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NEW SOUTH WALES DIVISION

## **This submission is in response to IPART seeking feedback regarding the Opal public transport network fare increase recommendations as requested by the NSW Minister for Transport on how public transport fares should be set until 2028**

The Association of Independent Retirees (AIR) is the national peak body representing current and future part and fully self-funded retirees and the NSW Division of AIR welcomes this opportunity to provide a submission to the Independent Pricing and Regulatory Tribunal (IPART) on this.

### **Preamble to this submission**

AIR works to advance and protect the interests of retirees seeking independence in retirement.

We seek to secure recognition and equity for those in our seniors' community who, through their diligence and careful management, partly or fully self-fund their own retirement needs.

AIR also supports the NSW Government's Ageing Well in NSW: Seniors Strategy 2021 – 2031, namely:

- Recognising the value and diversity of ageing
- Enabling a whole-of-life approach to ageing
- Supporting people to have healthier longer lives
- Keeping people connected and included
- Enabling people to live in their home and community

Many of the activities promoted by AIR and its Branches are designed to assist members in areas which are priority areas of the Strategy.

Our members have a clear understanding of the need for ongoing management of the financial, health and longevity risks they face in retirement, but are concerned about increased costs, economic and policy changes that affect their capacity to have an independent and fulfilling retirement.

Currently over 60% of NSW retirees in part or fully self-fund their retirement. Most qualify to receive the NSW Government Seniors cards and have a Gold Seniors/Pensioner OPAL card.

### **Specific Recommendation**

Our only recommendation is that IPART should recommend in their final report to the NSW government that there be no change to **both** the existing \$2.50 daily maximum fare for the Gold seniors/pensioner Opal card users and to the qualifying criteria to receive this.

### **Below is AIR's response to the IPART's Issues paper questionnaire.**

The below provide general comments on the needs and expectations of AIR NSW members

#### *1. What factors or objectives should we consider when designing fare options?*

AIR members benefit greatly from the simplicity of the current fare structure as it applies to seniors. Like most public transport users, AIR members may switch from one mode of transport to another, or one service to another in order to travel from origin to destination. Knowing there is a price limit, and, indeed, a fixed price, provides a level of assurance to members.

2. *Are some objectives more important than others?*

AIR members benefit from a fare system that is simple, low cost and applicable irrespective of the time of travel.

3. *What measures can you suggest we use to assess the impact of the fares on fare setting objectives?*

From the viewpoint of AIR members, the use of the public transport system is likely to be demand inelastic.

More mobile and independent seniors with a driver's licence are likely to evaluate the benefits of driving as opposed to using public transport whenever they undertake a journey, having regard to factors such as origin/destination, purpose and the practicality of using public transport.

Other seniors are more dependent on public transport because they no longer drive, or by choice or otherwise drive on a restricted basis. In these circumstances, the dependence on the public transport system is likely to be notably greater than most other members of the community.

The proportion of journeys by public transport undertaken even by seniors who still drive is likely to be relatively high due to factors such as the location of medical practitioners, hospitals and other public services, or outings with family or friends. For those seniors who no longer drive, a reliable, low cost, easy to understand public transport system is of considerable importance.

4. *How important is public transport to you? Please explain why it is important, including which modes are most important, which times of day you rely on public transport the most and what days of the week?*

In addition to points made in response to question 3, AIR members are more likely to use public transport services in non-peak hours. This reflects the likely timing of medical appointments and planned outings. Patrons who use the public transport system out of peak hours help to smooth the peaks and troughs in public transport demand, thus encouraging higher asset utilisation.

5. *How have your travel patterns on public transport changed over the past few years? Why have they changed, or why have they remained the same?*

No comment.

6. *Tell us what you think of the current fare structure. How could it be improved?*

For seniors, including AIR members, the simplicity and certainty of the fare structure is very beneficial, as previously stated. However, consideration should be given to its extension beyond the greater Newcastle/Sydney/Blue Mountains/Wollongong region.

7. *Are you willing to pay more to improve Opal service performance?*

Public transport is capital intensive, meaning it has relatively high fixed costs and relatively low marginal costs.

Patronage is highest during peak travel periods, (journey to/from work or school), when, in all likelihood, the proportion of seniors using public transport services is relatively low.

It is likely that seniors make up a higher proportion of passengers in non-peak daytime periods and in shoulder periods coinciding with higher school student patronage in the afternoon.

Arguably, margin costs during off peak times will likely, in theory at least, be lower than in peak times because peaks drive the demand for further capital expenditure and cost recovery. This is reflected in the current pricing structure.

Therefore, in aggregate, lower marginal costs should equate with lower marginal revenue during these off-peak times.

There are also a wide range of social, economic, health, environmental and other beneficial externalities that arise from seniors' patronage of the public transport system.

Accordingly, in principle, AIR supports the notion that higher fares should be a reward for improved performance, provided that, firstly, improved performance is evident and, secondly, the burden on higher fares is borne by peak usage passengers given their usage is likely to drive any capital improvements considered necessary and marginal costs are likely to be higher during peak times.

8. *What levels of peak time crowding on public transport are acceptable to you before you seek alternative travel options (either mode, time of day or not travelling at all)?*

No comment.

9. *How flexible can you be in staggering your travel times? For example, are they influenced by work, childcare arrangements or education start and finish times?*

While some of the above factors may influence travel times for seniors, patronage is more likely to be driven by the need to shop, the desire to socialise or a medical appointment. Generally, there is greater flexibility available in transport related to these activities.

10. *Are the current peak arrangements appropriate (e.g. times, discount levels, modes etc.)?*

In principle, yes. Please also see response to question 7.

11. *What price differential between peak and off-peak fares would create an incentive to shift travel times? Should we consider setting maximum off-peak fares?*

No comment, other than to say the greater the difference between peak and off-peak travel times, the more likely it will be that passenger transport peaks will be less pronounced.

The maximum off-peak fares fare regime applies to seniors and should be retained.

12. *Has the NSW's Government decision to remove peak fares on Fridays impacted your travel decisions?*

No comment.

13. *What other factors influence choice of travel time?*

Please see responses to earlier questions related to likely demand drivers of seniors' patronage.

14. *Have your working from home patterns changed since COVID-19? Do you expect these to continue to change over the next 5 years?*

Not applicable to most seniors. No comment.

15. *Will the introduction of new light rail and metro services over the next 5 years impact your travel decisions?*

Perhaps at the margins where seniors can see benefit from an improved public transport system, irrespective of the service type, frequency, reliability or location.

16. *What types of new fare options would you like to see following the transition to a new account-based ticketing system?*

AIR is happy with the current fare system for seniors available through the Opal Gold Seniors Card.

17. *Do you know how much your usual Opal fare is?*

AIR members appear to have a good understanding of the fare regime on the Opal Gold Seniors Card.

18. *Are fares an important factor for you when deciding whether to travel on public transport?*

For many seniors, the current fare regime makes public transport attractive, even for seniors who hold a valid drivers' licence.

19. *Would you like more visibility of fares paid using contactless payments to help you make more informed travel decisions?*

AIR supports in principle the notion of greater pricing transparency as it is likely to drive more informed decisions related to public transport usage, having regard to the externality benefits of public transport usage referred to earlier.

20. *Are there other external benefits that public transport provides?*

Although these were referred to briefly in response to question 7, the benefits to seniors and the broader community are worth elaborating on.

Social and health benefits:

- A simple, low cost, regime is likely to encourage greater patronage by seniors and support from seniors, groups such as outings to lunches, community events and visits to tourist attractions, cultural events and cultural institutions.
- Social interaction of this sort is likely to improve the physical and mental health of seniors, thus promoting age longevity and reducing demands on the health and aged care systems, and by enhancing independent living amongst seniors.

Economic benefits: seniors who use the public transport system instead of travel by car reduce pressure on the road network, allowing those who do need to use the road network such as road freight operators and emergency services the opportunity to operate more efficiently and reliably, even at the margin.

Environmental benefits: higher patronage by seniors of the public transport system means they directly use a lower emissions transport system and, indirectly, may reduce emissions for those who need to use the road network by reducing emissions at the margin through reduced congestion.

*21. Which external benefits of transport are best addressed through fares?*

Please refer to the answer to question 20.

*22. How can our determination of maximum Opal fares encourage NSW residents to use more sustainable modes of transport.*

A set maximum fare regime encourages wider patronage, especially to users of the public transport system who by need or choice take multiple trips per day.

*23. How should the cost of creating a more sustainable public transport network be balanced between fares and taxes?*

Taxes need to play an important role in ensuring roads are paid for by those who use that network.

The current road user charge regime is sound in principle for two reasons. Firstly, it has a fixed component (registration) in recognition of capital costs for road network and improvements and to ensure roadworthiness of vehicles. Secondly, it has a marginal component (a fuel levy) which increases with road network usage. However, the more widespread use of more fuel-efficient vehicles, as well as electric and hybrid vehicles, shows road user charging is ripe for reform.

General purpose taxes such as PAYG, GST, company taxes and gambling charges also have a role in contributing towards the cost of the public transport given the benefits referred to earlier.

*24. How much of your weekly expenditure goes towards public transport use?*

No comment, however, independent retirees, semi-independent retirees and other senior on modest incomes, can benefit greatly from, and depend on, a public transport system for their various needs and wants. For some seniors, irrespective of income source, public transport costs can be relatively high compared to other members of the community.

*25. How can we measure affordability of public transport fares?*

No comment.

*26. What measures (like concession/discount arrangements) help you access public transport and/or make public transport more affordable?*

The Seniors' Gold Opal Card is a great initiative and should be retained where it is currently used. Serious consideration on both equity and efficiency grounds should also be given to extending the Opal system, including the Seniors' card, or any successor to it, to public transport in regional NSW and, to the extent it is practical to do so, in populated border areas such as Albury, Queanbeyan and Tweed Heads.

*27. Are there groups that aren't currently eligible for concessions/discounts that would benefit from such arrangements?*

No comment.

*28. Is there is an appropriate balance between recovering the cost of public transport through fares or through government subsidies?*

AIR believes for retirees the current balance is about right and should be retained.

*29. What revenue and cost components should be included in a cost recovery calculation?*

No comment.

*30. How do you prefer paying for using the Opal network, for example, distance based, zones, caps, etc?*

Seniors benefit greatly from the current pricing regime. AIR believes it should be retained.

*31. Which external benefits of transport should be included in our calculation of optimal fares?*

Please see AIR's response to questions 7 and 20 relating to off peak usage and benefits to seniors who use public transport.

*32. Are there any other matters we should include when developing an updated social optimisation model*

No.

## **Conclusion**

AIR submits that the position it has put in response to questions raised in this review is consistent with NSW Government's Ageing Well in NSW: Seniors Strategy.

Accordingly, AIR requests that in making its findings and recommendations, IPART ensures that to the extent its recommendations apply to its members and other seniors, they are consistent with this Strategy.

*For any further information or discussions on this please contact* [REDACTED]

*26<sup>th</sup> February 2024*