

CityRail fare review

The public hearing on Friday 5 May 2006 will be held at the Tribunal's offices at Level 2, 44 Market Street, Sydney from 9 am to 1pm.

It will be conducted as a 'round table' discussion, with invited representatives of organisations that made submissions participating, along with representatives of CityRail.

Members of the public are welcome to attend the meeting and will be given an opportunity to make comment on issues raised in CityRail's proposal and of interest to the Tribunal.

CityRail's proposal, along with the submissions made in response, are available on the Tribunal's website (www.ipart.nsw.gov.au).

In summary, CityRail proposes

- an average increase in fares of 2.9%, being its estimate of inflation for the year to 30 June 2006, and
- an additional increase in off-peak fares of around 23%, to reduce the discount on off-peak fares from 39% to 25%.

CityRail provides the following justifications for its proposal:

- it has implemented a KPI efficiency measurement framework
- it has implemented a process to achieve efficiency gains
- its performance has returned to high levels after a period of poor service
- its fares have fallen in real terms for nearly three years
- its fares are charged at a discount to alternative public and private car transport
- its fares are currently at the lower end of comparative international rates
- studies have shown that the impact of fare changes on typical CityRail passengers only results in a relatively small drop-off in patronage, and
- rail is the most environmentally friendly of the public transport and private car alternatives.

CityRail says its proposal regarding off-peak fares will

- align its off-peak discounts more closely with those offered by rail services in other Australian jurisdictions
- align the off-peak fares provided in rail to those provided on other modes improve the equity of the current off-peak arrangements compared with full fares, and
- improve the level of cost recovery reflecting the reality that off-peak tickets may in fact be used in the afternoon peak (which is subject to a high level of fixed costs).

The review of fares is conducted under the *Independent Pricing and Regulatory Tribunal Act 1992*, and section 15 of that Act sets out the matters the Tribunal should have regard to in making its determination, including:

- the cost of providing the services concerned
- the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services
- the appropriate rate of return on public sector assets
- the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers
- the need to maintain ecologically sustainable development
- the need to promote competition in the supply of the services concerned
- consideration of demand management (including levels of demand) and least cost planning
- the social impact of the determination
- standards of quality, reliability and safety of the services concerned, and
- any other matter the Tribunal considers relevant.

Having reviewed CityRail's proposal and the submissions that have been made in response to that proposal, the Tribunal wishes to explore in more detail the following issues:

1. Service quality

The Tribunal received 238 submissions from individuals, and a number of submissions from organisations representing passengers. The most frequently raised issues in submissions were that trains run late and are overcrowded. Other recurring complaints in submissions were that trains are cancelled and do not run frequently enough, that air-conditioning is non-existent or faulty, that trains are dirty, and that communication about train services is poor.

CityRail provided on-time running figures to January 2006 on page 6 of its proposal. These are now available for February and March 2006, with the overall on time running measured at 91% and 90% in those two months respectively. CityRail also provides service standard measures on its website.

- A. Why does the customer experience of on-time running, as expressed in many submissions, differ so significantly from reported on-time running? Is the range of events excluded as *force majeure* events appropriate?
- B. Does the range of measures of service quality provided in CityRail's proposal and on CityRail's website meet customer needs? If not, what measures would be more meaningful?
- C. What initiatives does CityRail have to improve service standards, particularly overcrowding and frequency of services?
- D. What improvements to service standards would justify an increase in fares?

2. Costs and revenue

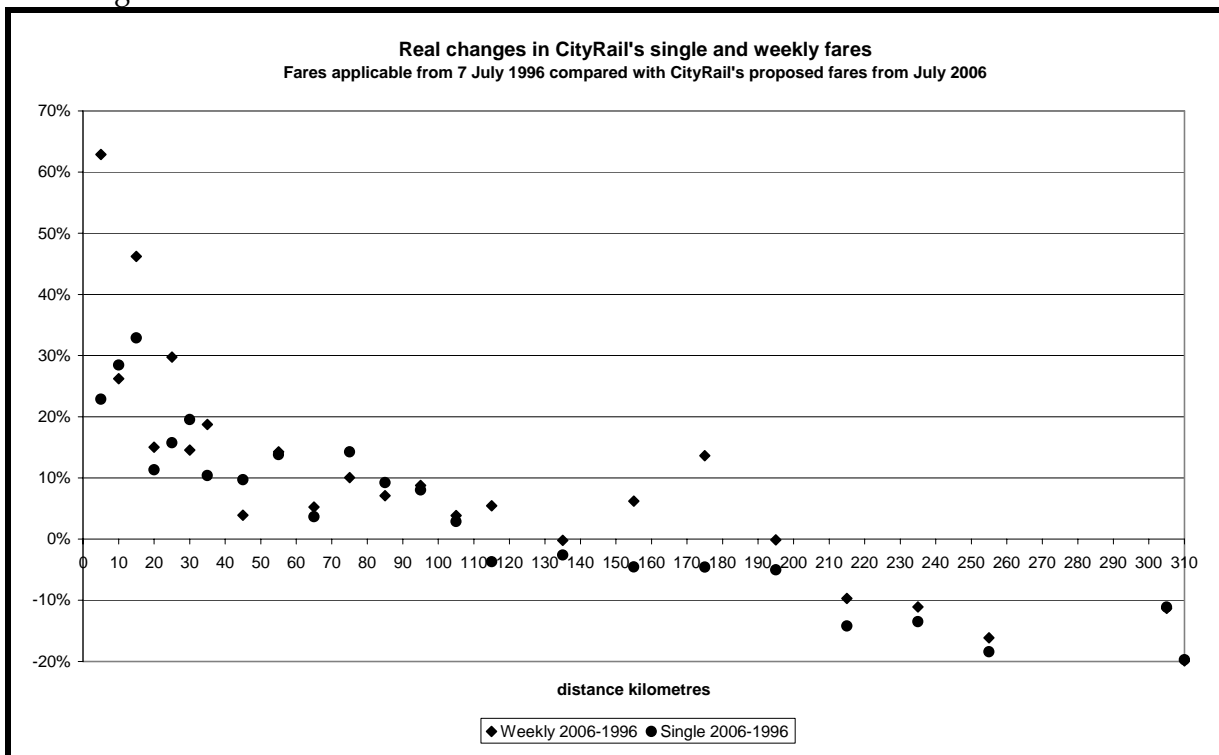
Assuming a constant level of patronage, there has been a real decrease in CityRail's revenue from the fare box as there have been no fare increases since August 2003. The difference between revenue from the fare box and CityRail's expenditure is funded by the NSW Government.

- A. How might standards improve when there is a real decrease in fares and consequently a decrease in funding from the fare box?
- B. What are stakeholder views on the priority that should be given to expenditure by the NSW Government on passenger rail transport, particularly at a time when overall government expenditure is likely to be constrained?
- C. What work is CityRail undertaking to measure efficient costs and to reduce actual costs to that level? How can efficient costs best be measured?
- D. What is CityRail's commitment to the proposed benchmarking project and what alternatives would it pursue in the event the benchmarking project does not proceed?

3. Peak fares

Although fares are proposed to increase on average by 2.9%, the need to round fare changes to twenty cents results in some fares increasing by 9% while other fares do not increase at all. CityRail's detailed fare schedule sets out the proposed fares.

The Tribunal notes that since it started determining CityRail's fares in 1996, longer distance fares have fallen and shorter distance fares have risen in real terms, as set out in the following chart:



Source:IPART determinations and calculations.

- A. What are stakeholder views on the proposed fare increases of 9% for very short distance trips?
- B. What are stakeholder views on the proposal for no fare increases for very long distance trips?
- C. What are the relative costs of providing short and long distance services?
- D. How are patronage levels likely to be affected by the proposed changes in fares? How are travel patterns likely to change as a result of the proposed fare changes?

4. Off-peak fares

- A. Could CityRail provide further detail on the justification of its proposed increase in off-peak fares?
- B. What are the marginal costs of off-peak services?
- C. What information is there on service standards in off-peak periods? What service standards should be expected by travellers in off-peak periods? What changes in service standards would be necessary to justify an increase to off-peak fares?
- D. How are patronage levels likely to be affected by the proposed increase in fares? How are travel patterns likely to change as a result of the proposed fare increases?

5. TravelPass fares

CityRail proposes to increase fares for the TravelPasses that are available for use on its services. These TravelPasses are also available for use on State Transit Authority buses and Sydney Ferries' services.

Sydney Ferries has not made any submission in relation to TravelPasses. The Ministry of Transport, on behalf of the State Transit Authority, has made a submission to the Tribunal covering the TravelPasses that are available for only bus and ferry use, in addition to those included in CityRail's proposal. That submission was received at the end of the specified consultation period, and consequently other stakeholders were not able to provide the Tribunal with their views on the proposed fares.

- A. Do stakeholders wish to comment on the TravelPass fares proposed by the Ministry of Transport?

After discussing the above issues, participants and members of the public will be invited to make observations on any other issues relevant to the review of CityRail fares.