SUBMISSION TO INDEPENDENT PRICING AND REGULATORY TRIBUNAL OF NEW SOUTH WALES

CITYRAIL FARE REVIEW

June 2007

Contents

Executive summary

1. Key arguments

This submission will provide evidence to demonstrate that an increase in CityRail fares is warranted due to:

- expenditure on capital improvements
- declining levels of cost recovery
- costs increasing at a rate greater than inflation, reflecting market conditions
- improvements in safety, reliability, passenger security, service quality and operational efficiency.

2. CityRail's business environment

2.1 The CityRail network

The CityRail network is spread across a large urban area. It serves a population with low urban density but requires a high level of infrastructure. More than 90% of all rail journeys occur in the suburban area, providing over 85% of CityRail farebox revenue.

2.2 Our customers

In the ITSRR survey in 2006, 44% of our customers rated the cost of train travel as either good or great value for money.[1] One in three of our customers are students, pensioners or unemployed and are eligible for discounted fares.[2]

Since 2000, average wages in NSW have increased by 35% but average CityRail fares have only increased by 14%.[3] Rail users are now paying less than 25% of CityRail's costs as fare increases are not matching the expansion in operating expenditure.

In the future, there will be more people living and working in Sydney and more people using rail. Passenger rail journeys are forecast to increase to over 292 million in 2009/10 – 221,000 additional journeys per week compared to 2006/07.

2.3 Capital expenditure

In 2006/07, CityRail is forecasted to spend a total of $781 million on capital improvements – to deliver new trains, build new lines and improve stations. This expenditure is an investment to improve the safety, reliability and quality of our service in response to customer feedback.

We need to maintain these record investments so we can deliver the future required expansion in network capacity and capability, and continue to provide service improvements for our customers.

[1] Survey of CityRail customers, ITSRR, September 2006.
[2] CityRail Customer Satisfaction surveys, September and November 2006.
[3] Source: www.abs.gov.au 6302.0 Average weekly earnings, Australia TABLE 13A. Average weekly earnings, NSW (dollars). Using February data to depict financial year.

2.4 Cost recovery

CityRail's farebox cost recovery has been declining since 2001/02 as fares are not matching the expansion in operating expenditure. The NSW taxpayer is now paying an increasing proportion of CityRail costs – about $700 per household [4] – while the rail user contribution is declining. This has occurred at the same time as average wages have increased by over 30%.

2.5 Inflation

Since 2003, CityRail's costs have been increasing at an average of 1% more than the equivalent increase in the consumer price index (CPI). This has been caused by wage growth which is in excess of CPI, maintenance costs, and significant increases in the price of commodities. Despite the 2.9% fare increase granted by IPART in 2006, a fare increase of about 12% would be required to compensate for the effects of inflation on CityRail for the period 2003/04 to 2006/07.

2.6 'Hidden' costs to society

Rail transport has a range of environmental benefits because of the lower level of external or 'hidden' costs associated with rail use. These costs include greenhouse gas emissions, noise and air pollution, road damage, accidents and congestion.

3. CityRail's current performance

3.1 Key performance indicators (KPIs)

CityRail has refined its KPI measurement process to focus on efficiency improvements, and incorporated key indicators into its performance measurement framework. We are also benchmarking our performance with other domestic and overseas organisations. Managing our workforce more efficiently and making savings in energy use and procurement are also key priorities.

3.2 Safety

We have successfully finalised the majority of the recommendations of the Waterfall Inquiry, and our revised Safety Management System is improving safety practices and processes across the organisation. Our 'just culture' program is giving CityRail better information on events and near misses, and initiatives – such as our pram safety campaign and a traction interlocking system installed on 500 train carriages – have increased customer safety.

3.3 Reliability

Sectorisation of the CityRail network, the introduction of new timetables, a successful door motor replacement program and a reduction in the number of delays due to infrastructure incidents has improved service reliability. On time running is currently averaging 92.9% and there has been a reduction in the average number of skipped stops and cancelled services.

[4] IPART 2006 Determination, page 13.

3.4 Passenger security

In 2005/06, security cost 34 cents per passenger journey. There are now more than 6500 security cameras, 700 emergency help points and 7000 high intensity lights on stations. There has been a decline in crime on the network with offences against passengers falling by 31% between 2002/03 and 2005/06.

Emergency and counter terrorism exercises are regularly held with NSW Police and other emergency services.

3.5 Customer service

The 2006 ITSSR customer survey showed an increase in customer expectations met in a number of key service areas. Expectations were increasingly met for punctuality, delays and cancellations, information about services (including delays and cancellations) and announcements.

The total number of complaints we receive from customers has also been steadily declining. We have been working on improving service quality by increasing peak services on busy lines, improving station and train services, and developing new and innovative ways – such as passenger information screens – to communicate with our customers, particularly when services are disrupted.

3.6 The future

CityRail's strategies for continuing to improve its services in the future take into account customer feedback from surveys, complaints and compliments – as well as targets and priorities identified in the NSW State Plan.

A key focus is improving customer service in areas that our customers have identified as 'of concern' to them. These include crowding in trains during peak periods, clarity of on board announcements, visibility of staff on platforms at night and the availability of secure parking.

Our new customer service general managers will 'champion' the needs of customers, and be responsible for promoting efficient workforce and asset utilisation and ensuring customer focused behaviour and teamwork among all their staff.

4. Proposed fare changes

In this submission, CityRail is asking the Independent Pricing and Regulatory Tribunal of NSW (IPART) to grant:

- A single base fare increase of 20 cents for journeys up to 35km – then by 40 cents up to 75km, 60 cents up to 175km and by $1.00 after that.
- An increase of $2.00 or $3.00 for Adult 7 Day Rail Pass tickets.
- An increase of $2.00 in all combined rail, bus and ferry TravelPass weekly fares.
- An increase of up to 4% in child off-peak and DayTripper fares.

Some examples of proposed fare changes for adult singles and 7 Day Rail Pass tickets are:

Journey from Central to:	Distance (km)	Current adult single	Proposed adult single	Difference	Current adult weekly	Proposed adult weekly	Difference
Stanmore	5km	$2.40	$2.60	$0.20	$19.00	$21.00	$2.00
Hurstville	15km	$3.20	$3.40	$0.20	$26.00	$28.00	$2.00
Parramatta	25km	$4.00	$4.20	$0.20	$32.00	$34.00	$2.00
Miranda	30km	$4.40	$4.60	$0.20	$34.00	$36.00	$2.00
Campbelltown	45km	$6.20	$6.60	$0.40	$41.00	$44.00	$3.00
Penrith	55km	$6.80	$7.20	$0.40	$45.00	$48.00	$3.00
Richmond	60km	$6.80	$7.20	$0.40	$45.00	$48.00	$3.00
Gosford	75km	$8.20	$8.60	$0.40	$48.00	$51.00	$3.00
Newcastle	160km	$17.40	$18.00	$0.60	$76.00	$79.00	$3.00

Examples of increases in other products include:

TravelPass weekly fares
Red TravelPass weekly – from $33.00 to $35.00 ($2.00)
Pink TravelPass weekly – from $48.00 to $50.00 ($2.00)

Child off-peak
Penrith to City return – from $2.50 to $2.60 (10 cents)

Adult DayTripper – from $15.40 to $16.00 (60 cents)

2. CityRail's business environment

This section includes information about the CityRail network, our current and future customers, environmental issues, and a range of financial issues that impact on our business operations.

CityRail's key aim is to provide a safe, reliable and high quality rail service to our customers in an efficient and financially responsible manner.

2.1 The CityRail network

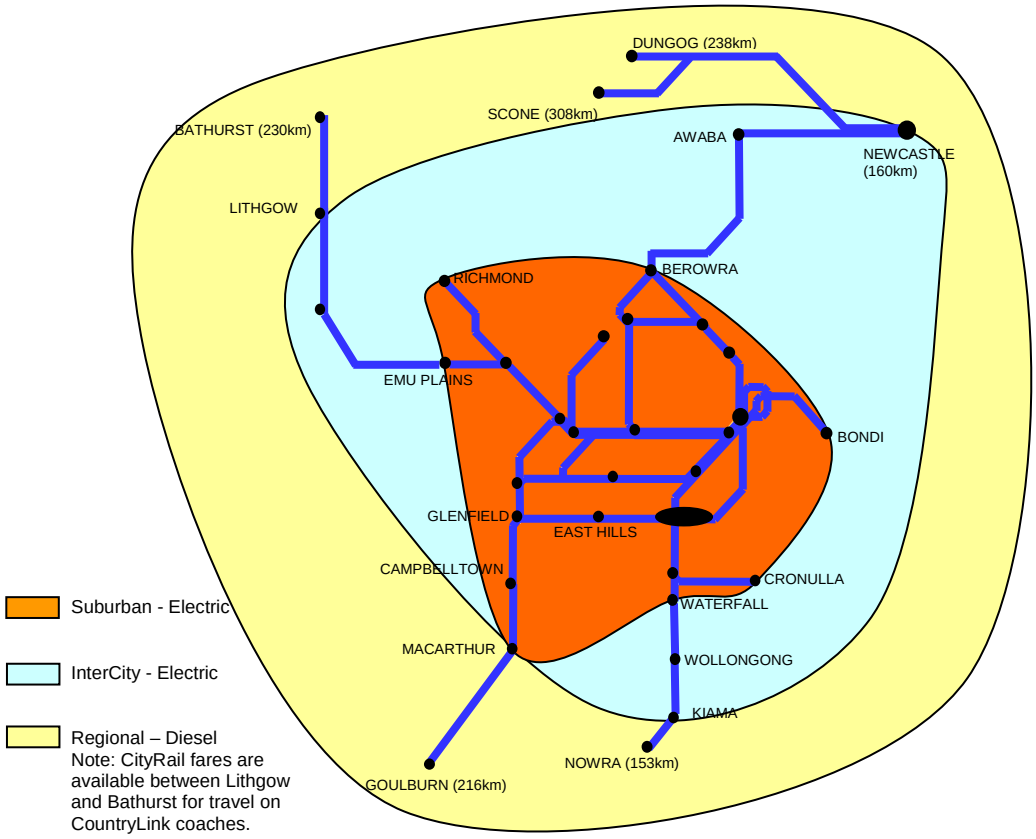
Rail is an efficient mass public transport option and CityRail is the single largest public transport operation in Australia.

The CityRail network is geographically diverse and is spread across a large urban area – stretching from Goulburn and Nowra in the south, to Lithgow in the west and up to Newcastle, Scone and Dungog in the north. It serves a population with low urban density but requires a high level of physical infrastructure. The result of this is a large and complex operating environment with significant maintenance and replacement costs. Our services operate on RailCorp and Australian Rail Track Corporation (ARTC) networks.

CityRail is responsible for maintaining its own infrastructure, rollingstock and stations. We also need to be prepared for a wide range of emergency and security contingencies.

Every day CityRail operates a fleet of more than 1,500 carriages over 3,000 kms of track controlled by over 2,500 signals. With an operation of this size operating incidents are inevitable, but we try to minimise them through regular maintenance and performance management.

One of the priorities in the State Plan for NSW, released by the Premier in November 2006, is to increase public transport's share of journeys to work. For CityRail, this means continuing our investments in infrastructure and our focus on improving service quality, passenger information, reliability and capacity.



Some key facts about CityRail's operations

- 273 million passenger journeys in 2005/06
- 94 million tickets sold in 2005/06
- 900,000 passenger journeys on a typical weekday
- 53% share of journey to work trips in the CBD

- 3236 km of track
- 300 stations (plus 4 on the airport line)

- 1531 electric cars and 48 diesel cars
- 746 new carriages on order
- 7,000 general fleet inspections each year
- 73,000 brake inspections each year
- 810,000 train preparation inspections each year

- 34 million timetabled service kilometres per year
- 2530 weekday passenger services and 1655 weekend services per day
- 18.7 km average journey length
- 28 minutes average weekday trip duration

- $1.97 average fare per journey in 2005/06 – inclusive of GST
- $8.44 average cost per journey in 2005/06 – inclusive of GST

- Approximately 13,000 employees

2.2 Our customers

The CityRail network carries approximately 280 million passenger journeys a year – this is about 900,000 passenger journeys each week day. More than 90% of all rail journeys occur in the suburban area, providing over 85% of CityRail farebox revenue.

Our major market segment is commuters travelling to work, especially to Sydney's CBD. Our current share of all journey to work trips into Sydney's CBD is 53%. Rail is an attractive mode for commuters as it is low price and provides competitive journey times. It is this market that drives CityRail's capital and operating expenditure.

Leisure and off-peak travel is another substantial market segment. Developing this market has advantages for CityRail as it uses our existing capacity and resources at times of low demand from the commuter market. We also cater for special events – such as the Royal Easter Show, New Years Eve and major sporting fixtures and concerts – that place huge demands on our network.

Nearly 50% of our customers use CityRail services to commute to and from work. The majority of customers travel on our services four or more days per week. One in three of our customers are students, pensioners or unemployed and are eligible for discounted fares.[5]

Our customers rate personal safety, the level of service information provided on stations, and the punctuality and frequency of trains as the most important aspects of our service.[6]

2.2.1 Value for money

The ITSRR 2006 survey of CityRail customers reported that, after the last IPART fare increase was implemented, there was no difference in the value for money ratings passengers gave for the cost of train travel, with 44% rating it as good or great value for money.

ITSRR 2006 survey of CityRail customers[7]

18% rated it as 'great' value for money

26% rated it as 'good' value for money

33% rated the value for money as 'ok'

22% of train users rated the cost of train travel as 'very poor' or 'poor'

A weekly train ticket from Seven Hills to the City costs $38.00. NRMA research suggests that it costs $194.00 per week to commute from Seven Hills to the City in a small car. This is a saving for the rail commuter of $156.00 per week.[8]

Since 2000, average wages in NSW have increased by 35% but average CityRail fares have only increased by 14%.[9]

[5] CityRail Customer Satisfaction surveys, September and November 2006.
[6] Survey of CityRail Customers, ITSRR, September 2006.
[7] Survey of CityRail Customers, ITSRR, September 2006.
[8] CityRail website fares calculator – assumes petrol at $1.20 per litre.
[9] Source: www.abs.gov.au 6302.0 Average weekly earnings, Australia TABLE 13A. Average weekly earnings, NSW (dollars). Using February data to depict financial year.

Domestic fare comparisons

CityRail fares are generally equivalent to other domestic rail operators, even though the cost of living in Sydney is considerably higher.

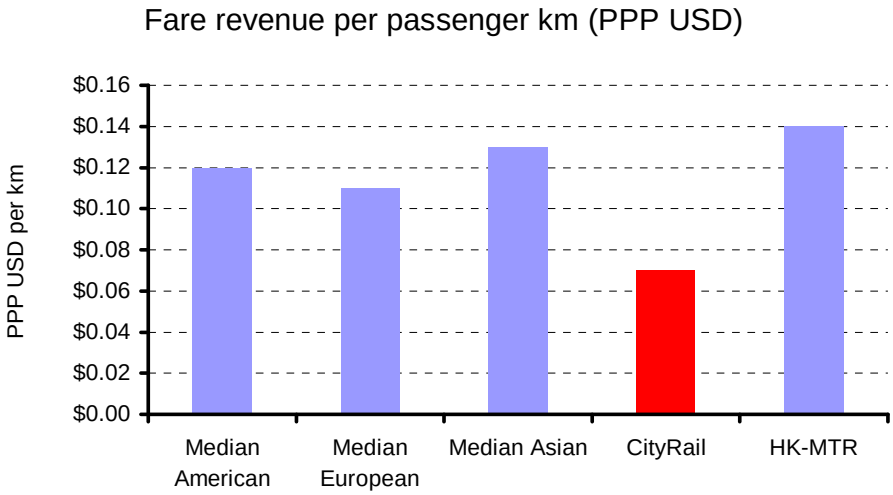
A domestic comparison on a 20km journey highlights Sydney as more affordable than Melbourne and Adelaide and slightly more expensive than Brisbane and Perth. For example, the fare for a 20km journey costs 20c/km in Sydney and 26c/km in Melbourne.

	Sydney	Melbourne	Brisbane	Perth	Adelaide
6km	$0.47	$0.53	$0.44	$0.35	$0.63
20km	$0.20	$0.26	$0.17	$0.20	$0.19
60km	$0.14	$0.12	$0.10	$0.14	-
200km	$0.09	$0.13	$0.10	-	-
Average adult weekly wage (by state) November 2006	$1139.50	$1085.90	$1043.80	$1180.80	$1051.90
Number of 20km tickets that can be purchased with a weekly wage	285	210	305	295	275

Source: ABS, CityRail, Metlink, VLine Queensland Rail, Adelaide Metro and Transperth websites, March 2007.

International fare comparisons

An international fare comparison shows that CityRail's fares are discounted by up to 50% compared to international equivalents.



Source: MTR Corporation KPI benchmarking study dated 1 May 2006 (2004 data is used except for RailCorp which is annualised 2005 half year data).

The purchasing power parity (PPP) comparison is expressed in $US and equalises the purchasing power of different currencies in their home countries – using the relative cost of a given basket of goods. It does not compare relative cost structures.

2.2.2 The demand for CityRail services

Demand for CityRail services continues to rise and we anticipate that passenger journeys will be up by approximately 8 million in 2006/07, compared with 2005/06.

In February 2007, the Property Council of Australia reported that CBD office take up continued to increase with overall favourable employment conditions.[10] Based on this data, there were an estimated 8,200 additional office workers in the CBD in 2006 – of which around 4,100 were expected to be CityRail customers.

Analysis of CityRail ticket types in 2006 showed there was more than a 6% increase in the use of commuter based ticket products from 2005 to 2006 – indicating that increases in patronage are being driven by a growth in employment. Single and return ticket sales have also increased, albeit at a slower rate. Approximately 75% of the additional passenger journeys made in 2006 were to the CBD.

Sydney's population is forecast to increase from about 4.3 million in 2006 to 4.5 million in 2011 and 4.7 million in 2016.[11] This is an increase of around 5% between 2006 and 2011. Based on historical growth, passenger rail journeys are forecast to increase to over 292 million in 2009/10. This equates to an additional 221,000 passenger journeys per week when compared to 2006/07.

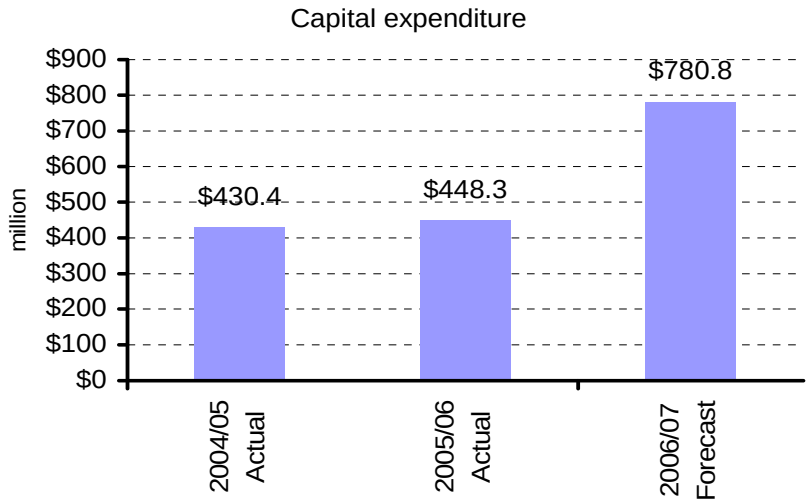
The targets from the NSW State Plan include increasing public transport's share of trips made to and from the Sydney CBD from 72% to 75%, and increasing the journeys to work in the Sydney metropolitan region by public transport from 22% to 25% by 2016. [12] CityRail's objective is to support the mode share increase target in the NSW State Plan – this will result in increased passenger journeys and will require additional capacity.

[10] Property Council of Australia, media release 8 February 2007.
[11] Transport Data Centre, SLA Population Projects, 2005 Release Version 1 http://www.transport.nsw.gov.au/tdc/local-pop.html
[12] A new direction for NSW, NSW State Plan, Premier's Department, November 2006.

2.3 Capital expenditure

As recognised in the NSW State Plan, CityRail is making record investments in infrastructure and rollingstock to help deliver the required expansion in network capacity and capability. Maintaining this 'long term' planning and expenditure will provide capacity and service quality for the people of NSW, both now and in the future.

The Parry Report explicitly stated that 'CityRail fares should increase modestly in real terms to help fund better services'. [13] Significant capital expenditure has and will be undertaken to improve current and future customer service, and some of this expenditure needs to be recouped from users of the service.



Some key facts for 2006/07 are:

- A total of approximately $781 million (forecast as at April 2007), an additional $332.5 million in comparison to last year, is forecast to be spent on capital improvements to deliver new trains, build new lines and improve stations.

- $10 million will be spent on passenger information projects to provide our customers with better and more up-to-date information about our services.

[13] Challenges to providing a sustainable transport system for NSW, Parry report, 2003.

Some key outcomes for customers from CityRail's capital works spending from 2003/04 to 2005/06 have been:

Initiative	Service improvements for our customers	Cost for 2003/04 to 2005/06
Fleet upgrading – 109 Millennium carriages purchased since August 2003.	• Old carriages replaced by new and more comfortable ones – including improved access, airconditioning and onboard passenger information. (see 2.3.4)	$244 million
14 new diesel trains purchased for Hunter Rail.	• New and more comfortable carriages – improved access, airconditioning and onboard passenger information. (see 2.3.4)	$72 million
Clearways projects.	• More reliable train services and the ability to provide more frequent services. • Less crowded trains and increased capacity for patronage growth. (see 2.3.1)	$117 million
Oscar project	• More comfortable airconditioned trains.	$168 million
Vigilance control fitted to the electrical fleet completed in December 2004.	• A safer service for passengers.	$17 million
Traction power supply.	• A more reliable supply of electricity to support the increased number of airconditioned carriages. • Increasing reliability for all services.	$33 million
Easy access upgrades.	• Improved access for customers with disabilities, the elderly and parents with prams. (see 2.3.6)	$58 million
Sutherland, Oatley and Loftus re-signalling.	• Safer and more reliable signalling systems to increase the reliability of the network. (see 2.3.3)	$14 million

Some key outcomes for customers from CityRail's capital works spending in 2006/07 will be: [14]

Initiative	Service improvements for our customers	Cost for 2006/07
Passenger information projects	• Provide our customers with better and more up-to-date information about our services.	$10 million
Purchase of new rollingstock, including Oscars and Hunter Rail cars, and upgrades to the existing fleet.	• More comfortable airconditioned trains.(see 2.3.4) • Trains released to boost service levels in the suburban area and at peak periods.	$252 million
Rail Clearways plan projects for 2006/07.	• Improved reliability and capacity through separating the network. • Ability to provide more frequent services.	$174 million
Track and infrastructure upgrades.	• Less infrastructure failures so more reliable services. (see 2.3.2)	$59 million
Easy access station upgrades to 19 stations, as well as major capital works at Town Hall and North Sydney.	• Better and more accessible station facilities for new and existing customers. (see 2.3.6)	$70 million
New signalling and train control systems.	• Safer and more reliable services. (see 2.3.3)	$28 million
Continuing re-signalling the Illawarra Line between Oatley and Cronulla.	• Safer and more reliable services for customers in the southern suburbs of Sydney.	$16 million
Reliability and safety upgrades to rollingstock.	• Safer trains and less delays due to faults and breakdowns.	$26 million

The main elements of CityRail's record investment in improving its network and services are as follows.

[14] Note: The Epping Chatswood Rail Line is being funded external to RailCorp and will provide access to educational and employment centres.

2.3.1 Sectorisation and the Rail Clearways Plan

The Rail Clearways Plan is a $1.8 billion initiative to improve reliability and capacity on CityRail's suburban network. It is made up of fifteen key projects that will separate or 'untangle' the network's 14 metropolitan rail routes into five mainly independent routes or 'sectors'. These projects involve building additional track, platforms, turnbacks and train crossing loops and are intended to remove bottlenecks and junctions – leading to reduced congestion and delays.

The plan will also provide the infrastructure needed to increase the capacity of the network to meet the predicted growth in patronage. For example, the completion of the Bondi Junction Turnback in May 2006 has allowed us to increase the capacity of the Eastern Suburbs and Illawarra Line, turn trains around more quickly and put on new peak services for commuters.

'Sectorisation' will allow CityRail to unlock extra capacity and further improve service reliability through dedicating trains and crews to a specific sector, introducing new train control technologies, and separating train lines to remove bottlenecks.

2.3.2 Track maintenance

In 2005/06 CityRail installed over 85,000 new concrete sleepers and 30,000 new timber sleepers, reconstructing over 50 kilometres of track and resurfacing more than 650 kilometres. This resulted in more than a 50% drop in the number of times speed restrictions had to be imposed on the network and a decline in the number of delays in peak periods because of infrastructure problems. 'Ride quality' has also been improved. The track condition index (TCI), which is an aggregate of key track condition parameters including top, twist, alignment and gauge, shows a steady improvement in track condition on the network.

2.3.3 Signalling equipment

Problems with signalling equipment can cause lengthy delays, especially at peak times, so CityRail is expending funds on a signalling improvement plan. This will improve the components used in track circuits, points and monitoring systems and includes implementation of the advanced train running information control system (ATRICS). This system provides accurate information on the current location of timetabled trains, improves train control decisions and provides improved information for passengers. ATRICS currently manages trains on the North Shore, Eastern Suburbs, Illawarra, Bankstown and East Hills Lines and further work will provide coverage for the area bounded by East Hills, Cabramatta and Ingleburn.

2.3.4 New carriages

CityRail has spent $466 million for 141 double-deck suburban 'Millennium' cars, all of which are now in service. We have also committed $102 million for 14 single-deck diesel Hunter Valley cars, of which eight are in service. $439 million has been committed for 122 double-deck outer-suburban cars (Oscars) – four are now in service. The remainder of the cars will be delivered during 2007 and 2008. All new CityRail carriages will be fully accessible and provide audio/visual information for vision and hearing impaired customers.

To continue the upgrade of the CityRail fleet, $3.6 billion has been committed for the construction and delivery of 626 double-deck suburban cars. This investment includes the maintenance of these cars for a 30 year period. The new trains will progressively be placed in service from 2010 to 2013.

2.3.5 Matching demand and capacity

CityRail's capital expenditure on track, signalling and new carriages is providing the potential to more effectively match demand and capacity. As part of our long term plan to meet increasing customer demand across the network, we are introducing a range of new services. For example, on the Western Line – the fastest growing line on the network with an extra 1.4 million passenger journeys made in 2006 – we have introduced a new fast service from Penrith to North Sydney every weekday. There is a new fast weekday morning peak service between Campbelltown and the City and a new Olympic Park Sprint operates every ten minutes on weekends.

The delivery of the new Oscar trains during 2007 and 2008 will enable CityRail to implement a range of initiatives to meet increasing demand.

- Provide 900 extra seats on new services on the Western, Illawarra, Campbelltown, Bankstown and North Shore lines during the morning and evening peaks.
- Build up four six-car train services to eight-car trains to provide additional peak seating capacity between Campbelltown, Liverpool, Granville and the City.
- Build up four existing six-car train services to eight-car train services to provide extra seats between Chatswood, North Sydney, the City, Parramatta, Blacktown, Penrith and Richmond during the morning and afternoon peaks.
- Provide additional services on the Cumberland Line between Campbelltown and Blacktown.
- Introduce a new South Coast service between Kiama, Dapto, Wollongong and the City in the late morning, and provide 430 extra seats on an existing four-car evening peak service between the City, Wollongong and Port Kembla.

2.3.6 Station upgrades and accessibility

Station upgrades make the rail system accessible for people with disabilities, the elderly and parents with prams and provide a range of benefits for all passengers. Improvements may include lifts, ramps, overhead foot bridges, wider stairs, street level concourses, shelters and canopies, family accessible toilets, tactile tiles, hearing loops, improved lighting and closed circuit television (CCTV). Approximately $70 million will be spent in 2006/07 on easy access and station upgrades.

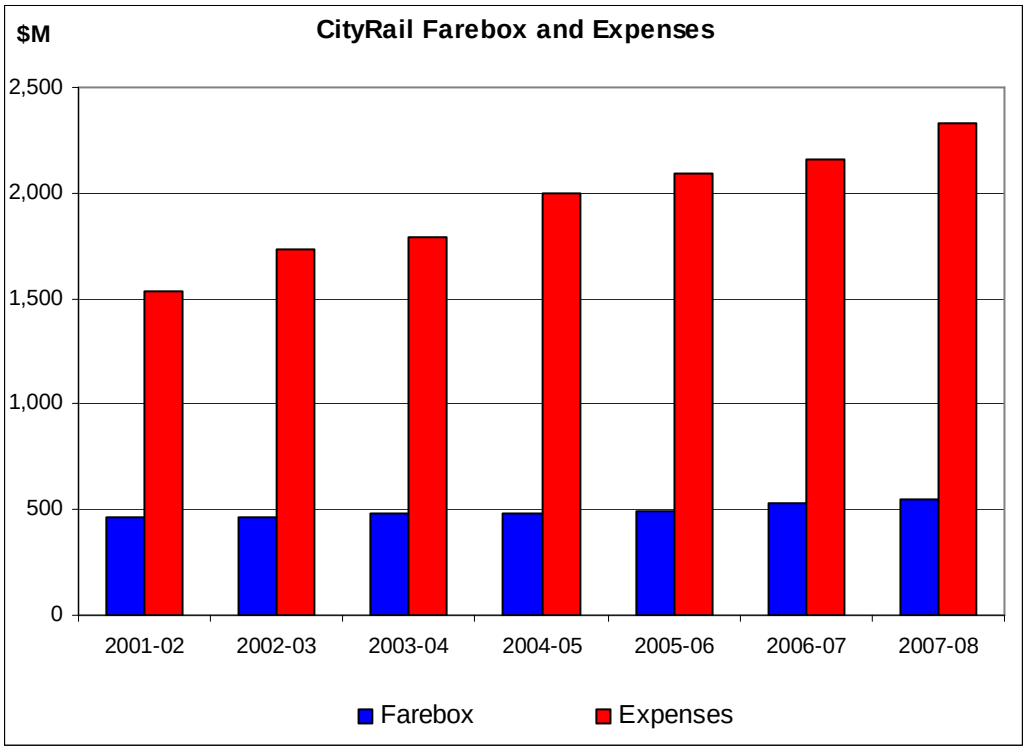
In 2006, the transport interchange at Parramatta was completed, as was the Town Hall concourse upgrade – which doubled the number of ticket gates at Town Hall from eight to sixteen. Easy access facilities were also provided at Granville, Gordon, Kingsgrove, Thirroul and Bulli stations. Eighty three stations have been upgraded to date and, by June 2007, it is estimated that 73% of CityRail customers will be using an upgraded station.

Currently, 99% of operational CityRail platforms have a portable boarding ramp available on request to help passengers with disabilities get on and off trains safely.

In addition to station upgrades, securing our rail corridor against trespass and vandalism is a continual challenge. In 2005/06 we spent approximately $2.5 million on fencing the rail corridor and $1.5 million on installing anti-throw screens at high risk locations.

2.4 Cost recovery

In 2001/02 CityRail's farebox revenue recovered 30.3% of CityRail's operating expenses. In 2006/07, farebox revenue is forecast to recover 24.5% of costs. The rail user contribution has declined as fare increases have not kept pace with the expansion in operating expenditure.



Most public transport systems across the world require government subsidies. However the NSW taxpayer is paying an ever greater proportion of CityRail costs – about $700 per household [15] – while the rail user contribution is declining. This has occurred at the same time as average wages have increased by over 30%.

This 'balance' between user and taxpayer funding of rail services is not sustainable and could threaten CityRail's long term financial viability and ability to deliver the quality services demanded by users.

In their 2006 determination, IPART recognised that a significant portion of CityRail's costs are due to initiatives to improve our performance which have resulted in increases in service quality, reliability and safety.

However the 'need' for increased government funding has to be contained and a greater proportion of the additional costs of these service improvements – based on what our customers tell us they want – should be funded by the users of CityRail services.

[15] IPART 2006 Determination, page 13.

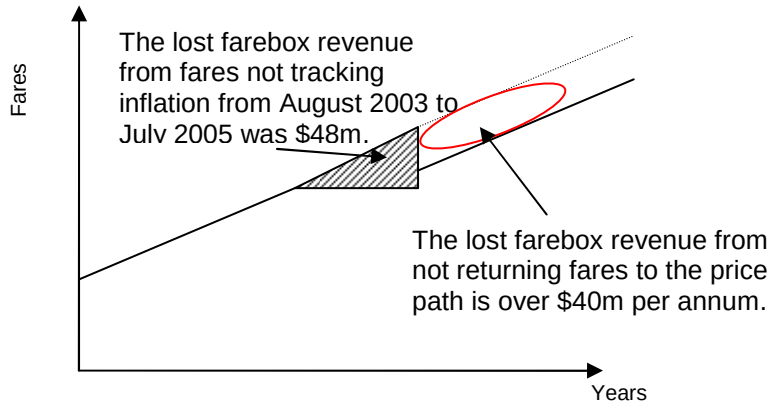
2.5 Inflation

The consumer price index (CPI) is designed as a general measure of price inflation for the private household. However the composition of private household expenditure is vastly different to CityRail's expenditure. CityRail's major expenditure items include labour, asset depreciation and maintenance costs while the major drivers of CPI are housing, food, transportation and recreation. Since 2003, our costs have been increasing at an average of 1% more than the equivalent increase in the CPI.

The greater inflationary effect on CityRail compared to CPI has been caused by wage growth which is generally in excess of CPI, maintenance costs, and recent significant increases in the prices of commodities such as steel.

There were no fare increases between August 2003 and June 2006 and this has led to a real decline in the contribution of CityRail fares to overall costs since 2003/04.

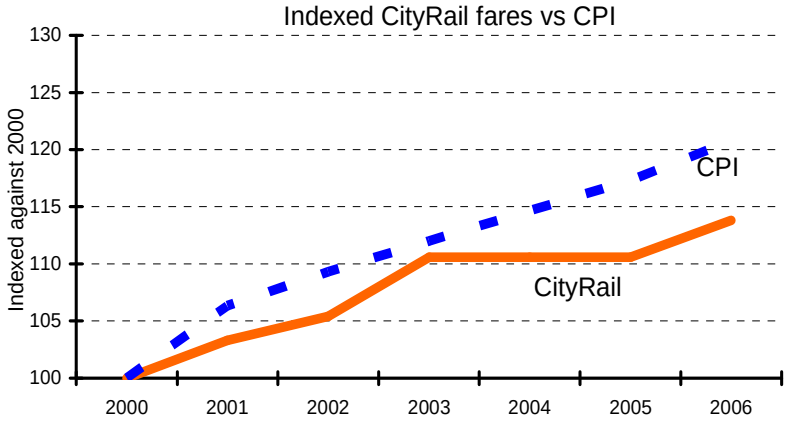
The cost of the dislocation of fares with the pre 2003 price path (excluding the capex cost)



Indicative

CityRail's fares for the period 2003/04 to 2006/07 only increased by the 2.9% granted by IPART in July 2006, but the inflation costs for CityRail over that time were 15.6%. This has left current fares 12.4% behind the contribution of farebox to cost recovery in 2003. As a result, the NSW taxpayer is currently subsidising commuters by over $65M per year more than in 2003.

The following graph shows how CityRail fares have lagged behind CPI since 2000.

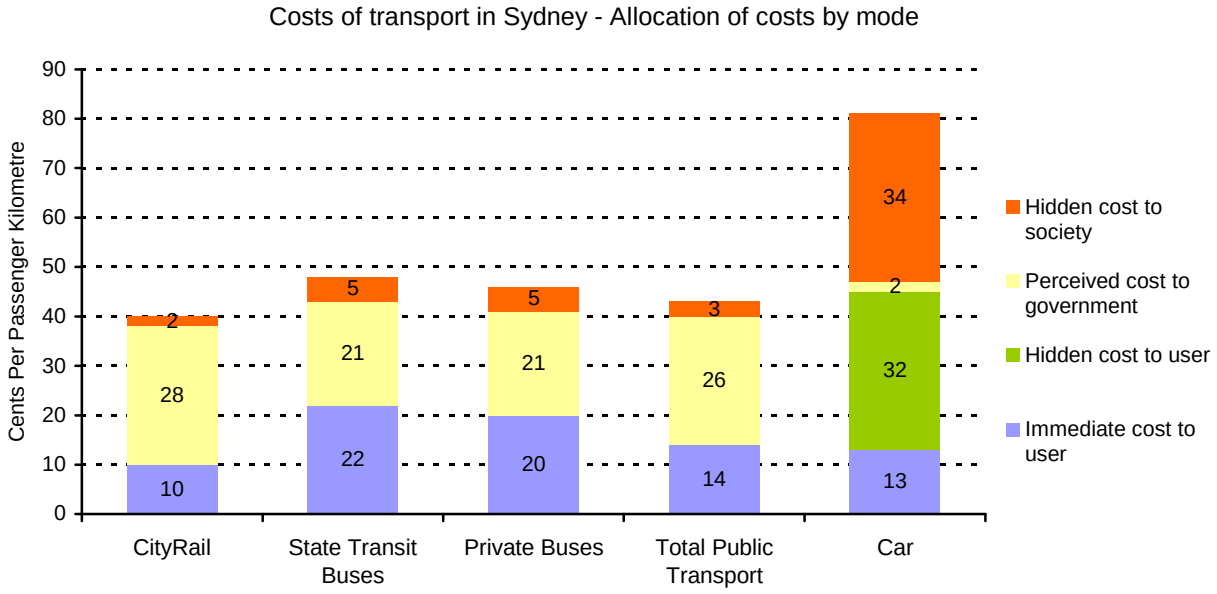


2.6 'Hidden' costs to society

Rail transport has a range of environmental benefits because of the lower level of external costs associated with rail use. These costs include reduced greenhouse gas emissions (with flow on benefits for climate change), noise and air pollution, road damage, accidents and congestion.

For example**,** every 8-car train helps to keep up to 2,000 cars off the road.

The following graph shows the 'hidden costs' to society of different transport modes and highlights that CityRail has the lowest immediate cost to the user. [16]



Note: Immediate cost to user includes petrol, paid parking and tolls (for cars) and fares (for public transport). Perceived cost to government includes direct subsidies. Other costs are 'hidden', including externalities such as noise pollution, air pollution and greenhouse gas emissions.

[16] National Passenger Transport Agenda, Australasian Railway Association Inc, 2006 – page 55.

3. CityRail's current performance

3.1 Key performance indicators (KPIs)

We have refined our KPI measurement process to focus on efficiency improvements. These KPIs were developed by IPART, in consultation with CityRail, and include measures to track performance in financial management, customer service, operations, asset condition, human resource management and service quality. They have been incorporated into our performance measurement framework and quarterly reports are generated on achievement against KPIs.

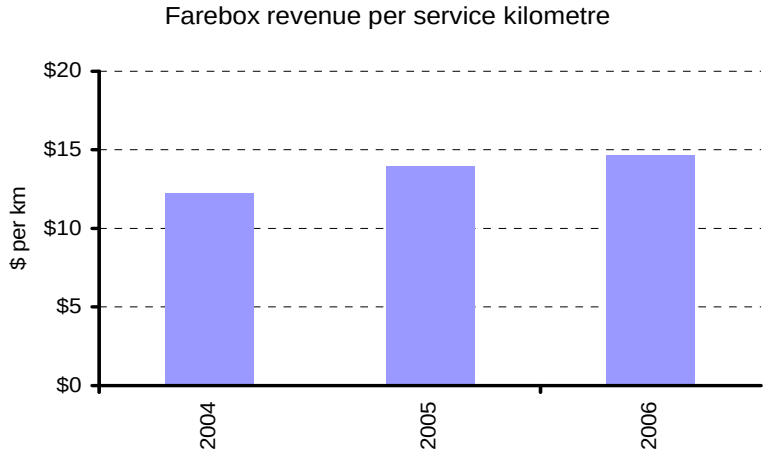
The KPIs are now being communicated through the intranet. This allows monitoring and review across the organisation. We have also put in place processes to ensure the data is continuously updated. The system automatically sends managers email updates on the KPIs they are accountable for and this is helping to promote ownership and drive future efficiency improvements.

We are also benchmarking our performance with other domestic and overseas organisations to help drive efficiency improvements.

3.1.1 Farebox revenue per service kilometre

This KPI is a measure of the farebox revenue CityRail receives compared to the level of service provided (service km). We are looking to increase the revenue per service km in the future by implementing strategies to increase patronage and designing future timetables that better match the supply of train services to patronage demand.

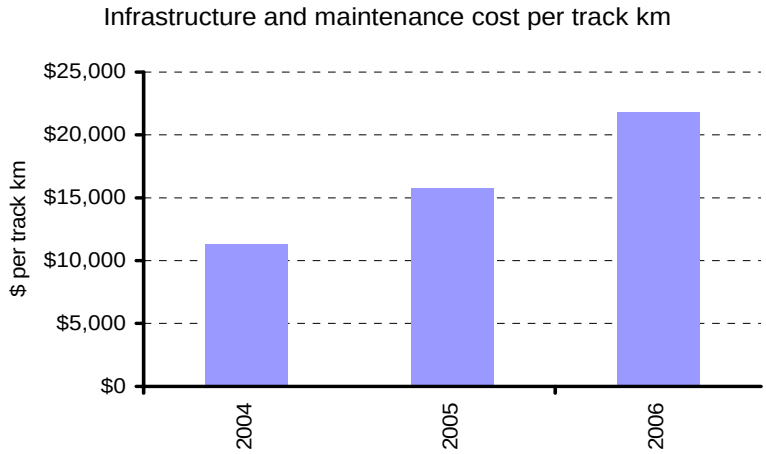
From 2004 to 2006 the revenue per service km increased slightly from $12.25 to $14.67. The graph below shows an upward trend in this KPI over time.



3.1.2 Infrastructure maintenance cost per track km

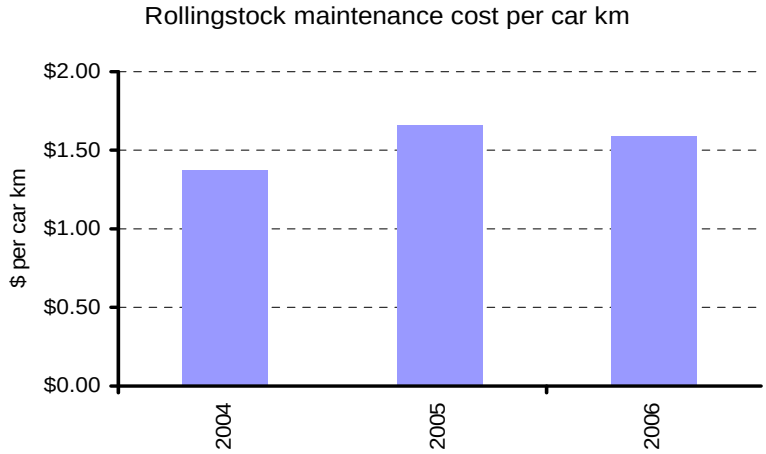
Good infrastructure asset condition leads to less infrastructure failures. This KPI measures the effectiveness of our infrastructure investment from both an input and output perspective.

The trend in this KPI is expected to flatten out as we progressively reduce the maintenance backlog and realise the benefits from productivity improvements such as new machinery, track control and concrete sleepering.



3.1.3 Rolling stock maintenance cost per car kilometre

The maintenance costs in this KPI include routine maintenance, major periodic maintenance and capital costs. The car kilometres are the cumulative number of kilometres travelled by all carriages on the CityRail network.

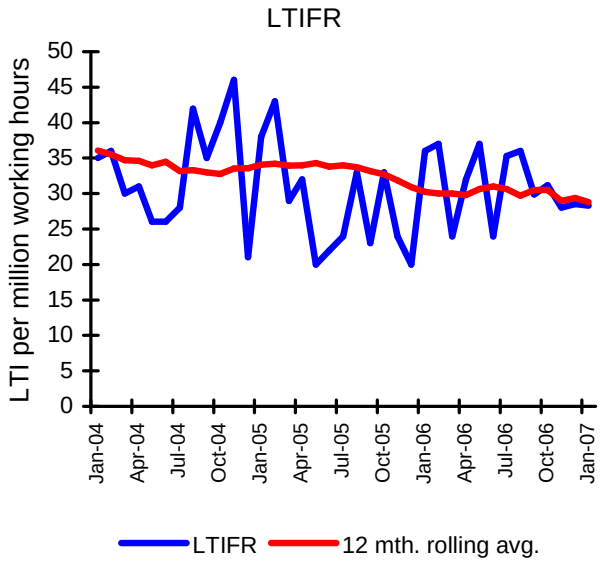


3.1.4 Lost time injury frequency rate

The lost time injury frequency rate (LTIFR) is a useful tool to measure the safety level of the work environment. It helps us to reduce injuries and create a safer workplace for our employees.

A lost time injury is defined as an employee injury that results in a fatality, permanent disability or time lost from work of one day/shift or more (Australian Standard AS 1885.1-1990). That standard also defines the frequency rate as 'the number of occurrences of injury…for each one million hours worked'. RailCorp's LTIFR (12 month rolling average) has fallen from 35 in January 2004 to 29 in January 2007 – a reduction of 17%.

This KPI is embedded in our business processes and accountabilities for all business groups. The whole of RailCorp target for 2006/07 is a 12 month rolling average figure of 27.0.



3.1.5 Improving corporate efficiency

CityRail has instituted a number of reforms to ensure that its resources are utilised efficiently. These include the following.

- A bulk electricity contract with Energy Australia - to provide four years of stable electricity pricing in the face of rapidly rising world energy costs.
- The metropolitan corridor cleanup project – by February 2006, over 1000 tonnes of scrap steel and 1220 used timber sleepers had been recovered and sold. In addition, $2.9 million of track products were returned to inventory for use on new projects or as spares.
- Water savings action plan – CityRail is working to reduce water usage at Central Station by harvesting rainwater, detecting leaks and retrofitting water efficiency devices. This has resulted in a 35% reduction in water use in the last twelve months.
- Strategic sourcing program – this program aims to achieve savings through improved demand management, strategic procurement and supplier management.

3.2 Safety

We have successfully finalised 81 of the 88 Waterfall Inquiry recommendations that required action by RailCorp. The remaining seven have been completed, but are awaiting formal verification by the Independent Transport Safety and Reliability Regulator (ITSRR).

Some of the significant safety measures taken include health assessments for drivers and other safety-critical staff, enhanced emergency response training for train crew, and continued random drug and alcohol testing. More than $30 million has been spent on installing vigilance safety systems on our trains, and a traction interlocking system – installed on 500 train carriages – has increased customer safety by disengaging train power when the doors are not fully closed.

Contracts have been awarded for a trial of Automatic Train Protection (ATP) systems to improve safety on the rail network. ATP systems apply a train's brakes if a driver does not slow down sufficiently when approaching a red signal or lower speed limit area. The development and pilot testing of this ATP system is underway and, if adopted, it will add an additional layer of protection to current safety mechanisms such as vigilance control, 'deadman's brakes', speed boards and black box data recorders.

Some key initiatives contributing to improved safety for CityRail passengers and staff include:

- Finalisation of a comprehensive organisational safety risk register and specific workplace risk registers that are used proactively in operational and capital project decision making.

- The development and ongoing implementation of a revised and simplified Safety Management System (SMS) which, in combination with risk management practice, has enabled improved safety practices and processes across the organisation.

- Ongoing cultural change, incorporating the introduction of a 'just culture' that reduces the impact of culturally-driven under reporting and provides us with a better understanding of events and near misses – and therefore improves the accuracy of our risk assessments.

- The pram safety campaign, which succeeded in changing the national standard on pram design and included an extensive information and awareness program. This campaign won the 2006 National Safety Council of Australia Award for Excellence in Occupational Health and Safety.

- The development of a Safety Knowledge Management System, which forms the basis for continuous improvement in the capture, analysis and reporting of safety related information.

- Safety promotion and communications programs, such as the Annual Safety Convention which won the National Safety Council of Australia Award for Best Communication of a Safety Message to Employees in 2006. About 1,500 staff are scheduled to attend the 2007 convention.

- Finalisation of a new policy on passenger self-initiated emergency egress. This requires the modification of existing rollingstock which is now underway.

CityRail publicly reports a range of safety performance statistics which, since January 2006, have been aligned with the Occurrence Notification – Standard 1 (ON-S1). This was developed by the National Rail Regulators' Panel as the standard for reporting rail safety incidents. This makes our data comparable to the safety statistics published by other rail operators, the NSW Regulator ITSRR and the Australian Transport Safety Bureau.

3.3 Reliability

3.3.1 On-time running

Measuring on-time running (OTR) helps us to make sure that we provide our customers with a reliable service and trains arrive at stations within a small deviation from the timetabled arrival time. Our current performance targets are to operate 99% of peak timetabled services – and to have at least 92% of those peak services arrive within the current on-time running benchmark.

Reliability of CityRail services has improved following a major overhaul of the timetable in September 2005 and again in May 2006. On time running is currently averaging 92.9% (July 2006 to March 2007). This compares favourably with the 62.7% that was achieved in 2004/05 – the year before the timetable change. The 62.7% figure translates to 67.4% for the 5 minute measure.

From 1 July 2005 onwards, OTR for suburban services was defined as trains arriving at their destination within 5 minutes of schedule and within 6 minutes for intercity services.

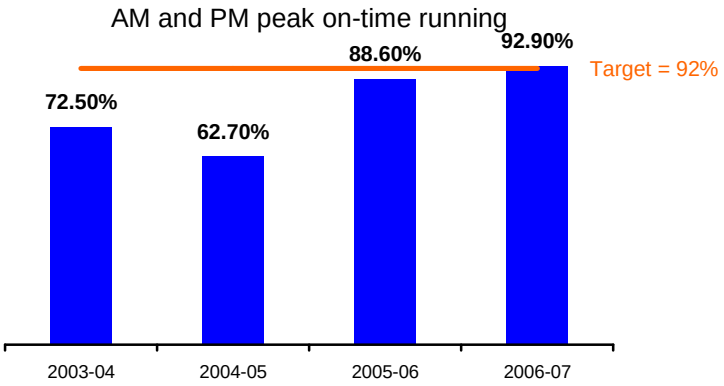
Before July 2005, OTR for suburban services was defined as being within 3:59 minutes of schedule and within 5:59 minutes of schedule for intercity services.

CityRail OTR (%)	**2003/04 (average)**	**2004/05 (average)**	**2005/06 (average)**	**2006/07 (YTD to 31 March)**	**Target**
Suburban	71.6%	61.1%	88.5%	93.1%	92%
Intercity	77.6%	72.2%	89.4%	92.0%	92%
Total	**72.5%**	**62.7%**	**88.6%**	**92.9%**	**92%**

CityRail provides up-to-date on-time running and other reliability statistics in the ‘our performance’ section on the CityRail website – www.cityrail.info. Some of the specific on-time running results for 2006/07 (YTD to 31 March) include:

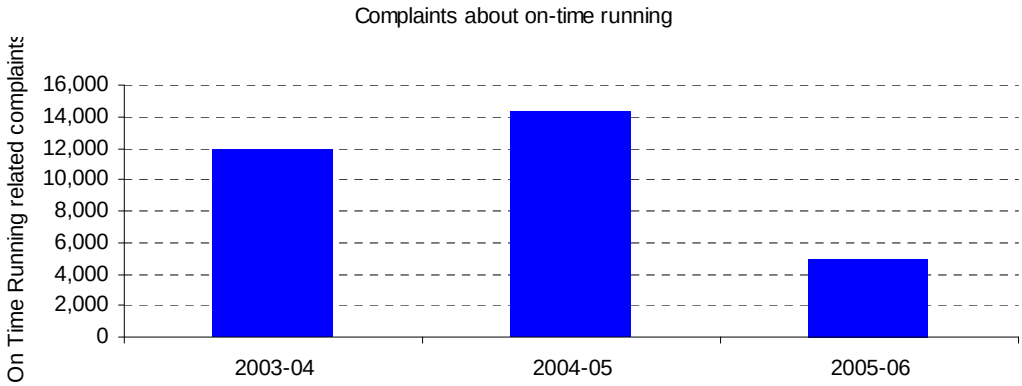
- Eastern Suburbs Line – 96.4%
- Illawarra Line – 96.4%
- Bankstown Line – 95.3%
- Inner West Line – 93.1%
- East Hills Line – 92.8%
- Western Line – 87.8%
- Northern Line – 87.0%

A key focus for 2007 is to improve the on-time running performance on the Western and Northern Lines.



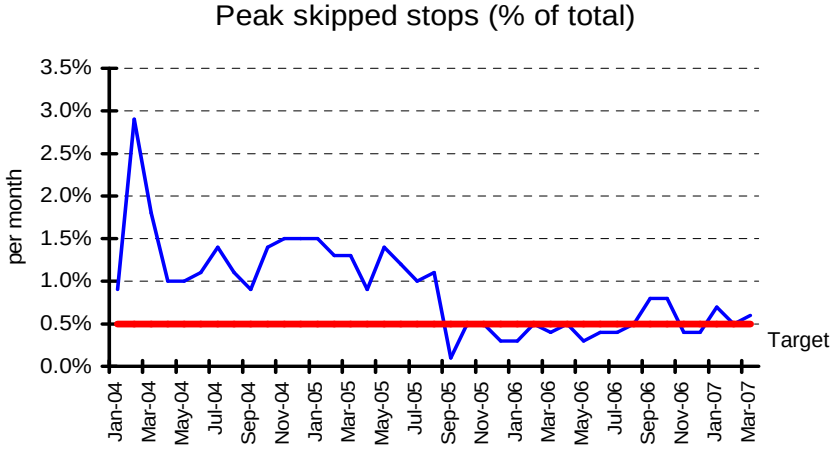
We are currently working towards recording and reporting on our on-time running performance over a 24 hour period. Information is being collected, monitored and validated.

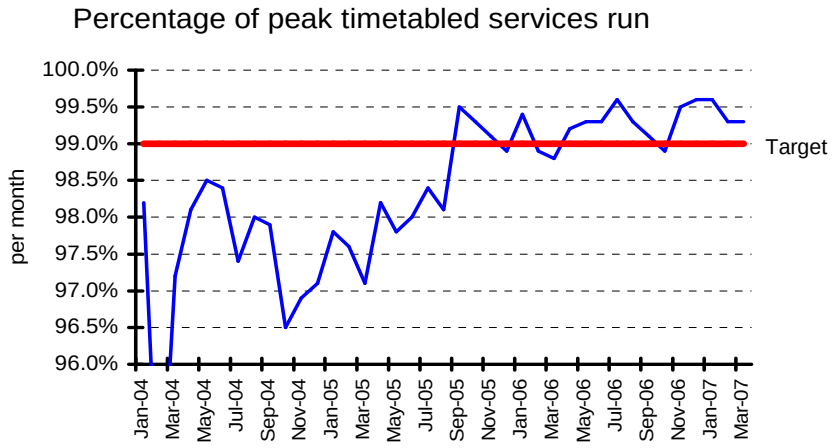
Complaints about on-time running have also fallen since the introduction of the new timetable. From 2004/05 to 2005/06 OTR complaints reduced by 65%.



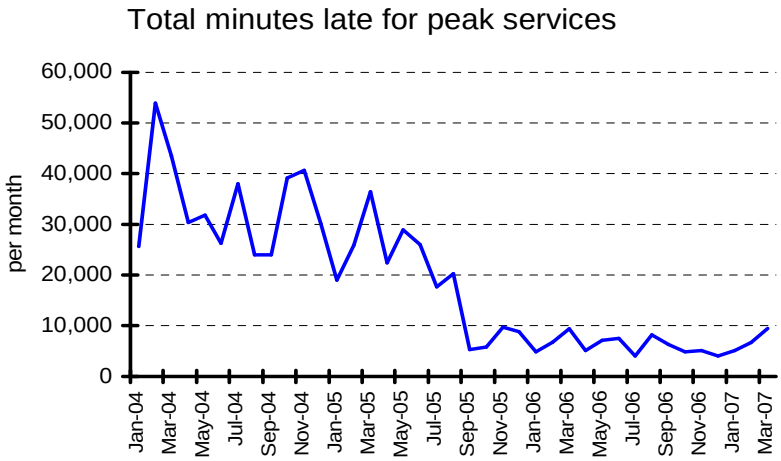
3.3.2 Disrupted services – skipped stops and cancelled services

Since the implementation of the new timetable in September 2005, we have regularly met our targets of 99% of peak services running and 0.5% skipped stops.





The measure of total minutes late for peak services below demonstrates we are providing a more reliable service for our customers.



3.3.3 Delays from infrastructure incidents

Reducing infrastructure failures – civil, electrical and signal failures – helps to reduce delays to passenger services and provide a more reliable service for our customers. Between 2004 and 2006, there has been a significant decline in delays caused by infrastructure incidents.

	2004 delays	2006 delays	Percentage change
Civil	222	54	76%
Signalling	346	188	46%
Electrical	24	20	17%

3.3.4 Delays from door motors

Train doors open and close around 600,000 times each day on the CityRail network and faults with doors can affect our service reliability. In 2006 we started a $13 million door motor replacement program that has had a significant impact on our on-time running performance.

In the four months to 31 July 2006, 80 Illawarra-South Coast cars were fitted with a new type of door motor. After an 8-week trial, there was a marked reduction in the number of incidents of forced maintenance on the new motors. Trials were then expanded to all North-West double deck suburban cars (DDSC), bringing the total value of the works to $6.1 million.

As at the end of April 2007, new door motors have been installed on 75% of our suburban fleet that predates the Tangara cars. In addition, approximately a fifth of our Intercity cars have been fitted with the new door motors. The rollout of this program is forecast for completion in late 2007.

3.3.5 Rollingstock failures

Rollingstock condition is critical if we want to provide a reliable service for our customers. From 2004/05 to 2005/06 the total number of fleet failures decreased by 7%.

Mechanical failures lead to incidents that cause delays for customers. The number of fleet incidents in the peak period has decreased by 23% this financial year to date (to 31 March 2007) when compared with the same period in 2005/06.

3.3.6 Equipment failures

We aim to fix all equipment failures promptly and, if lifts or escalators are expected to be out of service for a considerable time, provide advice on expected restoration time and alternative arrangements.

Our target is to have 98% of lifts and escalators in working order when train services are operating, and at least 98.5% of ticketing systems in operating order at all times. We exceeded our targets between July and December 2006, with systems availability figures of 99.6% for ticketing systems and 98.5% for lifts and escalators.

3.4 Passenger security

In 2005/06, security cost CityRail 34 cents per passenger journey. This figure covers the total payroll costs for our security division and includes help point and CCTV assets, CCTV operations and operator costs.

All new trains have CCTV cameras and accessible emergency help points. Closed circuit television cameras monitor every station, and staff in control rooms monitoring these cameras have direct contact with the police. There are now:

- more than 6500 security cameras on 300 stations
- more than 700 help points on stations
- more than 7000 high intensity lights to eliminate dark spots on stations.

Our target is to have 99% of help points and 96.4% of CCTV cameras in working order at all times. We met or exceeded these targets for July – December 2006, with 99.0% of CCTV cameras and 99.4% of help points operating at all times.

More than 280 new high-resolution cameras have been installed at our busiest stations to improve security and boost protection against terrorism. The new cameras produce clearer close-up images and are placed at key locations such as station entries, exits and barrier gates. This new technology, installed at 12 stations, will also increase our ability to respond to crimes on the

network. We have over 600 transit officers providing a regular presence on the network and protecting the safety and security of passengers and staff.

Statistics from the Bureau of Crime Statistics and Research (BOCSAR) show that there was a 31% reduction in total offences against people on the rail network between 2002/03 and 2005/06, and a 7.5% reduction in assaults. This marked decline in crime on the rail network is in the context of generally stable rates in NSW as a whole, and reflects our strategic investment in security.

Our emergency preparedness program covers a range of potential events within the rail system. It includes a rail transport response plan for how train services would be operated if we had to evacuate the Sydney CBD. In 2005/06 we held 39 station staff emergency response exercises, plus 12 joint exercises with NSW Police, Ambulance and Fire Brigade. These exercises simulated a range of rail incidents such as derailments, train collisions, explosions and exposure to chemical or biological threats or attacks.

To support our emergency response to train incidents in tunnels, we are fitting new train-to-track stairs at a cost of over $1 million. These stairs allow for the detrainment of passengers in rail tunnels at a rate of approximately 40 people per minute.

3.4.1 Vandalism and graffiti

Vandalism on the CityRail network costs around $15 million per year to repair and clean up. It also affects our reliability and the safety and comfort of our passengers. Staff at our passenger fleet maintenance centres cleaned 420,000 graffiti hits from trains in 2005/06 and our infrastructure staff removed over half a million square metres of trackside graffiti. Mural painting at graffiti hot spots is helping to reduce graffiti along the rail corridor.

Vandalism	**July – December 2006**
Seats repaired	4685
Windows replaced/repaired	1168
Graffiti hits removed from trains	244 229
Trackside graffiti removed (m^2)	230 900

3.5 Customer service

3.5.1 How do we know what aspects of service quality to focus on?

At CityRail, we are committed to continually improving customer service and focusing on those aspects of service that are of concern to our customers. We are currently undertaking network wide quarterly customer satisfaction surveys that cover key service aspects – such as service reliability and frequency, cleanliness, customer service, security and safety, ticketing and passenger information. The results of these surveys are analysed by geographic area and we use this information to drive our improvement strategies.

3.5.2 ITSSR annual customer survey

In September 2006, the Independent Transport Safety and Reliability Regulator (ITSRR) released findings from its third annual customer survey.[17] The survey is the full first monitor since the introduction of the September 2005 and May 2006 timetables and measured the experience of

[17] Survey of CityRail customers, ITSRR, September 2006.

customers for the first half of 2006. The survey was conducted via telephone to 2760 train users from Sydney suburban and regional areas serviced by CityRail.

3.5.3 Customer expectations met

The 2006 survey identified that the following five aspects of service had the highest percentages of customers with expectations being met:

- CityRail website information service (90%)
- Signs to help find your way around the train network (87%)
- Politeness and friendliness of station staff (84%)
- Knowledge and helpfulness of staff (84%)
- 131500 Transport Information Telephone Service (83%)

The following table shows the service aspects with significant positive changes in expectations met.

Service aspect	2005 survey	2006 survey	Increase in expectations met
Punctuality	38%	64%	+26%
Delays and cancellations	38%	59%	+21%
Information provided at stations about arrival and departure times	66%	78%	+12%
Quality of information provided about train delays and cancellations	57%	69%	+12%
Frequency of trains	52%	63%	+11%
Timeliness of announcements about delays and cancellations	58%	67%	+9%
Knowledge and helpfulness of CityRail staff	78%	84%	+6%
Journey time	69%	74%	+5%
Politeness and friendliness of station staff	80%	84%	+4%

3.5.4 Customer expectations not met

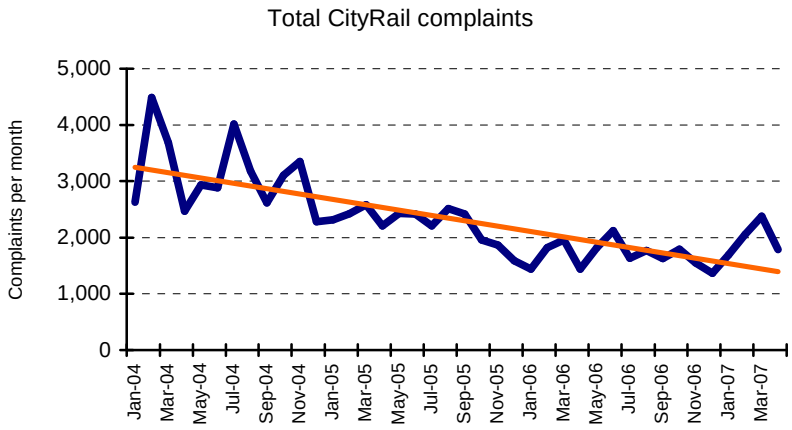
The 2006 survey identified that the following four aspects of service had the highest percentages of customers with expectations not being met.

- Crowding in trains at peak commuter times (50%) – resulting from increased demand
- Clarity of announcements on the train (44%)
- Staff visibility on platforms in the evenings (44%)
- Availability of secure parking (42%)

3.5.5 Customer complaints data

CityRail customer complaints are another source of feedback we use to monitor and improve our performance.

The number of complaints has been trending down steadily since 2004.



Note: The spike in complaints for March relates to the 188 complaints concerning the 14 March 2007 Harbour Bridge incident.

Each customer complaint we receive is categorised for broad strategic reporting. The complaint areas that have reduced from 2005 to 2006 include:

- our timetables – customer suggestions for changes to services on their line (down 50%)
- on-time running – feedback about the timeliness of our services, cancellations or skipped stops (down 57%)
- our staff – their attitudes and behaviour when dealing with the public (down 19%)
- ticketing – feedback on our ticketing policies, ticket vending machines, availability of special fares and queues at ticket offices (down 20%)
- information – signs, indicators and public address announcements (down 18%).

3.5.6 Providing customer feedback

As part of our customer service commitment, we aim to respond to telephone complaints and web based correspondence within 5 working days and written correspondence within 15 working days. The term 'close case with customer' means the time taken to contact a customer who has made a complaint and provide an explanation or apology.

Customer feedback	**July – December 2006**
Close case with customer (average no. days)	
- Phone 131500	1.0
- Letter	9.0
- Web lodgement	3.8

3.6 The future

Our 'future' strategies are based on customer feedback from surveys, complaints and compliments and issues identified in the NSW State Plan. We will be maintaining our focus on safety and reliability, and improving customer service in areas that our customers have identified as 'of concern' to them.

We are also developing a commuter charter with the Premier's Department to strengthen our commitment to our customers. The charter is part of the State Plan goal to improve customer satisfaction with government services and will, for example, include work on our communications with customers on trains and stations. The charter will link CityRail Board and senior management remuneration to on-time running and an independent measure of customer satisfaction. A Commuter Ombudsman will also be appointed to receive complaints and work within CityRail on improvements to customer service.

Another key initiative is the employment of four new senior customer service specialists. These new general managers will be responsible for all customer service issues in their segment of the CityRail network. A key focus of their roles will be to provide customers with a seamless service by integrating train crewing and station operations into a more decentralised sector structure, and promoting efficient and effective workforce and asset utilisation. These managers will 'champion' the needs of customers and will be responsible for ensuring customer focused behaviour and teamwork among all their staff.

Research shows that a major cause of customer complaints is lack of information when there is a disruption to normal services. Projects to improve 'real time' information on platforms – such as the installation of new indicator boards and the new remote passenger information control room – and the roll-out of new trains with audio/visual information systems on board will help us to provide customers with the right information at the right time. Our frontline staff are also working to create a strong, visible and helpful presence at stations and on trains. Our goal is to reduce customer complaints by 20% by the end of 2007.

We will also be:

- Separating or 'untangling' the network – to enable us to provide customers with more frequent and reliable services.
- Extending and maintaining the network – to deliver services to new areas of Sydney and reduce delays for customers from infrastructure and rollingstock failures.
- Increasing capacity – to provide extra carriages for customers on busy peak services and cater for a predicted growth in patronage.
- Improving passenger facilities on trains and stations – to provide customers with cleaner airconditioned trains, more accessible stations, and improved interchanges with other forms of transport.
- Providing commuter parking – to expand and improve parking for our customers at railway stations.

Learning from our 'mistakes' – to make sure we reduce the number of major incidents on the network and ensure we provide optimal information and help to customers if such incidents occur.

4. Proposed fare changes

In this submission, CityRail is asking the Independent Pricing and Regulatory Tribunal of NSW (IPART) to grant:

- A single base fare increase of 20 cents for journeys up to 35km – then by 40 cents up to 75km, 60 cents up to 175km and by $1.00 after that.
- An increase of $2.00 or $3.00 for Adult 7 Day Rail Pass tickets.
- An increase of $2.00 in all combined rail, bus and ferry TravelPass weekly fares.
- An increase of up to 4% in child off-peak and DayTripper fares.

Some examples of proposed fare changes for Adult Singles and 7 Day Rail Pass tickets are:

Journey from Central to:	Distance (km)	Current adult single	Proposed adult single	Difference	Current adult weekly	Proposed adult weekly	Difference
Stanmore	5km	$2.40	$2.60	$0.20	$19.00	$21.00	$2.00
Hurstville	15km	$3.20	$3.40	$0.20	$26.00	$28.00	$2.00
Parramatta	25km	$4.00	$4.20	$0.20	$32.00	$34.00	$2.00
Miranda	30km	$4.40	$4.60	$0.20	$34.00	$36.00	$2.00
Campbelltown	45km	$6.20	$6.60	$0.40	$41.00	$44.00	$3.00
Penrith	55km	$6.80	$7.20	$0.40	$45.00	$48.00	$3.00
Richmond	60km	$6.80	$7.20	$0.40	$45.00	$48.00	$3.00
Gosford	75km	$8.20	$8.60	$0.40	$48.00	$51.00	$3.00
Newcastle	160km	$17.40	$18.00	$0.60	$76.00	$79.00	$3.00

Examples of increases in other products include:

TravelPass weekly fares

Red TravelPass weekly – from $33.00 to $35.00 ($2.00)
Pink TravelPass weekly – from $48.00 to $50.00 ($2.00)

Child off-peak

Penrith to City return – from $2.50 to $2.60 (10 cents)

Adult DayTripper – from $15.40 to $16.00 (60 cents).