SUBMISSION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL OF NEW SOUTH WALES

CITYRAIL FARE REVIEW

February 2006

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Executive Summary

RailCorp is currently of the view that the following changes to the CityRail fare structure are warranted:

- a fare increase of 2.9% to compensate for 2005/2006 inflation, effective from 1 July 2006; and
- reducing the current off-peak discount from 39% to 25%.

No changes are proposed to current concession discount levels. The revenues generated from the additional farebox revenue would be applied to improving cost recovery.

Background

The last IPART determination in respect of CityRail fares was effective from 31 August 2003, resulting in an increase of 5% to the overall fare structure. This determination recognised CPI increases and service quality improvements, but noted that the increase was only a partial recovery of CityRail's costs for 2002/03, and sought business efficiency and service quality improvements for the future.

The determination of maximum fares is carried out within the framework of the December 2003 "Ministerial Inquiry into Sustainable Transport in New South Wales" (Parry Report) and the Government's response to its recommendations. This has established a framework for pricing of public transport, with the following implications for CityRail:

- determination based on a five year price path;
- fare increases up to the CPI index subject to progress on efficiency gains; and
- fare increases above CPI through improvements in service quality linked to specific initiatives.

This submission does not propose a five year price path.

Summary of key arguments for changes to the fare structure

The key arguments for the proposed fare increase and changes to the off-peak fare structure are as follows:

- RailCorp has to date absorbed the cost of **fares not increasing in line with inflation** since the last review due to past poor performance, which has increased the burden on NSW taxpayers who do not access the rail system;
- RailCorp has put in place a KPI measurement framework to drive future **efficiency gains** and, consistent with the Parry Report recommendation, should be granted an increase in fares to compensate for movements in the CPI index;
- RailCorp's **cost base** has increased at a faster rate than the CPI (our input costs include items not measured in the CPI, such as steel and labour, which have experienced stronger price growth than the CPI);
- RailCorp has achieved significant improvements in **service quality** (including safety, security, cleaning, on-time running, cancellation and skipped stop improvements) and is committed to further improvements; and
- the **off-peak fare discount** needs to be reviewed to assist in improving cost recovery with respect to off-peak fares.

Farebox revenue not increasing with inflation
Over the period since the last fare submission, RailCorp's costs have expanded with inflation while CityRail's fares have been fixed.

Efficiency gains
RailCorp has implemented a KPI measurement process to drive efficiency improvements. The KPIs were developed in consultation with IPART and their appointed advisers. The suite of KPIs comprises measures to track performance in financial management, customer service, operations, asset condition and human resource management. As well as efficiency measures for each of these aspects of the Corporation's operations, other KPIs also focus on service quality.

These KPIs have been incorporated into RailCorp's performance measurement framework and quarterly reports will be generated on achievement against KPIs.

Over the last two years, RailCorp has been principally focused on implementing the actions stemming from the Waterfall Enquiry and introducing the new timetable. Now that these are well advanced, RailCorp's focus through the KPI mechanism will be on ensuring that future customer service and efficiency improvements are identified and effected.

Given the progress made by RailCorp to date and the continued focus on driving efficiency improvements as recommended in the Parry Report, there is a strong argument, at this point, for granting a fare increase in line with the 2005/06 CPI.

Inflation effect on RailCorp's cost base
RailCorp has absorbed the cost of fares not increasing in line with inflation since the last review, increasing the burden on the NSW taxpayers who don't access the rail system.

In addition, CPI does not reflect the inflation pressure on RailCorp's cost base. A more appropriate indicator of the impact of cost inflation on RailCorp's operations should take into account RailCorp's major cost groupings which differ from the measures used to calculate the general CPI rate. RailCorp has calculated that the movement in an equivalent index over the period since the last fare increase would equate to an additional inflationary effect of over 3% above CPI.

Improvements in service quality
Key RailCorp achievements since the last IPART determination in August 2003 are summarised below.

- *Safety* - Development and substantive implementation of a 19 point Safety Management System which is representative of contemporary safety management practices and as a consequence, is an integrated risk-based system.
- *Service reliability* - CityRail's on-time running has improved by 20 percentage points since 2003/04.

- *Security* - The latest available statistics released by the NSW Bureau of Crime Statistics and Research indicate that in the three-year period between April 2002 and September 2005, recorded offences "against the person" on railway premises have fallen by 30.5% where full year comparisons apply.
- *Stations* - $18.6m invested in the Easy Access program during 2004/05 to improve station accessibility. In 2005/06, six stations have been completed, and a further 12 are in construction, design or tendering stages.
- *Roving cleaners* – In early 2004, 60 Rover Cleaners joined the existing team of 567 Train Cleaners, removing an estimated 179 tonnes of litter from trains, an average of 683 kilograms per day. The improved cleaning regime has reduced complaints by 4% since 2003/04.
- *Staff* - The latest (November 2005) mystery shopper audit showed 82% of ticket office staff and 84% of ticket gate staff made a good impression and answered scripted questions accurately.
- *Fleet upgrading* - In June 2005, the final Millennium train was commissioned, marking the end of the design-and-build phase of the project, with all 141 cars now in service.
- *Customer information* - Improved customer access to service change information through:
  - a published 2005/06 calendar of planned weekend track closures; and
  - the installation of liquid crystal display screens at CBD stations to advise customers of service status.
- *Customer complaints* - CityRail complaints have decreased by 15% since 2003/04[1].
- *Driver numbers* – The target of 1,350 drivers was reached ahead of time and by the end of January 2006 1,370 drivers were on the network.
- *Transit officers* – 600 transit officers are providing improved security for our customers. Following the introduction of transit officers in 2002, offences against the person have declined by 31%.
- *New timetable* - Since CityRail introduced a new timetable on 4 September 2005, on-time running has improved from 61.7% in the four months to December 2004, to 91.5% in the same period in 2005, an increase of nearly 30 percentage points.

Further details on the substantial improvements in on-time running, particularly since the introduction of the new timetable on 4 September 2005, are provided in the following table.

CityRail OTR (%)	2003/04[2] (average)	2004/05[3] (average)	2005/06[4]						
			July	August	September	October	November	December	January
	Before new timetable				After new timetable				
Suburban	72	67	77	77	93	92	90	90	93
Intercity	78	72	78	82	94	93	89	91	93
Total	**73**	**68**	**77**	**78**	**93**	**92**	**90**	**90**	**93**

[1] Comparison of 2003/04 and 2004/05 totals.
[2] OTR for suburban within 3:59 of schedule and for intercity 5:59 of schedule.
[3] OTR for suburban within 5 minutes of schedule and for intercity 6 minutes of schedule.
[4] OTR for suburban within 5 minutes of schedule and for intercity 6 minutes of schedule.

Current initiatives to further improve the quality of service performance include the following:

- *Development of a Customer Focus Strategic Plan* – to improve the focus on customer needs and delivery of customer benefits and service.
- *Sectorisation* – including the Rail Clearways Plan which will simplify the network and remove bottlenecks to provide a more reliable rail service for passengers and increase capacity to meet growth on the metropolitan network. The $1.5bn plan comprises 15 projects and will be delivered progressively by 2010.
- *Additional station upgrades* – including Town Hall, North Sydney and the Easy Access program.
- *Additional fleet acquisition* – including a further 122 outer suburban and 14 Hunter cars to replace and expand the fleet, and replacement of 498 non-air-conditioned carriages through a Public Private Partnership (PPP).
- *Expansion of the network* – including Chatswood to Epping, the North West Rail Link, the Harbour Rail Link and line extension in the South West.
- *Improvements to ticketing systems and policies* - including increased utilisation of Ticket Vending Machines, a rewrite of the Passenger Fares and Coaching Rates Handbook and the pending introduction of the smartcard ticketing system.
- *Sector 1 timetable* – The 2006 timetable for the Eastern Suburbs and Illawarra Line and the South Coast Line will increase the number of through services, provide safer, extended station dwell times and an additional morning peak service between Sutherland and Bondi Junction.
- *Passenger information* - A range of measures designed to improve passenger information including large plasma screens at CBD stations, and major suburban stations, expansion of the Station Passenger Information (SPI) systems to 32 CityRail stations on the Bankstown line and Central's platforms 1-15, a Central Station Communications upgrade to improve the PA system sound quality and coverage, provision of a Line Information Controller to provide a single information and control point for the Bankstown, East Hills and Illawarra lines and expansion of the installation of Long Line Public Address Systems (LLPA) to 84 stations to allow announcements to be made from central locations to remote unmanned stations.

The Parry Report "Challenges to Providing a Sustainable Transport System for NSW" (2003) stated, "CityRail fares should increase modestly in real terms to help fund better services".

Significant capital expenditure has been and is committed to be invested to improve current and future customer service.

Taken together, these measures indicate that RailCorp has fulfilled the requirements of the Parry Report in respect to improvements in service quality and this trend will continue as programs are implemented and investments realised.

Off-peak fare structure

The proposed reduction in the off-peak discount from 39% to 25% will:

- align CityRail's 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).

Quantifying the fare increase

RailCorp proposes a fare increase of 2.9% from 1 July 2006, equivalent to projected CPI inflation for 2005/06. In addition, RailCorp is proposing discount variations in off-peak fares. The fare increase is considered reasonable given:

- CityRail performance has returned to high levels after a period of poor service;
- CityRail's fares have fallen in real terms for nearly three years;
- CityRail's fares are charged at a discount to alternative public and private car transport;
- CityRail's fares are currently at the lower end of comparative international rates;
- studies have shown that the impact of fare changes on typical CityRail passengers (predominantly professional or white collar workers travelling to and from their CBD workplace) only results in a relatively small drop-off in patronage (i.e. an inelastic response to fare changes); and
- rail is the most environmentally friendly of public transport and private car alternatives[5].

[5] "Reshaping Cities for a More Sustainable Future: Exploring the link between Urban Form, Air Quality, Energy and Greenhouse Gas Emissions". PW Newton, November 1997, CSIRO.

1. Background

1.1. RailCorp's Principal Objectives

RailCorp's principal objective is to deliver safe and reliable railway passenger services in New South Wales (NSW) and to ensure that the NSW rail network vested in or owned by RailCorp enables safe and reliable passenger and freight services to be provided in an efficient, effective and financially responsible manner.

RailCorp's other objectives are:

- to maintain reasonable priority and certainty of access for railway passenger services;
- to promote and facilitate access to the part of the NSW rail network vested in RailCorp;
- to be a successful business and, to that end:
    - to operate at least as efficiently as any comparable business;
    - to maximise the net worth of the State's investment in the Corporation;
    - to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates;
    - where its activities affect the environment, to conduct its operations in compliance with the principles of ecologically sustainable development contained in section 6 (2) of the Protection of the Environment Administration Act 1991; and
    - to exhibit a sense of responsibility towards regional development and decentralisation in the way in which it operates.

Rail Corporation NSW (RailCorp) was established on 1 January 2004 to deliver a unified single rail agency to assume all functional responsibility for delivery of CityRail and CountryLink rail passenger services. The new State-Owned Corporation assumed accountability for passenger services previously provided by State Rail Authority (SRA) and ownership and management of all metropolitan rail infrastructure previously owned and maintained by Rail Infrastructure Corporation (RIC).

1.2. Regulation of CityRail's Passenger Fares

RailCorp's core business comprises the following three key functions:

- to provide passenger services through CityRail and CountryLink;
- to maintain, establish and manage relevant rail infrastructure and facilities; and
- to provide and facilitate access to the metropolitan rail network[6].

CityRail passenger rail services have been declared "government monopoly services" under Section 4 of the Independent Pricing and Regulatory Tribunal Act 1992 making maximum full-fares subject to determination by the Independent Pricing and Regulatory Tribunal (IPART).

CityRail's activities include ownership and maintenance of infrastructure, rollingstock, provision of train crew, passenger security, station operations (including ticket sales and train control) and provision of train services.

[6] In addition to CityRail and CountryLink, there are twenty third-party operators that have been granted access and are operating or can operate on RailCorp's network. These operators include freight, long distance passenger and heritage operators.

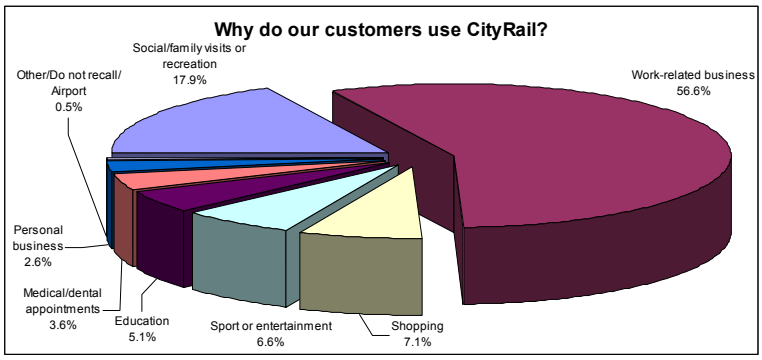
Provision of access to the RailCorp network to other rail operators, including minimum and maximum pricing parameters, is regulated through the NSW Rail Access Undertaking. While IPART is the arbitrator for disputes, it does not determine access prices.

RailCorp incorporates not only CityRail, but also CountryLink which offers rail services to regional and interstate destinations with its selected coach links to regional destinations, and several business operations that support rail infrastructure and access to the network. These businesses include property management, rail fabrication, spoil recycling, quarries and telecommunications activities, and provide varying levels of external revenue that assist in reducing the net cost of the core activities. These other business operations are not subject to price determination by IPART and their financial and other details are not included in this submission.

1.3. CityRail's Customers

More than half of CityRail's customers are travelling to and from their workplace.

CityRail services provide transport services for a broad range of customer types and service expectations. The graph below demonstrates our customers' principal reasons for rail travel.



Source: ITSRR survey of CityRail Customers 2005.

1.3.1. Passenger Profiles

Commuters travelling on the CityRail network are predominantly managers, professionals or other white collar workers who travel on most working days.

CityRail's customers include:

- "white collar" commuters who travel during the business peak hours from home to major business centres;
- "white collar" workers commuting between major business centres;
- trades and technical commuters who travel at irregular times (off-peak, evenings);
- other commuters who travel at irregular times to/from the major business centres;
- students who travel in the morning peak, and mid afternoon; and
- less frequent travellers, including tourists, pensioners/seniors, shoppers and special event travellers (note that there is no proposal to adjust applicable fare concession rates in this submission).

The survey results below demonstrate that 75% of CityRail's customers are managers, professionals, semi-professionals or clerical staff.

Occupation	Peak[7] (%)	Off-Peak (%)	All (%)
Managerial/Senior Admin	8%	4%	6%
Professional	18%	19%	18%
Associated professional	29%	25%	28%
Clerical/Service	24%	25%	24%
Trades/Technical	8%	8%	8%
Other	13%	19%	16%
Total	**100%**	**100%**	**100%**

Source: 2004 Value of Time Study by Douglas Economics (Sample size: 600 customers over 15 years old).

The survey also demonstrates that almost three quarters of CityRail's peak passengers travel four times a week or more.

Travel Frequency	Peak (%)	Off-Peak (%)	All (%)
Four or more days in a typical week	72.2%	56.5%	67.3%
One to three days in a typical week	14.5%	21.8%	16.8%
One to two days per month	6.5%	10.9%	7.9%
Less than once per month	6.8%	10.8%	8.0%
Total	**100.0%**	**100.0%**	**100.0%**

Source: 1998 to 2000 CityRail Customer Surveys (sample size: 15000 passengers)

Many of the non-white collar commuters are students and pensioners. The discounts afforded to these and other social groups are summarised in the table below. The discount rates and flat fares are not affected by this submission.

Group	Discount	Comment
Young Children	Free	Under four years old
Children and School Children	School pass is free between home and school. Half fare at other times (50% discount)	For children under 16 and school pupils aged 16, 17 and 18 years attending NSW schools.
Full Time Students or Apprentices	Half fare (50% discount)	For full time NSW/ACT students attending University, TAFE or Private College who are 16 years and over and school students 19 years and over. And 1st/2nd/3rd Year Indentured Apprentice / Australian Traineeship System Trainee.
Seniors Card	A flat rate of $2.50 or CityRail half fare (whichever is lower)	Provides all day travel around Sydney and Newcastle on CityRail services, private and government buses and government ferries.
Pensioners	A flat rate of $2.50 or CityRail half fare (whichever is lower)	Provides all day travel around Sydney and Newcastle on CityRail services, private and government buses and government ferries.
Persons in receipt of Commonwealth benefits, including the unemployed	Half fare	For single/return journeys on CityRail services. Includes persons attending special migrant English courses and persons attending education programs for unemployed youth.
Incapacitated former soldiers	Free travel for self (and guide if vision impaired)	

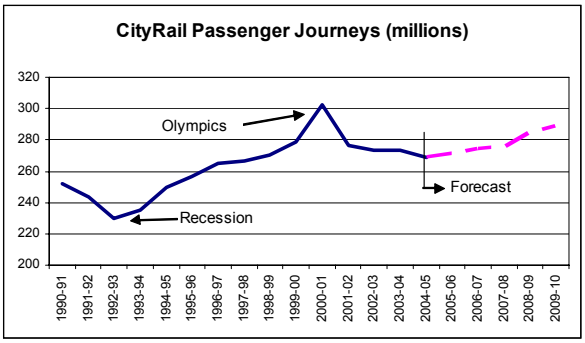
[7] Peak (as defined by survey authors Douglas Economics, which varies slightly from the RailCorp definition) equals train users making trips arriving between 06:00 and 09:30 or departing between 15:00 and 18:30 on an average weekday.

1.4. Patronage

CityRail's patronage volumes have stagnated over the last three years but are forecast to grow on average by 1.4%[8] in the medium term.

The CityRail network currently carries over 270 million passenger journeys per annum, with about one million passenger journeys each weekday.

The graph below shows CityRail actual and forecast patronage to 2010.



The key drivers to patronage growth are employment, rail reliability and alternative transport mode attractiveness:

- **Employment**: Rail patronage growth in the global employment crescent (between North Ryde, the CBD and the Airport) has been stronger than the overall CityRail network and is expected to continue.[9]
- **Current rail reliability**: Although some patronage has been lost over the past few years due to poor on-time running, with the improved reliability associated with the introduction of the 2005 timetable and other initiatives, demand can be expected to consistently increase.
- **Future rail performance**: Initiatives to improve rail service and customer appeal are incorporated in the forecasting, e.g. reducing capacity constraints, new timetables, improved frequencies and expanded infrastructure.
- **Road infrastructure**: The above forecast incorporates the effects of new infrastructure for competing modes of transport: e.g. Cross City Tunnel, Lane Cove Tunnel, M7 and M4 East to City West Link.
- **Growth in car use**: Linked to an increasing Gross Domestic Product (GDP) and a decline in real terms of motor vehicle prices.
- **Fuel prices**: recent growth in fuel prices has not been factored into the analysis due to incomplete available data.

Forecasting rail patronage is prone to statistical uncertainty and past data inaccuracies, combined with one-off impacts such as the Olympics and the usual variables of future modelling (e.g. population variation, economic growth and fuel prices).

Other key drivers for journey volumes are population growth and economic wealth. It is important to note that historical rail patronage analysis suggests fare variations do not significantly influence patronage levels, nor do minor fare or cost adjustments in alternative forms of transport.

[8] Internal RailCorp forecast.
[9] Population and employment as per Department of Planning's August 2004 projections.

1.4.1. Income and Population Growth in Sydney

Sydney's income levels have in general increased more rapidly than CPI.

In the greater Sydney region population and average income is steadily increasing, but in the inner city, there is accelerated population and income growth, as demonstrated by the table below.

		2000	2001	2002	2003	2004
Sydney Statistical District[10]	Population ('000)	4,069	4,128	4,167	4,199	4,232
	Population increase	*1.2%*	*1.4%*	*0.9%*	*0.8%*	*0.8%*
	Average wage & salary (nominal terms)	$37,878	$39,633	$40,686	N/A	N/A
	Average wage increase	*4.5%*	*4.4%*	*2.6%*	*N/A*	*N/A*
	Ratio of Average Fare vs Average Wage	*0.0043%*	*0.0038%*	*0.0041%*	*N/A*	*N/A*
Inner Sydney	Population ('000)	290	294	299	306	311
	Population increase	*1.4%*	*1.4%*	*1.7%*	*2.2%*	*1.7%*
	Average wage & salary (nominal terms)	$39,428	$41,349	$43,396	N/A	N/A
	Average wage increase	*4.0%*	*4.6%*	*4.7%*	*N/A*	*N/A*
	Ratio of Average Fare vs Average Wage	*0.0041%*	*0.0037%*	*0.0039%*	*N/A*	*N/A*
NSW	Average weekly ordinary time earnings (increase)[11]	4.0%	5.1%	6.2%	4.6%	4.3%
CityRail	*Fare Increase*	*8.1%*	*3.3%*[12]	*2.0%*	*5.0%*	*0.0%*

Source: Australian Bureau of Statistics – Sydney Population Growth (ABS notes that detailed Sydney metro information only available in Census years after 2002; 2006 data expected to be available after next Census)

The population growth highlights the increasing importance of public transportation.

1.5. Rail's Share of Sydney Passenger Trips

CityRail is the dominant transportation provider for travel to and from Sydney's major business districts but, overall, rail provides only 5% of total travel trips in Sydney.

The transportation of large numbers of passengers to and from central locations is the ideal purpose for heavy rail with alternatives less attractive due to time, cost and convenience issues. The following table demonstrates rail share to all major centres.

[10] Includes Sydney suburban network, Central Coast services as far as Wyee and the Blue Mountains service to Mt Victoria.
[11] Information quoted is for the financial year ending the year identified in the column, i.e. column marked 2000 contains FY 1999/00 data.
[12] Excludes 'A New Tax System' increase.

Journey to Work (excluding walking) to Major Centres

Centre	Rail Share	Rail Trips	Trips by All Modes
Sydney CBD	53%	99,200	187,000
North Sydney/Milsons Point	46%	14,600	31,800
Chatswood	34%	5,400	15,900
Parramatta CBD	26%	8,000	30,600
St Leonards/Crows Nest	24%	5,400	22,300
Hornsby	20%	1,000	5,000

Source: Transport Data Centre, 2001 Journey to Work, Table 03.

However, rail's market share of all trips is small.

Mode Share	Rail	Car (driver)	Car (passenger)
Weekday (average)	4.7%	49.0%	21.1%
Weekend (average)	1.7%	43.9%	33.5%

Source: 2003 Household Travel Survey, Transport and Population Data Centre, Department of Planning.

The mode share is influenced by rail not being a viable alternative for many trips.

1.6. CityRail Selected Facts

The CityRail network is geographically diverse, resulting in a large complex operating environment.

CityRail is the principal provider of urban public transport in Sydney and the surrounding regions in NSW. CityRail train services operate on RailCorp and Australian Rail Track Corporation (ARTC) rail networks. Selected facts about CityRail's operations and the network are detailed below.

Radius of suburban and intercity passenger rail services	approx. 250km
Length of track	3,236km[13]
Number of stations (incl. Airport Line)	306[14]
CityRail Fleet Electric carriages	1,538[15]
CityRail Fleet Diesel carriages	40[16]
Total CityRail headcount	12,362[17]
Annual CityRail passenger journeys	270.3 million[18]
Train Services per day	2522 (Weekdays[19]) 1568 (Weekends[20])
NightRide Bus Services per day	102 (Weekdays) 124 (Weekends)
Total annual passenger kms	5.0 billion
Average metropolitan journey length	18.4 kms

[13] Includes all Sydney suburban network, the Central Coast services as far as Wyee, and the Blue Mountains service to Mt Victoria, including up and down track, plus sidings, crossovers, yards and loops, and excludes freight only and dead track.
[14] As at November 2005, this includes four Airport Line stations and two stations (Belford and Allendale) which are not currently operational.
[15] As at August 2005.
[16] As at April 2005.
[17] As at 31 January 2006.
[18] As at 2004/05.
[19] Services for Tuesday 22 November 2005.
[20] Services for Saturday 19 November 2005.

1.7. CityRail Network International Comparison

In comparison to New York, London, Paris and Berlin, CityRail is a very large suburban railway system for a city with a low population density.

Sydney's network exhibits the following characteristics:

- geographically diverse and extensively spread across the urban area;
- serving a population with low urban density;
- high level of physical infrastructure provision (i.e. stations and track); and
- a high level of car ownership which does not support extensive use of public transport.

These factors contribute to the complexity and the difficulty in operating and maintaining the network.

The network is characterised by the unique nature of Sydney travel patterns. Many of Sydney's workplaces are not located within the CBD area, meaning that the network must attempt to cater for dispersed work place locations. Consequently, 42% of rail passengers do not enter or pass through central Sydney.

The network is radial around the Sydney CBD and looped in the suburban areas. Sydney has one mainline terminus, together with through routed lines at Sydney Central that take services across the harbour, through the City Railway across Circular Quay and to the Eastern Suburbs Railway.

The key characteristics that distinguish the Sydney rail network are:

- the inner city Sydney network is relatively compact in terms of suburban geographical spread, when compared to London and New York, yet is comparable to other international cities; however, cities with equivalent suburban outreach have greater population and density;
- given the geographical spread of Sydney's wider network, it has a relatively high volume of track kilometres when compared to other cities. As a consequence, a high level of physical infrastructure for the length of route served is required, resulting in a relatively high maintenance cost, particularly relating to track maintenance; and
- Sydney has a large number of stations, resulting in relatively short distances between stations. The resulting increased rollingstock wear and tear drives higher maintenance costs and journey time is increased, causing lower rollingstock utilisation.

Given Sydney's low population density relative to comparable networks, along with the complexity and geographical diversity of the network self funding of the heavy rail is not feasible. Effectively, CityRail operates with the procedures and costs of a long range rail network, whilst much of its operation is in a suburban environment.

The following table provides a sample of international rail network statistics to support the above comparisons.

	Urbanised land area (km^2)	Furthest outreach suburban station (km)	Population density (population per urbanised land area)	Track km	Suburban Stations	Level of car ownership (Cars per person)	Track km/ route km	Average station spacing (km)
Sydney	1,976	60.7	1,893	789.6	218[21]	0.52[22]	2.4	1.7
Melbourne	2,294	61.1	1,368	712.3	227	0.59[23]	2.0	1.7
New York Long Island	3,104	97.6	2,403	824.2	147	0.41[24]	1.6	4.2
London Overground (Liverpool St)	1,570[25]	112.9	2,859	772.4	126	0.35[26]	2.0	3.5
Paris	2,311	71.3	4,760	1,147.2	272	0.34[27]	2.0	2.4
Berlin	620	33.0	5,599	548.3	194	0.34[28]	1.7	1.8
Zurich	177	57.5	4,439	409.1	247	N/A	N/A	1.8

Source: TMG, 2004, International Review of Best Practice Operation of Suburban Railways.

[21] 306 stations on the entire network, including four airport line stations and two stations (Belford and Allendale) which are not currently operational.
[22] Source: UITP Millennium Database (1995).
[23] Source: UITP Millennium Database (1995).
[24] Source: Booz Allen Hamilton "Overview of the CityRail Network" p28 July 2005.
[25] All London.
[26] Source: Transport for London 2003.
[27] Source: Booz Allen Hamilton "Overview of the CityRail Network" p28 July 2005.
[28] Source: UITP Millennium Database (1995).

2. Current Performance

CityRail's performance has been poor in recent years; however, a consistently improving trend can now be seen.

2.1. Customer Satisfaction

Our customers are complimentary regarding station staff and the general provision of information, but want us to improve on-time running (OTR) and train frequency.

In September 2005, the Independent Transport Safety and Reliability Regulator (ITSRR) released the findings from its second annual customer satisfaction survey. The survey involved a telephone survey during June and July of 2,755 train users. The respondents were over 15 years old and drawn from areas serviced by CityRail.

The following table shows a summary of what the survey respondents perceived we do well and what we need to improve.

What we do well	Areas we need to improve
CityRail website information service	Punctuality of trains
Signs to help find your way around the train network	Delays and cancellations
Personal safety on stations in peak commuter times	Crowding in trains at peak commuter times
131 500 Transport Information telephone service	Frequency of trains
Removal of litter from stations	Clarity of announcements on the train

Source: ITSRR Customer Survey 2005

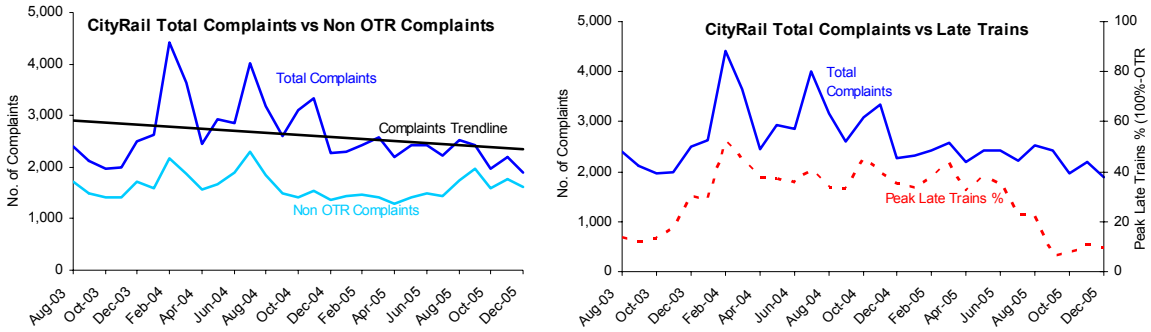
Note: The second survey was conducted prior to the implementation of the new timetable on 4 September 2005 which has assisted in significantly improving on-time running. ITSRR is conducting a mini survey to determine customer responses to the implemented 2005 timetable changes, which will be available early in 2006.

Other issues the ITSRR survey respondents[29] believed will encourage greater rail utilisation are:

- a significant increase in fuel prices;
- extreme parking difficulty at destination; and
- traffic levels.

As our performance improves, so does customer satisfaction.

The number of complaints reflects the satisfaction of our customers.



As OTR performance improves, so does customer satisfaction. With CityRail's other initiatives to improve customer experience through upgrading carriages, stations, security and cleanliness, the non OTR related complaints are also declining.

[29] Source: ITSRR Customer Survey 2005.

2.2. Customer Service Commitment

CityRail is continuing to improve its customer service offering.

CityRail's 2005/06 Customer Service Commitment outlines the expectations of CityRail's services segmented into key performance areas and describes what customers can expect when they travel. The Customer Service Commitment is updated regularly, with the ongoing performance against these standards published on the CityRail web site, and is summarised in this section.

The Customer Service Commitment comprises the following 11 sections:

About CityRail	CityRail is the principal urban public transport provider in Sydney and the surrounding regions in New South Wales.
Our staff	CityRail staff are provided to make sure your journey is safe, comfortable and enjoyable. CityRail staff will: be safety conscious at all times; make appropriate announcements at stations and on trains; tell you about delays or alterations to services; wear a uniform when on duty at stations or on trains and be courteous and helpful.
Service reliability	CityRail is committed to providing safe, reliable and punctual train services. Our targets for 2005/06 are for: at least 99 out of 100 peak services to run and at least 92 out of every 100 peak services to arrive at their terminus within 5 minutes of their scheduled arrival time (6 minutes for Intercity services). CityRail's performance is closely monitored and reported each week on the CityRail website: www.cityrail.info.
Our trains	CityRail is committed to providing clean, secure, reliable and accessible trains. We aim to: clean train interiors daily and exteriors fortnightly; remove litter from trains in service during off-peak day-time periods; reduce vandalism and remove graffiti as quickly as possible. CityRail plans to upgrade its train fleet over the next five years. Orders have been placed for 122 new outer suburban carriages and 14 diesel rail cars will enter service from 2006. All non air-conditioned carriages (498) will be replaced over the next five years. All trains receive regular routine maintenance and major periodic maintenance and there is a refurbishment program which results in train interiors being upgraded at least every six years.
Our stations	CityRail is aware of customers' requirements for a clean and safe environment and aims to: clean all attended stations daily; conduct cleaning inspections at unattended stations on a regular basis; maintain bright lighting; fix equipment failures promptly[30] and ensure toilets at stations are clean and unlocked wherever possible (if toilets are closed for security reasons, staff will unlock them on request). During 2005/06, station upgrading will continue at Gymea, Gordon, Thirroul, Kingsgrove, Blaxland, Helensburgh, Bulli, Lakemba, Mortdale and Granville and planning and design will commence at the following stations under the Easy Access program: • Auburn • Belmore • Bomaderry • Bowral • Carlton • Eastwood • Kingswood • Meadowbank • Merrylands • North Wollongong • Penshurst • Seven Hills • Turramurra • Werrington Berowa and Rhodes will also be upgraded under other programs during 2005/06.

[30] CityRail's aim is to have 98% of lifts and escalators in working order when trains are operating.

Security	Recent world events have highlighted the need for CityRail to be prepared and alert. We have implemented various safety measures such as specialist training of staff, including conducting full-scale emergency evacuation simulations in cooperation with emergency services and other agencies. CityRail works closely with the NSW Police and is investing in people and equipment to ensure travel on our system is secure. At CityRail, we provide the following security measures for customers: • 600 Transit Officers to provide customer service, check tickets and patrol stations and trains; • Security resources, including Police and Transit Officers, are tactically deployed across the CityRail network; • Closed circuit television cameras monitor every station; • Staff in control rooms monitoring the cameras have direct contact with Police; and • All new trains and all stations have CCTV cameras and accessible Emergency Help Points fitted.
Passengers with special needs	CityRail welcomes customers with special needs and is committed to providing a service which everyone can use. At this stage, 26% of CityRail stations are wheelchair accessible. We are continuing to upgrade stations to improve access. All new stations and trains are designed to maximise functional accessibility for passengers with disabilities. The accessible features of our stations are listed in the brochure 'Accessing CityRail', which is available at staffed stations and on our website. If you intend to travel by train and require assistance to board safely, we recommend you telephone the station you wish to depart from prior to your journey so we can: inform you if the stations you wish to travel to and from are accessible, advise the train guard of your destination, and arrange for staff to assist you.
Fares and tickets	CityRail's fares are distance based and are reviewed by the Independent Pricing and Regulatory Tribunal (IPART). We offer a large range of ticket products. Details can be found on the CityRail website and in the brochure 'Tickets to Ride', which is available from staffed CityRail stations. CityRail staff in ticket offices are happy to provide you with information regarding fares and ticketing. Tickets are available from ticket offices at busier stations and at ticket vending machines throughout the CityRail network. CityRail aims to have at least 98.5 per cent of ticketing devices in operational order at all times.
Customers information	CityRail provides you with information about services through the Transport Infoline telephone service (131 500) and website (www.131500.info), the CityRail website (www.cityrail.info) and our station staff. The Transport Infoline, which operates from 6.00am until 10.00pm daily, aims to answer 95% of calls within 40 seconds. Our timetables, fares brochures and network maps are published annually and are available free of charge at staffed stations. The relevant timetables are displayed at all stations. Real-time information about service disruptions is displayed on www.cityrail.info and www.131500.com.au and recorded information is available on 131 500, 24 hours per day. Our target is to have 99% of PA systems working at all times.

Advice concerning service changes	Advising customers about track work and service changes is a priority. CityRail displays posters at stations to advise passengers of maintenance work that will require trains to be replaced by buses. This information is also available from the Transport Infoline, the CityRail website and in local newspapers. In 2005/06, CityRail will publish a twelve-month calendar of all planned weekend track closures. You can subscribe to CityRail's trackwork information service and have details of track closures emailed to you each week by registering your details on www.cityrail.info. When major works are planned requiring large scale bus operations, CityRail will conduct communications campaigns to ensure the community is aware of service changes, such as advertisements placed in the media, leaflets distributed to stations and posters displayed at stations. When unplanned disruptions occur, we aim to respond quickly and will make every effort to keep you informed. Staff will make announcements and the Transport Infoline and radio stations will be notified of the disruption and alternative transport arrangements.
Feedback	We welcome any comments and suggestions you might have on improving our services. You can provide feedback by contacting the Transport Infoline by telephone or email or by writing to RailCorp's Customer Relations Unit. To ensure your feedback is captured and used to plan service improvements, CityRail will: • provide customer service staff at the Transport Infoline (telephone 131 500) to receive, record and answer your feedback between 6.00am and 10.00pm daily; • provide electronic feedback forms on the CityRail and Transport Infoline web sites; • when required, follow-up customer complaints by phone within five days; • respond to correspondence within 21 days; • audit and research customer satisfaction with feedback processes; and • analyse your feedback and provide a summary of customer feedback on the CityRail website and in RailCorp's Annual Report.

2.3. Our Staff

Complaints regarding staff have fallen by 8%[31].

RailCorp staff have strongly contributed to improved customer service, which is reflected in the complimentary nature by which customers described RailCorp staff in the 2005 ITSRR survey (as summarised in section 2.1) and the reduction in complaints regarding staff of 8% since the last IPART determination[32].

The latest (November, 2005) mystery shopper audit showed 82% of ticket office staff and 84% of ticket gate staff made a good impression and answered standard questions accurately. 98% of announcements on platforms were clear and audible and announcements were heard on 72% of the carriages surveyed, with 86% clear and audible.

[31] From 2002/03 to Quarter 1 2005/06.
[32] From 2002/03 to Quarter 1 2005/06.

2.4. Service Reliability

CityRail's on-time running has improved by 20 percentage points since 2003/04[33].

Performance Result

Reliability is measured by the percentage of peak services that run and the percentage of peak services arriving on time. The following on-time running statistics reflect the performance of CityRail:

CityRail OTR (%)	2003/04[34] (average)	2004/05[35] (average)	2005/06[36]						
			July	August	September	October	November	December	January
	Before new timetable				After new timetable				
Suburban	72	67	77	77	93	92	90	90	93
Intercity	78	72	78	82	94	93	89	91	93
Total	**73**	**68**	**77**	**78**	**93**	**92**	**90**	**90**	**93**

The step change in OTR results started with the introduction of the new timetable on 4 September 2005, enhancing the steady improvement since 2004/05.

CityRail's on-time running is approaching best practice when compared to the performance of selected international railway operators.

Operator	Time tolerance (mins:secs)	Target/ standard for % trains on time	Services measured	% on time	Period of measurement
Australia					
CityRail Suburban[37]	5:00	92%	Peak	91.3%	Sept-Dec 2005
CityRail Intercity[38]	6:00	92%	Peak	91.6%	Sept-Dec 2005
Victoria M> train	5:59	92%	All	96.3%	Oct-Dec 2003
Victoria Connex Train	5:59	92%	All	96.0%	Oct-Dec 2003
US					
MTA New York City Transit Subway	5:00		Weekday 24-hour	96.4%	Mar 2004
MTA Long Island Railroad	5:59		Peak	95.4%	Mar 2004
MTA Metro-North Railroad	5:59		Peak	97.2%	Mar 2004
UK					
South Eastern Trains	5:00		Peak All	68.7% 74.6%	Oct-Dec 2003 Oct-Dec 2003
South West Trains	5:00	89% Main Line[39] 92% Suburban[40]	Peak All	67.6% 70.3%	Oct-Dec 2003 Oct-Dec 2003
Thameslink	5:00		Peak All	60.3% 71.3%	Oct-Dec 2003 Oct-Dec 2003

Source: ITSRR: Review of On-Time Running of CityRail Services, June 2004 and CityRail September 2005.

Note: CityRail includes cancelled trains as late trains. The London and South East Regional operators include trains which complete more than 50% but less than 100% of their route as late trains.

[33] The difference between CityRail's average OTR for 2003/04 and September 2005.
[34] OTR for suburban within 3:59 of schedule and for intercity 5:59 of schedule.
[35] OTR for suburban within 5 minutes of schedule and for intercity 6 minutes of schedule.
[36] OTR for suburban within 5 minutes of schedule and for intercity 6 minutes of schedule.
[37] CityRail's updated OTR data for December 2005.
[38] CityRail's updated OTR data for December 2005.
[39] These standards are as reported on the individual web sites for the train operators. They refer to punctuality measures only, i.e. they are based on train services which actually run, and not on all scheduled services (cancelled services are excluded).
[40] These standards are as reported on the individual web sites for the train operators. They refer to punctuality measures only, i.e. they are based on train services which actually run, and not on all scheduled services (cancelled services are excluded).

2.4.1. New Timetable

Since CityRail introduced a new timetable on 4 September 2005, on-time running has improved from 61.7% in the four months to December 2004, to 91.5% in the same period in 2005, an increase of nearly 30 percentage points.

CityRail introduced a new timetable on 4 September 2005 in order to operationalise a series of strategies which were implemented as a result of the Waterfall Special Commission of Inquiry. These strategies have slowed the network and facilitate restoration of the network from degraded mode when required. The new timetable has subsequently improved the reliability of train services.

Approximately 270 low demand off-peak services have been removed from the new timetable to improve reliability by allowing an element of flexibility to restore the network when required. At least 80 of these services were trains that needed to move around the system for the sole purpose of positioning them for the afternoon peak. The other removed services carried few passengers but congested the network and subsequently increased the risk of delay incidents. The new timetable adequately services off-peak demand while better preparing the network for the afternoon peak.

The key features of the timetable include:

- safer, extended station dwell times;
- slightly longer journey times (scheduled journey times to increase between three and six minutes on the average hourly journey, to allow maximum train speeds to reduce to satisfy safety requirements);
- a reduction in the number of flat junction crossings to reduce congestion;
- sectorisation of train crew; and
- initiatives to improve the performance of the afternoon peak by:
    - introducing longer turn around;
    - reduced off-peak services;
    - providing stand-by relief services and other recovery strategies; and
    - simpler stopping patterns to reduce operational complexity.

Performance since the introduction of the new timetable is encouraging, with peak on-time running rising from 61.7% in the four months to December 2004 to around 91.5% in the same period in 2005, and also indications that patronage is beginning to increase. RailCorp anticipates that as the Rail Clearways and Epping to Chatswood rail line projects are brought on line and hundreds of new carriages are commissioned, performance in this regard should continue to improve. Improved management processes in respect of Bondi Junction are focused particularly on performance in the afternoon peak period on the Eastern Suburbs and Illawarra line.

2.4.2. Improved Maintenance

As part of the reform program for asset management across RailCorp's operations, RailCorp has introduced a maintenance strategy based on the following principles:

- planning preventative maintenance tasks and frequency to optimise safety and service reliability;
- delivering maintenance to a standard that is cost effective;
- optimising renewals activities to minimise lifecycle cost; and
- integrating and packaging the delivery of individual maintenance actions to achieve agreed service outcomes at the minimum lifecycle cost.

Consistent with these principles, RailCorp is moving from technical maintenance plans to a more efficient lifecycle systems-based approach to maintenance leading to reduced overall cost and improved service availability.

2.5. Our Trains

CityRail has improved the cleanliness of trains using roving cleaning teams and increased side washing and graffiti removal.

Performance Result

- 60 cleaning rovers joined 567[45] train cleaners to collect 179 tonnes of litter in 2004/05. The improved cleaning regime has reduced complaints by 4% since 2003/04.
- Customer complaints regarding train cleanliness were reduced by 11% since 2003/04 through heightened attention to cleaning team performance.
- The establishment of a single division responsible for all cleanliness aspects of both trains and stations has allowed improved cleanliness on the rail system.
- In 2004/05, Rover Cleaner shifts were reorganised to provide a three hour midday overlap to concentrate upon returning trains to the afternoon peak in a clean condition for commuters travelling home.
- All carriages are given an intensive 'detail' clean every 30 days to maintain quality cleanliness standards.
- External side washing has reached its target of 92% in 2005 at all of the RailCorp operated maintenance centres (Hornsby, Flemington and Mortdale).
- Graffiti has declined by 21% since 2003/04.
- Identified and acquired effective new cleaning products that removed 121,000 graffiti tags in 2004/05. The improved graffiti clean has reduced complaints by about 10% since 2002/03.

RailCorp is continuing to upgrade the fleet with 141 Millennium trains now in service, and a further 122 OSCARs and 14 Hunter Valley cars now commencing delivery.

In 1998, EDI was awarded a contract to design, build and maintain 141 Millennium cars at a cost of $466m, all of which were delivered prior to the 4 September 2005 timetable[46]. The Millennium trains are currently performing well on the network, improving customer service.

[45] Year ending 2004/05.
[46] 32 trains (128 cars) commissioned as at 14 September 2005.

2.6. Our Stations (including passengers with special needs)

CityRail has invested over $60m since 2002/03 upgrading stations to improve access for passengers with special needs.

Performance Result

The key elements of our new stations customer commitment; cleanliness, functionality and accessibility, are all showing positive indicators.

RailCorp is restructuring the cleaning functions to combine the train and station cleaners to:

- improve work practices and hence cleaning quality;
- enhance flexibility;
- achieve stronger alignment between cleaning demands and the supply of resources; and
- improve responsiveness.

The Easy Access program for CityRail stations is part of RailCorp's commitment to providing equitable access to public transport for all sections of the community. In excess of $372m has been committed so far to providing easy access facilities at CityRail stations since the program began. These facilities make it easier for people with young children, luggage or disabilities to access CityRail stations and services.

Extensive works have been undertaken across the network to bring stations up to an accessible standard, including lifts, ramps, overhead footbridges, wider stairs, street level concourses, family accessible toilets, hearing loops, improved lighting and closed circuit television (CCTV).

To date, 86 CityRail stations (or 28%) are independently wheelchair accessible. A further 63 (or 21%) are wheelchair accessible with the help of a friend or carer.

The 2005/06 budget provides a total of $22.9m for the continuation and/or completion of upgrades at Blaxland, Gordon, Kingsgrove, Gymea, Thirroul, and commencement of upgrades at Bulli, Helensburgh, Lakemba and Mortdale. Planning and design is underway for a further 14 new locations – Auburn, Belmore, Bomaderry, Bowral, Carlton, Eastwood, Kingswood, Meadowbank, Merrylands, Nth Wollongong, Penshurst, Seven Hills, Turramurra, and Werrington.

This is in addition to stations which will become accessible under other programs:

- work has started at Chatswood Station, and is currently scheduled for completion in 2008;
- work at Rhodes and Berowra Stations is expected to be completed in 2006; and
- the Transport Infrastructure Development Corporation has advised that work at the three new stations on the Epping Chatswood Rail Link will be completed in 2008.

The other major station upgrade initiatives include:

- the recently completed Parramatta station and bus interchange upgrade;
- Stage 1 of Town Hall Station refurbishment plan (upgrade and refurbishment of the concourse) has commenced; and
- the upgrading of North Sydney station is in the planning stage and forecast to cost $58m with completion by 2010.

2.7. Security

600 transit officers are providing improved security for our customers. Following the introduction of transit officers in 2002, offences against the person have declined by 31%[47].

Performance Result

There are currently 6,214 CCTV cameras[48] across the network and 733 Emergency Help Points[49], of which 99% are targeted to be operational at all times. Currently, RailCorp is exceeding the target with 99.8%[50] operational.

The 600 transit officers introduced have improved the security on trains and stations for our customers. RailCorp undertakes intelligence-based deployment to ensure that Transit Officer resources provide the greatest impact in addressing crime and anti-social behaviour on the rail network by being at the right place at the right time.

The recorded rail crime over the period from 2002/03 to 2004/05 shows a significant reduction through CityRail's improved security initiatives:

Category	2002/03	2003/04	2004/05	2005/06 (QTR 1)	Change to 2002/03 to 2004/05)
Assault	1,476	1,340	1,302	315	-12%
Robbery	729	404	410	112	-44%
Sexual Assault	146	159	132	26	-10%
Steal from Person	1,679	1,210	933	206	-44%
Total Offences Against Person	**4,030**	**3,113**	**2,777**	**659**	**-31%**

Source: NSW Bureau of Crime Statistics and Research (BOCSAR) Data to Sept 2005

In the recent ITSRR survey 69% of respondents' replies indicated positive feedback, with 39% suggesting that the transit officers provide a feeling of greater security[51], despite the fact the survey was conducted at the time of the London bombings.
During 2004/05, a total of 24km of boundary fencing was replaced or installed along the metropolitan corridor and anti-throw barriers were installed at ten bridges, to reduce incidences of objects thrown at trains and suicide attempts, and to improve public and passenger safety.

[47] Comparison of monthly average for 2002/03 to monthly average 2004/05 from BOCSAR data to June 2005.
[48] RailCorp Annual Report 2004/05.
[49] RailCorp Annual Report 2004/05.
[50] 2004/05.
[51] Source: "Survey of CityRail Customers 2005" by the Independent Transport Safety and Reliability Regulator (ITSRR), September 2005.

2.8. Fares and Tickets

CityRail is currently providing 99.5% of ticket devices in operational order at all times.

Tickets are available from ticket offices at busier stations and at ticket vending machines (TVMs) throughout the CityRail network. The 455 TVMs currently installed[52] have substantially reduced queuing times, with 40%[53] of tickets sold through these machines. CityRail aims to have at least 98.5 per cent of ticketing devices in operational order at all times and is consistently delivering performance beyond the target (99.5% for 2004/05).

Significant work has been undertaken to improve both acceptance and serviceability of TVMs to reduce queuing times for customers. Some of the initiatives to improve TVM accessibility and utilisation include:

- the provision of full time concession functions on TVMs (implemented 18 December 2004);
- repositioning the TVMs to improve efficiency and utilisation; and
- increasing the number of TVMs.

2.9. Customer Information

CityRail receives 22 million visits to the website each year.

RailCorp's aim is to provide customer information through a range of media, including:

- CityRail Website;
- Transport Infoline; and
- On-station information including brochures and posters.

The CityRail Website

The CityRail website contains easy to access information for customers using the NSW suburban and intercity rail network. During the financial year 2004/05, there were almost 22 million visits to the site by over 1.9 million unique visitors.

Transport Infoline

The Transport Infoline, which operates from 6.00am until 10.00pm daily, aims to answer 95 per cent of calls within 40 seconds.

On Station Information

There are 306 stations in the CityRail network including the four Airport Line stations and two non-operational stations. All operational stations have some form of passenger information conduit ranging from timetable posters and manual indicator boards, to audio-visual Station Passenger Information (SPI).

[52] As at November 2005.
[53] As at June 2005.

2.10. Advice concerning service changes

CityRail has improved customer access to service change information through:

- a published 2005/06 calendar of planned weekend track closures;
- the improvement of announcements of expected service disruptions through the media and website;
- the installation of liquid crystal display screens at CBD stations to advise customers of service disruptions; and
- the installation of computers at 16 stations to give station staff visibility of trains on the network so they can pass on more accurate information to customers.

2.11. Feedback

Customer complaints have decreased by 15% from 2003/04 to 2004/05. Since the introduction of the new timetable in September 2005, average monthly complaints have fallen by 20%.

212 compliments were received in September 2005, the highest return since February 2004.

Performance Result

A summary of customer feedback is provided in the RailCorp Annual Report and on the CityRail website. Complaint results for 2003/04 to 2005/06 are set out below.

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
2003/04	3129	3157	2907	3039	2901	3462	3586	5616	4777	3593	4059	4424	44650
2004/05	4547	3608	3007	3513	3762	2698	2741	2845	3007	2685	2890	2869	38172
2005/06	2210	2516	2417	1959	2188	1891	1786						
Variation (to Latest Data)	**-29%**	**-20%**	**-17%**	**-36%**	**-25%**	**-45%**	**-35%**	**-49%**	**-37%**	**-25%**	**-29%**	**-35%**	**-15%**

CityRail conducts focus group meetings to obtain customer comments and suggestions and instigates mystery shopper audits to assess internal performance and provide feedback to management. CityRail aims to follow up customer complaints by phone or website within five days and respond to correspondence within 21 days.

2.12. Improving Current Performance through Key Performance Indicators (KPIs)

RailCorp is implementing a KPI measurement framework to promote management behaviour consistent with the stated corporate objectives of RailCorp.

RailCorp has a strategically aligned performance measurement framework which aims to improve its performance over time against agreed corporate objectives (detailed in section 4.1.2). RailCorp has now delivered the following:

- a performance measurement framework for level one to level four managers. This performance measurement process includes the adoption of cascaded KPIs to measure performance of the individual and corporation;
- the IPART KPIs (as detailed in section 4.1.2) have been incorporated into this process in order to drive increased levels of accountability across the business; and
- an annual report will be developed to support RailCorp's planning process.

2.13. Summary of Initiatives Delivered to Date

CityRail has delivered significant improvements to service levels since the last fare increase.

CityRail has delivered considerable service improvements since IPART last reviewed fares in August 2003.

Outcome	Initiatives	Delivered to Date	Customer Benefit
Safe & Reliable Transport	Safety Initiatives	• 19 Point Safety Management System (substantive implementation completed, total completion by Sept 2006) • Safety Observations • Worksite Protection Program • Vigilance control to the electrical fleet completed December 2004 • 60 of the 88 Special Commission of Inquiry Final Report recommendations allocated to RailCorp have been submitted to ITSRR for closure	• LTIFR reduced by 6% • Improved passenger safety
	Service Reliability	• New Timetable (4 September 2005) • Increased driver numbers • Rail management Centre received ISO 9001-2000 certification in September 2005 • Improved resolution of temporary speed restrictions	• On-Time Running improved by 30pts since introduction of new timetable • Temporary speed restrictions reduced by 40%[54]
Passenger Security	General Security	• CCTV network expansion to 6,214 cameras and 733 emergency help points • Transit Security Expansion to 600 officers	• Reduction of incidents by 32% since 2002/03
	Security and Counter Terrorism Measures	• 18 major evacuation exercises involving 1,740 staff in 2004/05	• Improved safety and security
Satisfied Customers	Station Upgrades	• Easy access	• Improved access to 81 stations • 6 stations upgraded to date in 2005/06 • 12 stations are in construction, design or tendering stages
	Increased Maintenance	• Roving cleaners • Graffiti removal	• Reduced complaints by 4%[55]
	Fleet Upgrading	• 141 Millennium cars now in service	• 141 old cars replaced
		• 14 Hunter Rail Diesel Trains contracted • 122 OSCARs contracted	• 14 old diesel cars replaced during 2006
	Improved Customer Information	• Website • Transport Infoline • On-Station Information (Station Passenger Information & Variable Message Sign)	• High customer satisfaction from the ITSRR survey for customer information

[54] From 35 per month in January 2004 to 20 per month in June 2005.
[55] To September 2005.

3. Initiatives to Further Improve Performance

RailCorp has a vision "to deliver safe, clean and reliable passenger services that are efficient, sustainable and to the satisfaction of our customers". The plan to improve the organisation and deliver the vision is outlined in the RailCorp Corporate Plan 2004/09.

RailCorp is continuing to commit funds to initiatives to align the organisation with the vision, such as investing in upgrading the fleet, improving the infrastructure to provide expanded services and reduce capacity constraints, and improving customer information. These capital investments have been combined with the transformation of the CityRail internal culture through a number of programs including a rollout of KPIs across the organisation and the culture improvement program "Just Culture".

3.1. Initiatives to Further Improve Service and Financial Performance

CityRail is planning many initiatives to further improve customer service and economic efficiency.

Our current initiatives to further improve service and financial performance include:

Short to Mid term outcome	Initiatives	Benefits
Safe & Reliable Transport	Safety Knowledge Management System	• This is a functional component of the Safety Management System (SMS), providing a systematic framework for the capture, analysis, distribution and reporting of information relating to both safety and environmental management.
	Environment Management System	• Best practice RailCorp-wide Safety and Environmental Management Systems.
	Sectorisation – Fleet, Crew & Clearways	• Capacity utilisation, delay containment, platform for growth and more reliable service.
	2006 timetable for Eastern Suburbs and Illawarra line, and the South Coast Line	• Increased number of through services. • Safer, extended station dwell times. • Additional morning peak service between Sutherland and Bondi Junction.
	Reliability improvement plans for fleet, infrastructure and crewing	• Particular focus on improved reliability in the inter peak and afternoon peak periods
	Train Radio System	• Address requirements of the Glenbrook and Waterfall reports. • An integrated communication system for train control, train crew, shunting and track side.
Passenger Security	Expanded CCTV Coverage	• Expand monitoring of rail areas to improve customer security.
Satisfied Customers	Station Upgrades	• Minimise congestion and provide safer and more customer through put capacity. • Improved customer facilities and presentation. • Further rollout of the Easy Access initiative over the next three years.
	Network Management System	• Improved coordination of network control and service delivery.
	New Fleet Acquisition	• Added capacity and a more comfortable experience for customers.
	Customer focused business	• Understand customer requirements and focus on meeting those requirements and management of expectations. • Customer Focus Strategic Plan.
	RailCorp Reform Programs	• More efficient organisation processes, improved rail services, lower cost to service and realignment of major cost drivers.
	Implementation of ICT Strategic Plan	• Cost effective high value ICT services.
	Expanding the network	• Expanding the rail line to service a greater area of Sydney.
	Passenger information	• Provision of computerised Train Location Systems (TLS) to 60 RailCorp stations, allowing staff better access to the exact location of trains; • Continuing installation of large plasma screens at CBD stations to provide passengers with the latest train information, including any delays and the cause for these delays; and • Installing special public address systems at remote stations to provide passengers with announcements about local services from the Rail Management Centre.
	Staff training	• Training has been rolled out to provide our staff with a refresher in customer service.
Optimal Financial Performance	Ticketing Systems and Policy	• A range of strategies/projects including: Product pricing reform strategy, Sales and distribution strategy and Fare compliance program. • Introduce a smartcard ticketing system across the rail network integrated with other modes of transport and operators.
	Strategic Asset Management	• Improved maintenance effectiveness and efficiency. • Sustainable asset lifecycle planning. • Enhanced asset performance and service availability.
Stable & Sustainable Business	Just Culture	• Implementation of processes to create an environment actively seeking out risk and system improvements through leadership behaviour and best work practices. • Will assist in improving behaviours, systems and accountabilities (including safety).

The major initiatives summarised in the table are detailed in the below sections, notably:

- Customer Focus Strategic Plan;
- Sectorisation;
- Clearways Project;
- Future Fleet Improvement;
- Improving Passenger Information;
- Expanding the Network;
- Improving Safety;
- Introducing the "Just Culture" program to promote organisational change; and
- Benchmarking performance against other rail organisations.

3.2. Customer Focus Strategic Plan

A strategic plan is being developed to improve the focus on our customers' needs and to outline the plan to deliver the desired services to our customers.

Customer services provide the frontline safety, service, reliability and cleanliness to our customers.

The major CityRail projects outlined in the plan include:

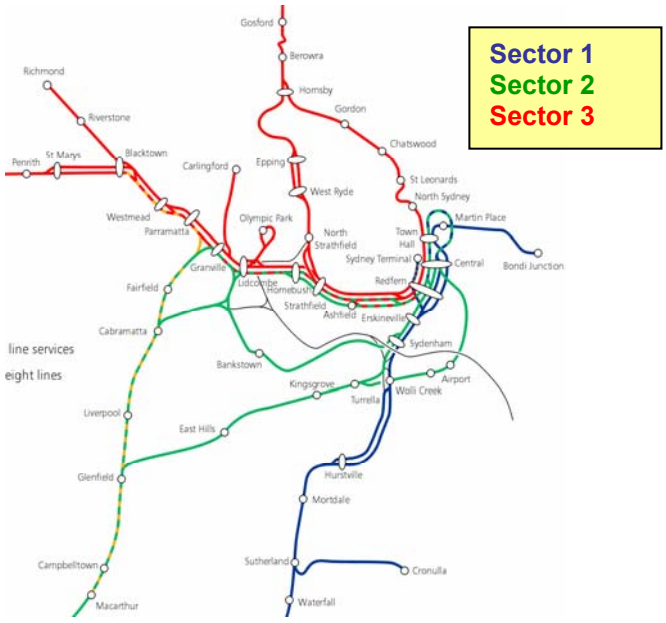
- Station Passenger Information;
- Security and Emergency Planning Works;
- Easy Access Program;
- Integrated Ticketing;
- Ticket Vending Machine Upgrades; and
- Platform Gap Reduction.

3.3. Sectorisation

Improved on-time performance by isolating the effect of incidents to individual sectors and improving asset and resource efficiency.

Sectorisation will improve reliability and allow expanded capacity by untangling the current integrated network through:

- dedicating trains to a specified sector;
- sectorisation of train crew rosters;
- introducing new train control technologies including Train Overspeed Protection; and
- the Rail Clearways Plan - will simplify the network and remove bottlenecks to provide a more reliable rail service for passengers and increase capacity to meet growth on the metropolitan network.



The key weaknesses of the current integrated network are the bottlenecks and the cascading effect of delay incidents across the network. Moving to a network comprising of sectors allows the delay incidents to be isolated and allows asset utilisation to align with demand, hence improving costs. The benefits of Sectorisation have been and will be further realised with the introduction of new timetables in 2005, 2006, 2008 and 2011.

The benefits of sectorisation are being progressively realised with the following projects:

- Clearways (the infrastructure component required to allow sectorisation);
- Expansion of rollingstock; and
- Metropolitan Signal Control Centre.

3.4. The Clearways Project

CityRail is continuing to invest in rail infrastructure to untangle the network and ease capacity constraints, thus allowing additional services to be provided in the future.

The Rail Clearways Program provides essential rail infrastructure that will progressively reduce system complexity and unlock capacity to provide additional services to meet future demand. Although the Clearways Program is a stand alone initiative, it is a necessary precursor to the Sectorisation Program.

In 2004, the Premier unveiled plans for 15 key projects to improve capacity and reliability on Sydney's metropolitan rail network. The NSW Government's 'Rail Clearways' Plan (to be completed by 2010) will separate the existing 14 CityRail lines at a cost of $1.5bn.

This will create five mainly independent lines to deliver more reliable, frequent services and reduce congestion and delays:

- Illawarra and Eastern Suburbs line;
- Bankstown line;
- Campbelltown Express line;
- Airport and South line; and
- North-West line.

Clearways objectives:

- support reliability improvements through increased Sectorisation;
- improve passenger rail service (frequency, speed, reliability, amenity and convenience); to overcome crowding on system by unlocking capacity; and
- cater for future growth at a minimum of 1% per annum which is compatible with longer term rail plans.

3.5. Fleet Improvement

CityRail is continuing to upgrade the fleet to further improve reliability & passenger comfort.

The fleet upgrade has been broken into a number of projects to purchase new cars, including:

- Hunter Valley Cars;
- Outer Suburban Car Replacement Program (OSCAR); and
- Public Private Partnership (PPP) Fleet Replacement.

Hunter Valley Cars

In 2002, United Goninan has been awarded a contract to design and construct (excluding maintenance) 14 single deck diesel trains. The project is on target to deliver the cars from mid 2006 and the cars have been in testing since November 2005. The project is forecast to cost $102m.

Outer Suburban Cars

United Goninan has been awarded a contract to design and construct (excluding maintenance) 122 Outer Suburban Cars. The $434m worth of new carriages will be introduced progressively from mid 2006, and are expected to be in revenue service by the end of 2008, will be used by RailCorp to provide more modern, accessible, air-conditioned rail services to customers in outer suburban areas.

Public Private Partnership (PPP) Fleet Replacement

The aim of this project is to modernise RailCorp's fleet by replacing a minimum of 498 non air-conditioned carriages with new air-conditioned carriages, through a Public Private Partnership (PPP) funding arrangement. The new carriages will be rolled out from 2008 with a forecast completion date of 2010. The estimated capital cost of the new carriages is over $1.5bn.

3.6. Metropolitan Signal Control

CityRail continues to invest to improve CityRail's operation and asset utilisation.

The aim of the Metropolitan Signal Control Strategy is to modernise and consolidate Metropolitan Signal Control.

The objectives of the Metropolitan Signal Control Strategy are to:

- enable the Epping – Chatswood Rail Link to be implemented, by providing the required infrastructure to allow effective train control;
- enable the Clearways Projects to be implemented, by providing the required infrastructure to allow effective train control;
- modernise existing Network Control Centres (signal boxes and train control facilities) by centralising the control functions;
- provide train controllers with support including the effective use of computers and co-location of support functions within centralised control rooms;
- improve safety, by providing real-time vision of train location to signallers in local signal boxes and train controllers in the Rail Management Centre (RMC);

- improve network control and efficiency by introducing automatic route setting capabilities, to reduce the requirement for signaller decision making and intervention, and the associated risk of signaller error; and
- improve infrastructure reliability by replacing assets that are inefficient to maintain.

3.7. Improving Passenger Information

CityRail is taking the necessary steps to deliver improved passenger information in the future.

RailCorp's aim is to provide timely and accurate passenger information. The initial steps are to improve passenger information and communication in the short-term. The following projects are planned to deliver these benefits:

- provide a Line Information Controller to provide a single information and control point for the Bankstown, East Hills and Illawarra lines;
- a Central Station Communications upgrade to improve the PA system sound quality and coverage;
- expand the Station Passenger Information (SPI) systems to 32 CityRail stations on the Bankstown line and enhance the system to adjust information on a line by line basis in the future;
- expand installation of Long Line Public Address Systems (LLPA) to 84 stations to allow announcements to be made from central locations to remote unmanned stations;
- replacement of the trackside telephone System;
- enhance the timetable system; and
- expand the installation of the variable messaging screens (plasma screens) from the CBD to Blacktown, Bondi Junction, Burwood, Hornsby, Hurstville, Kings Cross and Edgecliff.

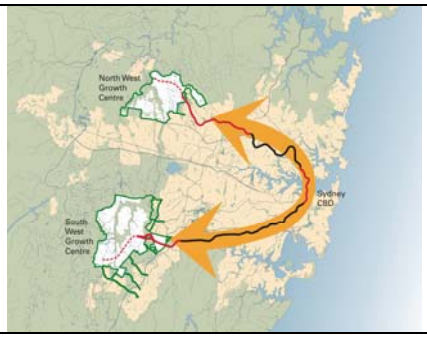
Other passenger information projects already completed, or currently being implemented by RailCorp, include:

- provision of the computerised Train Location Systems (TLS) to 60 RailCorp stations, allowing staff better access to the exact location of trains;
- installation of large plasma screens at CBD and major suburban stations to provide passengers with the latest train information, including any delays and the cause for these delays; and
- installation of the station passenger information (SPI) system on central platforms 1-15.

3.8. Expanding the Network

RailCorp, in the long term, is investing to expand the service to satisfy the future growth of Sydney.

In the long term, the North West and South West growth centres need to be serviced to allow access to the major employment areas of the CBDs. To provide the link, the NSW Government has developed a transport strategy for Sydney.

The metropolitan strategy aims to provide the following benefits: • enhanced accessibility to stations; • improving economic competitiveness; • fairness in transport equity and access; • environmental protection; and • improved governance of transport systems.	

From a rail perspective, the key elements contained within this plan are:

- Chatswood to Epping railway line, which is currently under construction and will be finished in 2008;
- the extension of the North West Rail Link connecting the CBD, with Castle Hill (2010) and Rouse Hill (2012) due for completion by 2017, with an extension to Vineyard by 2020;
- a new Harbour Rail Link encompassing the area from St Leonards to Redfern, bringing a number of new CBD stations on line by 2017; and
- a development based on the South West growth centre extending rail services in the South West as far as Leppington by 2012, with a further extension to Bringelly to be completed by 2020.

The North West-CBD-South West Rail Link will:

- provide essential new public transport links for Sydney's new growth areas;
- attract many new passengers to public transport. The North West Rail Link component is forecast to almost immediately attract the third highest patronage of any CityRail line;
- considerably reduce travel times. For example, Rouse Hill commuters will save 35 minutes on a trip to the CBD, compared with an M2 bus today (and by car, which is much slower); and
- along with the Clearways program, the North-West-CBD-South West Rail Link will further reduce congestion and improve reliability across the whole rail network.

3.9. Safety Initiatives

RailCorp continues to invest significant resources to improve our passengers' safety.

CityRail is continuing to improve its safety performance since the Waterfall rail accident in January 2003. To date 60 of the 88 recommendations of the Waterfall Inquiry related to RailCorp have been implemented. Major initiatives to improve rail safety include:

- installation of train data-loggers to monitor train speed;
- installation of vigilance control devices to minimise the risk of an accident in the event of driver incapacitation;
- introduction of fatigue management policies for safety critical staff;
- health assessments for rail safety workers;
- random drug and alcohol testing; and
- new incident management framework introduced in consultation with the State Emergency Management Committee.

3.10. Just Culture

RailCorp is improving staff culture to align their actions with the stakeholders' objectives.

RailCorp is shifting the organisational culture to a culture more conducive to the achievement of enhanced safety and business outcomes. RailCorp has committed to the implementation of a "Just Culture" project as the vehicle for the achievement of such enhanced outcomes.

The Just Culture project, as part of the RailCorp Cultural Change Program, will assist in improving behaviours, systems and accountabilities (including safety), as well as in achievement of the corporate objectives.

3.11. Benchmarking

RailCorp is investing in benchmarking initiatives to identify areas of the business where performance can be improved.

RailCorp's benchmarking initiative will identify areas of relative organisational strength and weakness, and establish a best practice framework for expenditure, resource utilisation and service levels. The initiative will facilitate insights into the business which will help to identify and understand excellence, providing a means by which performance may be compared against peer organisations. The benchmarking process will ultimately help identify those areas of the business that have the capacity to be more efficient, and how those efficiencies can be realised, and will expose the organisation to new ideas and innovative work practices.

The benchmarking initiative includes joining the international rail benchmarking community through the CoMET and Nova studies. The CoMET and Nova consortium is co-ordinated by the University of London for Transport Studies Railway Technology Strategy Centre (RTSC) based at Imperial College and includes 19 international rail operator members. The benchmarking community members share confidential information, with the University of London checking the quality of data to ensure it is accurate and comparable.

3.12. Summary of Improvements Planned

CityRail future initiatives to improve the service are not self funding.

CityRail has planned considerable customer service improvements outside normal operating expenditure. The major initiatives are detailed in the following table.

Outcome	Future Initiatives	Detail	Customer Benefit
Safe & Reliable Transport	Sectorisation	• Capacity utilisation, delay containment, platform for growth and more reliable service (Includes maintenance signal control, and rollingstock expansion).	• Expanded services and improved OTR.
	Clearways	• Creating of five mainly independent lines (a key component of sectorisation).	• Improved capacity and reliability.
	Safety	• Safety Knowledge Management System (full implementation).	• Improved Safety & Environmental Management.
	Improve Maintenance	• Improved asset management and maintenance systems.	• Improved reliability, safety and improved lifecycle of assets.
Satisfied Customers	Customer Information	• Improve systems and telecommunications to allow timely and accurate information.	• Real time audio visual train information.
	New Fleet Acquisition	• 122 Outer Suburban cars from 2006. • 498 Public Private Partnership cars from 2008. • 14 Hunter cars.	• Replacement of all non-Air Conditioning Cars and improving the fleet.
	Expanded network	• Building the Epping – Chatswood line. • North West –CBD-South West Rail Link.	• First step at of the North West-CBD-South West Rail Link. • Servicing the future growth areas of Sydney.
Stable & Sustainable Business	"Just Culture" initiative	• Will assist in improving behaviours, systems and accountabilities (including safety).	• Improving customer service and efficiency.
	KPI roll-out	• Strategically aligned performance measurement framework.	• Improvement in services and efficiency.
	Benchmarking	• Comparison of RailCorp's performance and processes with other rail organisations.	• Improved efficiency in delivery of services.

4. Proposed Fare Adjustments

RailCorp believes at this point, a fare rise of 2.9% from 1 July 2006, which reflects the movement in CPI over the same period in which performance has been significantly improved (2005/06), is reasonable. The requested fare increase should be applied to all standard products including TravelPass, however no changes are proposed to the current discounting and flat fare arrangements for concession fares.

This submission is structured in terms of the framework of the December 2003 "Ministerial Inquiry into Sustainable Transport in New South Wales" report (Parry Report) and the Government's response. The Parry Report established a framework for pricing of public transport, with the following implications for CityRail:

- determination based on a five-year price path;
- fare increases up to the CPI index subject to progress on efficiency gains; and
- fare increases above CPI through improvements in service quality linked to specific initiatives.

This submission does not propose to request a five-year price path.

RailCorp is currently of the view that the following changes to the CityRail fare structure are warranted:

- a fare increase to compensate for inflation, effective from 1 July 2006. This would mitigate against further reductions in RailCorp's cost recovery position from 2005/06; and
- reducing the current off-peak discount to improve the extent to which our pricing is reflective of the cost of providing passenger train services.

RailCorp acknowledges poor performance for part of the period since the last fare rise in August 2003.

The key arguments for fare increases and changes to the off-peak fare structure that RailCorp's submission to IPART is based on are outlined in the following table:

Potential Adjustment	Components of Change	Justification
A fare increase to reflect the **inflationary** effect *(Requested for 2005/06 CPI only in this submission)*	CPI inflation increase	• RailCorp has implemented a KPI efficiency measurement framework as required by IPART to justify an inflation increase. • RailCorp has implemented a process to achieve efficiency gains, consistent with the Parry Report recommendation. • RailCorp has achieved significant improvements in its customer services (see section 2 for further details), and is committed to further improvements in accordance with its corporate plan (see section 3 for further details). • The 2005 timetable is the culmination of a series of service enhancements resulting in significant and sustained improvements in on-time running, which is a key customer requirement for which only minor increases in journey time have been evident. • The capital investment to improve the service offering for 2003/04 was $253m[56], for 2004/05 it was $443m, and in 2005/06 is budgeted at $639m.
	An inflation increase adjusted for RailCorp's cost base	• CityRail's cost index is a better reflection of inflationary pressure on the business than headline CPI. • CityRail's basket of goods and services has suffered greater levels of inflationary pressure than the headline CPI number.
Off-peak fare variations	The reduction of the off-peak discount	• The reduced discount will diminish the inequity in the current fare structure.

[56] January 2004 to June 2004 only.
[58] "Reshaping Cities for a More Sustainable Future: Exploring the link between Urban Form, Air Quality, Energy and Greenhouse Gas Emissions". PW Newton, November 1997, CSIRO.

The above arguments represent the totality of the options RailCorp has identified in support of the current fare proposals. RailCorp believes that a fare increase of 2.9%, being the 2005/06 component of a CPI increase, is reasonable at this time.

The key arguments for fare increases and changes to the off-peak fare structure that RailCorp's submission to IPART is based on are:

- RailCorp has implemented a KPI efficiency measurement framework (a requirement of IPART to justify an inflationary increase);
- RailCorp has implemented a process to achieve efficiency gains, consistent with the Parry Report's recommendations;
- CityRail's performance has returned to high levels after a period of poor service;
- CityRail's fares have fallen in real terms for nearly three years;
- CityRail's fares are charged at a discount to alternative public and private car transport;
- CityRail's fares are currently at the lower end of comparative international rates;
- studies have shown that the impact of fare changes on typical CityRail passengers (predominantly professional or white collar workers travelling to and from their CBD workplace) only results in a relatively small drop-off in patronage (i.e. an inelastic response to fare changes); and
- rail is the most environmentally friendly of the public transport and private car alternatives[58].

Further details on the supporting arguments for the fare review are identified below.

4.1. Fare Adjustment for Inflation

4.1.1. CPI Increase

CPI will have increased by over 7% between the last and the current IPART determination (34 months).

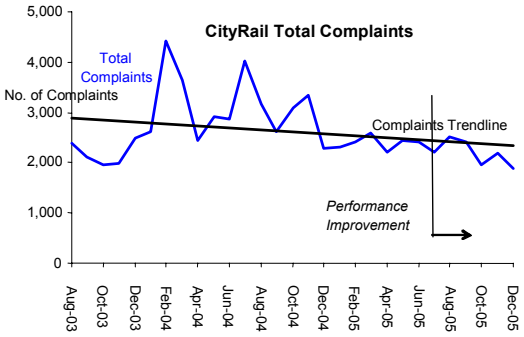
Over the entire IPART submission period of 31 August 2003 (last IPART determination increase) to 30 June 2006 (current IPART submission), CPI will have increased in total by 7.6% over the two years and ten months.

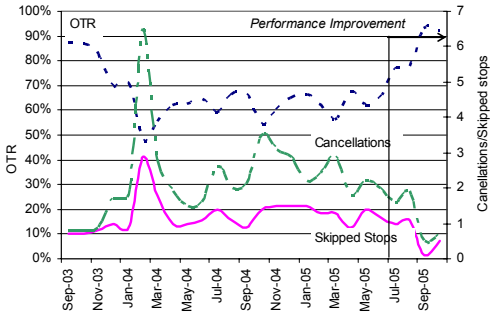
Period	CPI Increase	Source
31 August 2003 to 30 June 2004	2.1%	Actual (Sydney CPI)
1 July 2004 to 30 June 2005	2.3%	Actual (Sydney CPI)
1 July 2005 to 30 June 2006	2.9%	Forecast - Access Economics[59]
CUMULATIVE (over the 34 months)[60]	**7.6%**	

[59] The CPI forecast used was that of Access Economics. Access Economics forecasts CPI to increase at 2.9% p.a. in FY2005/06. CPI forecasts were also obtained from NSW Treasury and BIS Shrapnel. The CPI forecast for Access Economics was chosen because it forecast the lowest CPI increase and hence was the most conservative.

[60] A compounded CPI increase was calculated for the period based on CPI Data from the Australian Bureau of Statistics and Access Economics.

A substantial improvement in CityRail's performance has been demonstrated, particularly since July 2005, with further improvements evident since the introduction of the new timetable in September 2005. Given that significant improvements have been delivered during 2005/06 CityRail has restricted its requested fare increase in this fare submission to CPI for this period.





4.1.2. Inflation Adjustment for RailCorp's Cost Base

CPI represents price inflation faced by households - if we review inflation for the RailCorp cost base the inflation rate facing CityRail is over 3% higher than CPI over the period.

CPI is designed as a general measure of price inflation for the private household. The composition of private household expenditure is vastly different to RailCorp's expenditure.

RailCorp Top Weighted Expenditure Classes & Weightings	CPI Top Weighted Expenditure Classes & Weightings
Employee Wages (36.7%)	Housing (19.75%)
Asset Depreciation (21.9%)	Food (17.72%)
Maintenance (External, Materials & Spares) (16.5%)	Transportation (15.25%)
Professional Services (12.9%)	Recreation (12.29%)
% of Total Spend: 88 %	**% of Total Spend: 65 %**

Source: RailCorp P&L 2005, Australian Bureau of Statistics CPI

Unfortunately, while appearing simple and straightforward, the application of a CPI measure raises particular issues. The CPI reflects the inflationary effect on households, not operations such as RailCorp.

RailCorp's index has been constructed with the aid of analysis from the Australian Bureau of Statistics and is based on a basket of goods and services analysed from RailCorp's operating statement. This index reflects much better than the CPI measure the importance of wage growth which is generally in excess of CPI, recent significant increases in commodities prices such as steel, and maintenance costs which are increasingly under pressure from worldwide shortages of skilled staff.

The actual inflation in excess of CPI that RailCorp is subject to is **3.2%** for the period of 31 August 2003 to 30 June 2006 – approximately 1% per annum.

A more appropriate industry cost index for CityRail is compared to CPI below:

Index	Total inflation increase over IPART period*
RailCorp Cost Index	10.8%
Australian CPI	7.6%
RailCorp Inflation Variation	3.2%

**Note: IPART submission period is 31 August 2003 to 30 June 2006. The projected component for Australian CPI is based on forecast CPI data from Access Economics (an independent research source). Projected figures for the RailCorp Cost Index (for all cost items except those tracked by Headline CPI) are an extrapolation based on the current rate of increase (as no forecast data was available for other indexes other than Headline CPI). For cost items in the RailCorp Cost Index which are tracked by Headline CPI, the projected component is based on the forecast CPI data from Access Economics, as per the same method used to determine the projected component of Australian CPI in the above table.*

The timeframe of the RailCorp inflation variation is detailed in the following table.

Period	RailCorp Inflation Variation
31 August 2003 to 30 June 2004	0.9%
1 July 2004 to 30 June 2005	1.1%
1 July 2005 to 30 June 2006	1.2%
TOTAL (CUMULATIVE)	**3.2%**

4.2. Benchmarking

In order to support further our drive for efficient costs, RailCorp is pursuing a comprehensive program of benchmarking which will augment and support the CityRail Efficiency Framework over future years.

RailCorp is pursuing this initiative by means of international consortia, Internal Consulting and Strategy groups as well as third-party consultancy arrangements where appropriate. These are corporate-wide initiatives.

Further information regarding this initiative is provided in section 3.

4.3. Recognition of Service Improvements

As noted in section 3, RailCorp has a program of initiatives designed to improve performance. A continuing trend of improved performance has been evident in recent months.

The September 2005 timetable was the culmination of numerous performance improvement initiatives which RailCorp has delivered in recent times. It has provided a dependable method for CityRail's customers to plan their journeys and also for RailCorp's staff to restore the network in times of disruption. This and other initiatives have provided a reliable method of operating the CityRail network in a safe manner.

Future timetables in 2006 (Illawarra line), 2008 (Epping – Chatswood) and beyond will enable RailCorp to take advantage of spending and service decisions already taken including the Bondi Turnback, creating extra capacity on the Illawarra line to reduce crowding in the peaks, and the entrance to service of our new rollingstock significantly increasing the proportion of the fleet that is air-conditioned. For detailed information on RailCorp's proposed future service improvements, please refer to section 3.

[62] January 2004 to June 2004 only.

RailCorp has invested heavily in its operation since the last fare increase to improve its customer service. Capital expenditure for 2003/04 was $253m[62] and for 2004/05 was $443m.

Significant capital expenditure will be invested in the future to improve customer service.

It should be noted that the expansion of CityRail's capital base resulting from the substantial capital program will in turn generate additional maintenance requirements and costs.

4.4. Off-Peak Fare Changes

RailCorp is proposing to reduce the off-peak discount.

This proposal is supported by:

- a comparison with off-peak discounts offered by rail services in other Australian jurisdictions which are generally lower in value and more restrictive in the hours of operation; and
- consideration of the equity of the current off-peak arrangements compared with full fares.

Higher off-peak fares will provide a better match between revenues and costs.

4.4.1. Weekend and Concession Fares

RailCorp proposes no change to the current weekend fare arrangements (i.e. it is intended to retain the off-peak return fare and peak single fare tickets). There is no change to PET, the concession discounts or their eligibility during the off-peak period.

4.5. Are the Arguments Supporting the Increase in Fares Reasonable?

4.5.1. CityRail Fare Comparison to Substitutes

CityRail's customers attain high value for money compared with alternative transport modes.

CityRail fares are reasonable compared to bus, ferry or automobile. The following examples demonstrate the comparison:

Mode	Short Return Trip of 10km		Long Return Trip of 30km	
CityRail	Chatswood to Town Hall	$6.00	Miranda to Central	$8.80
Sydney Buses	Mosman to City	$7.20	Mona Vale to City	$10.40
Sydney Ferries	Mosman to Circular Quay	$9.60	Parramatta to Circular Quay	$14.80
Road[63]	Chatswood to City Centre	$14.00 (plus parking)	Cronulla to City	$40.00 (plus parking)

Source: Booz Allen Hamilton "Overview of the CityRail Network" July 2005 – revised.

[63] Assumed 60c/km vehicle operating costs.

And direct route comparisons suggest rail fares are generally cheaper compared to public transport substitutes:

Mode	Parramatta to Circular Quay	Homebush to Circular Quay
CityRail	$8.00	$6.00
Sydney Buses	$10.40	$8.60
Sydney Ferries	$14.80	$12.00

Source: CityRail, Sydney Buses and Sydney Ferries websites as at 8 December 2005. Return peak fares used.

Even though the fare prices of each of the public transport modes decline with frequent use fare tickets, the lower return fare price of the CityRail service demonstrates the value attained by rail's customers for a high quality and efficient transport mode. It should be noted that if current off-peak return fares were included in the above tables, CityRail's price advantage would be even more significant.

4.5.2. Domestic and International Peak Fare Comparisons

CityRail's fares are less than the average for a basket of international peak fares, and significantly less for longer trips.

To determine whether CityRail is abusing its monopoly power regarding rail, a comparison with alternative domestic and international equivalents is detailed in the following table.

International Fare Comparison per Kilometre Travelled ($A/km)

Journey Type	Short Metropolitan	General Commuter	Long Distance	InterCity
Example CityRail Journey	Central to Nth Sydney (6km)	Central to Parramatta (20km)	Central to Woy Woy (60km)	Central to Newcastle (200km)
Singapore	$0.11	$0.05	N/A	N/A
San Francisco	$0.26	$0.15	$0.11	$0.11
Washington	$0.29	$0.35	$0.13	$0.31
Perth	$0.30	$0.18	$0.15	N/A
Detroit (US)	$0.30	$0.56	N/A	$0.28
Hong Kong	$0.34	$0.13	$0.05	N/A
London	$0.34	$0.25	$0.12	$0.26
New York	$0.35	$0.30	$0.23	$0.41
Brisbane	$0.39	$0.20	$0.11	$0.11
Sydney-CityRail	**$0.41**	**$0.16**	**$0.12**	**$0.10**
Melbourne	$0.43	$0.22	$0.13	$0.14
Berlin	$0.57	$0.19	$0.45	$0.43
Toronto	$0.80	$0.16	$0.13	$0.26
Tokyo	$1.48	$0.29	$0.30	$0.61
Beijing	N/A	$0.14	N/A	$0.58
Average	***$0.46***	***$0.22***	***$0.17***	***$0.30***

Source: Arup Transportation Planning Report; "International Rail Fares Preliminary Benchmarking", January 2002

It should also be noted that:

- CityRail's fares are already lower than other public or private transport providers in the Sydney market; and
- CityRail has only around 5% of the total passenger market in Sydney.

4.5.3. Customer Sensitivity to Fare Changes

Demand is quite inelastic in relation to fare increases.

Based on our experience with the last two rail fare increases, the demand for public transport in Sydney is relatively price inelastic with neither fare increases nor decreases (in real terms) on existing services having a strong impact on passenger numbers. Work commissioned by IPART suggested that a 5% nominal increase in commuter (peak time) rail fares would decrease patronage by 1.25% if nothing else varied[64].

It should be noted that the current fare discounting arrangements outlined in section 1.3.1 are not expected to be impacted by the fare review proposals (for example, the flat fare paid by pensioners is not expected to change). Fares which are discounted by a percentage rate would increase in proportion with increases in the base fare.

4.5.4. Environmental Protection

There are additional environmental benefits to the wider community in using rail. For example, if the 180,000 daily rail passenger trips to the CBD were to transfer to car, around 160,000 additional car trips would be required[65]. It is difficult to estimate the additional vehicle effect on an already congested road network, but it could be estimated to cost in the order of $360m annually for the morning peak[66], and doubled if repeated in the evening. These increased road trips could also be expected to lead to higher road accidents, costing around $50m annually[67].

Furthermore, there would be environmental costs involved in the extra mileage of between $1m and $2m annually[68]. Any CityRail fare increase would enable RailCorp to provide better services, increasing the number of passengers over time, with corresponding environmental benefits.

The following table gives an indicative externality cost of rail, car and bus per vehicle kilometre.

Rail and Road Externalities (cents per kilometre)

	Rail	Car	Bus
Air pollution	0.86	1.77	4.52
Greenhouse gas emission	1.08	4.56	10.77
Noise pollution	3.44	0.34	9.04
Accidents	0.04	8.38	5.17
Road damage	0.00	0.22	3.88
Total	**5.43**	**15.26**	**33.37**

Source: Mason, Wilson and Twiney 1999, Parramatta Rail Link Network Traffic Modelling with NETANAL, July.

[64] IPART, *Estimation of Public Transport Fare Elasticities in the Sydney Region,* Research Paper No. 7, 1996, p.25.
[65] Based on a RTA average vehicle occupancy of 1.12.
[66] Assuming an average trip of 15km and a marginal congestion cost of 60 cents per km, based on broad Victorian Department of Infrastructure network-wide estimates of congestion effects.
[67] Based on RTA's average accident costs for Sydney of $43,200 per million vehicle kms.
[68] RTA estimates on average car environmental costs are 69-131 cents per thousand vehicle kms, expressed in 2001 dollars.

4.6. Implementation of Proposed CityRail Fare Increases

In implementing the proposed fare changes across the fare structure, it should be noted that while the proposed network wide fare increase averages 2.9%, not all fares are proposed to increase by the same proportion. This is largely due to 'rounding' requirements which mean that CityRail fares can only increase by 20c to allow for the impact of 50% discounts, as a 10c coins is the lowest domination accepted in our ticketing systems. As a result most adult single passenger journey prices will only increase by 20c while others will remain unchanged**.**

RailCorp has proposed to IPART a detailed list of its first choice of fare rises for each individual product it operates. For example, RailCorp's proposal on the lowest full fare band of $2.20 is to increase it to $2.40. RailCorp believes this is reasonable given that the previous two fare increases of 3.3% and 5% did not feed through into increases on this fare band which has been left unchanged since July 2000. Therefore, in this round of increases this fare will be rounded up to $2.40.

Although this represents an increase of 9.1%, it is balanced by other lower increases (and in some cases, no increase at all) in order to come back to the proposed 2.9% average across the fare structure.

5. 2003 IPART Determination Requirements

In IPART's 2003 determination, a number of issues were identified for future action by CityRail. The table below contains a cross reference for each issue to the relevant sections where progress details are contained.

IPART 2003 Determination Section	CityRail Required action	Actioned by CityRail	Submission Section
3.2 How decisions were made	Tribunal mindful that CityRail should have incentives to improve cost recovery. Asks CityRail to report on strategies to boost passenger numbers in particular in off-peak and develop efficient cost estimates.	Yes	Section 4.1.3: Efficiency Improvements
4. Fare determination	Tribunal would like to see better performance reporting as part of the next fare determination.	Yes	Section 4.1.3: Efficiency Improvements
4.1.2 Cost recovery outlook	Tribunal requests more information about CityRail.	Full information provided	Section 5.1: Cost Recovery
4.1.3 Unresolved cost recovery issues	Efficient cost estimates should enhance consideration of incentives for CityRail. Tribunal noted that CityRail had commenced a study to determine efficient costs and looks forward to results.	Under Consideration	Section 5.1: Cost Recovery
4.1.6 Implications of determination for CityRail	The tribunal would like to see a commitment from CityRail to improve business efficiency and service quality and to report on these in a suitable manner. The Tribunal would welcome action by CityRail management to use the coming months to outline its strategies and plans for efficiency and service quality and to develop robust reporting frameworks.	Yes	Section 4.1.3: Efficiency Improvements