

IPART 2008 Bus Submission

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1 Introduction

This submission addresses the increases in TravelPass fares proposed by the Ministry of Transport. It finds, contrary to the Ministry's claims, that the discounts from using TravelPass products are generally not excessive. This finding is based on a comparison against single ticket prices adjusted for penalty free modal interchange.

It concludes that the TravelPass products should be continued, but rationalised while generally retaining present price relativities to other fare products, in the period from now up until the introduction of the new electronic transport ticketing system.

A detailed alternative proposal for weekly TravelPass products and fares is included on Page 3 of this submission.

2 The Ministry View

The Ministry of transport has noted the following with respect to TravelPass products:

- TravelPass is a premium product, yet it is deeply discounted relative to other fare products.
- Sydney TravelPass products provide users with unlimited travel on a weekly, quarterly or annual basis on a combination of Sydney Buses, CityRail and Sydney Ferries services.
- The product offers a high degree of convenience and flexibility, with the ability to change modes and origins/destinations without penalty.
- Weekly TravelPass discounting varies from 20% cheaper than single tickets to higher than 50% depending on which pass is purchased and how much discretionary travel is undertaken.
- The convenience and level of discount offered through TravelPass products are not available to all users of the network and who undertake multi-modal trips, especially those who need to use private bus services for part of their journey.
- While individuals on higher incomes can afford to purchase high value tickets such as TravelPass, those who can least afford it may be forced to purchase comparatively expensive single trip tickets, if they cannot meet the upfront cost of a discounted periodical fare product.
- TravelPass products are based on a very coarse zone based fare structure which does not adequately reflect the relationship between the costs incurred in providing services, and usage.

It can also be noted that the concentric zone pricing structure means that TravelPass products, except for the 2 Zone TravelPass, are only competitive for regular journeys that are at least partly within the area covered by the Red TravelPass. This is referred to as the place limitation later in the submission.

Separately, the Ministry claims that it considers that fares across the network should reward frequent users and encourage multi-modal travel, but also improve equity.

3 Multi-Mode Travel

Multi-mode travel is actually penalised under the existing fare structure, with each mode charging its own flag fall, and the distance based taper restarting from scratch each time. TravelPass products are the only exception to this structure, however, as noted above, their availability is limited by mode, period and place.

The Ministry was reportedly working to provide penalty free interchange under Tcard, where the aim was to calculate the total distance of a multi-trip journey and apply a distanced-based fare scale to this total. It required a combination of GPS to determine bus location, a bus route database for bus distance calculation and defined interchange location/time rules. The Ministry's present commitment to penalty free interchange, following the demise of Tcard, is unknown but may well depend on what offers are received to its Expression of Interest for a new electronic transport ticketing system.

4 Real TravelPass Discounts

The Ministry has presented a table of 2008 and proposed 2009 TravelPass fares, as well as its forecast discount of these on single fares. This submission re-presents and expands the table as below, but estimates and subtracts the interchange penalty from the paid single fare before determining the discount. Based on the previous section, and equity considerations, there is clearly a case for considering that these are the true single fares from which the real TravelPass discounts should be calculated.

In order to calculate the interchange penalty, it is necessary to consider both the flag fall and the distance based taper. For the Red TravelPass, the increment for two bus sections is added onto a 10km (6 section) rail fare to determine the true eight-section single journey fare. The bus fare increment from 6 to 10 sections is \$1.00, which is \$0.50 for two sections on average, while the fare for 1-2 sections is \$1.90, so the penalty becomes $\$1.90 - \$0.50 = \$1.40$ or \$14 for 10 journeys. For longer rail journeys, the two-section bus increment is tapered to \$0.30 (10 cents per km). The odd 50 cents in one figure is due to rail/ferry increases of 4.5% not being rounded to 10 cents.

TravelPass	2008	2009	Claimed Discount	Paid 10 x Single	I'change Penalty	True 10 x Single	Real Discount
Red	\$35	\$39	23%	\$50.50	\$14	\$36.50	-7%
Green	\$43	\$47	25%	\$63	\$15	\$48	+2%
Yellow	\$47	\$51	24%	\$67	\$16	\$51	Nil
Pink	\$50	\$54	19%	\$67	\$16	\$51	-6%
Purple	\$57	\$63	28%	\$88	\$16	\$72	+12.5%
Blue	\$32	\$38	48%	\$73	\$13	\$60	+36%
Orange	\$40	\$46	47%	\$87	\$22	\$65	+29%
Pittwater	\$55	\$61	52%	\$127	\$19	\$108	+44%
2 Zone	\$32	\$34	19%	\$42	-	\$42	+19%

The above calculations of the real TravelPass discount show that it will be negative (a penalty) for some products under the Ministry's proposed 2009 fare scales, and only greater than 20% positive where ferry use has been assumed. This is quite different from the Ministry's general claim of excessive discounts. A closer look suggests the remaining high discounts are due to ferry use rather than to TravelPass pricing.

For example, if the bus and ferry use assumed for the Blue TravelPass is applied to the Red TravelPass, then the discount after subtracting the interchange penalty would be 35% (rather than -7% with rail and bus use). Similarly, applying Orange TravelPass use to the Green TravelPass leads to a discount of 28% (2%), and applying Pittwater TravelPass use to the Purple TravelPass leads to a discount of 42% (12.5%).

The issue here is that ferry fares are considerably more expensive than bus and rail fares for similar distances, reflecting both higher costs and possibly lower community benefits, than these other modes. Such fare differences are a known problem for TravelPass type products that charge the same fare irrespective of mode. Brisbane River ferry fares were effectively reduced, and patronage was transferred from other modes, when multi-mode products were introduced to replace most other tickets in Brisbane. The equity problem is real, but seems to have been considered affordable there, as ferry travel represents a tolerably small proportion of total travel. For Sydney, a reasonable observation could be that the inner harbour ferry problem is tolerable but the Manly ferry problem is not.

Under these circumstances, the future for the Blue and Orange TravelPass products looks questionable. In fact the Ministry's proposed fare increases already reduce the differential between these and the rail inclusive Red and Green TravelPass products respectively from \$3.00 to \$1.00 (a difference of 3% or less) per week, so it is logical to complete this process. There is also a case for similarly absorbing the Pittwater TravelPass into the Purple TravelPass, as the price differential is also around 3%.

The following table presents a revised proposal for 2009 TravelPass fares. The increases are generally in line with the 5.45% recommendation for single bus fares and lead to real discounts for these products that are not excessive. The Blue, Orange and Pittwater TravelPass products would be discontinued. Some changes to the Ministry's rail distances have been assumed in calculating the revised discounts to even out the fare increments. These changes are from 25km to 20km for Green, and from 30km to >35km for Pink. The 2 Zone increase is as per the Ministry's proposal.

TravelPass	2008	2009	Increase	Rail and bus use		Bus and ferry use	
				True 10 x Single	Real Discount	True10 x Single	Real Discount
Red	\$35	\$37	5.7%	\$36.50	-1%	\$60	+38%
Green	\$43	\$45	4.7%	\$44	-2%	\$65	+31%
Yellow	\$47	\$49	4.3%	\$51	+4%		
Pink	\$50	\$53	6.0%	\$53.50	+1%		
Purple	\$57	\$61	7.0%	\$72	+15%	\$108	+44%
2 Zone	\$32	\$34	6.3%				

The real discounts for bus and ferry use remain very high, but as discussed above, this is due to ferry fares being relatively high compared with other modes. For rail and bus use there is, with one exception, no significant real discount, but of course there is a distinct benefit from additional use at zero cost. The Purple TravelPass discount is still below the general 20% frequent users discount for multi-ride tickets, and could be considered reasonable as the opportunities for additional use are relatively less for such a large distance covered. The 2 Zone TravelPass discount of 19% is an incentive for regular non-CBD bus travel, and is not a multi-mode discount.

Care has been taken to not exceed the Ministry's proposed increases for the discontinued TravelPass products. The proposed Red and Green TravelPass fares are \$1.00 less than the Ministry's proposal for the Blue and Orange TravelPass products, respectively, that are to be absorbed. The effective increase in these discontinued products is thus 16% and 13% respectively. The Purple TravelPass has been capped at \$61, which is equal to the Ministry's proposed fare for the Pittwater TravelPass.

5 Broader TravelPass Use

The previous section has indicated that TravelPass product pricing is generally reasonable when tested against the benchmark of penalty free interchange, and it could be logical to consider a broader use of these products. However this would need the mode, period and place limitations on multi-mode travel to be overcome.

The TravelPass mode limitation could be overcome by extending coverage to private buses, light rail, and other operators. The TravelPass period limitation could be changed by issuing day based, and even two hour, products to ease the upfront cost problem and extend TravelPass product availability to less regular users. A cellular zoning system to cover the whole of the Sydney region, or even the GMR, could be introduced to rectify the TravelPass place limitation.

Unsurprisingly, this is what many administrations have already done, both in Australia and overseas, although the zone structure is often concentric rather than cellular. In these cases, the TravelPass type product has largely supplanted conventional single mode based tickets, except for short trips, whereas in Sydney the TravelPass limitations have necessitated the retention of a full suite of conventional tickets. In addition, Sydney also has mode-based periodicals, rail day returns, and BusPlus tickets to further complicate the range of fare products available.

6 Electronic Ticketing

As noted above, the Ministry has called for Expressions of Interest in a new electronic transport ticketing system using proven technology. It mentions pay as you go, distance based fares and usage discounts as desired features. Presumably, the actual realisation of these desired features, and equity considerations, will be dependent on which offer is ultimately selected.

The London Oyster is an interesting realisation of the above. It offers pay as you go with zone and time (there is an off-peak discount for after 09:30) based daily capping, as well as monthly and yearly pre-paid multi-mode periodicals. The daily capping is effectively a suite of one-day multi-mode products. There is no equivalent of a 2-hour TravelPass in London. Penalty free interchange is not specifically provided, but the daily capping helps compensate for this. There are only flat fares (no tag off) on buses. Additionally, the effective fare penalty for not using Oyster is very high for rail (£4.00 cash minimum on the Underground). The Westminster Ferry services to Greenwich and Kew are only partly (one third from memory) covered by multi-mode products covering the same zones, in recognition of the higher costs and more commercial purpose of these ferries. This is perhaps an informative parallel to the Manly problem.

Some systems do provide penalty free interchange, but many are in flat fare zones where the implementation is straightforward. Others, such as Hong Kong's Octopus, support specific discount agreements between the rail operator and some feeder buses. Hong Kong buses have flat fares, which vary by the end-to-end route length and/or the luxury level of each vehicle.

In summary, while the desires of pay as you go, distance based fares, usage discounts, multi-mode encouragement, and equity are recognised, the realisation of these desires has generally required some real world compromises for system realisation. There is no reason to expect that this will not be the case for Sydney as well.

7 The Future of TravelPass

Clearly, Sydney's complex fare product range could be dramatically simplified if the present mode, period and place limitations on TravelPass products were changed. Most single and return tickets, and all mode specific periodicals, could be replaced. Additionally, some overall lowering of TravelPass pricing would then be necessary to achieve a revenue neutral outcome.

Understandably, with planning for a new electronic transport ticketing system underway, the Ministry would now be particularly reluctant to make widespread changes to the existing ticketing system as suggested above, despite the substantial benefit to users. This is because any new system will have its own set of real world compromises, and changing the existing ticketing system to make it more attractive in the interim may slow the take up of that new system. If changes were limited to mode use expansion with the existing TravelPass products, the present concentric zone structure would cause further exposure to the previously discussed Manly ferry problem. An access fee for TravelPass holders, as for the airport rail stations, would be a possible way of addressing this exposure.

Conversely, there is no reason to phase down usage of the present TravelPass products by excessive price increases, as the Ministry seemingly wants. This is because real discounts for these products, based on the benchmark of penalty free interchange for reasonable usage assumptions, appear generally acceptable. The obvious conclusion is that the TravelPass products should be continued, but rationalised while generally retaining present relativities to other fare products in the period from now up until the introduction of the new electronic transport ticketing system. This interim holding position parallels the Ministry's position on seeing the private bus weekly as an interim product for the same period. An extension to private transport operators, on equity grounds, could also be considered.

London's Oyster has reportedly already made an unsolicited offer to the Ministry. It would be ironic if the Oyster system, with appropriate modifications to suit some specific local issues, was adopted for Sydney as it contains many features of the TravelPass products that the Ministry seems determined to phase down.