over the weekend.

How should we address the issues with the current Sunday cap?

We considered whether to retain the \$2.50 Sunday cap but exclude ferry services from it.

However, our draft decision is not to do this because a cap that applies to some modes only is potentially confusing for customers. Instead, we consider that:

- ▼ A daily Sunday cap should continue to apply to all Opal services.
- ▼ This cap should be set higher than the current \$2.50 cap but lower than the weekday daily cap for Adult Opal card holders.
- ▼ A lower cap should apply to Concession, Child and Gold Opal card holders to continue to provide a significant discount for family groups.
- ▼ The daily cap should apply on Saturday as well as Sunday to spread weekend demand evenly so as not to create a single peak demand day.

What is the right level for the new Saturday and Sunday caps?

To be efficient, the Saturday and Sunday caps should be set at a level that will raise demand to the point that farebox revenue will increase without creating pressure to invest in new services.

However, we do not have much information on how passengers are likely to respond to discounted fares on the weekend. This makes it difficult to model the impact of alternative discounts and determine the level of discount most likely to achieve this.

Our draft decision and recommendations on the Saturday and Sunday caps (slide 3) reflect the discount level we consider will provide a good balance. However, we consider that:

- ▼ We should monitor the impact of the new weekend discounts over the determination period.
- ▼ In particular, we should observe weekend ferry loads to obtain information about how people respond to the new higher caps.
- ▼ Over time, we may need to adjust the weekend caps – up or down – to ensure that they operate as intended.

How will our draft decision and recommendations affect customers?

Under our draft decision and recommendations, the maximum price of travel on a Sunday will increase. This will affect customers, particularly families who travel together.

However, if the child Opal cap is set at half the adult cap (as we recommend) weekend family trips on public transport will remain more affordable.

Under our draft decision and recommendations, the maximum cost of using public transport on a Saturday or Sunday to a family of 5 (with 2 adults and 3 children) on public transport will be \$25.20:

- ▼ This is around double the current, heavily discounted maximum price of \$12.50.
- ▼ However, it is available on both days of the weekend, providing more opportunity for families to access the discounts.
- ▼ The cap remains a **maximum** price for the day – passengers still only pay for what they use up to the cap.
- ▼ The cap is set at a level that means anyone who travels by ferry can make a return trip for around the price of a one-way fare.



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