



Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party
Date Referred: 5/12/2018

Proposal No: A175
Date Published: 18/03/2019

Proposal Title: Fair Fares - Reduce Station Access Fee at Sydney Airport

Cluster: Transport for NSW

General Government Sector Impacts

	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	4 year Total \$'000
Expenses (ex. depreciation)	-	-	-	1,000	1,000
Depreciation	-	-	-	750	750
Less: Offsets	-	-	-	10,842	10,842
Revenue	-	-	-	-94,395	(94,395)
Net Operating Balance:	-	-	-	(85,303)	(85,303)

Capital Expenditure	-	-	2,250	2,250	4,500
Capital Offsets	-	-	-	-	-
Net Capital Expenditure:	-	-	2,250	2,250	4,500

Net Lending/(Borrowing):	-	-	(2,250)	(86,803)	(89,053)
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Total State Sector Impacts

Net Lending/(Borrowing):	-	-	(2,250)	(86,803)	(89,053)
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Notes and costing assumptions

The policy proposes to reduce the access fee at the domestic and international airport stations to \$5 and provide free access for airport employees from 1 July 2021. The fee reduction of \$5 applies to all tickets (Opal and single trip Opal tickets). The policy would cost \$89 million, mostly due to forgone revenue and does not include any costs for renegotiating an agreement with Sydney Airport Link (SAL).

Key assumptions:

Cost of forgone revenue from reducing the access fee

- The contract with SAL expires in May 2030.
- Transport for NSW receives 85% of the proceeds from the Station Access Fee (SAF).
- SAL receives 15%.
- Advice from Transport for NSW (TfNSW) is that a new concession or amendment to the current agreement would need to be negotiated with SAL and that there would be a requirement to re-imburse SAL for the lost revenue.
- The costs of renegotiating the agreement are not able to be determined by the PBO and are not included in this costing. The PBO notes that costs associated with renegotiating the agreement could include compensation of revenue in the form of a "shadow station access fee" similar to the mechanism used for Green Square and Mascot Stations or an upfront payment.
- The costing therefore includes only forgone revenue that would affect the Government (85% of the SAF).
- Lost revenue from single trip tickets was calculated using the current patronage numbers over the forward estimates multiplied by \$10 (current access fee). Projected patronage numbers were provided by TfNSW.

Notes and costing assumptions continued:

Free access for airport employees

- Forgone revenue from offering free access for airport employees is included in the total forgone revenue above but is broken down over the forward estimates as follows:

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Domestic	4.1m	4.4m	5.0m	5.3m	5.9m	6.1m	6.3 m	6.6 m	6.8 m
International	2.1m	2.2m	2.6m	3.0m	3.4m	3.6m	3.7 m	3.8 m	3.9 m
Total	6.1m	6.6m	7.6m	8.3m	9.4m	9.7m	10 m	10.4 m	10.7 m

- To calculate the number of employees who may claim free access, 21.5% of the total number of employees (30,990 from the SACL annual report) are assumed to use public transport. The percentage is based on ABS public transport usage in 2012. Each employee is assumed to work 48 weeks per year with the SAF costing \$10 per week.

System change costs to implement reduced access fee and free access for airport employees

- TfNSW has advised that it will cost \$500,000 and take 3-6 months to make the system changes for the reduced access fee.
- To provide free access for the airport employees, TfNSW has advised that a new card would need to be created at a cost of approximately \$5.5 million over the forward estimates and would take 6-9 months to implement.

Increase in patronage and access fee

- The costing assumes a 15% increase in patronage based on the reduction of the access fee and is included as an offset in the table above.
- This is in addition to a year on year increase of 3.5% in line with standard Transport patronage growth assumptions.
- Station Access Fees are assumed to increase at 4% per annum (above CPI) as stated in the agreement with SAL.
- The table below shows the patronage (past and projected with a ~2%) for the Domestic and International Terminal stations over a nine year period. Patronage for both stations will have almost doubled since 2013.

2020-21 \$'000	2021-22 \$'000	2022-23 \$'000
2,603	2,748	2,904

Risks associated with patronage increases and future train network planning

- Advice from TfNSW is that planned service improvements to the T8 Airport & South Line in the next few years as part of the next stage of More Trains, More Services program means there will be a potential 80 per cent increase in patronage at the International, Domestic, Mascot and Green Square stations during the morning and afternoon peak hours.
- A decrease in ticket fares at Airport stations or removal of fares for Airport employees would likely mean an additional and rapid surge in patronage. Such unanticipated increases in patronage are a risk to the network capacity, requiring further investigation and likely future capital investments to be brought forward and potentially expanded.
- TfNSW advice is that the potential to bring programs forward to meet patronage increases is very limited given the complexity of delivering infrastructure and fleet procurement.