



EXECUTIVE INSIGHTS

Queensland's Fifty-Cent Public Transport Fares. Popular, but Good Public Policy?

Key takeaways

1. Queensland's \$0.50 flat fare policy has materially increased public transport usage, highlighting the public's enthusiasm for a simple to understand affordable fare.
2. Despite its popularity, the initiative raises serious questions about long-term financial sustainability, with public transport farebox recovery falling to unprecedented lows.
3. The policy's economic return is poor, with a benefit-cost ratio of just 0.18, sparking debate on whether funds could be better allocated to service level/quality enhancements.
4. The Queensland experience underscores the need for targeted strategies, such as service improvements and yield-based fare management, to balance patronage growth with fiscal responsibility.

Background

We have previously published Executive Insights on free and flat transit fares and transit fare discounting, as strategies for driving post-pandemic patronage growth.¹ The introduction of a deeply discounted transit flat fare in Queensland, Australia, in August 2024 provides a contemporary case study to revisit the conclusions presented in those earlier Executive Insights.

Introduction

From 5 August 2024, a \$0.50 (all monetary amounts are in Australian dollars) one-way flat fare was applied to all Queensland public transport services statewide, including buses,

trains, ferries and light rail. Initially introduced as a six-month trial, \$0.50 flat fares were made permanent from February 2025.

At the time the trial was announced, the stated policy rationale was to drive public transport patronage levels back to pre-COVID levels, reduce the use of private cars and associated road congestion, specifically in South-East Queensland (SEQ), and provide cost of living relief.²

Undeniably, this initiative has been generally very well received by existing and new public transport customers. It represents a discount of c.75% compared to the average adult fare before the introduction of \$0.50 fares.

As would be expected with a fare reduction of this magnitude and a much simpler fare system, available data shows that there has been a material increase in public transport use — an 18.3% year-on-year increase after the first six months to 2 February 2025, equivalent to an additional c.14.4 million trips.³ It has also significantly reduced the level of fare evasion, with the number of infringement notices falling by around 40% between 5 August 2024 and 2 February 2025, compared to the same period a year earlier.⁴

It is less clear that the \$0.50 fare initiative has had any material impact on road congestion in SEQ. Early claims suggest there has been some marginal reduction in traffic congestion and an associated improvement in average road speed.

Over and above these high-level indicators, from a public policy perspective, we need to look carefully at these early results through a financial, economic and social lens.

Financial considerations

As of 2 February 2025, it was reported that public transport users had saved more than \$181 million compared to the equivalent period in 2023.³ If the full 18.3% year-on-year increase in trips is attributed to the \$0.50 fare initiative, the actual cost of securing the additional patronage is around \$12.50 per trip.

We note that the average fare paid will be less than \$0.50, as some concession groups are entitled to free travel (e.g. children under age 5, some veterans, individuals with impaired vision). However, even assuming average farebox revenue of \$0.50 per trip, it suggests that currently c.5%⁵ of the operating cost of delivering public transport in Queensland is being recovered from the customer via the farebox.

While the appropriate contribution that customers should make to the recovery of transit operating costs is a complex issue (including the need to provide a safety net for the transport-disadvantaged), the \$0.50 fare has pushed Queensland into an unenviable position.

Figure 1

\$0.50 Fare Policy Impact on Queensland Public Transport



We have previously argued that best-in-class farebox cost recovery in western countries with a strong car culture is in the mid-50s, although some cities in Australia and the United States only recover around 15%-25% of annual operating expenditure through the farebox. At c.5% farebox cost recovery, Queensland is now well outside any accepted norms.

The challenge here in a highly fiscally constrained environment is the capacity to fund a materially larger operating deficit on an ongoing basis, let alone expand public transport services with an existing or new fleet.

For example, the reported annual cost of the \$0.50 fare at \$350 million could fund c.43.75 million bus service kilometres, assuming a cost of c.\$8 per in-service kilometre.⁶ To put this in perspective, the total current SEQ public transport bus task is c.100 million service kilometres,⁷ so the 43.75 million additional (potential) service kilometres represent an increase of c.40% - 45%. It is important to acknowledge that this is essentially a hypothetical proposition, as the resources do not exist to expand bus capacity. However, it highlights the scale of the opportunity cost associated with supporting \$0.50 fares.

Economic considerations

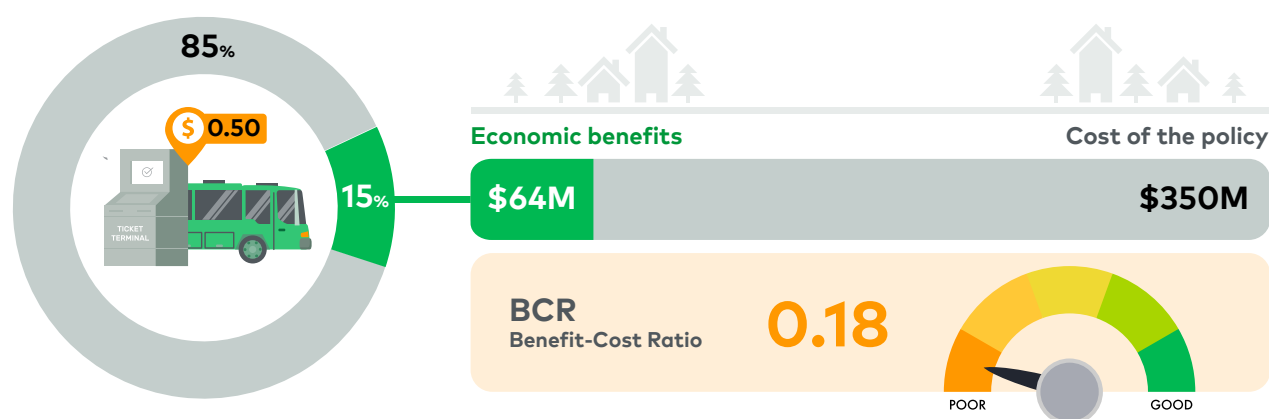
The economic case for a fare reduction of this magnitude essentially rests on the scale of the patronage increase and, more specifically, the proportion of the increase that would otherwise have been made by a private car.

There is clearly a case for the government to subsidise public transport to a level aligned with the so-called external benefits (or 'positive externalities') of public transport use. This includes avoided road congestion, road accidents and vehicle emissions.

The New South Wales Independent Pricing and Regulatory Tribunal (IPART) has conducted the most significant work in this space over an extended period as part of the process of setting maximum public transport fares in New South Wales.

Figure 2

Benefit-Cost Ratio Analysis: Costs vs. Economic Benefits of the \$0.50 Fare Policy



IPART estimates of marginal external cost vary according to mode and time of day. A peak-period rail trip is estimated to generate a marginal external benefit of \$1.68 (the highest benefit reported).⁸ If we apply this figure to the c.29 million additional trips generated in a full year, the estimated benefit by way of reduced externalities is c.\$49 million.

Against an annual cost of c.\$350 million (i.e. foregone revenue), the implied benefit-cost ratio (BCR) is probably around 0.18.⁹

Note that this is before any allowance is made for (any) costs of additional services to support the higher public transport patronage (both operating costs and capital costs, which can be significant if extra vehicles are required). In addition, the disadvantages of any material increase in onboard congestion also need to be considered and are not included in the BCR above.

Social Considerations

As a cost-of-living initiative, \$0.50 fares have been welcomed by all public transport users, particularly lower income groups not entitled to use concession fares.

There is limited publicly available data on changes in spatial and temporal trip patterns following the introduction of \$0.50 fares. The available data suggests that strong increases have been achieved year-on year in all South-East Queensland (SEQ) local government areas, with Gympie achieving a year-on-year increase of almost 50%.³ These increases in patronage will warrant further detailed evaluation in due course.

Specifically, have we seen higher than average increases in public transport patronage in suburbs with relatively low household incomes? Have we seen disproportionate growth in longer-distance travel, which might imply that it has enabled lower socio-economic groups to travel further for social or recreational purposes? Finally, have these fares stimulated additional inter-peak or off-peak trips enabling the transport-disadvantaged to again access social and recreational opportunities – such as meeting friends for lunch or accessing services not available in their local communities?

Discussion and conclusions

While a simpler fare structure and associated fare reductions are clearly and understandably proving attractive with long-term and new public transport customers, we need to consider the public policy dimensions of this initiative, notably the financial and economic considerations.

The financial cost of capturing additional public transport patronage through \$0.50 fares is c.\$12.50 per trip per new or incremental trip.

The question is then one of whether this investment in deeply discounted fares to drive public transport patronage growth can be justified on economic grounds.

The answer is clearly no. Each dollar invested to support the continuation of \$0.50 fares generates an economic benefit of approximately \$0.18 (i.e. a BCR of 0.18).

There is little question that an alternative strategy (e.g. investing in service levels and/or service quality) would produce a better financial and economic return. The transport economics literature has consistently shown that investing in services is the preferred means of driving patronage growth.

In an earlier L.E.K. Consulting Executive Insights on fare discounting, we also offered two other policy options.

Firstly, carefully consider the target market for public transport. Additional support to manage cost-of-living challenges through targeted concessions is likely to be a superior approach to broad-based fare discounting.

Secondly, with the benefit of contemporary (account-based) transit fare collection systems such as that being delivered in Queensland, it is time for transit agencies to embrace a yield management approach to fare setting and grow both patronage and revenue simultaneously – as opposed to trying to defy gravity by broad-based general fare cuts.

We would also add that direct road user charging is the preferred means of providing the correct pricing signals associated with road use (i.e. to manage road use and congestion), as opposed to a 'second best' pricing approach of capturing the external costs of road use in public transport fares — noting that \$0.50 fares go well beyond the appropriate level to reflect these benefits in any case, as reflected in the indicative BCR reported above.

Finally, there may well be some unintended consequences of this policy.

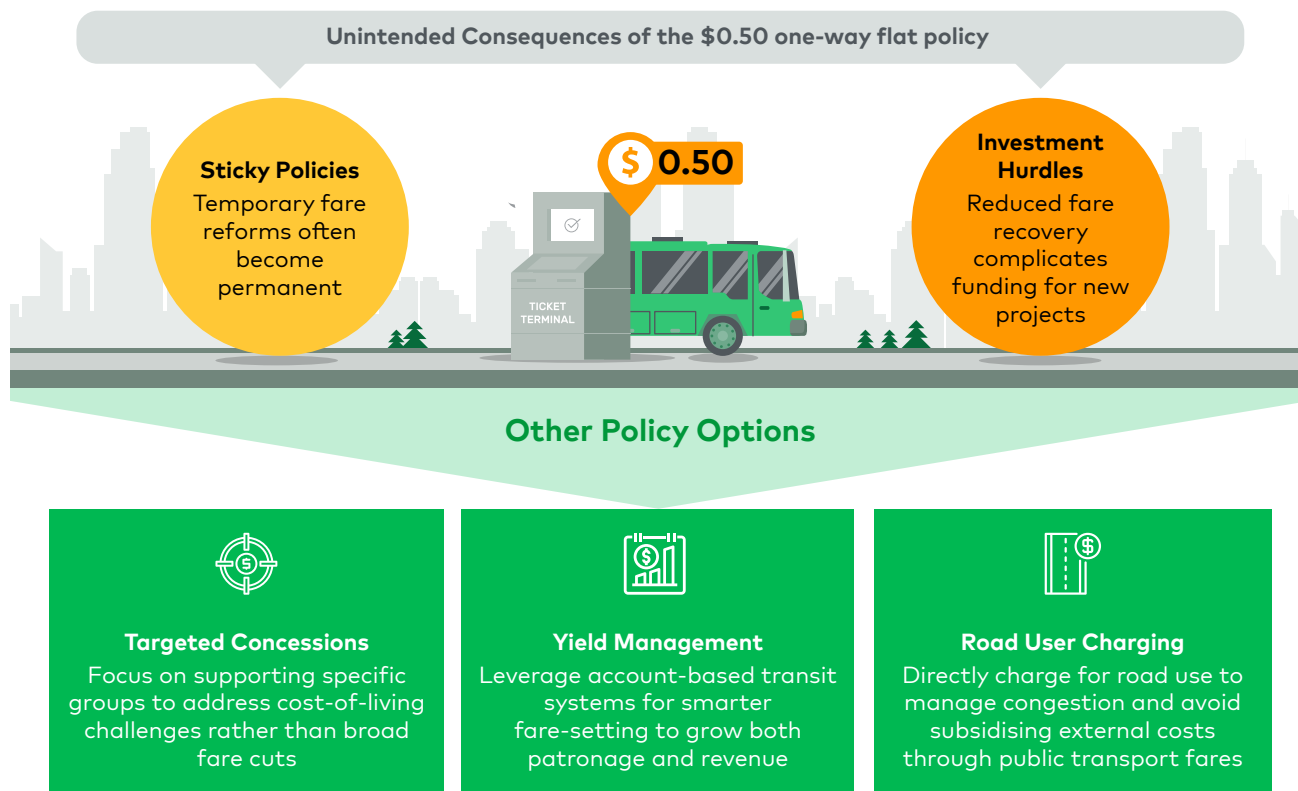
Firstly, fare policy reform, particularly initiatives that dramatically dilute the farebox, are extraordinarily 'sticky' and difficult to reverse unless they are pitched and managed as a limited trial with a clear sunset date. Although \$0.50 fares were initially introduced on a six-month trial basis, the initiative is now permanent.

Secondly, it may make the task of securing investment in new projects more difficult given an expectation of recovering c.5% of costs through the farebox and the associated subsidy requirement.

While the \$0.50 fare policy is unquestionably popular, when viewed through a financial and economic lens, it rates very poorly.

Figure 3

Policy Options and Potential Impacts on Fare Reform



Endnotes

¹L.E.K. Consulting, "Post-Covid-19 Transit Ridership Recovery: Is There a Case for Free or Flat Fares?", Volume XXV, Issue 68, 19 July 2023, and "Post-Covid-19 Transit Ridership Recovery. Is There a Role for Fare Discounting?", Volume XXV, Issue 107, 20 December 2023.

²Joint Statement, Premier, Deputy Premier and Minister for Trade and Investment, Minister for Transport and Main Roads and Minister for Digital Services, "Miles plan to bust congestion: Public transport (almost) free", 26 May 2024.

³Minister for Transport and Main Roads, "A fresh start for Queensland: Queenslanders on Board with the LNP's Permanent 50 Cent Fares", 10 February 2025.

⁴ABC News, "More than \$1 million in fare evasion fines issued after 50-cent public transport fares started", <https://www.abc.net.au/news/2025-02-12/fare-evasion-fines-queensland-50-cent-fares-public-transport/104920788>

⁵L.E.K. estimate based on DTMR and QR annual reports for FY24.

⁶Based on DTMR FY24 annual report and estimated SEQ bus service kilometres.

⁷L.E.K. estimate based on historical Translink data.

⁸IPART, "Spreadsheet model – Fare Optimisation Model for the review of Opal fares to 2028", <https://www.ipart.nsw.gov.au/documents/spreadsheet-model/spreadsheet-model-fare-optimisation-model-review-opal-fares-2028>.

⁹Benefits comprise the value of the incremental value associated with generated trips plus the value of the reduced externalities.

About the Authors



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Mark Streeting is a Partner in L.E.K. Consulting's Sydney office and a key member of L.E.K.'s Transport and Travel practice. With nearly 30 years of experience, Mark advises major private and public sector clients on passenger and freight transport strategy across Australia, New Zealand, North America, Europe, the Middle East, and Asia. Mark is also a member of the New Zealand government's Future Technology Leadership Group and serves on the boards of PTAANZ and the Australian Melanoma Research Foundation.



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Simon Barrett is a Partner Emeritus at L.E.K. Consulting, based in Sydney, with over 30 years of experience in strategy consulting. He specializes in transport and travel, new mobility, infrastructure, and major capital projects, advising corporations and public sector clients across the Asia-Pacific region. He serves as an Advisory Board Member of the Transport and Tourism Forum (TTF), Chair of the TTF's Passenger Transport Panel, a Director of the Pathways Foundation, and a Fellow of the AICD.

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