EDITION 4: AUGUST 18, 2025

THE ADELAIDE UNIVERSITY ECONOMICS STUDENTS' SOCIETY PRESENTS:

WHAT'S (EC)ON?

HALFWAY THERE!

As we get underway with the second semester, we want to touch base and update you on the remaining opportunities for our student members in 2025. This edition of *What's (Ec)on?* includes information about a couple of our biggest events that are coming up, some articles written by studnets, and an education update. We've put something for everyone in here.

FROM YOUR PUBLICISTS...

G'day, economates! Katherine and Jack here! Thanks for checking in with us for our third newsletter of the year. We hope you've had a refreshing break (if you weren't too busy grinding away at a winter internship...) and that you're keen to jump on board with the AUESS for all we've got planned for you this semester. Curious for more details? Take a look inside!

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WHAT'S COMING UP?

HERE ARE SOME MORE DETAILS INTO SOME OF THE BIG TICKET ITEMS THIS SEMESTER

CAREERS NIGHT

28th August 6-8PM, Barr Smith South 2051

Careers Night is back again this year, with an absolutely star-studded line up! Expect to see presentations from our sponsors and a mix of employers in the private and public sectors never seen at an AUESS Careers Night before.

Keep an eye on our socials for further details. We're looking forward to seeing many of you at our BIGGEST professional event of the year!

WINE TOUR - 14th Sept

Yes, yes – we've been harping on about wine tour being in the works for the whole year. We know this is one of your favourites, and we are actively working on it.

We're switching it up this year, heading up into the Adelaide Hills instead of the Barossa. After your feedback, we're scheduling a weekend date as opposed to a weekday trip. We look forward to revealing the destinations soon, so save the date!

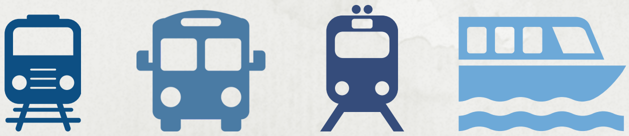
Looking for more information?

Contact our Co-directors of Publications, or send us a message on our socials!.

THE SOCIOECONOMICS OF TRANSIT

by AIDAN LUTHER

In the lead-up to the 2024 Queensland state election, the incumbent Queensland Labr Party promised a 6-month trial of a bewilderingly simply new fare scheme for public transport: a $0.50 ticket available to all passengers on every public bus, train, tram and ferry route throughout the state at all times (the 50c Policy). The policy was so attractive that the Liberal National Party (LNP) of Queensland matched Labor's promise for a 6-month trial, won the election, and later passed a law which made the scheme permanent in late-2024. Despite such strong electoral reception as an unconventional cost-of-living and welfare measure, the 50c Policy faces significant criticism as a mere re-election ploy: an ineffective, inefficient and highly-politicised price ceiling that threatens the feasibility of TransLink, the state government-owned network operator. Since we are yet to see extensive data and analysis of its impacts, let's examine the underlying normative shifts in the political economy and refer to some microeconomic theory to debate whether the indiscriminate subsidisation of public transit fares may lead to more equitable social outcomes in the market for transportation.



Author's note: This article was adapted from research conducted for the Policy Analysis assignment for POLIS 2138: Policy & Practice in Australian Politics in 2024.

UNDERSTANDING THE POLITICAL MOTIVES BEHIND THE 50C POLICY

Queensland's 50c Policy diverges from the existing economic models of the transport sphere. Heavily subsidising public transit – an example of a public good – differs from the widespread transportation policy framework underpinned by neoliberalism, which has culturally and institutionally endorsed individualistic choices through private automobile ownership and stigmatised public transit as an inferior alternative to driving. Economic and social policies designed according to this understanding of neoliberalism in all levels of government shape the world around us through fiscal policies dedicated to car-based infrastructure development, car-centric city planning, and the privatisation of certain goods/services like toll roads and some mass transit systems like airport connections.

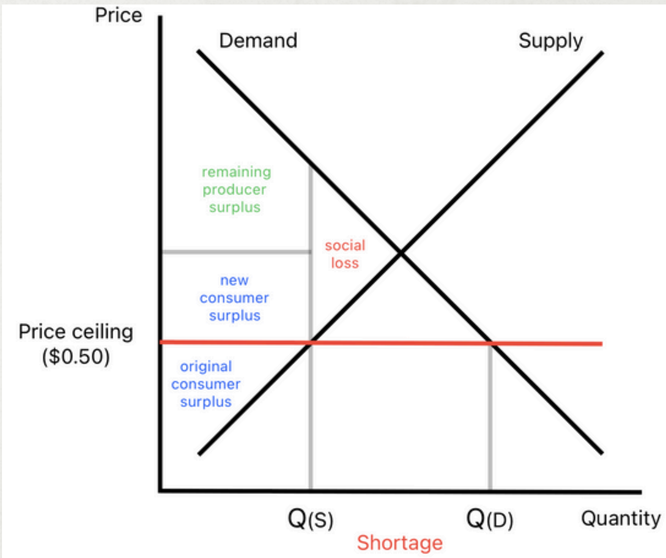
Through extraordinarily low fares, the 50c Policy prioritises different criteria to neoliberal transport policy, which intends to reframe perceptions of various travel modes and readdress the inaccessibility and inequality caused by the predominance of neoliberal transport policy. Cheap public transport fares exacerbate its price competitiveness to driving as means of compensating for the financial burden created by car-dependence past stigmatisation. The policy also utilises the price mechanism to stimulate demand for public transport by highlighting its strengths as a more cost-effective, equitable, and socially-preferrable transit system to high-expense and individualistic private modes.

Given the permanent adoption of 50c fares by both Queensland Labor and LNP, the political identification (or problematisation) of high transportation costs as an issue clearly resonated with a voter base afflicted by persistent cost-of-living pressures (as evidenced by Australia's accelerating consumer price index and series of cash rate rises in 2024). The ideological change of indiscriminately low public transit fees as a transport policy solution aligns with an exogenous paradigm shift in consumer preferences whereby affordability, a tenet of public transport, may now outrank autonomy and speed–the once hallmark factors of the car-centric neoliberal transport model–that people consider in their choice of mobility mode. Due to these changes, many Queenslanders should theoretically benefit from a policy encouraging the use of public transportation.

ARE EQUAL FARES ACTUALLY EQUITABLE?

The 50c Policy may succeed as a welfare initiative because of an observed inverse relationship between household income and total expenditure on transportation in Australia, meaning that many lower-income households spend a greater proportion of their total income on transportation than higher-income households. Although intending to alleviate financial pressure among all demographics equally, the 50c Policy particularly aspires to advance the autonomy of groups like youth, the elderly, people with disabilities and low-income groups that may may experience exclusion from neoliberal policies promoting independent mobility through personal car ownership. Through financially accessible fares, the 50c Policy hopes to construct a critical social safety net which can improve people's access to the labour market, other welfare services like healthcare and education, and the wider community. However, when we consider microeconomic theory, is a blanket market manipulation like the 50c Policy–which is simply a price ceiling–the best response to increase social welfare?

Despite charging every rider the same fee no matter their income, destination or time of day, a fare reduction alone may not fulfil the intention of benefitting all Queenslanders equitably since the 50c Policy does not improve the physical accessibility and geographical extensiveness of the existing public transport system. Whilst a policy for inexpensive, flat fares evenly distributes the costs of public transport among users, it does not redistribute or expand its benefits. 50c fares will most advantage the Queenslanders already serviced by the TransLink, the state-owned monopolist network operator.



Demographic trends like gentrification and urban renewal in Queensland's well-connected areas 'price-out' and geographically isolate socioeconomically disadvantaged groups from the high-value areas that are most accessible by Translink's services. Consequently, the equal advantages of consistently lower fares may be inequitably distributed among Queenslanders despite the reported inverse relationship between income and total household expenditure on transport. The tendency for financially disadvantaged demographics to cluster in the generally poorly accessible middle and outer suburban areas of Brisbane and rural Queensland underscores the socio-political need for more equitable public transportation policy to complement the aims of existing welfare policies in sectors like housing, education, and socioeconomic development.

IS THE EXTENT OF THE 50C POLICY'S SUBSIDY FISCALLY RESPONSIBLE AND SUSTAINABLE?

In addition to not expanding the scope of the state network, the 50c Policy does not independently propose long-term alternatives for lost fare revenue, leading critics to predict a fiscal failure. Due to its exclusively demand-side scope, the 50c Policy may not prepare Translink for success under the market inefficiencies imposed by the new regulatory price ceiling. With funding commonly ascribed as the 'heart of the public transport problem', Labor's political slashing of fare prices may detriment the overall system by limiting the state government's financial ability to maintain services, which could begin facing heightened stress from increasing usership. Reliance on subsidies to bankroll deflated fares risks declining the long-term efficiency of the network as well as its potential for growth, emphasising the need for further policies formulating a new, self-sustainable business model for Translink. Similarly, heightening taxes to offset the significantly discounted public transportation services may result in comparable consumer incidence to pre-intervention fares, possibly negating the initial social benefits of subsidising public transportation.

Despite intentions to lessen public transport's stigma as an inferior alternative by reframing social perceptions of its benefits, the 50c Policy's long-term funding predicaments could instead perpetuate public transportation's stigmatisation as an economically inferior good to private, neoliberal transportation methods should insufficient funding worsen service quality. Hence, the 50c Policy's lack of supply-side adjustments and alternatives for lost fare revenue may potentially hamper the economic feasibility of 50c fares in the long-run.

ARE 50C FARES FOR EVERYONE AN EFFECTIVE POLICY?

While there is no doubt that 50-cent fares will save people money, the policy's equitability and effectiveness are open for debate. The policy is intentionally simple, and thus holistically change all the errors of a historically neoliberal policy framework. Fare reductions alone cannot address the non-financial inaccessibility of the existing public transport network, nor can a unconditional price ceiling specifically target the individuals who need financial assistance in transportation the most. The 50c Policy also does not present a solution to the revenue cuts in a long-term business model for operating a statewide public transport network, warranting queries about the fiscal sustainability of the policy. Despite these limitations, the 50c Policy shows political initiative to explore innovative welfare programs and adapt the economic rationale behind the policy frameworks of the transport sphere.

Would you like to respond with your thoughts about the 50c policy or evaluate other economic policies? Reach out to our publications team by emailing *economics@clubs.youx.org.au* to feature your analysis in our quarterly newsletters or blog. We take submissions on a rolling basis.

SURCHARGE LEAVES THE ROUNDTABLE

by JACK KIRKWOOD

Back at the beginning of the 21st century, cash was still king and the Reserve Bank of Australia (RBA) wanted to keep it this way. Cash was – and still technically is – the most efficient way for a consumer to complete a payment. Unlike cash sales, merchants must pay a small transaction fee to complete the purchase made every time you tap a card. This fee was the initial issue when card payments first entered the mainstream because retailers simply increased the price of their goods to accommodate this transaction cost.

This worked in principle for card payments since the consumer covered the transaction payment and the merchant received the same net revenue for their goods. The issue that arose from this, however, is that now those paying with cash faced the additional "transaction costs" even though there was no transaction cost to pay!

In 2003, the RBA prohibited card networks' "no-surcharge" rules. This allowed merchants to put the transaction fee costs on the actual transaction as opposed to bundling it into the final price of a good. The goal was to make payments markets more efficient by highlighting the cost difference between cash and card payments to consumers.

Whilst this removal of barriers was seen as beneficial, companies quickly realised that they could either resist the change or abuse it. Throughout the rest of the decade, most merchants continued to simply add the transaction fees to total costs. There were also instances of merchants charging a flat rate surcharge, such as airlines giving customers the same surcharge per ticket regardless of ticket price.

Responding to this, the RBA changed its policies throughout the 2010s to restrict excessive surcharging and adapted it to a cost-per-card basis. It's important to note that some cards face higher transaction costs than others, such as credit being more expensive than debit. This gets us to modern day surcharging regulations. RBA data from 2023 suggests average surcharge costs of 0.4% for debit cards, 0.8% for credit cards, and 1.3% for charge cards (such as American Express).

So, why is the story suddenly changing? Remember that surcharges were initially implemented to encourage consumers to choose the more efficient cash payments. The issue is that card payments have become far more mainstream; cash accounted for 69% of in-person transactions in 2007, but as recently as 2022 has dropped to just 13%. The dwindling usage of cash makes these surcharging policies less relevant as consumers are continuing to shift to card payments. Two reasons may explain this trend. Firstly, many merchants still refuse to surcharge, making card payments an equivalent price option to cash. Secondly, consumers are increasingly willing to accept surcharge costs. Factors such as the ease of digital card payments compared to cash give many consumers preference to simply take on the additional cost.

Last month, the RBA completed a consultation paper for the Payments Systems Board (PSB), a body within the RBA responsible for determining payment system policies. This paper proposed some options for considering a reform on surcharging policy. The options vary in the extent of their ramifications, with up to a forecasted $1.2 billion in savings for consumers.

OPTION 1: NARROW THE SCOPE OF SURCHARGING

This would place restrictions on what fees merchants can and cannot pass on to consumers. By targeting purely interchange fees (the fee merchants must pay their bank to accept the card payment), the RBA forecasts this could reduce surcharge rates by up to a third.

OPTION 2: LIFT THE BAN ON CERTAIN CARD TYPES

Debit and prepaid cards have the lowest costs associated with their transactions, largely due to lower credit risk. Debit cards are therefore a more efficient transaction option than credit cards, in the same way that cash is more efficient than debit. The RBA predicts that encouraging consumer movement to debit cards will improve market efficiency.

OPTION 3: ELIMINATE THE BAN ENTIRELY

Despite being the RBA’s preference, it is unlikely that the RBA could impose a ban completely removing surcharge. Historical evidence suggests card networks would likely reimpose their “no-surcharging” rules, which would restrict merchants from imposing surcharges entirely.

To complement this policy change, the RBA also proposes a change in interchange fees. By lowering domestic fees and placing a cap on foreign fees, the RBA hopes that merchants will have to face less backend costs of digital payments to ensure they aren’t suffering from the change in regulation. Whilst this would mean a return to including surcharge costs in final sales price of goods and services, the RBA hopes that the change will be minimal due to how few merchants are currently surcharging. The only question now is whether we will actually see these changes take effect or if this is all just wishful thinking from the Reserve Bank.

MISSED OUR HONOURS SESSION?

Last week, Qazi Haque and the School of Economics and Public Policy supported our Semester II welcome event with an Honours in Economics information session!

For those who missed it or need a refresher on what was discussed, we've attached some of the resources from the event, plus an excerpt from the University's newsletter that features a student piece on life in Honours (see below for an excerpt).

Qazi's Slides: click here
Newsletter Piece: click here

NOTE: please open newsletter as PDF to click on links

Honours Life - The First Half

For many years the School of Economics and now the School of Economics and Public Policy has welcomed high ability students into the highly reputable Honours program. Over the years many have flourished while a few have struggled. The Honours program has a reputation of presenting a demanding year of challenges to its candidates. This year we will follow five Honours students through their Honours life. Oliver Eliseo, Paul Musolino, Alec Padfield, Ryan Singleton, and Charles Walsh have agreed to share some of their thoughts at the end of each semester to give us a sense of the differences between expectations and reality.

Left to right: Oliver Eliseo, Charles Walsh, Alec Padfield, Ryan Singleton and Paul Musolino

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Honours Information Session

Semester 2 Welcome Drinks

THANK YOU FOR READING!

Thank you for taking the time to read the fourth edition of *What's Ec(ON)?*. As always, we'd like to remind you that we are constantly on the lookout for new authors and contributions for our newsletter and website articles. If you're interested, please do not hesitate to get in touch with us via social media or email.

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