

OPAL FARES
2020-2024

FEEDBACK ON THE DRAFT REPORT



Information paper

February 2020

We released our draft report in December 2019. We sought feedback on the recommendations in that report. We provided people with the following opportunities for providing feedback:

- ▼ Submissions on our draft report
- ▼ 'Quick feedback' via targeted questions on our website
- ▼ A passenger survey with an open question at the end on our website
- ▼ A public hearing at our office.

This paper summarises the main issues raised in this feedback and discusses how we took it into account in making our final decisions. We have also published a summary of the discussions at the public hearing and the presentations made at the hearing.

Proposed increase in single fares and expanded discounts for regular users

Our draft recommendations were to determine maximum fares that allow an average increase of around 5% per year over the next four years. We also recommended a number of other measures to address affordability issues and to provide a better, more efficient public transport service.

A number of stakeholders submitted that the single fare increases in our draft report were too high.¹ These comments tended to focus on the increase being unaffordable. However, a number of other stakeholders supported the proposed increases accepting that there is a need to increase fares in order to meet a range of different objectives.² Feedback via our website form (Appendix A) found that there was a fairly even split between those who supported the proposed fare increases (in combination with the proposed expansion of discounts for regular users) and those who didn't.

Some stakeholders were concerned that some of the proposals in the Draft Report may have unintended consequences that risk disproportionately disadvantaging people on low incomes.³ NCOSS' submission noted "that careful consideration needs to be given to the design and implementation of these proposed programs to ensure their effectiveness". Stakeholders at our public hearing also raised these issues.⁴

While stakeholders were supportive of the affordability measures we proposed, they noted 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 stakeholders raised affordability concerns around the impact of any up-front payments, or use of direct debits or credit cards to access discounts.

¹ For example, Micallef C, O'Malley E, Lee N, and CPSA submissions to IPART Draft Report.

² For example, Western Sydney Business Chamber and BusNSW submissions to IPART Draft Report.

³ NSW Council of Social Service (NCOSS) and Combined Pensioners and Superannuants Association of NSW Inc (CPSA) submissions to IPART Draft Report.

⁴ See IPART, 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.

At our public hearing the proposed increases in single fares were generally supported in the context of:

- ▼ Strong investment in public transport services, and the resulting cost increases
- ▼ Public transport fares having fallen in real terms over the past ten years (that is, having not kept pace with the CPI)
- ▼ Greater affordability for those who need it – including increasing the number of low income earners eligible for concession fares and discounted products for regular public transport users not currently accessing discounts (such as part-time and casual workers)
- ▼ Recommended measures to help community organisations assist vulnerable people, such as homeless youth, to fully participate in society and to break the cycle of disadvantage
- ▼ Information to help people select the most cost effective ticket for them.

While affordability is a key issue for passengers we do need to recognise the cost of providing public transport. What is not paid for by passengers is paid for by NSW taxpayers. If the burden on taxpayers is not reasonable it could put at risk the support for new investment and lead to falling service levels over time.

While there will always be suggestions for improvement and times when the service does not meet people's expectations, customer satisfaction is high for all modes (see *Information Paper – Services and Use* available on IPART's website).

Price rises have also been less than the rate of inflation over time. The feedback on our draft report shows that affordability of a single adult ticket is important to people but many other submissions raised more diverse issues, such as the discounts available and how fares are integrated across transport modes. We have considered all of the suggestions and comments we received and have made recommendations on a number of measures.

Introducing optional travel passes or fare packages

Our draft report recommended using new technology to deliver discounts to people who use public transport including aligned fares for trains, buses and light rail, greater incentives for off-peak travel and additional discounts for regular users who do not travel five days a week. For passengers not taking up one of these discount packages, current Opal caps and benefits would continue to apply.

We received some feedback suggesting that the additional complexity from doing this would outweigh the benefits. Some stakeholders felt that the main advantage of the current Opal system is its simplicity and that offering passes via Opal Connect would make the system unnecessarily complex.⁵ This concern was also shared by attendees at our public hearing where there was a strong view that some people would need help to identify which fare options would be the cheapest for them.⁶

⁵ For example, Chen T and several anonymous submissions to IPART Draft Report.

⁶ See IPART, 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.

The current Opal system automatically caps your daily or weekly travel spend and applies the weekly travel reward. However, as the caps are set at the same value no matter how far people travel, how often or which modes they use, the majority of public transport users do not receive any discounts off the single fares, even when they travel regularly. Affordability for these passengers (who may be part-time workers, bus users or people who tend to make shorter journeys) has been addressed through keeping single fares low.

Our recommendations aim to raise fares for people who can afford it, while at the same time ensuring that cheaper options are available for those who can't. We are not recommending any changes to the current Opal system – people who benefit from the current discounts and caps would continue to have access to them.

Some stakeholders suggested that issues around complexity could be addressed by ensuring that information is presented clearly and that users have access to assistance in selecting from the available fare products. For example, it was suggested that the NSW Government's cost of living program could include public transport.⁷ Cost of living one-stop shops in Service NSW Centres, accessible in person, over the phone or via a website, help households identify available NSW Government rebates and savings that could benefit them. We agree that this would be beneficial and note that public transport is already covered by the NSW Government's cost of living campaign.⁸

Aligning fares across trains, buses and light rail

We received strong, though not universal, support for our proposal to increase fare integration through providing options that align fares across trains, buses and light rail services. However, supporters disagreed about how greater integration should be delivered. The majority of issues raised related to our draft recommendations that:

- ▼ further integration is delivered through an account-based ticketing product (such as Opal Connect), rather than through changing the base fares, and
- ▼ ferry fares are not aligned with the other modes.

We have determined single maximum fares that are similar across trains, buses and light rail services but we have not aligned the single fares in the base Opal card offering. Aligning the base fares would result in either significant fare increases for some passengers or a substantial loss in fare revenue for the system. There are also some technical constraints to the NSW Government being able to do this (for example, distance is currently measured differently across different modes). We considered that neither of these outcomes was desirable. As the technology is available to increase integration without reducing financial sustainability or affordability via an account based ticketing model, such as Opal Connect, this is an appropriate option.

We received a mixed reaction for our draft recommendation to not reduce ferry fares so they are aligned with the other modes in the example travel passes.

⁷ NCOSS submission to IPART Draft Report, p 4; 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).

⁸ NSW Government cost of living campaign at <https://www.service.nsw.gov.au/campaign/cost-living>, accessed 14 February 2020.

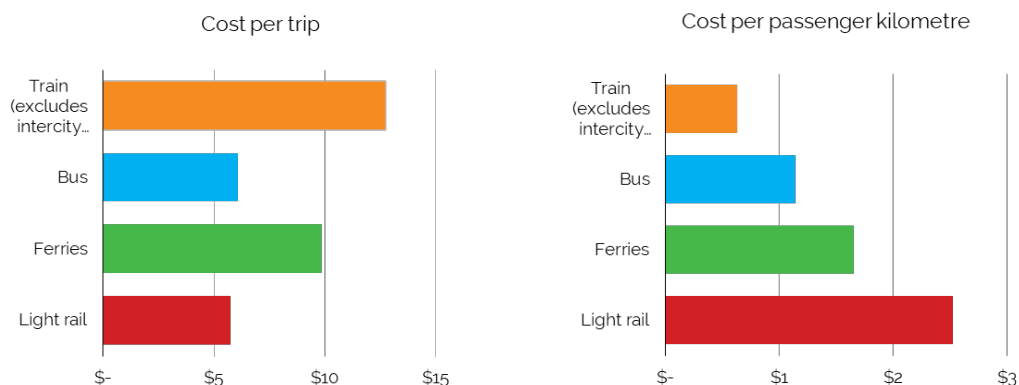
One individual noted that ferry users should not be singled out to pay more expensive fares because the costs are not more expensive than other modes - light rail is more expensive per kilometre travelled. They also noted that some ferry users do not have a practical alternative choice to use a different cheaper mode, because the alternative would take so much longer.⁹

In our draft report we noted that for passengers who found ferries unaffordable there is typically a cheaper alternative, as most ferry users would have bus and/or train options. The stakeholders who responded to this pointed out that due to the geography of Sydney, ferries often provide a shorter, more direct service.¹⁰ Examples were given for particular journeys where the alternative bus or train would take much longer and, as a result, does not provide a practical alternative.

Stakeholders who argued that different modes should not be priced the same felt that fares should reflect both cost of providing the services and their value to passengers, particularly where there are multiple modes available.¹¹

It is true that the costs of providing different public transport services vary by transport mode (see Figure 1). Passengers are not charged the full cost of providing public transport because there is an 'external benefit' associated with using public transport. This is mainly avoided congestion as fewer cars use the roads. Lower fares are justified if additional community wide benefits outweigh the cost of an additional taxpayer subsidy.

Figure 1 Costs per passenger km by mode



Data source: The Centre for International Economics, *Measuring cost recovery of NSW public transport services*, 19 February 2020, p 4.

While the costs and external benefits are different for each mode, we consider that there would be efficiencies from aligning fares for buses, trains and light rail. However, we remain of the view that ferry fares should continue to be set higher than those of other modes. Ferry quality of service is high with customer satisfaction above those for other modes, particularly on

⁹ Sandell R, submission to IPART Draft Report p 3 and comments 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).

¹⁰ For example, Sandell R, submission to IPART Draft Report, pp 1-3.

¹¹ For example, BusNSW submission to IPART Draft Report, p 3; Thorp D, submission to IPART Issues Paper.

indicators of comfort. The profile of demand on ferries is also very different from other modes with a higher proportion of passengers travelling for leisure and ferry travel at its peak on weekends (Sunday). Having considered all of these issues, we remain of the view that the revenue losses from reducing ferry fares in line with other modes would outweigh the benefits of aligning ferry fares to the community.

Unlike other modes, we consider that the revenue losses from reducing ferry fares in line with other modes would outweigh the potential for service delivery efficiencies.

There are only 8 ferry routes in the Sydney Harbour and they have a much smaller catchment area compared to buses (because of the large distances between wharfs).



Bus services would still be provided for customers travelling to and from stops between wharfs.

This also means that lowering ferry fares would not produce additional benefits in terms of reducing congestion.



Ferry users would continue to have access to daily and weekly caps and travel discounts using their Opal card. We also consider that ferry users should not be excluded from new Opal Connect passes and we recommend that Transport for NSW develops a set of transport passes in consultation with different customer groups, including ferry users, to ensure that all customers including ferry users have a choice of fare options. Our example indicative passes are a starting point for Transport for NSW to undertake its own stakeholder consultation.

Concessions

We received support for our draft recommendations that the NSW Government should expand discounted fares to holders of a Commonwealth Health Care Card. Feedback received via our website survey showed that most people support these recommendations but that they feel less strongly about them than they do about some of the other draft recommendations.

Extending concession fares as well as other measures designed to assist vulnerable people or those who are unable to use the Opal ticketing system, was a significant part of the discussion at our public hearing. Overall, stakeholders emphasised the importance of involving community service organisations, charities and people with a disability in the design of any program.¹² Minimising administrative costs and ensuring that the available products are effectively targeted were two of the main concerns raised with us.¹³

Fare evasion

Our draft report did not explicitly consider fare evasion but we received a number of submissions and comments on this issue. The comments fell into two main categories:

- ▼ That the NSW Government should put more effort into stopping fare evasion, or consider the benefits of doing so, before considering fare increases as a way to raise revenue¹⁴
- ▼ That fines for fare evasion are ineffective as a means of raising compliance among vulnerable people, especially young people and those with cognitive issues or mental illness, and creates an overall cost for society.¹⁵

There is evidence that fines for travelling on public transport without a ticket compound disadvantage faced by those experiencing financial hardship. For example, a study undertaken by Wei et al found that:

...fines disproportionately affect disadvantaged people. Most of the disadvantaged groups examined had elevated experience of fines problems, including substantial fines problems. These groups included Indigenous people, single parents, people in disadvantaged housing, people on government benefits, people with a disability and unemployed people.¹⁶

This study found that rather than encouraging future fare compliance (which would potentially raise public transport revenue), the available evidence strongly suggests that issuing fines to those who are unable to pay them is likely to further compound disadvantage to the individuals involved and impose substantial costs on society. Inability to pay is likely to lead to additional fines and future non-compliance and consequences, such as drivers licence suspension. At our public hearing, attendees noted that schemes such as the NSW Work and Development Order, where people can clear fine debt by undertaking unpaid work, training or counselling have been positive steps, as are IPART's recommendations that there should be options available to assist vulnerable people to travel on public transport.

We have not undertaken any analysis on the costs and benefits of additional fare enforcement but it is not clear that it would raise a significant amount of revenue for public transport. In our view, we need to focus on the broader costs and benefits to society, rather than simply look at any impact on public transport revenue.

¹² For example, NCOSS submission to IPART Draft Report, p 3.

¹³ 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).

¹⁴ For example, Eadie K, Action for Public Transport (NSW) Inc and an anonymous submission to IPART Draft Report.

¹⁵ For example, St Vincent de Paul Society NSW submission to IPART Draft Report, 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).

¹⁶ Wei et al, 'Fines: are disadvantaged people at a disadvantage?' *Justice Issues*, Paper 27, February 2018, p 1.

Gold Opal and Sunday capped tickets

The daily cap for the Gold Opal has been set at \$2.50 for the past 15 years. The Gold Opal is available to seniors as well as pensioners and is not means tested. The Sunday cap was initially set at \$2.50 but has been raised to \$2.80 in line with the increase in the weekday daily cap.

We did not make draft recommendations on the price of either of these tickets in this review. Nevertheless we received quite a few comments including:

- ▼ Not to reduce the eligibility for this ticket¹⁷
- ▼ Lowering the daily cap for all concession holders to the Gold Opal daily cap¹⁸
- ▼ Raising the Gold Opal and/or the Sunday daily caps, recognising that they are currently very cheap relative to the price of other fares.¹⁹

In our public hearing, attendees discussed a range of additional options for the Gold Opal such as restricting its use to outside the peak as is done in some other cities.

We considered a range of different options for these tickets in our 2016 review, including means testing access to the Gold Opal card and charging more for peak travel on the Gold Opal. We also noted that the Sunday cap of \$2.50 had resulted in significant ferry use on Sundays, creating a peak demand that has required additional investment in ferries to service, raising the costs of the network.²⁰

As part of our 2016 review we made the following recommendations in response to submissions:²¹

- ▼ The Gold Opal cap should be linked to the level of other daily caps so the relativities are maintained over time. Specifically, that this cap be set at 20% of the daily adult cap (or 40% of the daily concession cap). This would have resulted in a Gold Opal daily cap of \$3.60 from 1 July 2016, rising at the same rate as the increase in other fares.
- ▼ If Seniors Card holders continue to be eligible for Gold Opal, the Government should review the eligibility arrangements for the Seniors Card, so that benefits of the card are better targeted towards people who most need them.
- ▼ The Saturday and Sunday caps should be set at the same value, equal to 40% of the weekday cap. This would have resulted in a Saturday and Sunday fare cap of \$7.20 from 1 July 2016.

The NSW Government did not accept these recommendations and these tickets remain very heavily discounted. We have not repeated the analysis undertaken in 2016 at this review.

¹⁷ For example, Lee N, submission to IPART Draft Report, p 2 and website comment (see Appendix A).

¹⁸ For example, CPSA and NCOSS submissions to IPART Draft Report.

¹⁹ For example, Laird P, Martin A, Action for Public Transport (NSW) Inc and two Anonymous submissions to IPART Draft Report.

²⁰ IPART, *More efficient, more integrated Opal fares, Transport - Final Report*, May 2016, Chapters 8 and 9.

²¹ IPART, *More efficient, more integrated Opal fares, Transport - Final Report*, May 2016, pp 14-15.

We recognise that there are affordability issues for a number of different passengers who do not currently receive discounts. We have made a number of recommendations aimed at improving affordability for them, including:

- ▼ expansion of concession fares to Health Care Card Holders
- ▼ additional measures to make free travel passes available for vulnerable people, and
- ▼ considering free travel for those unable to use the Opal ticketing system, for example, due to disability.

Any additional discounts must be paid for somehow. We note that relatively small increases to some of the more heavily discounted tickets could be used to pay for additional discounts. As an example, raising the Gold Opal cap to \$3.60, as we previously recommended, would more than fund the expansion of concession tickets to low income earners holding Health Care Cards.

A Website feedback received on our draft recommendations

We received feedback on our draft recommendations via our survey which was posted on our website following the release of our draft report. The feedback was mixed, but for most draft recommendations stakeholders who responded indicated their support, with the draft recommendation to extend off-peak fares receiving the most support and the recommendation to increase single fares by 5% per year receiving the least.

Higher fares for single trips and discounts for more passengers

We recommend that single Opal fares increase by an average of 5% (around 30 cents a trip) in each of the next four years. This would put single fares back in line with what passengers were paying a decade ago for most journeys. At the same time, the NSW Government should extend discounted fares to regular public transport users who currently do not receive travel rewards or capped fares under Opal. For most people who travel three or four days a week, these discounts would mean their transport costs would rise by less than \$1 a week.

How do you feel about these recommendations?

Agree	52%	I feel strongly about this	89%
Disagree	48%	It doesn't really matter to me	11%

More integrated fares

We recommend that the NSW Government offers passengers the option of paying the same fare whether they make a trip using a bus, train, metro or light rail service. Currently around a quarter of passengers make at least one multi-mode journey a week; and this is likely to rise in the coming years as Sydney's public transport network becomes increasingly integrated, with the opening of new metro and light rail services. More integrated fares would make it easier for passengers and for the NSW Government to plan the network. We recommend that ferry services continue to be priced differently from other modes, as there is a cheaper bus or train alternative available for each ferry route.

How do you feel about these recommendations?

Agree	70%	I feel strongly about this	78%
Disagree	22%	It doesn't really matter to me	22%

Off-peak fares for bus and light rail services

We recommend extending discounted off-peak fares to buses and light rail. Currently, only trains have off-peak fares, with passengers paying 30% less for travelling in the off-peak. Like trains, buses and trams are crowded in the peak. By extending discounted off-peak fares to bus and light rail, we expect that some passengers would respond by moving their travel time out of the peak. We know that not all passengers can shift their travel times but some people will, and based on our estimates this would help with crowding and lower the cost of providing services by delaying the need for new services in the peak.

We do not recommend off-peak fares for ferries because peak ferry use occurs on Sundays rather than the weekday AM and PM peaks of trains, buses, metro and light rail services.

How do you feel about these recommendations?

Agree	81%	I feel strongly about this	70%
Disagree	15%	It doesn't really matter to me	30%

Discounted fares for low income passengers

We recommend that the NSW Government provides discounted Opal fares to NSW residents that hold a Commonwealth Health Care Card. Health Care Card holders include students, carers and people who aren't well enough to work full-time. This would provide for up to 141,500 extra people to become eligible for discounted fares.

This would bring the discounts into line with most other states of Australia and help ensure that fares remain affordable for everyone. We estimate that this would cost around \$200,000 a week (compared with weekly fare revenue of around \$34 million in total).

How do you feel about these recommendations?

Agree	70%	I feel strongly about this	59%
Disagree	22%	It doesn't really matter to me	41%

Is there anything you want to tell us about this proposal? [limited to 200 characters]

I think that there should definitely be a discount in the week after 9am for the ferries, particularly as the ferry I catch from Cabarita is all stops after the 9.08am ferry. Why pay full price?

The short (0-3km) bus/light fare looks to be rising by ~11-12%/year. This is way more than the 5% increase suggested. This seems very unfair and it would likely encourage people to bike or walk. When wages are only going up 2%, possibly 2.2% if people are lucky, suggesting Opal fares should go up 5% is a excessive.

There is no push to force SYDNEY trains to run efficiently. There is no reference to past recommendations and how SYDNEY trains have progressed against recommendations. You are supporting incompetence

The proposed fare system is very complex. The fare system should be simple and should not require a PhD to understand it. Better fare integration should not require this complexity.

I feel that fares are too expensive. I also believe that trip to get to work should be tax deductible. I spent every year around \$2,500 to get to work and back home and I am not allowed to claim

I strongly disagree with 5% annual increases because my income rises by about 2%. I don't see the point of extending discounts to people who travel three days per week - just discount all tickets. Discounted Opal fares to NSW residents should be extended to Commonwealth Health Care Card holders but should continue to allow Senior Card holders as well. ie do not reduce the eligibility criteria.

It's not fair to compare the single trip fare to the one 10 years ago, as there were so many period passes available. Now I minimise the use of public transport but pay over 40% more than that time. Newcastle has more people evading fare payment, with no inspectors the behaviour will not change, I feel the price increase each year, makes those who pay the fare cover the cost of those who don't

I agree with off peak and peak fares for light rail, not buses as buses in Sutherland shire are empty, light rail over crowded. Keep the weekly cap at \$50, add yearly cap of \$2000-\$2300

There are people currently rorting the system for the weekly travel reward after 8 trips - the weekly cap is already reasonable. I don't see why less frequent users should be discriminated against!

Make sure that Wollongong / Illawarra travellers are included, especially those that DON'T travel to Sydney but use local bus & rail services every day.

My general views re public transport costs are predictability and equity. And, of course, reliability. For regular users who may budget public transport costs into such decisions as where they live

I feel that people working full time are being punished to pay for the concession fares. There is an inconsistency in fares, sometimes my morning commute from Edmondson Park Station is 1.60, 3.70, 5.70

Overall the changes proposed are dreadful that are seemingly intent on punishing people who travel for the purpose of work.

When wages rise at 5% per annum then it is reasonable to put up fares 5% per annum.