

IPART RAIL FARE REVIEW COMMUTER COUNCIL SUBMISSION NUMBER 4 RE
Massive off peak fare increase

THE SUBMISSION BELOW IS EXTRACTED FROM MEMOS TO THE HUNTER
COMMUTER COUNCIL AND, IN GENERAL, IS SUPPORTED BY THIS COUNCIL

Objections are made to three particular points that betray a lack of understanding of rational economic reasoning.

First, the marginal cost of transporting one additional passenger is very low in off peak periods, and rises dramatically during peak periods when crowding means that one additional passenger is discouraging use of the system by others. Further, much off-peak travel takes place on trains that would have to be in motion in any event to be in place for peak hours trips.

A 39% percent discount on off-peak return fares is a conservative approach to the much lower marginal costs of provision of peak hour travel. If Cityrail wishes to gouge off-peak ticket buyers to increase their revenue flow, they should take a smaller bit of flesh. Raising the off-peak fare at twice the rate of the on-peak fare would cut the discount to 35%. However it seems doubtful that any reduction in the off-peak discount is economically efficient pricing, and it is certainly the case that the State Rail submission has failed to even make that case.

Second, part of CityRail's submission is arguing that it is inappropriate that fares only provide 25% of operating revenues. This is based on the flawed assumption that the passengers are the primary beneficiaries. The primary beneficiaries are the majority of state residents driving and taking other means of road based transport in metropolitan NSW, which would slow down, and in some cases freeze up completely in gridlock, if it were not for those who were induced to take themselves off the road system entirely. In east Sydney in particular, but also in a number of other secondary centres, the present foot traffic simply cannot feasibly be brought in by car exclusively unless we go to a massively expensive double-decker road system. If we have a beneficiary pays system, the majority of the costs of the rail system clearly OUGHT NOT TO BE taken from the farebox, since that would imply giving the primary beneficiaries a free ride.

Third, the statement that only a quarter is covered by fares is completely misleading with respect to concession fares. It flies in the face of the analysis in the Parry report sustainable transport. Concession payments are payments from state government to transport operators to partially subsidise the travel of specific types of passengers. As the Parry report notes, they represent an assessment of the social value of improving the opportunities of particular groups for travel. They should be included as part of the passenger revenues of all transport operators, whether public or private.