

# Fares Fair

## The real price of the Free Tram Zone

Source: Urban Source

### What is the Free Tram Zone (FTZ)?

The FTZ is an area of Melbourne's CBD in which tram travel is free. Fares still need to be paid for buses and Metro trains within the FTZ. Customers on trams do not need a myki smartcard for a trip made wholly within the FTZ. As an example, tram trips on Collins Street are free, but the same trip on the same street using bus Routes 232, 235 & 237 (which are slower than the tram) is not free.

The FTZ was an idea generated by the former Liberal Government announced on 26 March 2014 (around six months prior to the 2014 election). It was stated that the FTZ would reduce congestion and speed up trams.

Then opposition leader, Daniel Andrews, matched the commitment by stating that public transport would be cheaper, no matter who is in government. On winning the election the Andrews Labor Government implemented the FTZ on 1 January 2015.

### How does Melbourne's FTZ compare?

Whilst a number of jurisdictions offer blanket free fares or free fares on some specific routes, it is not typical to have one mode completely free in a specific geographic area whilst still requiring fares to be paid on other modes.

Examples include:

- Perth – has a Free Transit Zone within which both buses and trains are free
- Adelaide – has free City Connector buses and other paid buses. There are also specific free trams, whilst the rest of the tram network is paid
- Some smaller jurisdictions in Europe, like Estonia and Luxembourg, have adopted or plan to adopt free fares on all modes
- Some jurisdictions target free fares on all modes to specific customer segments rather than have zones where travel is free to all (examples include London where travel is free for local seniors)
- According to research and trials, free transport systems offer no significant reduction in personal vehicular traffic, and its impact on cutting transport emissions has been limited

### The FTZ Inquiry

The Victorian Parliament has decided to hold an Inquiry into expanding the Melbourne Free Tram Zone. This Inquiry will also consider other fare policy topics including:

- How technology can improve the performance of the network
- Free travel for students
- Free travel for seniors

Movement & Place Consulting (M&PC) have prepared this discussion paper to summarise the outcomes of what we would like to think has been a "pilot" of free travel on one mode of transport in Melbourne's CBD. It then outlines some of the issues the Victorian community should consider when submitting to the Inquiry.

### What is the Inquiry considering?

In June 2019, the Victorian Parliament announced an inquiry into expanding Melbourne's Free Tram Zone (FTZ).

Despite the main thrust of the Inquiry relating to the FTZ, a wide range of other fare policies are also under consideration (across the whole of Victoria). This means that responses from suburban and regional readers are very much of interest. The terms of reference include:

- Five different potential expansions of the FTZ
- Three other fare policy changes (free fares for all full time students and Seniors Card holders, plus dynamic public transport pricing)
- One specific topic related to new technologies to "improve the performance of the networks"

### Get involved

How would you change the fare policy in Victoria? What technologies and dynamic pricing should be adopted? Movement & Place Consulting encourages all Victorians to put forward their views to the [Parliamentary Inquiry](#). These can be submitted via the Inquiry website. Submissions must be lodged by 31 January 2020.

If you have any queries regarding this matter, please contact us via [info@movementandplace](mailto:info@movementandplace).

## Issues considered by the Inquiry

### What has the FTZ achieved and what were the consequences?

The FTZ has been a clear success in the one area that would be expected - generation of trips. Since the FTZ was introduced in January 2015, patronage has grown very strongly. However, there has been a number of other unintended consequences.

Outcome	Effect	Impact
Crowding	↑	Overcrowding of trams is affecting the customer experience (particularly for those who prefer or require a seat)
Efficiency	↓	Too many people making short trips in the CBD reduces the overall efficiency of the tram network
Health	↓	Number of walking trips is reduced due to the appeal of short FTZ trips
Safety	↓	Overcrowding at tram stops is making them unsafe
Congestion	↑	The stated aim of the FTZ was to reduce congestion, but instead the FTZ has encouraged car parking on the edge of the CBD and increased road congestion
Speed	↓	Increased patronage in the CBD has reduced speeds, punctuality and service quality

The stated aims of the FTZ were to:

- Reduce congestion
- Speed up trams

### What are desirable aspects of Fare Policy?

Fare policy can be designed to meet a number of different policy objectives. These policy objectives should be aligned with the Transport Integration Act (2010).

Objective	Achieved by the FTZ?	Detail
Customer friendliness: making the system simple to understand and use	✗	The FTZ (and any extension to it) introduces complexities. These include: <ul style="list-style-type: none"> <li>• Needing to know the FTZ boundary; on board announcements are required</li> <li>• Inconsistency around myki validation compared to other modes (and trams outside the FTZ)</li> <li>• FTZ signage</li> </ul>
Social equity: making fare policy fair to all regardless of location	✗	The FTZ delivers free travel to those living, working or visiting the CBD. People living in regional or rural Victoria, or paying for travel in Zones 1 and 2, effectively subsidise people living in central Melbourne
Cost recovery: using income from fares to help pay for and enhance the public transport system	✗	The FTZ involves no collection of fares. Funds available for investing in Victoria's transport system are reduced as a result. Instead, travel in the CBD is subsidised and congestion on the busiest part of the network is increased, rather than encouraging trips outside the CBD in the off-peak
Patronage: have a system that is popular and encourages people to travel by public transport rather than car	✗	The FTZ benefits people travelling to the city by car and parking at the edge of the zone. This increases congestion. It also converts walking trips into motorised trips



## Other issues covered by the Inquiry

### Free fares for full time students, and Seniors Card holders

Introducing free fares for these groups would broadly be equitable; they may have lower ability to pay than other users. Given discounts of 50% are already in place, analysis will be needed to test if free travel is the best use of resources.

### Dynamic pricing models

Melbourne is unusual in not applying systematic temporal pricing (prices are the same 0715 - 1800 on weekdays). Varying fares by time of day is sensible for a number of reasons. Most importantly, it allows demand to match capacity. The blanket application of the FTZ (fares are free all-day every day) undermines State and community objectives regarding efficient use of resources.

The trial of free train travel before 0715 gave some evidence that customer behaviour changes when fares vary by time of day. The inquiry should investigate pricing fares and peak times for travel on Melbourne's trams in order to reduce overcrowding. It is understood that there are tram peaks in the CBD in the morning, late afternoon, and over lunchtime.

We encourage the Economy & Infrastructure Committee to examine the fares and government charges associated with all modes of transport. This needs a detailed investigation of externalities. For example, this Inquiry and the Inquiry into the Increase in Victoria's Road Toll should jointly consider the impact of pricing. Given the impact of car use on road safety, health (through emissions), and congestion, dynamic pricing should be considered across all modes.

### New technologies to improve network performance

It is noted that new technologies would be more easily developed and applied if additional funding was available. The impact of the FTZ has been to reduce revenue and increase operational costs at a time when that money could be better invested in technology that improves performance of the network - particularly traffic signal priority. Improved tram stops would have more space for technology such as customer information displays.

Whilst innovations such as signal prioritisation can improve the reliability of public transport, any improvement needs to be compared with the negative impact of the FTZ on the punctuality of trams. Rather than reliability of services, much of Melbourne (and Victoria) suffers from a simple lack of services. Filling these gaps would be easier to achieve if treasury was not subsidising car drivers and tourists to use trams in the FTZ.

### Compliance with the Disability Discrimination Act (DDA)

There is widespread community and stakeholder support for making all tram stops in the FTZ fully DDA compliant (the legislated target for this is 31 December 2022). A substantial program of works is required to meet this target, and resources will need to be allocated. The current lack of compliance means accessing the FTZ is not possible for all Victorians. Expanding the FTZ would divert more money away from meeting mandatory accessibility improvements.

### Tourist Economy

Tourists bring money to Victoria and support jobs and investment. The Victorian Visitor Economy Strategy estimates that the visitor economy contributes around \$20B to Victoria's Gross State Product each year.

The strategy states that investing in the transport network and ensuring visitor needs are reflected in long term public transport network planning are important to Victoria's growing visitor economy.

The strategy makes no mention that the absence of fares - on one mode, and only in the CBD - will help increase the attraction of Melbourne to tourists.

In general, high frequency transport services and heritage services attract a particular tourist market that is willing to pay more (Puffing Billy, Bendigo Tramway, and Skybus are clear examples). The FTZ discourages tourists from venturing beyond Melbourne's CBD by giving them a cheap exploration option that can reduce their overall expenditure while visiting Victoria. No tourist chooses Melbourne as a destination because of the FTZ. The FTZ is therefore negatively impacting on Victoria's tourism economy.

### Transport Integration Act (TIA)

The extent to which the FTZ meets the Objectives of Transport Planning in Victoria and Principles of the TIA should be relevant in the context of this inquiry.

Specifically, it is not clear that the principle of equity (between persons irrespective of location, including whether in a urban or remote area) and principle of triple bottom line assessment are adequately addressed at present.

