



# **Submission to the IPART 2006 Inquiry on Rail Fares**

March, 2006

Western Sydney Regional Organisation of Councils  
Ltd



**Western Sydney Regional Organisation of Councils Ltd**

Level 1, WSROC House, 49 Campbell Street

PO Box 63, Blacktown, NSW 2148

Tel (02) 9671 4333 Fax (02) 9621 7741

Email [admin@wsroc.com.au](mailto:admin@wsroc.com.au) [www.wsroc.com.au](http://www.wsroc.com.au)

ABN 16 053 399 983

---

**Auburn  
Bankstown  
Baulkham Hills  
Blacktown**

**Blue Mountains  
Fairfield  
Hawkesbury  
Holroyd**

**Liverpool  
Parramatta  
Penrith**

Copyright © 2006 WSROC Ltd

***Disclaimer***

*Any representation, statement, opinion or advice, expressed or implied in this publication is made in good faith but on the basis that WSROC Ltd and its member Councils are not liable (whether by reason of negligence, lack of care or otherwise) to any person for any damage or loss whatsoever which has occurred or may occur in relation to that person taking or not taking (as the case may be) action in respect of any representation, statement or advice referred to here.*



## SUBMISSION TO THE IPART 2006 CITYRAIL FARE REVIEW

### 1. INTRODUCTION

This submission responds to the IPART review of CityRail fares and in particular the public submission to that review prepared by RailCorp.

RailCorp proposes a general fare increase of 2.9% and a reduction in the discount for off-peak fares from 39% to 25%. Whilst WSROC has reservations regarding the general increase, it is the reduction in the off-peak discount – effectively a 22.6% to 38.5% increase on current fares – that causes the greatest concern. This increase is strongly opposed on four key grounds:

1. Whilst it provides some arguments in relation to the general fare increase, the RailCorp submission provides little justification for the substantially larger increase proposed in off-peak fares, and none on the “CPI + x” model used by IPART;
2. The increase in off-peak fares cannot be justified given the decline in off-peak services and the lack of flexibility of the current off-peak ticket, especially when compared to similar tickets provided by other operators;
3. The off-peak increase will have significant and disproportionate impacts on low income and socially disadvantaged passengers many of whom travel outside the peak period;
4. The increase is likely to lead to a decline in off-peak travel, with passengers switching to other modes or travel during peak hour when there is already significant overcrowding on some lines. In turn, this could contribute to the deterioration in off-peak services and quality to the point that CityRail may become a peak hour only service.

This submission also draws upon WSROC’s earlier submissions, including the response to the 2003 *Interim Report of the Ministerial Inquiry into Sustainable Transport in NSW* and the organisation’s response to the 2005 timetable changes. Finally the submission makes a number of recommendations regarding the proposed increases, particularly in relation to those sought for off-peak tickets.

### 2. ON WHAT BASIS DOES RAILCORP SEEK AN INCREASE?

RailCorp claims that CityRail’s performance, which has “returned to high levels after periods of poor service” is the main basis for the proposed increases. This claim is based on a number of modest improvements cited by RailCorp in some aspects of rail services such as safety, service reliability, security, station and fleet upgrades, staff numbers, customer information, complaints handling, cleaning and the implementation of a new timetable. RailCorp claim that the latter has led to an improvement in on-time running.

**However, claims of service improvements have to be seen in the context of the near “melt-down” of the rail system in 2004. Whilst there are some genuine improvements, others such as better reliability and on-time running have really only returned the network to pre-2004 levels and were achieved by a substantial reduction in train**

**speeds, removal of many off-peak train services and the virtual closure of the Cumberland Line.**

As a result trains now run on many lines at speeds little better than those achieved a century ago and in many cases slower than their interstate counterparts. The reduction in off-peak services was justified using a range of rationales – for the removal of weekend services, the need to concentrate the limited numbers of train drivers on week-days and in particular peak-hour services; for the removal of weekday off-peak services, the need to improve the reliability of these peak services – but together these cuts have resulted in a 50% reduction in services in some off-peak periods.

Meanwhile the Cumberland Line, opened to great fanfare a decade ago, has been reduced to only five services a day. Whilst the speed reductions and service cuts may have been unavoidable if some sort of stability in rail services were to be achieved (or whether, as has been suggested, they were a cost cutting measure by stealth), they are hardly a measure of *improved* performance.

RailCorp's other justifications for the fare increases include a decline in Cityrail fares in real terms over the past three years, the "discount" of rail fares relative to alternative public and private car transport options as well as their favourable comparisons to interstate and international systems and the claim that, as "typical" CityRail passengers are predominantly white-collar, more expensive fares would result in only a small decline in patronage.

Whilst some of these may provide a limited justification for a CPI fare increase, they certainly do not support the much more substantial increase proposed in off-peak fares, especially as the latter are more likely to be used by non-white collar passengers. They also do not take into account slower train travel times or the peak-hour overcrowding reported by many passengers. Both interstate and international comparisons have to be made with caution, as whilst many of these systems charge more they also have timed, day and/or zonal tickets which offer greater flexibility than the ticket range offered by CityRail (see next section).

***Recommendation 1. In relation to the general fare increase being sought, any claims of improvements to rail service quality should be measured and substantiated against the standards of service provided prior to the problems of 2004 and should take into account the major reduction in train speeds, removal of many off-peak train services and the virtual closure of the Cumberland Line.***

### **3. WHAT IS THE REAL FARE INCREASE BEING SOUGHT?**

The RailCorp submission has advanced the cause for the two fare increases in different ways. It argues for the general fare increase on a "CPI + x" basis but then actually seeks only an increase equivalent to CPI of 2.9% (under the "CPI + x" formula, fare increases up to CPI are subject to efficiency gains, while above CPI increases are justified by service quality improvements).

Meanwhile, the off-peak increase is argued on the basis that the reduction in the off-peak discount is required to "improve the extent to which our [RailCorp's] pricing is reflective of the cost of providing passenger train services" (p.36). We are left to assume that the other components of the submission relating to the general fare increase also relate to the off-peak increase, **but nowhere in the RailCorp submission is the percentage increase in off-peak fares specifically quantified or justified on a 'CPI + x' basis, either separately or in terms of its impacts on fares overall.**

This is a fundamental point. RailCorp has in effect sought to "quarantine" the much higher off-peak fare increase from this methodology, making the general fare increase appear more

modest. RailCorp cannot have it both ways: if the off-peak increase is to be separated from the general increase it should be discussed and argued for in terms of its own “CPI + x” formula. Alternatively, the off-peak increase should be factored into the general fare increase. The implications of these approaches are discussed below:

1. *Justifying the off-peak increase in its own right.* Although the RailCorp submission does not specifically quantify the off-peak increases, instead choosing to describe these as reductions in the off-peak discount, the changes are spelt out in a separate table. The effective increases range between 22.6% and 38.5%, with the bulk of increases between 24% and 29% (or an average of 27.3%, according to NCOSS). ***This amounts to a 21% to 26% increase above CPI.***

As previously indicated, off-peak services have borne the brunt of service cuts, with many minor stations on several lines, particularly in Western Sydney, receiving only two trains an hour. Even major stations have lost services, especially in the pre- and post-peak “shoulder”, with many receiving only four or five trains an hour in off-peak periods. These services are also often poorly spaced. The substitution of six and eight car trains for the four car ones previously used in off-peak periods is a poor substitute for frequency and the scale of these cuts are hardly offset by the service quality improvements outlined in the RailCorp submission (this matter will be returned to in a later section).

In summary, the submission fails to mount any argument for a “CPI + x” approach to the proposed off-peak increases, either explicitly or implicitly – possibly because it is almost impossible to make out such a case given the actual reduction in service quality.

2. *Incorporating the off-peak increase into the general fare increase.* In the absence of any current data from RailCorp, NCOSS has estimated using older figures that off-peak tickets account for around 17% of total ticket sales. On this basis NCOSS have further calculated that the total fare increase (ie, 27.3% for the 17% off-peak ticket sales and 2.9% for the remainder) at 7%, or over double CPI.

If RailCorp chooses this option, the submission needs to quantify the total fare increase and justify such an increase across all fares. However, if the increases are to be so disproportionately allocated between peak and off-peak services, the off-peak increase would still need to be justified in its own terms (ie, against improvements – or reductions – in efficiency and service quality). On either basis the off-peak increases would be hard to justify.

***Recommendation 2. Railcorp should be requested to prepare a case for the rail fare increase based on the application of the “CPI + x” formula to all components of the increase including the off-peak fares, either by considering each component separately on the “CPI + x” basis or incorporating the off-peak increase into a general fare increase to which “CPI + x” is applied.***

#### **4. HOW DOES THE OFF-PEAK TICKET COMPARE WITH OTHER SYSTEMS?**

The RailCorp submission provides a table with a favourable comparison of CityRail fares to overseas and interstate ones on a cents per kilometre basis, presumably based on peak hour fares or their equivalent. No such information is provided for off-peak services, apart from the brief comment that in other Australian systems off-peak fares are “generally lower in value and more restrictive in the hours of operation”.

This statement needs to be seen in context. There are five suburban rail systems in Australia serving each of the mainland State capitals and surrounding areas. The following table summarises the ticket systems and off-peak ticket types offered in these cities.

**Table 1: Australian Rail Network Fare Systems Day and Off-peak Ticket Comparison, March 2006**

City	System type	Day ticket types: all-day & offpeak	Off-peak ticket details	Max. discount <sup>1</sup>
Adelaide	Time <sup>2</sup> (single zone, mostly flat fare)	All day, unrestricted <sup>4</sup> , slight discount to full fare. No offpeak day ticket	Single, time-based, all modes <sup>5</sup> (M-F 9am-3pm)	40.0%
			Multitrip (10 singles as above)	65.0%
Brisbane	Zonal & time <sup>3</sup>	All day, zonal, all modes, equal to full fare Offpeak discount to full fare	Day (M-F 9am-3pm & after 7pm + all w/e), zonal, all modes	25.0%
Melbourne	Zonal & time	All day, zonal, all modes, slight discount to full fare Offpeak discount to full fare	Day (Mon-Sat after 9am), zonal, all modes	27.8%
			Sunday all day, zonal, all modes	63.9%
Perth	Zonal & time	Offpeak only, all modes, discount to full fare	Day (M-F after 9am & all w/e), all modes	17.4%
Sydney	Distance (zones only for Traveypass)	All day, unrestricted, more expensive than full fare return (discounted weekly Traveypass available) Offpeak – day ticket limited to CityHopper CBD rail only (see next column)	Rail return only (M-F after 9am & all w/e)	39.0%
			Day (CityHopper o/p- M-F after 9am & all day weekends – CBD rail only)	0%
			Rail return + CityHopper o/p add-on (conditions as above)	24.0%

Notes:

- 1 for travel from an outer zone station or equivalent (for Sydney, from Penrith station), relative to a single peak ticket (Adelaide) or a return peak ticket (all other cities)
- 2 "time" – tickets are valid for multiple trips commenced within 2 hours across the whole system
- 3 "zonal and time" – tickets are valid for multiple trips commenced within a time limit (usually 2-3 hours) within the zone(s) purchased
- 4 "unrestricted" – can be used all day across the whole network on all modes (Sydney – excluding private buses & Airport Line)
- 5 "all modes" – can be used for multiple services across all available modes in offpeak periods, within time and zone limits (in Adelaide and Perth, across the whole network)

Based on information provided on rail authority websites, March 2006

Obviously any inter-city comparison has to be approached with caution. Australia's rail networks are very diverse in layout and size, which makes it difficult to compare the zonal systems with each other, let alone with the distance-based or flat-fare systems. However, some conclusions can be drawn.

All cities apart from Adelaide (flat fares) and Sydney (distance-based fares) have zonal ticket systems – and all cities except Sydney have time-based inter-modal tickets. These allow passengers to make multiple trips on different transport modes within a given time period, usually two or three hours, in the zone or zones for which the ticket is valid.

All systems provide day tickets of some description. Some are time restricted but all provide some degree of discount at least to the relevant maximum full return fare – except Sydney. Sydney like Adelaide has only one day ticket (DayTripper) which is unrestricted, but unlike all the other cities this is actually more expensive than the highest metropolitan return rail fare and is targeted mainly at tourists.

Sydney's current off-peak discount is indeed above average, but not the highest in Australia. Melbourne on Sundays and Adelaide both have higher discounts, though the latter has perhaps the most time-restricted off-peak tickets (however Adelaide also has very low peak fares because of its largely flat fare structure).

Brisbane, Melbourne and Perth take the day ticket concept further by providing discounted off-peak day tickets which allow multiple trips within the off-peak period (Adelaide does not offer such a ticket, but its unrestricted day ticket is relatively inexpensive). In Sydney the only off-peak day ticket, the City Hopper, can be used solely for train trips between the 11 CBD stations and is the same price as an equivalent peak return ticket. It can however be purchased as an add-on to an off-peak (or return peak) rail ticket from anywhere in the metropolitan area for \$2.00, resulting in a effective discount of around 24% from outer suburban stations.

To summarise, while it is acknowledged that Sydney's off-peak fares are currently well-priced and do not restrict use in the evening peak, they also do not provide the same opportunities for multiple trips as those sold in most other Australian cities. If the off-peak discount were to be reduced to 25%, Sydney's tickets would be roughly in the middle of the discount range, but without the multiple trip flexibility of the off-peak day tickets available in Brisbane, Perth or in particular Melbourne.

***Recommendation 3. RailCorp should be requested to review the fare structures of other Australian cities with a view to introducing the multi-trip time and zone based off-peak tickets found in all cities except Sydney, especially if any substantial increase is proposed. These tickets, which should form part of the Tcard implementation, should preferably be provided as day tickets available for travel within the zone(s) for which the ticket has been purchased on all modes including private buses.***

***Recommendation 4. As an interim measure, an off-peak version of the DayTripper ticket should be introduced at a price equivalent to the maximum metropolitan area off-peak fare (the all-day DayTripper should also be set at a price equivalent to the maximum metropolitan peak return fare). These tickets should be expanded to include private buses and they should be introduced as a supplement to the existing off-peak return and off-peak CityHopper tickets until the previous recommendation can be implemented.***

***Recommendation 5. Whilst the increase sought by RailCorp for off-peak fares is opposed for the reasons outlined elsewhere in this submission, if the Tribunal were to recommend a substantial increase this should be on the basis that off-peak tickets are provided as day tickets on the basis outlined in the above recommendations.***

## **5. WHAT WILL BE THE SOCIAL IMPACTS OF THE PROPOSED INCREASES?**

The RailCorp submission also seems to suggest that CityRail passengers are predominantly white collar commuters and those who are not are adequately catered for by a wide range of discount and concession tickets which are not included in the proposed increases. However, as NCOSS has pointed out in their submission, there are a number of gaps in the provision of these concessions. According to NCOSS, low income earners (ie, those in the lowest quintile of income) make up approximately 25% of rail users; this echoes earlier work by WSROC which demonstrated that whilst there are occupational differences, the income range of CityRail users is similar to that of the working population.

Many of these low income passengers travel during the off-peak period. Whilst RailCorp does not provide a breakdown of peak and nonpeak patronage, the figures it does provide in

its submission indicate that over 43% of train journeys overall are non-work related, a surprisingly high figure for a transport system that is geared towards commuter services. There is a strong likelihood that the proportion of such journeys for social, family or recreational issues, shopping, sport entertainment or to attend medical or dental appointments or other personal business is much higher among off-peak travellers. This is reinforced by the fact that whilst over 72% of peak hour travellers use CityRail four or more days a week, only 54.5% of off-peak travellers do likewise<sup>1</sup>. This means that the off-peak period is important both for commuters and for people travelling for other reasons.

It is these passengers who will be most affected by the proposed off-peak increase, but very little information is provided about them in the RailCorp submission or about the potential impacts of the increase on this group. WSROC broadly agrees with the concerns raised in the NCOSS submission regarding the lack of data provided by RailCorp relating to this group and indeed the implications of the proposed off-peak increase generally (some of these issues will be discussed in the next section).

**The lack of such information makes it very difficult for the Tribunal to properly assess the matters it must have regard to under the Act in considering proposed fare increases, and in particular section 15(1)k, “the social impact of the [Tribunal’s] determinations and recommendations.”**

***Recommendation 6. Consideration of the proposed off-peak increase should be deferred until further information is provided by RailCorp regarding the social characteristics of off-peak passengers and the social impacts of the proposed increase so that the Tribunal can adequately assess the proposal with respect to all the matters under section 15(1) of the IPART Act and in particular clause k.***

## **6. WHAT IMPACT WILL THE INCREASE IN OFF-PEAK TICKETS HAVE ON OFF-PEAK SERVICES?**

The proposed increases in off-peak ticket prices may have a dramatic impact on off-peak services themselves especially when they are seen in the context of the severe cuts to off-peak services imposed in 2005.

Off-peak fares play an important role in spreading the demand for rail travel more evenly through the day. This reduces overcrowding in peak periods, thus improving passenger comfort in trains and safety, particularly at railway stations, and makes better use of train and station capacity in off-peak periods when it would otherwise be underutilised.

As the RailCorp submission provides no figures on the breakdown between peak and off-peak passenger numbers it is difficult to assess the impact of the reduction in off-peak services, but it is likely to have contributed to overcrowding on peak services. This outcome is strongly suggested by the submissions to the fares review which indicate this is a major concern for many respondents. The following, extracted from WSROC’s submission on the timetable changes, details the situation in Western Sydney:

Western Sydney lines are particularly affected by the cuts, with “minor” stations on some lines to receive only two trains an hour in off-peak periods. To take one example, Pendle Hill between 10:30am and 11:30am currently has five city-bound

---

<sup>1</sup> It is not clear whether the passenger surveys quoted by RailCorp are based on actual ticket types or times of travel; this may be significant in that travelers with peak tickets, especially weekly tickets, can travel during the off-peak period. It should also be noted that these surveys were undertaken prior to the introduction of the new timetable, which may have affected the profile of passengers and passenger frequency, particularly in relation to off-peak passengers.



services; under the new timetable this will drop to only two. In the same hour, even a station such as Penrith drops from five services to three.

The region's busiest stations are also affected; in the period between 9:30am and 3:00pm, Blacktown and Parramatta lose between 10 and 11 city-bound services each. The most savage cuts are in the first hour after the peak (9:30 to 10:30am), with Blacktown dropping from 12 to six services and Parramatta ten to six. Peak period (6:00am to 9:30am) services are also affected, with Blacktown losing five city-bound services and Parramatta eight; in combination with the peak hour cuts, this means that there is virtually no "shoulder" to the peak period.

Cuts already introduced in the August 2004 interim timetable are also maintained. The Liverpool to Parramatta Cumberland line (in which the State Government invested \$50 million less than ten years ago) continues to receive only two trains in each direction in the morning peak and three return trains in the afternoon on weekdays only, a shadow of the original 1996 timetable.

....Considerable research has indicated that frequent and consistently spaced train and bus services are critical to building patronage; intending passengers should be able to turn up at a station without knowing the timetable and be assured that a service will arrive within five to ten minutes in peak hour and no more than ten to 15 minutes at other times. In Perth and Melbourne, for example, even outer suburban lines receive at least four trains an hour in off-peak periods, and this should be the minimum for Sydney.

The proposed increase in off-peak fares is likely to exacerbate these problems. The RailCorp submission asserts that "historic rail patronage suggests fare variations do not significantly influence patronage levels, nor do minor fare or cost adjustments in alternative forms of transport" (p.11). However, no analysis is provided of the likely impact of the proposed increases and in particular the substantial proposed off-peak increase on patronage levels.

It should be noted that whilst it found that public transport use was relatively unresponsive to variations in fares, the 1996 report prepared for IPART (*Estimation of Public Transport Fare Elasticities in the Sydney Region*) there were differences between peak hour and non peak hour travellers. Even if the overall results of the study are used (ie, a 5% fare increase results in a 1.25% reduction in rail travel), there would be a reduction of almost 7% in off-peak patronage if the increases are introduced.

In reality the impact on patronage may be much higher as the increase in off-peak fares combined with the cuts in off-peak frequency makes these fares of questionable value. A reduction in the off-peak discount from 39% to 25% may not in itself cause a switch in mode, but it provides little incentive to defer a journey from peak hour to later in the day if the number of available trains has been reduced by 50%, particularly in the shoulder period. This would have the effect of increasing crowding on some peak hour services whilst underutilising off-peak capacity.

The RailCorp submission also raises the issue of cost recovery, claiming that "higher off-peak fares will provide a better match between revenues and costs"(p42). However, again the submission provides no evidence of this assertion. It could be argued that cost recovery targets for off-peak services should in fact be lower. In the same way that motorways are constructed to provide extra capacity in peak hour, much of the capacity of the rail network (for example, large stations, double-deck trains, express services etc) is designed to mainly meet the demands of the peak period.

***Recommendation 7. RailCorp should be requested to provide additional information regarding the potential impacts of the off-peak fare increase on patronage along with data on cost recovery levels for peak and off-peak services before the request for a fare increase is approved.***

## **7. CONCLUSION**

In its submission to the timetable review last year, WSROC expressed fears that the cuts to weekend and off-peak services would be the start of a trend to turn CityRail into "PeakRail" – a largely peak-hour commuter system catering to the relatively small section of the community that travels on weekdays to work nine-to-five in the CBD and a network increasingly irrelevant to the majority of Sydney's population in terms of coverage, destinations served, operational focus, travel times and frequency of service.

There is a real possibility that the off-peak fares increase could contribute to this situation, which is inconsistent with the thrust of the State Government's Metropolitan Strategy. This has a strong commitment to the increased use of public transport. The Strategy proposes that population growth be accommodated by increasing densities around key centres, along transport corridors and in new transit-oriented release centres to be established in the northwest and southwest. This new urban structure is to be based on a small number of "regional cities" that will be the focus for major transport and other infrastructure investment, higher order employment and services provision, particularly in Western Sydney.

The proposed fare increases, particularly for off-peak travel, have to be seen in this wider context. Apart from the disproportionate impacts on off-peak users themselves, the increases are likely to contribute to a continuing spiral of deterioration in off-peak services as demand decreases and services are further reduced. This could lead to a collapse in patronage which could then become a pretext for withdrawing these services altogether. It is particularly concerning that RailCorp has not addressed this possibility in its submission.

**In conclusion, RailCorp has failed to make an adequate and comprehensive case for the increases and in particular has failed to justify its proposal for the huge increase sought in off-peak fares.** In light of the poor level of service provided to off-peak rail users since the timetable cuts, any substantial increase in off-peak rail fares should be deferred until the next major timetable review which is due in 2008 and then considered only if services have been significantly improved towards their pre-2005 levels.

***Recommendation 8. RailCorp should be requested to prepare a detailed analysis of the implications of the proposed off-peak fare increase for the long-term future of off-peak rail services as well as for the State Government's Metropolitan Strategy.***

***Recommendation 9. Any proposal to substantially increase off-peak fares should be deferred by the Tribunal until the next major timetable review which is due in 2008 and then considered only if off-peak services have been significantly improved towards their pre-2005 levels.***

***Recommendation 10. Whilst substantial increase in off-peak fares is opposed, if the Tribunal were to approve such an increase, this should be on the basis that RailCorp guarantees the future of off-peak rail services and that they will not be further reduced in frequency or quality.***

## 8. REFERENCES

Department of Planning (2005), *Metropolitan Strategy*

Independent Pricing and Regulatory Tribunal (1996), *Estimation of Public Transport Elasticities in the Sydney Region*, October 1996

Independent Pricing and Regulatory Tribunal (no date), *Independent Pricing and Regulatory Tribunal Act 1992 No. 39* (section 15)

NCOSS (2006), *Submission to the Independent Pricing and Regulatory Tribunal of NSW CityRail Fare Review*, March 2006

RailCorp (2006), *Submission to the Independent Pricing and Regulatory Tribunal of New South Wales CityRail Fare Review*, February 2006

WSROC Ltd (2003), *Ministerial Inquiry into Sustainable Transport in NSW – Response to the Interim Report*, October 2003

WSROC Ltd (2005), *Response to the Proposed CityRail Timetables*, January 2005

WSROC Ltd – various submissions and reports

Various Transport Authority websites