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The fuel crisis is a rare opportunity to create lasting modal shift - if public transport can hold it

INDUSTRY GUIDE

Executive Summary

The fuel crisis of early 2026 has not yet fundamentally changed how Australians travel — it has exposed how quickly behaviour shifts when external pressure removes choice.

Petrol prices rose by more than 30% and diesel prices by 70% in a matter of weeks. State governments responded with fare reductions and free travel periods to ease travel costs. Public transport networks across the country then recorded double-digit ridership growth. At first glance, this appears to validate a long-standing assumption: that cost is the primary barrier to public transport adoption.

That conclusion is too simple. International evidence from Germany's €9 Ticket, Spain's free regional rail, and Estonia's Tallinn experiment shows that fare interventions reliably grow ridership but produce weak modal shift from cars when deployed in isolation. History has demonstrated that the most effective programs pair cheaper transit with road pricing reform and sustained service investment. Without that pairing, ridership gains fade as soon as fuel prices stabilise.

This paper argues that the fuel crisis will not, on its own, create lasting modal shift. It does, however, create the conditions under which lasting change becomes possible. The cities that turned earlier crises — most notably the 1973 oil shock — into permanent structural reform are now among the least car-dependent. The cities that did not are still paying for that missed window. Australia is in such a window now. It will close.

A System Under Stress

Transport systems rarely experience clear, large-scale behavioural experiments. Most policy changes are incremental, and their effects are difficult to isolate. Circumstances such as this fuel crisis can compress time and force decisions, creating a rare moment where underlying behaviours and system weaknesses become visible at once.

In early 2026, rising fuel costs led many Australians to reconsider how they travel. Public transport demand rose immediately, in some networks by more than 20%. Fare reductions and free travel periods accelerated the shift. But as demand grew, so did pressure on the system. Overcrowding, delays, and service inconsistencies became more visible, and the experience did not consistently meet expectations — particularly for first-time users.

The crisis revealed a critical distinction: crises can drive adoption, but they also expose whether the system is capable of holding onto it.

The Limits of Fare-Driven Policy

Fare reductions remain the most common policy response to ridership challenges. The logic is straightforward, and the empirical record is consistent: most fare reduction schemes deliver ridership increases of 15–40%.

The problem is that ridership is not the same as modal shift. Evaluations of Germany's €9 Ticket, the strongest natural experiment in fare policy this decade, found that most new public transport users were not former drivers — they were people who would otherwise have walked, cycled, or not travelled at all. Domestic and international studies suggest as little as 3% of new users come from private vehicles. The headline ridership numbers are real; the congestion and emissions impact is not.

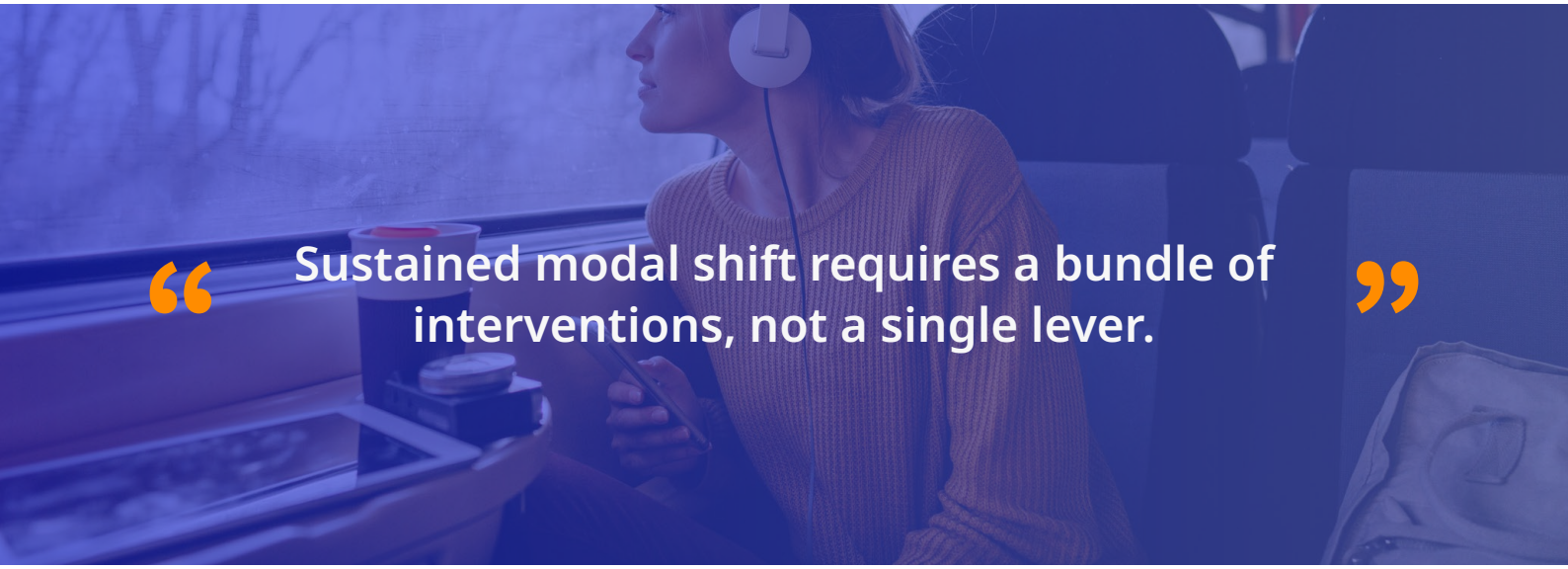
A related distinction is often missed in policy debates: fare reductions and fare caps are not the same lever. Per-trip reductions disproportionately benefit occasional users; fare caps disproportionately benefit regular commuters, who are the cohort with the greatest potential to switch out of daily car use. Germany's successor product — the €49 Deutschland-Ticket — is a cap, not a discount, and that design choice is doing most of the policy work. The Australian initiatives launched during the recent crisis have spanned both models, but rarely with explicit clarity about which behaviour they are trying to change.

If the goal is to reduce congestion, emissions, and car dependence, fare policy alone — in either form — is not sufficient. The system must also compete with the convenience and flexibility of private vehicles, which it currently does not.

What Drives Lasting Behaviour Change

Transport choices are shaped by travel time, reliability, comfort, and convenience. Cost plays a role, but rarely the dominant one — especially when weighed against the perceived control of a private vehicle.

The recent surge showed that when demand rises rapidly, service quality determines whether converted users stay. Crowding and delays undermine confidence, particularly among new users, and that confidence is difficult to rebuild once lost.



Sustained modal shift requires a bundle of interventions, not a single lever. **The strongest evidence comes from cities that have combined three elements:**

1. Pricing Reform

on the driving side

Congestion charges, road user charging, and the removal of fuel and parking subsidies

2. Service Investment

on the public transport side

Frequency, reliability and coverage

3. Dedicated Infrastructure

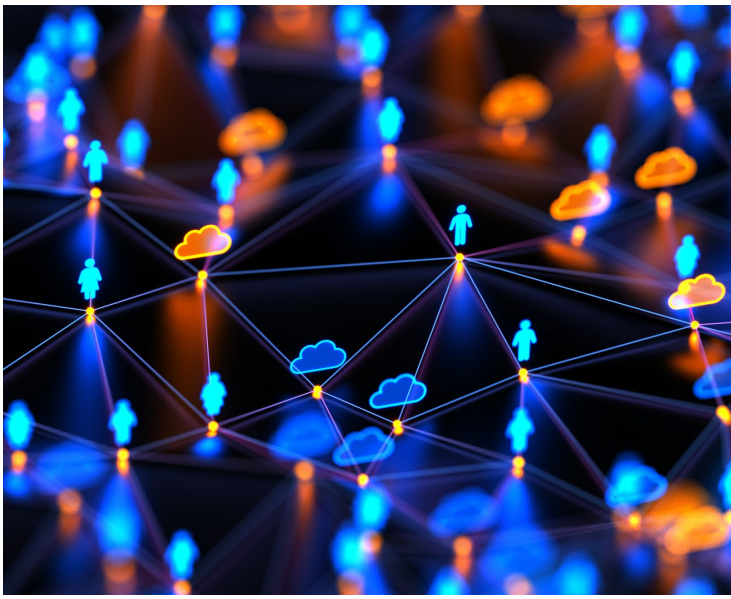
that makes journey times consistent

Bus lanes, signal priority, and network extension

Of these, pricing reform on the driving side is the most politically difficult and the most consequential. Modelling and post-implementation evaluation from London, Stockholm, and Singapore consistently show that the cost of driving has a stronger and more immediate effect on car use than the cost of transit. Crisis windows briefly raise the public’s willingness to accept these reforms. The opportunity passes quickly.

The Role of Operational Intelligence

Even well-designed policy and infrastructure fall short without effective execution. Transport networks are dynamic, and the recent surge exposed how quickly demand can outpace operational capacity. In many cases, the crowding that erodes new users' confidence is a data problem before it is a capacity problem: operators without real-time visibility of passenger flows cannot redeploy resources quickly enough.



Embedding this capability is not a substitute for the structural reforms above. It is what helps turn those reforms into a service that newly converted users trust enough to keep using after the crisis passes.

A Window That Closes Quickly

Crisis windows are short, and the historical record on what cities do with them is the most important evidence available.

After the 1973 oil shock, Amsterdam and Copenhagen restructured their road networks, embedded cycling infrastructure, and locked in transit investment. Both decisions were politically possible only because the crisis had shifted public expectations. Most Anglophone cities, including those in Australia, treated the same crisis as temporary, retained their car-oriented planning frameworks, and continued the suburban expansion that locked in today's modal split. The trajectories diverged sharply from that decade onward.

The pattern is consistent. Windows close as conditions stabilise, temporary measures are rolled back, and the urgency that made structural reform possible fades. The barrier to long-term transformation is rarely a lack of evidence or workable policy — it is the inability to act decisively before the moment passes.

Locking in change means converting temporary interventions into permanent ones, through infrastructure commitments, legislated road pricing frameworks, and operational models that survive a return to normal fuel prices.

Conclusion

The fuel crisis will not solve the challenges facing Australian public transport.

Lasting modal shift requires three things to move together: fare policy that reflects how people actually travel (with explicit choices between reductions and caps), road pricing that reflects the true cost of driving, and service quality that holds up when demand rises. None of these is sufficient alone. All three are politically harder once fuel prices stabilise.

The real test of this moment is not how many people used public transport during the surge. It is whether road pricing legislation moves in the next eighteen months, whether the temporary service uplift is made permanent, and whether the operational capabilities that supported the surge are retained.

Call to Action

Transport leaders and policymakers have a limited window to convert insight into structural change. The priorities are clear: identify which temporary measures should become permanent, target service investments where they will most improve the experience of newly converted users, and embed road pricing reform while public appetite remains.

The goal is not simply to increase public transport usage, but to create a system that people choose to use consistently in a city designed to make that choice rational.

The decisions made now will determine whether this moment becomes a turning point or another missed opportunity.

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