

IPART Independent
Pricing and Regulatory
Tribunal | NSW

Review of maximum fares for private
ferry services for 2022 to 2025 –
context for the review

Information Paper

June 2021

Transport >>

Context for the review

This year IPART is required to determine the maximum fares for the 7 private ferry operators for the 4 years from 1 January 2022 to 31 December 2025. The Final Report and Determination on the maximum fares are to be provided to the Minister for Transport and Roads. After IPART determines the maximum fares, Transport for New South Wales (TfNSW) could make a fare order setting out the maximum fares that the 7 ferry operators can charge. If TfNSW makes such an order, the fares set out in that order cannot exceed the maximum IPART determined fares and must follow the IPART maximum fares methodology.

Matters we must consider in our review

The [referral](#) we received from the Minister for Transport and Roads for this review specified that, in making our determination, we must consider the matters in section 124 of the [Passenger Transport Act 2014](#). These include:

- the cost of providing the services
- the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers
- the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standards of service
- the social impact of the determination or recommendation
- the impact of the determination or recommendation on the use of the public passenger transport network and the need to increase the proportion of travel undertaken by sustainable modes such as public transport
- standards of quality, reliability and safety of the services (whether those standards are specified by legislation, agreement or otherwise), and
- the effect of the determination or recommendation on the level of Government funding.



In addition, we are also required to consider:

- The availability and pricing of competing transport modes.
- The impact of viability payments to operators and any reforms to those arrangements.

Our approach has changed over time

Prior to 2014 we used cost indices to make our annual fare recommendations for private ferry services. This meant that each year, the private ferry operators' maximum fares were adjusted based on how the cost index had changed over the previous year – without considering whether their fares were efficient.

From 2014, we altered our approach and began using the building block method to establish efficient fares for each operator. In our most recent review in 2017, we determined maximum fares for the 4 years from 2018 to 2021. We adapted our approach according to the level of competition in the market each of the private ferries operated in.

For the 2 ferry services operating in a competitive environment we took a light-handed approach to regulation and fare setting. We invited these operators, namely Captain Cook Cruises (previously Matilda Cruises) and Central Coast Ferries, to submit fare proposals, which we accepted. For the other 5 operators we used the building block approach, to analyse the efficient costs of providing private ferry services and estimated fares to recover these efficient costs. We applied an approach that compared fares based on efficient costs and the proposed fares, in deciding whether to agree to pricing proposals.

Fares have been in line with our determination from 2018 to 2021

Table 1 shows the maximum fares which have applied during the 2018-2021 determination. Each year throughout the determination period the fares for Central Coast Ferries and Captain Cook (Matilda) Cruises have been updated in line with CPI.^a We have also monitored the annual change in the price of diesel to assess whether a change in fares was required under the fuel adjustment mechanism. As discussed in the [Issues Paper](#), this mechanism has not been triggered during the determination period.

^a The increase in CPI for the 2021 fare update was too small to change fares.

Table 1 Maximum fares for private ferry operators from 2018 -2021

Operator	2018	2019	2020	2021	Average annual fare increase
Brooklyn Ferry Service	\$7.70	\$8.10	\$8.50	\$9.00	5%
Central Coast Ferries	\$8.00	\$8.20	\$8.30	\$8.30	1%
Church Point Ferry Service	\$8.70	\$9.00	\$9.40	\$9.70	4%
Clarence River Ferries	\$8.60	\$8.90	\$9.20	\$9.50	3%
Cronulla and National Park Ferry Service	\$6.60	\$6.80	\$7.10	\$7.40	4%
Matilda Cruises – Circular Quay to Darling Harbour ^a	\$7.60	\$7.70	\$7.80	\$7.80	1%
Matilda Cruises – Circular Quay to Lane Cove ^b	\$7.60	\$7.70	\$7.80	\$7.80	1%
Palm Beach Ferries –Mackerel Beach and the Basin	\$8.20	\$8.40	\$8.60	\$8.70	2%
Palm Beach Ferries –Ettalong and Wagstaffe	\$11.80	\$12.00	\$12.20	\$12.50	2%

a. Captain Cook (Matilda) Cruises Circular Quay to Darling Harbour route is no longer operating

b. Matilda Cruises – Circular Quay to Lane Cove route is now run by Captain Cook Cruises

Source: IPART, *Review of fares for private ferry services* – Maximum fares for private ferry services from January 2018 to December 2021 – Final Report and Determination, November 2017, p 1; and annual updates.

For most operators, maximum fares are aligned with efficient fares

From 2014, leading up to our last determination in 2017, fares above or below the efficient fare were transitioned closer to the efficient fare.¹ Therefore, by the first year of our determination in 2018, the maximum fares for each operator closely reflected the efficient fare for each operator, except for Clarence River Ferries.

In 2017 we found that Clarence River Ferries' maximum fare was significantly below fares based on efficient costs. Our final determination increased Clarence River Ferries' maximum fare by 30 cents each year, to bring it closer to level reflecting efficient costs, but also minimise the impact on customers.²

In 2021, the maximum fare for Clarence River Ferries is still below the forecasted efficient fare that we calculated in our last review.

Market observations

Only 2 of the 7 private ferry services face competition from public transport

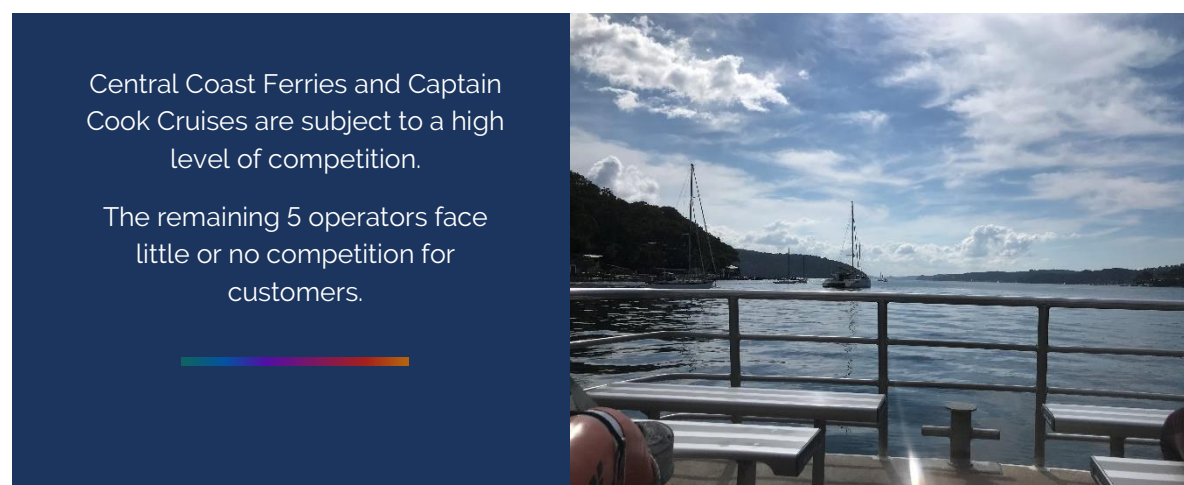
In 2017, we found that Central Coast Ferries and Captain Cook (Matilda) Cruises are subject to a high level of competition.

For example, Captain Cook Cruises operate the Lane Cove route with many alternative public transport options available, such as TfNSW buses. They are currently charging \$0.40 less than the possible maximum fare of \$7.80.³

Central Coast Ferries operate between Woy Woy and Empire Bay, and there are TfNSW buses servicing a similar route with a similar travel time. They are currently charging the maximum fare.

The remaining 5 operators face limited competition, as the alternative transport options are either private boat or water taxi (particularly for residents of Dangar and Scotland Islands), or a lengthy journey by road (for example from Cronulla to Bundeena or Palm Beach to Ettalong).⁴ These operators are all currently charging the maximum fare.

Private ferry operators are small-medium sized businesses



Private ferry operators are typically small to medium sized businesses, with some being family operated, although some operators offer charter and tour services to supplement their ferry service. The nature of these smaller businesses means they can be vulnerable to external factors that may affect their usual costs or patronage. In the previous review, we included a risk management mechanism against significant changes in fuel costs, which is addressed further in the [Issues Paper](#).

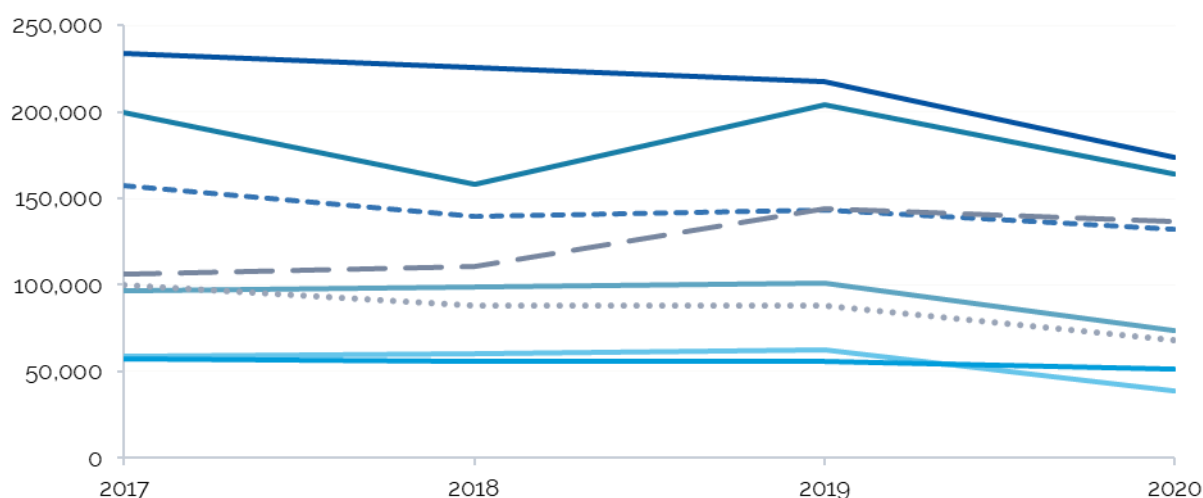
Given the nature of the industry we are mindful not to impose unnecessary regulatory burdens and to ensure a proportionate approach to the review.

COVID-19 has had a significant impact on patronage

In 2020, the impact of COVID-19 presented new challenges for each operator, affecting both levels of patronage and the profitability of charter and tour services. In addition to a reduction in tourists and overall passenger numbers, social distancing requirements have impacted the maximum capacity of ferries. Increased cleaning practices in line with government recommendations have also added costs. In 2021, the pandemic continues to add a level of unpredictability for all operators.

Figure 1 shows actual patronage observed from 2018-2021 for each route and illustrates the effects of the COVID-19 pandemic. Operators, especially those that have a heavy reliance on tourists, suffered considerable decreases in patronage in 2020.

Figure 1 Total annual patronage for each operator from 2017 to 2020



Notes: Each line represents each operator, but we have not identified individual operators due to confidentiality.

Source: TfNSW data and IPART analysis.

Private ferry operators' contract arrangements have changed over time

To date, the contract with TfNSW under which private ferry services have operated has allowed them to keep the farebox revenue, and receive concession, School Student Transport Scheme (SSTS)^b and previously PET^c payments, and in some cases viability payments, from TfNSW; but otherwise bear the business risks of operating the ferry service. Previously, contracts were all effectively perpetual unless the operator was in breach.

However, since our most recent fare review in 2017, both Brooklyn Ferry Service and Captain Cook Cruises (Lane Cove route), have moved to a contestable net cost contract model – where they receive a monthly payment from TfNSW, net of farebox revenue, and the contract is periodically put to tender. Brooklyn's contract was put to tender last year, and the contract for the Lane Cove route is scheduled to be put to tender in the next few months. Under the net contracts, operators receive a subsidy from the Government, but it is not characterised as a viability payment.

Under both contract types, fares remain regulated by IPART.

^b Except for Clarence Valley which does not provide student transport services

^c The \$2.50 Pensioner Excursion Ticket (PET) was incorporated into the Gold Opal which cannot currently be used on the private ferries.

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- ¹ IPART, *Review of fares for private ferry services* – Maximum fares for private ferry services from January 2018 to December 2021 – Final Report, November 2017, p 35.
 - ² IPART, *Review of fares for private ferry services* – Maximum fares for private ferry services from January 2018 to December 2021 – Final Report, November 2017, p 22.
 - ³ Captain Cook Cruises, [Lane Cove Ferry](#)
 - ⁴ IPART, *Review of fares for private ferry services* – Maximum fares for private ferry services from January 2018 to December 2021 – Final Report, November 2017, p 12.