

OPAL FARES
2020-2024
ENSURING
AFFORDABILITY



Information paper

Transport

February 2020

Ensuring affordability for passengers

Access to transport at an affordable price is a necessary part of a well-functioning society. As a result, one of our objectives for the review is to ensure that public transport fares are affordable. Submissions in response to our Issues Paper, raised concerns that for some groups of people public transport fares are too high, resulting in either financial hardship or restricted participation in society. Of particular concern, was a perceived inadequacy of the current concession arrangements, which provide discounted fares to passengers who meet particular criteria.

Opal fares currently cover around a quarter of the cost of providing public transport. We consider that reducing this share in order to make fares affordable for a relatively small group of people is unlikely to meet our other objectives for the review. We also note that on average, fares are lower in real terms (that is, after adjusting for inflation) than they were 10 years ago, particularly for longer distance travel. Nevertheless, we accept that there are groups of people within society who find public transport unaffordable and that there are good reasons for addressing this issue through providing targeted discounts to a broader group of people than the current concession arrangements.

We are recommending that the NSW Government:

- ▼ Provides discounted fares to NSW residents that hold a current Commonwealth Health Care Card (Health Care Card). This could be done by expanding the current concession program or by offering transport passes through Opal Connect that provide discounts to passengers without requiring an upfront fee. We estimate that there would be a reduction in fare revenue associated with expanding eligibility for discounted public transport travel. We have estimated that the cost associated with this would be less than \$400,000 a week.
- ▼ Trials a program whereby community service organisations and charities can purchase discounted public transport passes to be provided at no cost to vulnerable people, similar to the trial being undertaken in Victoria. The NSW Government should review the outcomes from the Victorian trial to inform the implementation of the NSW trial.
- ▼ Considers expanding free travel for passengers with a permanent physical disability, cognitive condition or mental illness that prevents them from using the Opal ticketing system.

The NSW Government should ensure that it involves relevant stakeholders, such as community service organisations and charities and people with a disability, in the development of these products.

Stakeholder views on concession Opal arrangements

We received some comments regarding the affordability of public transport fares in response to our Issues Paper. Many of these comments focused on eligibility for concession fares as a

major barrier to people experiencing poverty and disadvantage from accessing the public transport network.¹

Eligibility requirements

Concession fares in NSW are largely available to people with access to the full rate of Centrelink benefits, or who are in full time study or apprenticeship (see Box 1). Around 5% of passengers travel using a concession Opal card.² Several stakeholders submitted that eligibility for concessions should be extended to target those in the workforce but on low incomes. This includes people receiving partial Centrelink payments, as these people can also be considered economically disadvantaged.³

The NSW Council of Social Services (NCOSS) supports expanding concession fare eligibility to all Health Care Card holders, arguing that:

People on low incomes who may be working infrequent or few hours are often eligible for Commonwealth Health Care Cards. Health care card holders include students, carers and people who aren't well enough to work full time. People who are underemployed can also access Health Care Cards. In NSW under-employment is a persistent and increasing issue, especially in the lowest paid occupations (retail trade, health care and social assistance and accommodation and food services all have relatively high numbers of underemployed). Enabling access to transport for those who are struggling to make ends meet is vital for their continued participation in the workforce.⁴

The current eligibility requirements also create costs (both for passengers and Transport for NSW) where people move between 'eligible' and 'ineligible'. As submitted by the Combined Pensioners and Superannuants Association (CPSA):

If someone on Newstart Allowance finds casual employment that may only amount to one day's work, this will cause them to be ineligible for the Concession Opal Card. If they return to unemployment, they will have to reapply for the Concession Opal Card. Once eligibility is confirmed a new Concession Opal Card will be posted to arrive in 7-10 working days. In the meantime, Adult Opal Fares will be charged for the use of public transport. This cost is unaffordable for people on Newstart Allowance payments, if people cannot access public transport they will not be able to fulfil their obligations which will result in the loss of the Newstart Allowance.⁵

Under the current concession Opal arrangements, once someone moves away from the maximum Centrelink payment they are no longer eligible for a transport concession. Transport for NSW periodically receives data from Centrelink to confirm eligibility.⁶ If a person is no longer eligible for a Concession Opal card, Transport for NSW writes to them and gives them two weeks' notice to transfer the balance on the Concession Opal card to an Adult Opal card. The Concession Opal card is then made invalid.

¹ See for example, NSW Council of Social Services of NSW submission to IPART Issues Paper (NCOSS Submission), p 8.

² Based on the number of cards used.

³ The Combined Pensioners and Superannuants Association of NSW Inc (CPSA) recommended that people on part Newstart Allowances should receive the Concession Opal Card. See CPSA submission to IPART Issues Paper (CPSA Submission), p 9.

⁴ NCOSS Submission, p 8.

⁵ CPSA Submission, p 4.






⁶ Transport for NSW also receives data from tertiary institutions to confirm student concession eligibility.

Box 1 Opal concession program

The NSW Government offers discounted fares to a range of passengers, as shown below. This policy makes public transport services more affordable and accessible for these groups of passengers through half price fares.

The Concession Opal card is available to Transport Concession Entitlement Card holders. These are eligible tertiary or TAFE students (generally those studying full-time), apprentices or trainees, and job seekers or other approved Centrelink customers. For students and apprentices the entitlement is valid for 12 to 15 months and for Centrelink customers for up to 90 days, as long as the holder remains eligible. After this time the holder must reapply online and be reassessed for eligibility. Centrelink customers must be NSW residents who are registered as looking for work and receiving the maximum rate of one of the specified benefits (depending on the benefit additional criteria may apply).

Most other Australian States offer concession fares to a broader subset of passengers. Concession arrangements in Queensland are similar to those in NSW. However, in Victoria, Western Australia, Tasmania, the Australian Capital Territory and the Northern Territory, concession eligibility for public transport services has been extended to people in possession of a Health Care Card.

 <p>Gold Opal</p> <ul style="list-style-type: none"> Seniors > Pensioners > Asylum seekers > War widow or widower > NSW TPI/EDA Veterans > Gold Opal fares > 	 <p>Concession Opal</p> <ul style="list-style-type: none"> Apprentices and trainees > Centrelink customers > People with a disability > Tertiary students > Concession Opal fares > 	 <p>School Opal</p> <ul style="list-style-type: none"> Primary and secondary students > Primary and secondary student Opal fares > 	 <p>Free Opal</p> <ul style="list-style-type: none"> Veterans > Vision impaired persons >
 <p>Child/Youth Opal</p> <ul style="list-style-type: none"> Child aged 4-15 > Child/Youth Opal fares > 			

Sources: NSW Government, *Opal Card types*, <https://transportnsw.info/tickets-opal/opal/opal-card-types>, accessed 29 November 2019.

Queensland Government, *Concessions*, <https://translink.com.au/tickets-and-fares/concessions>, accessed 29 November 2019.

Victorian Government, *Concessions and Free Travel*, <https://www.ptv.vic.gov.au/tickets/myki/concessions-and-free-travel/>, accessed 29 November 2019.

Western Australian Government, *Transperth Concessions Guide*, <https://www.transperth.wa.gov.au/tickets-fares/concession-guide>, accessed 29 November 2019.

Tasmanian Government, *Concessions*, <https://www.metrotas.com.au/fares/concessions/>, accessed 29 November 2019.

ACT Government, *Eligible Concessions*, https://www.transport.act.gov.au/__data/assets/pdf_file/0009/1041849/Concession-Cards.pdf, accessed 29 November 2019.

Northern Territory Government, *Bus tickets and fares*, <https://nt.gov.au/driving/public-transport-cycling/public-buses/fares>, accessed 29 November 2019.

Data from Transport for NSW indicates that between October 2018 and September 2019 the holders of over 10,000 Concession Opal cards issued to Centrelink Job seekers were found to be ineligible for a concession. While some instances of ineligibility may reflect a person's move to permanent employment, they will also capture people who obtain limited temporary or casual work. There are additional costs imposed on these people (as they are required to pay Adult Opal fares while they have employment and while they reapply for a concession). This also creates additional administrative costs for Transport for NSW in assessing eligibility, cancelling Concession Opal cards where appropriate and processing re-applications.⁷ These costs are in addition to the costs incurred by Transport for NSW in processing applications from job seekers who remain eligible for a Concession Opal after their existing Transport Concession Entitlement Card (valid for 90 days) expires.

Concession fare levels

Several submissions argued that some concession fares should be the same as Gold Opal fares. In particular, the Western Sydney Community Forum recommended that Newstart recipients' concession fares should be brought into line with the Pensioner/Senior capped fare of \$2.50 per day:

A range of discounted fares are currently available to select public transport users. While access to free travel is available on a limited basis, the majority of concessional commuters are required to pay amounts ranging from a capped \$2.50 per day for seniors/pensioners, to half price fare journeys available to a range of Centrelink customers including Newstart, Youth Allowance, Austudy and ABSTUDY recipients.

While the Aged Pension is usually seen as a life-long entitlement once pension age is reached and provided economic circumstances remain unchanged, unemployment is seen as a short-term, transitory condition. This, along with a determination to avoid normalising long-term reliance on Newstart benefits, has been used to justify the quantum of the entitlement. This approach fails to recognise that Newstart recipients face similar day to day financial demands as aged pensioners while receiving considerably less compensation through welfare payments. As a consequence, Newstart recipients may spend a greater proportion of their income on non-discretionary expenses like food and housing than aged pensioners. The current concession fare structure particularly disadvantages Newstart recipients who are expected to undertake travel when searching for employment, and, as unemployment in Western Sydney continues to remain higher than the Greater Sydney average, the current concession fare structure impacts disproportionately on Western Sydney jobseekers. Western Sydney Community Forum argues that, as a matter of equity, Newstart recipients, should have access to genuinely affordable public transport that supports opportunities for social inclusion and provides the least costly means of attending job interviews.⁸

NCOSS considered that it "is inequitable that individuals with financial resources as limited as seniors and pensioners, namely those on Newstart, do not get access to the same levels of concessions." NCOSS also recommended that the Opal Gold capped fare of \$2.50 per day be extended to Newstart recipients, arguing that:

⁷ As a new card is issued each time, there is no way for Transport for NSW to track how an individual's eligibility changes.

⁸ Western Sydney Community Forum submission to IPART Issues Paper, p 8.

Providing deeper concessions to the costs of transport for people living below the poverty line could make a big difference. The broader social and economic benefit is increased employment participation and reduced reliance on Government-provided financial assistance.⁹

Our draft recommendations

In our Draft Report we recommended that the NSW Government provide discounted Opal fares to NSW residents that hold a current Commonwealth Health Care Card (including those on low incomes, students, carers and people who are not well enough to work full time). We also recommended that the NSW Government consider implementing targeted programs for vulnerable people.

In submissions received we received a high degree of support for our draft recommendations to expand concessions and to consider measures to offer free travel to vulnerable people and those who are unable to use the Opal ticketing system. Stakeholders emphasised the importance of involving community service organisations, charities and people with a disability in the design of any program.¹⁰ Minimising administrative costs and ensuring that the available products are effectively targeted were two of the main concerns raised with us.¹¹

Other key concerns were the need to ensure that those who can least afford fare increases are able to access the discounts on offer. If fare options are too complex then passengers may struggle to identify the lowest cost option for them. Stakeholders felt that it is important that the options are well publicised and communicated to passengers. In addition, some submissions also expressed concerns regarding the need for up-front payments, direct debits or credit cards to access discounts.¹²

At our public hearing, stakeholders provided the following context around the circumstances faced by disadvantaged and vulnerable people:

- ▼ Rates of poverty intensify across western, south western and north western suburbs.
- ▼ In Sydney (and across NSW), lack of affordable housing is a growing problem with more people facing rental stress and struggling to make ends meet.
- ▼ For those that are under the poverty line facing financial distress, public transport costs can be the second highest expense after paying rent.
- ▼ In Sydney, the cost of basic housing, food and transport is much higher than the Newstart rate – however, keeping up with bills and being able to access employment opportunities is essential to getting out of poverty.
- ▼ Across NSW people on income support experience some of the highest rates of poverty, however in terms of overall numbers there are more people working full-time and part-time living below the poverty line. This group would greatly benefit from more affordable

⁹ NCOSS Submission, p 8.

¹⁰ For example, NCOSS submission to IPART Draft Report, p 3 and 5.

¹¹ For example, NCOSS submission to IPART Draft Report, p 6 and discussion at Public Hearing (summary available at: <https://www.ipart.nsw.gov.au/Home/Industries/Transport/Reviews/Public-Transport-Fares/Opal-fares-from-1-July-2020>, accessed 27 February 2020).

¹² For example, Chen T and several anonymous submissions to IPART Draft Report and discussion at Public Hearing (summary, available at: <https://www.ipart.nsw.gov.au/Home/Industries/Transport/Reviews/Public-Transport-Fares/Opal-fares-from-1-July-2020>, accessed 27 February 2020).

public transport via concession arrangements being made available to Health Care Card holders.

Some stakeholders emphasised the need to provide free travel cards for people in crisis or experiencing difficult circumstances such as those impacted by bushfires, women leaving domestic violence and vulnerable young people - particularly those experiencing homelessness or in the youth justice system, who have difficulty affording public transport.¹³

The effect of expanding access to discounted fares

We consider that the NSW Government should offer discounted travel to economically disadvantaged groups who find the cost of public transport prohibitive but are unable to access concession fares under the current system. The current system does not capture the full range of people who fall into this category (eg, people with sporadic employment).

We considered the effect of expanding access to discounted fares from two perspectives:

- ▼ The potential economic benefits of increasing opportunities for social inclusion
- ▼ How passengers might respond to lower fares.

We are recommending that the NSW Government expand access to discounted fares and make them available to Health Care Card Holders on the basis of the potential economic benefits of increasing opportunities for social inclusion.

Increasing opportunities for social inclusion is good for the economy

Discounted public transport fares enable people to look for job opportunities, access health appointments and make shopping trips that were previously not possible. They can also increase participation in leisure and social activities. While this clearly benefits the individuals receiving discounted fares,¹⁴ it also provides a range of benefits to the community. It supports our objectives of keeping public transport affordable, encouraging public transport use and maximising community benefits. We note that it is also consistent with the Premier's priority of helping break the cycle of disadvantage.¹⁵

Work: Unaffordable public transport can prevent people from attending interviews, lead people to apply for jobs in a narrow geographical area, and potentially result in people turning down jobs. That is, it can act as a key barrier to employment and result in job seekers remaining unemployed longer than otherwise might be the case. This, in turn, prolongs the time job seekers spend receiving welfare benefits. Inaccessible transport, as a barrier to work, may contribute to higher benefit payments, and reduced tax contributions. Discounted fares would allow job seekers to review their travel horizons expanding the area in which they can look for, and take up work. This assists in the movement of people from welfare to work, reduces the welfare payments and increases tax receipts.

¹³ For example, NCOSS submission to IPART Draft Report, p 6.

¹⁴ Eg, fare or cost savings if they previously paid Adult Opal fares, journey time savings if they previously would have walked, and the benefits arising from any additional trips that would not have been undertaken without a discounted fare.

¹⁵ See NSW Government, *Premiers Priorities*, <https://www.nsw.gov.au/improving-nsw/premiers-priorities/>, accessed 29 November 2019.

Health: Unaffordable public transport can also mean that people miss health appointments and/or delay seeking treatment – both of which can impose significant costs on the individual and the community. The costs to the individual include poorer health through missed appointments, late diagnosis or healthcare simply not being sought. Costs borne by the community include wasted resources through missed appointments and delayed discharge from hospital, unnecessary home visits and delayed treatment of illness in place of early intervention.

Access to other activities: Unaffordable public transport can make it difficult for people to access reasonably priced food shops and supermarkets. This can result in poor dietary habits leading to poor health. Participation in social, cultural and leisure activities is very important to people's quality of life and can play a major part in improving health, reducing crime and building cohesive communities.

It is difficult to predict how passengers will respond to discounted fares

There is a case for increasing the availability of discounted fares to passengers who are more price sensitive, have a lower willingness (or ability) to pay and travel predominantly in the off-peak. This is because these passengers are expected to undertake additional journeys (and receive the benefits of taking those journeys) without imposing significant additional costs on the public transport system (eg, by travelling outside of the peak).

The price elasticity of demand measures the responsiveness of demand for a good or service to a change in the price of that good or service. This is an important measure because it can be used to estimate how much more (or less) passengers would use public transport if fares were reduced (or increased).¹⁶ The more a passenger's demand for public transport changes as fares change, the more 'elastic' that passenger's demand is considered to be.

We commissioned a consultant – Cambridge Economic Policy Associates and the Hensher Group (CEPA/Hensher Group) – to review Opal usage data to see how people respond to changes in Opal fares and estimate the price elasticity of demand (for more information see separate *Information Paper on Demand and Elasticity* available on our website). As part of that work, CEPA/Hensher Group conducted a literature review to identify a range of published elasticity estimates for public transport and key issues relating to elasticity estimates.¹⁷ CEPA/Hensher Group concluded that:

- ▼ Travellers with relatively low incomes (eg, concession holders, seniors/pensioners) tend to be more responsive to price changes¹⁸
- ▼ Elasticities tend to be higher if the starting fare was higher¹⁹

¹⁶ It allows us to estimate the impact of fare changes on patronage and revenue.

¹⁷ Cambridge Economic Policy Associates and the Hensher Group (CEPA/Hensher Group), *Elasticity of Demand for Sydney Public Transport, Final Report*, 18 October 2018, Annex E.

¹⁸ CEPA/Hensher Group cites a paper that found the elasticity of bus users ranged from -0.61 for the highest income users to -1.10 for the lowest income users (CEPA/Hensher Group, p 61).

¹⁹ CEPA/Hensher Group cites a literature review that noted elasticities increase as fares increase, meaning elasticity may be higher if the starting fare was higher (CEPA/Hensher Group, p 61).

- ▼ Fare increases tend to have a greater impact on demand than fare decreases.²⁰

The CEPA/Hensher Group elasticity estimates²¹ suggest that Concession Opal passengers are only more price elastic (ie, more price responsive) than Adult Opal passengers for early morning train journeys. Adult Opal passengers are more price elastic than Concession Opal passengers for all other modes and travel times, and across all distances. CEPA/Hensher Group considers that this result (which is counterintuitive to the findings of the literature review) could be explained by:

- ▼ Adult pre-peak train demand is highly inelastic, as these passengers have to travel at this time, regardless of the price
- ▼ The starting price of adult fares are higher than other passenger types, which leads to higher elasticities in general (this was another finding in the CEPA/Hensher Group literature review).

We also note that people who pay full fares might have more travel options available to them, for example, may be more likely to have access to a car.

In terms of travel patterns, using Opal data we found that the pattern of Concession Opal card use is similar to Adult Opal card use in terms of:

- ▼ Mode per journey (although Concession Opal card holders take around 5% more multi-mode journeys than Adult Opal card holders)
- ▼ The receipt of transfer discounts, qualifying for the frequency discount and reaching daily caps and weekly caps (excluding the Sunday cap, which Adult Opal card holders reach twice as often as Concession Opal card holders).

Both Concession and Adult Opal card holders also travel further and on more days of the week than other types of Opal card holders. In terms of peak versus off-peak use, 30% of Concession Opal card holders did the majority of their travelling during peak times, while for Adult Opal card holders the figure was 40%.

We acknowledge the available evidence on elasticities. However, we do not consider this evidence robust enough to estimate how passengers might respond to expanding access to discounted fares. Accordingly, we have not included any revenue increase from the potential increase in patronage in modelling the revenue effect of our recommendation to expand access to discounted fares (discussed below).

Discounted fares should be made available to Health Care Card holders

We recommend that the NSW Government make discounted fares available to Health Care Card holders, on the basis of the potential economic benefits from increasing opportunities for social inclusion. We consider that eligibility for a Health Care Card is a good identifier for people who need access to discounted fares and note that the Health Care Card is used to

²⁰ CEPA/Hensher Group cites a study that “directly examined the impact of a fare decrease, of €1 to 0, and found the elasticity to be -0.01, much closer to zero than other elasticities reported (CEPA/Hensher Group, p 61).

²¹ The CEPA/Hensher Group report is available on our website at www.ipart.nsw.gov.au.

access public transport discounts in other parts of Australia. The eligibility criteria for the Health Care Card are set out in Box 2.

Box 2 Eligibility criteria for Health Care Cards

You can get a **Health Care Card** if you:

- ▼ Live in Australia
- ▼ Get some payments or supplements from the Department of Human Services
- ▼ Meet the age rules of the payment you get.

Payments or supplements include:

- ▼ ABSTUDY living allowance
- ▼ Austudy
- ▼ Carer Allowance if you care for a child under 16 - the card is for the child in your care
- ▼ Carer Payment for short term care under 6 months
- ▼ Family Tax Benefit Part A at the maximum rate
- ▼ Farm Household Allowance
- ▼ Mobility Allowance if you don't get Disability Support Pension
- ▼ Newstart Allowance
- ▼ Parenting Payment partnered
- ▼ Partner Allowance
- ▼ Sickness Allowance
- ▼ Special Benefit
- ▼ Widow Allowance
- ▼ Youth Allowance.

Your card is valid for one year and will automatically renew if you remain eligible.

You can get a **Low Income Health Care Card** if you're either:

- ▼ Nineteen or older
- ▼ Younger than 19 and are independent
- ▼ Younger than 19 and eligible for Family Tax Benefit.

You must be an Australian resident and live in Australia, or hold one of the following visas:

- ▼ Permanent residence visa holder
- ▼ Special Category visa
- ▼ Partner provisional visa subclass
- ▼ Temporary protection visa.

You must also meet an income test. Your card is valid for one year. You must renew your card each year.

Source: Australian Government Department of Human Services, *Concession and Health Care Cards*, <https://www.humanservices.gov.au/individuals/subjects/concession-and-health-care-cards>, accessed 29 November 2019.

The income test thresholds for the Low Income Health Care Card are set out in the table below. These are gross income amounts, ie, income before taxation. By way of comparison, we note that the average weekly household income in the Greater Sydney area in 2017-18²² is almost three times as much as the low income Health Care Card threshold for a family of two adults and one child, or one adult and two children.²³

A single person with income at the current threshold would receive around \$27,000 after tax – or just over \$500 per week.

Table 1 Income test limits for Low Income Health Care Card (Gross income)

Status	Weekly income	Income in an 8 week period
Single, no children	\$564	\$4,512
Couple combined, no children	\$974	\$7,792
Single, 1 dependent child	\$974	\$7,792
Couple combined, 1 child	\$1,008	\$8,064
For each extra child, add	\$34	\$272

Source: Australian Government Department of Human services, *Income Test*, <https://www.humanservices.gov.au/individuals/services/centrelink/low-income-health-care-card/who-can-get-card/income-test>, accessed 29 November 2019.

Opportunity to streamline the system and reduce administrative costs

Health Care Cards are valid for a year. We consider that the Transport Concession Entitlement should align with this, which could make our recommended arrangements less costly to administer than current concession arrangements.

Under the current Concession Opal system, eligibility for Centrelink customers is valid for 90 days only and some Centrelink customers move between ‘eligible’ and ‘ineligible’ within that period as their employment circumstances change. This imposes costs on both Transport for NSW and the customers themselves.

Aligning the Transport Concession Entitlement with a Health Care Card means that there will be fewer people becoming ineligible when their circumstances change slightly – eg, when they pick up casual or intermittent work. It also provides an opportunity to reduce administrative costs as a more stable concession population means fewer Concession Opal cancellations and subsequent re-applications (where a person moves in and out of eligibility), and fewer reapplications from people who remain eligible throughout the year.

²² In 2017-18 the average weekly household income in the Greater Sydney area (before tax) was \$2,867 (mean gross income for all households in the Greater Sydney area). See ABS, *6523.0 - Household Income and Wealth, Australia, 2017-18*, 12 July 2019, Data cube 13 States and Territories, Table 13.7.

²³ The average household size in the Greater Sydney area in 2016 was 2.8 people. See *2016 Census QuickStats Greater Sydney*, https://quickstats.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/1GSYD?opendocument, accessed 6 November 2019.

Options for implementing discounted fares for Health Care Card Holders

There are different ways that the NSW Government could implement discounted fares for Health Care Card Holders, including:

- ▼ Expand the current concession program providing a 50% discount on Adult Opal fares to these passengers
- ▼ Use the flexibility under the Opal Connect account-based system to provide a discount, which may or may not equal the 50% discount currently available under the concession program.

Cost of expanding access to discounted fares to Health Care Card Holders

We expect that there would be a loss in fare revenue associated with providing fare discounts to a broader set of customers. However, it is difficult to estimate what the impact on fare revenue would be with any precision (see Box 3).

We estimate that there could be up to 141,500 people, within the Opal network area, who may be eligible for a Health Care Card and who are not already eligible for a Concession Opal card. This estimate is based on the following available information:

- ▼ Data from the Australian Government Department of Social Services that indicates that, in June 2019, around 383,000 people in NSW received a payment based on holding a Health Care Card; 50,000 of these held the Low Income Health Care Card.²⁴
- ▼ By broadly aligning Commonwealth Electoral Divisions to the Opal **bus** network, the number of Health Care Card payment recipients reduces to around 251,500.²⁵ (Aligning to the Opal **rail** network covers around 296,000 people, however we consider the bus network is a better measure as previous work indicates that bus passengers are more likely to be lower income earners than passengers using other modes.²⁶)
- ▼ An estimate of the number of Centrelink payment recipients receiving the maximum benefit and who are therefore currently eligible for a Concession Opal:
 - We have the Australia-wide numbers of full rate and partial payment recipients
 - Using these proportions indicates there could be 110,000 people in NSW on the maximum payments.

²⁴ DSS Payment Demographic Data, DSS Demographics June 2019(XLSX), <https://data.gov.au/dataset/ds-dga-cff2ae8a-55e4-47db-a66d-e177fe0ac6a0/details?q=DSS%20Payment%20Demographic%20Data>, accessed 5 November 2019 and IPART calculations.

²⁵ This will likely overstate the number of people who might actually use the network, as we have generally counted everyone in an electorate even if only one main centre is serviced by the Opal network.

²⁶ Our 2015 passenger survey found that bus passengers were more likely to not be employed and that they were significantly more likely to have household incomes of less than \$32,000 per year (compared to passengers on other modes). See Roy Morgan Research, *Sydney Public Transport User Survey 2015*, December 2015, p 17 (available on our website at www.ipart.nsw.gov.au).

- ▼ This leaves around 141,500 Health Care Card payment recipients that are not currently eligible for a Concession Opal card. We note that this number is likely to be overstated. For example, there will be some recipients of Austudy and Youth allowance (included in the Health Care Card numbers) who are already be eligible for a Concession Opal.²⁷

Box 3 Estimating the impact of our recommendation on revenue

To estimate the revenue effect of our recommendation to expand access to discounted fares to Health Care Card holders we would need to understand what the counterfactual is for these passengers and how their behaviour may change (ie, how do these people use the public transport system at present and how might they use it with cheaper fares)? If these passengers:

- ▼ Previously didn't travel but now would then **revenue increases**
- ▼ Undertake the same amount of travel but displace single adult Opal fares with the discounted fares then **revenue decreases**
- ▼ Travel more to keep public transport costs stable but displace single adult Opal fares, then this could be **broadly revenue neutral**.

In its submission to our Issues Paper, NCOSS noted that it found almost 30% of people on low incomes and experiencing poverty had forgone travelling in order to cover other costs.²⁸ This suggests that discounted fares could increase the public transport use of these people. However, submissions also noted that travelling is not something that everyone can forgo – it may be essential in order to keep social security benefits, shop or attend appointments. In this case, travel is prioritised over other expenditure items.²⁹ This suggests that discounted fares would help with affordability, but is less likely to change the travel behaviour of these people.

Opal data provided by Transport for NSW shows that:

- ▼ The average weekly revenue from a Concession Opal card was \$10, the average revenue from an Adult Opal card was \$20 and total revenue was \$34 million.³⁰

Assuming that all Health Care Card holders in the area take up the discounted travel offer:

- ▼ 30% of these (around 42,000) make new trips as a result of the discount and as a result, do not reduce overall fare revenue.
- ▼ 70% of these (around 100,000) continue to make the same set of trips so that fare revenue is reduced.
 - Providing these customers with a 50% discount by expanding the current concession availability would cost around \$350,000 a week in lost fare revenue
 - Providing these customers with a 30% discount by offering a plan using the Opal Connect platform would cost around \$200,000 a week in lost fare revenue.

²⁷ Eligibility for Austudy and Youth Allowance covers a number of approved courses of study, including (but not limited to) the full time tertiary study and apprenticeships and traineeships that are currently eligible for a Concession Opal. We do not have a breakdown of these numbers so cannot exclude them from the count.

²⁸ NCOSS Submission, p 7.

²⁹ NCOSS Submission p 6.

³⁰ We used the week 21 to 27 January 2019 for this estimate as we consider it is likely to be more representative of Centrelink Concession Opal card holders than student Concession Opal card holders

Introducing this would result in fare revenue that is around 0.6% to 1% lower than the current level.

Using Opal Connect to deliver discounts would be a more flexible approach

The NSW Government has developed an account-based ticketing system called Opal Connect. This system is currently being used on a trial basis for on-demand services but could be rolled out more broadly. We are recommending that this process commences within the next four years.

Under account-based ticketing, fare products are no longer limited by the need to have ‘space on the card’ as they currently are, allowing a much larger range of products. This has the potential to provide better outcomes for passengers, as it can support more choice and flexibility in service delivery, unlocking new customer value. Other potential benefits of Opal Connect include integrated fares and additional discounts/services that might provide value to customers.

We are recommending that the NSW Government develops the Opal Connect platform to offer public transport passes across Opal services. Under the example options we have developed, passengers could pay an up-front fee to use the network and receive discounted fares each time they travel. For example, they could choose to pay a (smaller) fixed fee for the month with a discount applied to each single fare subsequently incurred.

The submission from the CPSA contended that “the implementation of an additional Opal Card that would make travel more affordable and suitable to the unpredictability of Newstart Allowances would be much more beneficial to vulnerable and poorer NSW residents [than off peak discounts]”.³¹

One option that would be open to the Government is to provide a discounted fare option under Opal Connect for Health Care Card Holders. This could be the same as one more broadly available to passengers as a ‘fixed fee + discount’ pass, without an up-front fee, or it may be a separate fare option developed just for these passengers. This approach would provide the Government more flexibility regarding the discounts offered.

We consider that, to be effective, it is important that discounted travel passes for economically disadvantaged groups do not require an upfront payment to access discounts, are able to be pre-paid, and do not require a credit or debit card for access. This was a concern raised in relation to the Draft Report, along with the need to ensure that these options are well publicised and communicated to eligible passengers.³² We consider that these are issues that can and should be addressed through planning. Transport for NSW will need to consider these issues and consult with passengers and representative groups.

The NSW Government should also ensure that offering targeted discounts through Opal Connect to economically disadvantaged groups does not result in the loss of any of the existing options for using the current Opal ticketing system. For example, the option to not link

³¹ CPSA Submission p 6.

³² NCOSS submission to IPART Draft Report, p 4, discussion at Public Hearing (summary available at: <https://www.ipart.nsw.gov.au/Home/Industries/Transport/Reviews/Public-Transport-Fares/Opal-fares-from-1-July-2020>, accessed 27 February 2020).

a credit or debit account to an Opal card should be available under both the Opal and Opal Connect ticketing systems. Similarly, for all users, the option to use the Opal Customer Care line on 13 67 25 (13 OPAL) should be available for users of both the Opal and Opal Connect ticketing systems.

We recognise that the Opal Connect technology is new and therefore it makes sense to implement it gradually. However, we consider that using Opal Connect to provide targeted discounts to economically disadvantaged groups (by waiving upfront fees on discounted travel pass options for holders of a Health Care Card) should be considered as part of the initial roll out. This would allow innovations that keep public transport affordable, encourage public transport use, maximise community benefits and help break the cycle of disadvantage to be available to passengers as soon possible.

Measures to assist vulnerable people

While our recommendations would expand eligibility for discounted fares, we recognise that there are still vulnerable people who cannot afford public transport. We have considered existing measures available to assist vulnerable people in accessing public transport, as well as measures available in other jurisdictions (see Box 4), and have made recommendations on particular programs we consider the NSW Government should consider.

In response to our Draft Report, some stakeholders proposed that the eligibility criteria for obtaining free travel cards should be developed in conjunction with the organisations that help support vulnerable people (such as young people), and that these organisations could be tasked with providing the cards to individuals in need.³³ While the Draft Report suggested issuing free weekly or monthly passes to organisations, there was support in the public hearing to consider longer term passes, for example, quarterly passes as this could significantly reduce administrative costs. Again, the public hearing attendees reinforced the need for the NSW Government to involve relevant organisations in the development of any targeted fare programs for vulnerable people.³⁴

Current measures on the Opal network and in other jurisdictions

We understand that some community service organisations currently provide Opal cards (with credit) or Opal card credit to their clients. According to NCOSS, this generally takes the form of small Opal card credit amounts or daily travel passes.³⁵ While we consider these emergency measures are useful, we consider that the additional flexibility given by longer term passes would create even greater benefits for vulnerable people.

This has been the approach adopted in Victoria, where in 2018 the State Government began providing weekly and monthly passes (Travel Passes) to vulnerable people (in addition to the

³³ For example, NCOSS submission to IPART Draft Report, pp 3 & 5, St Vincent de Paul Society NSW submission to IPART Draft Report, p 1, discussion at Public Hearing (summary available at: <https://www.ipart.nsw.gov.au/Home/Industries/Transport/Reviews/Public-Transport-Fares/Opal-fares-from-1-July-2020>, accessed 27 February 2020)..

³⁴ Public Hearing (summary available at: <https://www.ipart.nsw.gov.au/Home/Industries/Transport/Reviews/Public-Transport-Fares/Opal-fares-from-1-July-2020>, accessed 27 February 2020).

³⁵ Information provided by NCOSS.

daily passes already available).³⁶ Community service organisations and charities can access passes at discounted rates and there is no cost to the individuals who use them.³⁷

The measure was implemented following a review of ticketing in 2016, which found that many people with low income or experiencing poverty were forced into fare evasion because they could not pay for public transport when trying to reach appointments and basic services. Vulnerable groups, including homeless people and those with mental illnesses, were found to be disproportionately impacted by the fare enforcement regime. The available day passes were thought to be of limited use when appointments changed or when users could not reach them due to other factors, including health or addiction problems.³⁸

We are recommending that the Government trials a similar program in NSW. The NSW Government should review the outcomes from the Victorian trial to inform the implementation of the NSW trial. Passes should be appropriately priced so that they are not prohibitively expensive for community service organisations.

Free or discounted travel on the Opal network is currently available to veterans with service-related disabilities and war widow/ers, as well as people who are vision impaired (and their companions). We acknowledge that people in these groups may have difficulty using the Opal ticketing system and a free travel pass can make accessing the Opal network easier. We consider that free travel should be extended to other passengers that have difficulty using the Opal ticketing system and accessing the Opal network. We note that in other jurisdictions, free travel is available to vulnerable people who can demonstrate that they are prevented from using the ticketing system due to permanent physical disability, cognitive condition or mental illness.

This type of pass exists in Victoria (Access Travel Pass), and is issued to Victorian residents who:

- ▼ Have a significant permanent physical disability, cognitive condition or mental illness
- ▼ Are unable to consistently touch (tap) on or off due to their condition
- ▼ Are able to travel independently on public transport, without assistance from a carer or companion (other passes are available for these situations).³⁹

It is also available in Perth, where Transperth can issue an unrestricted ticket, at its discretion, to a person who receives a disability support pension, and who has a physical or intellectual impairment such that they cannot understand the fare structure, handle cash or use Transperth's SmartRider ticketing system.⁴⁰

³⁶ Victorian Government, *Cheaper, Fairer Public Transport For Vulnerable Victorians*, <https://www.premier.vic.gov.au/cheaper-fairer-public-transport-for-vulnerable-victorians/>, accessed 29 November 2019.

³⁷ Victorian Government, *Travel Pass*, <https://www.ptv.vic.gov.au/tickets/myki/concessions-and-free-travel/travel-pass/>, accessed 29 November 2019.

³⁸ Victorian Government, *Cheaper, Fairer Public Transport For Vulnerable Victorians*, <https://www.premier.vic.gov.au/cheaper-fairer-public-transport-for-vulnerable-victorians/>, accessed 29 November 2019.

³⁹ Victorian Government, *Access Travel Pass*, <https://www.ptv.vic.gov.au/tickets/myki/concessions-and-free-travel/access-travel-pass/>, accessed 29 November 2019.

⁴⁰ Western Australian Government, *Transperth Concessions Guide*, <https://www.transperth.wa.gov.au/tickets-fares/concession-guide>, accessed 29 November 2019.

We are also recommending that the Government considers providing the opportunity for people to apply for free travel where they have a permanent physical disability, cognitive condition or mental illness that prevents them from using the Opal ticketing system.

We received support for this recommendation in response to our Draft Report. People with disabilities can experience multiple barriers to their equitable participation in society and disadvantage as a result. Free public transport would assist with access to employment, services and social support. However, submissions noted that it needs to be accompanied by measures to make the public transport system fully accessible as required by disability standards.⁴¹

⁴¹ IPART, Public Hearing, February 2020 (summary available at: <https://www.ipart.nsw.gov.au/Home/Industries/Transport/Reviews/Public-Transport-Fares/Opal-fares-from-1-July-2020>, accessed 27 February 2020).

Box 4 Measures to assist vulnerable people in other states of Australia

Melbourne

Free travel passes are offered for people with a permanent physical disability, cognitive condition or mental illness that prevents them from using myki, as well as those dependent on a scooter or wheelchair, vision impaired, certain ex-service personnel and war veterans.

Free travel vouchers are offered to residents that hold a pensioner concession card, seniors card, carer's card, disability support pension or carers payment recipients and war veteran or widow(er).

Free weekend travel is available for disability support pension or carer payment recipients, seniors card and carer's card holders.

Perth

Free travel is available to people who are vision impaired and employees in a recognised supported employment setting. Transperth may issue an unrestricted ticket, at its discretion, to a person who does not work in a supported employment setting but receives a disability support pension, and who has a physical or intellectual impairment such that they cannot understand the fare structure, handle cash or use the SmartRider ticketing system.

Metro Tasmania

The list of people entitled to free travel includes totally and permanently incapacitated (TPI) and extreme disablement adjustment (EDA) pensioners (provided they have applied for and use a Greencard). Free travel is also provided on presentation of vision impairment pass (free travel applies to the cardholder, guide dog, and attendant), companion card, metro tokens.

Queensland

Free travel is available for holders of a companion card, TPI/EDA veteran travel card, vision impairment travel pass, TransLink access pass and a go access Travel Trainer card.

Australian Capital Territory

Free travel is available for residents aged over 70, Department of Veterans Affairs TPI Gold Card holder or a passenger with a visual impairment.

As part of an off-peak trial, eligible senior and concession (not student) MyWay card holders travel for free:

- ▼ between 9am and 4.30pm and after 6pm weekdays
- ▼ all day Saturday, Sunday and on public holidays.

Sources: Victorian Government, *Access Travel Pass*, <https://www.ptv.vic.gov.au/tickets/myki/concessions-and-free-travel/access-travel-pass/>, accessed 29 November 2019.

Western Australian Government, *Transperth Concessions Guide*, <https://www.transperth.wa.gov.au/tickets-fares/concession-guide>, accessed 29 November 2019.

Tasmanian Government, *Concessions*, <https://www.metrotas.com.au/fares/concessions/>, accessed 29 November 2019.

Queensland Government, *Concessions*, <https://translink.com.au/tickets-and-fares/concessions>, accessed 29 November 2019.

ACT Government, *Concessions*, <https://www.transport.act.gov.au/tickets-and-myway/fares/concessions>, accessed 29 November 2019.