

**CITYRAIL AND STA BUSES AND FERRIES**

**PUBLIC TRANSPORT FARES**

**from 1 July 2000**

**INDEPENDENT PRICING AND REGULATORY TRIBUNAL**  
OF NEW SOUTH WALES

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## EXECUTIVE SUMMARY

The Tribunal has determined that passenger fares for CityRail, Sydney Buses, Sydney Ferries and Newcastle Services will increase by between 8—8.6 per cent in 2000/01. This increase includes the 10 per cent GST, minus the net savings in operating costs that will result from the introduction of the new tax system. This is in line with Federal and NSW Government policy that public transport be subject to the GST, and is consistent with the way the Tribunal intends to treat other regulated utilities.

For Sydney Buses, Sydney Ferries and Newcastle services, the increase also includes 1.9 per cent adjustment for inflation. In addition, the Sydney Ferries increase includes a further 5.2 per cent adjustment to improve its level of cost recovery. For CityRail, the Tribunal decided that no increase on top of the GST was justified, because service standards have declined and the State Rail Authority (SRA) has not introduced a Passenger Charter for its CityRail services, as agreed at the last determination. This decision is in line with the revised fare proposal the SRA submitted to the Tribunal.

The table below provides an overview of the components of the average fare increases for each transport operator. In line with the ACCC's GST pricing guidelines, the increase for any individual fare is capped at 10 per cent, causing many fares to be rounded down. This results in average fare increases that are lower than the sum of their components.

**Components of average fare increases granted in 2000/01**

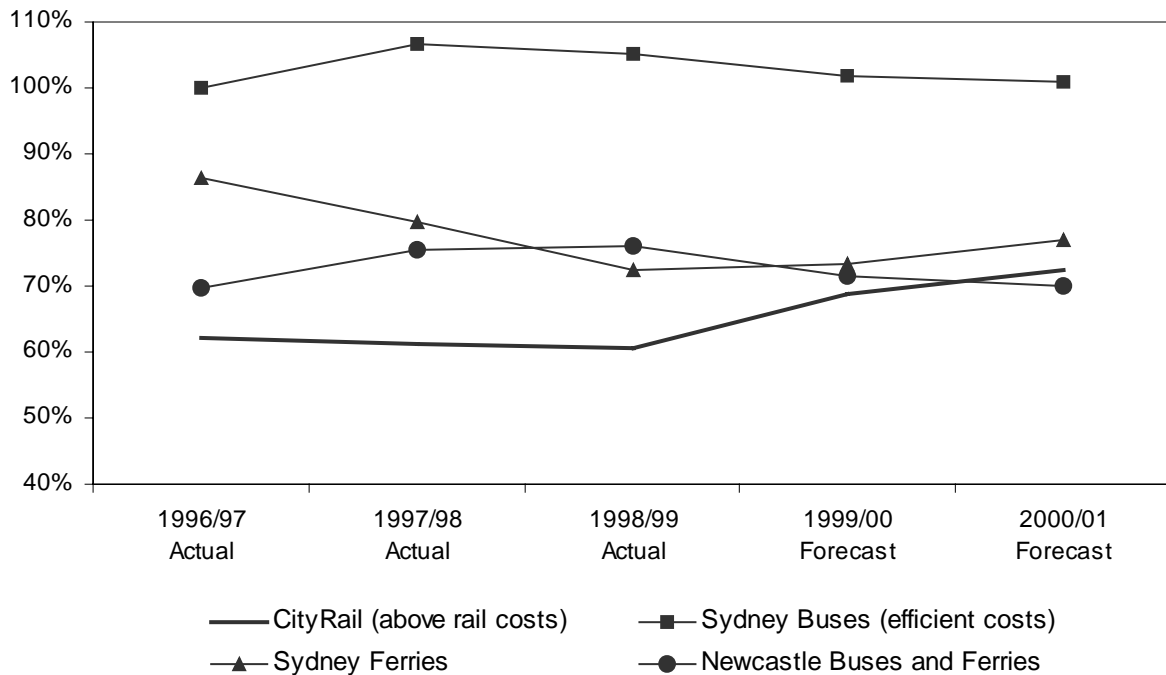
| <b>Operator</b> | <b>Net GST impact</b> | <b>CPI granted</b> | <b>Enhanced cost recovery</b> | <b>Average fare increase</b> |
|-----------------|-----------------------|--------------------|-------------------------------|------------------------------|
| CityRail        | 9.2%                  | Nil                | Nil                           | <b>8.0%</b>                  |
| Sydney Buses    | 7.8%                  | 1.9%               | Nil                           | <b>8.6%</b>                  |
| Sydney Ferries  | 1.5%                  | 1.9%               | 5.2%                          | <b>8.6%</b>                  |
| Newcastle       | 7.6%                  | 1.9%               | Nil                           | <b>8.4%</b>                  |

The graph below shows that of the four transport operators, only Sydney Buses recovers its efficient operating costs in fares.

Although CityRail's cost recovery level has improved over the last year, it is still only expected to recover around 70 per cent of its above rail costs by the end of June 2001. In response to requests from several stakeholders, the Tribunal will commission studies during 2000/01 to review the appropriate cost recovery target for CityRail services.

The new CityRail fares will increase the SRA's farebox revenue by 8.0 per cent or \$34 million in 2000/01. The new fares for Sydney Buses, Sydney Ferries and Newcastle Services will increase the State Transit Authority's (STA's) farebox revenue by \$19.4 million.

### Operating cost recovery, 1996/97 – 2000/01



Increases to main fare categories for each transport operator resulting from this determination are shown below.

#### *For CityRail*

##### *Cash fares*

- *adult single* fares will increase by between 5.3 and 10 per cent (20 cents to \$2)
- *return* fares will be set at twice the corresponding single fare
- *half* fares will be set at half the corresponding adult fare
- *adult off-peak (return)* fares will be set at 1.17 times the equivalent adult single fare
- *child off-peak* fares will increase by 10 per cent.

##### *Periodical fares*

- *rail weekly* fares will increase by between 6.9 and 10 per cent (\$1.40 to \$7)
- *weekly TravelPass* fares will increase by between \$2 and \$5, the equivalent of between 20 and 50 cents per trip for a ticket used 10 times
- the price of the *28-day and upwards periodical rail* fares (“Flexipasses”) will increase by an amount corresponding to the increase in weekly tickets for that distance band.

*For Sydney Buses*

- *single journey bus* fares will increase by between 10 and 40 cents per journey
- *Bus TravelTen* fares will increase by between 90 cents and \$3, equivalent to between 9 and 30 cents per journey
- *weekly TravelPasses* will increase by between \$2 and \$5, equivalent to between 20 and 50 cents per journey for a ticket used 10 times.

*For Sydney Ferries*

- *Inner zone single ferry* fares will increase by 30 cents per journey
- *Rydalmere and Manly ferry* fares will increase by 40 cents per journey
- *Parramatta single ferry and the Manly JetCat* fares will increase by 50 cents per journey
- *FerryTen* tickets will increase by between \$2.30 and \$4, an average of 23 to 40 cents per journey.

*For Newcastle buses and ferries*

- *one-hour single* time-based fares will increase by 20 cents
- *four-hour and daily single* fares will increase by 40 cents and 60 cents respectively
- *TimeTen* fares will rise by \$1.00
- *Orange Newcastle TravelPasses* will rise by \$2 and the *Yellow* and *Pink Traveypasses* will rise by \$3
- *single Stockton ferry* fares will increase by 10 cents.

## 1 INTRODUCTION

The Independent Pricing and Regulatory Tribunal of New South Wales (the Tribunal) regulates the prices that the State Rail Authority can charge for its CityRail train services, and the State Transit Authority can charge for many of its Sydney Buses, Sydney Ferries and Newcastle bus and ferry services. Since its 1999 determination will expire on 30 June 2000, the Tribunal has undertaken an investigation and review, and has made a determination for next 12-month period, from 1 July 2000 to 30 June 2001.

As part of the review process, the Tribunal received separate submissions from the SRA and the STA. In its submission, the SRA sought fare increases of 12.2 per cent in 2000/01, which it argued was the minimum adjustment required to keep pace with inflation and allow it to meet its obligations under the new tax system. It later revised its proposed increase to 9.3 per cent, to cover the costs associated with the new tax system only.

The STA sought fare increases of 12.6 per cent for Sydney Buses, 13.5 per cent for Sydney Ferries, and 12.9 per cent for Newcastle Services. It argued that these increases were the minimum required to compensate it for inflation and the introduction of the new tax system, and to enable Sydney Ferries to improve its level of cost recovery.

In addition, the Tribunal received submissions from other stakeholders, and heard presentations from stakeholders at its public hearing (see Appendix 1). It also conducted its own analysis in line with section 15 of the *Independent Pricing and Regulatory Tribunal Act, 1992*. It then made its determination, taking all the information and analysis into account.

Under this determination:

- **CityRail fares are to increase by an average of 8 per cent, inclusive of GST.** The Tribunal believes that the net impact of the new tax system on CityRail will be 9.2 per cent. However, because CityRail's ticket machines round individual fares to the nearest 20 cents and the Tribunal has limited the maximum increase on any individual fare to 10 per cent, the full impact of the new tax system will not be passed on to passengers.
- **Sydney Buses and Newcastle Services fares are to increase by 8.6 per cent and 8.4 per cent respectively, inclusive of GST.** This includes a 7.8 per cent and 7.6 per cent increase to cover the net increase in costs resulting from the new tax system, plus a 1.9 per cent CPI adjustment. Again, however, due to rounding and a maximum increase of 10 per cent on any individual fare, the full impact of the new tax system will not be passed on to passengers.
- **Sydney Ferries fares are to increase by 8.6 per cent, inclusive of GST.** This includes a 1.5 per cent increase to cover the net increase in costs resulting from the new tax system, a 1.9 per cent CPI adjustment and 5.2 per cent increase to improve its cost recovery level.

The full determinations for the SRA and STA, which list maximum prices for every fare, are attached. The rest of this report discusses the main issues involved in this determination, including the new tax system, service standards, cost recovery and maximum prices.





## 2 THE NEW TAX SYSTEM

One of the major questions the Tribunal has considered in this determination was how much of the costs of the new tax system would be passed on to passengers. The Tribunal has decided that the SRA and STA fares it regulates will increase to include the 10 per cent GST, minus the net savings in operating costs that will result from the introduction of the new tax system. This decision is in line with Federal and State Government policy that public transport should be subject to the GST. It is also consistent with how the Tribunal and other State regulators intend to treat other regulated utilities.

The Tribunal has determined the level of increase for each operator by looking at the specific impact of the new tax system on each operator's costs. This is different to the Tribunal's normal practice, where a generalised increase in costs (for example a rise in fuel prices) would be passed through by increasing prices by the CPI. The Tribunal has chosen to make this exception because the new tax system will change each operator's costs in a significant and predictable way, which will be substantially different to the economy-wide impact of the GST.

### 2.1 Tax reforms and the GST

The new tax system is an economy-wide package of tax reforms. It introduces a broad-based Goods and Services Tax (GST) to replace a number of existing indirect taxes, including the Wholesale Sales Tax, and to offset reductions in other taxes such as diesel and petrol excise duties. The package will also reduce income tax rates, increase social security payments and remove a number of anomalies and complexities.<sup>1</sup>

Under the new tax system most goods and services will be taxable and subject to the GST (equivalent to one-eleventh of their selling price). Some goods and services will be 'GST-free' which means that the provider will not charge a GST on the goods sold, but will be entitled to claim input tax credits for GST paid on the goods and services purchased for use in the provider's business. A final category of goods and services will be 'input taxed', where the provider will not charge a GST for the goods and services sold, but is *not* entitled to claim input tax credits for GST paid on the things purchased for use in the business.

### 2.2 The GST and public transport

A number of stakeholders believe that public transport fares should be exempt from the GST or be taxed at a concessional rate. Western Sydney Regional Organisation of Councils (WSROC) argues that the fares should not be subject to GST as this will favour travel by private car over public transport.<sup>2</sup> Motor vehicle prices are forecast to drop and fuel prices are forecast to remain constant, while public transport fares will rise. It wants the NSW Government to absorb the GST liability for 2000/01 to give it time to lobby the Federal political parties to wholly or partly exempt public transport.<sup>3</sup>

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<sup>1</sup> Australian Consumer and Competition Commission, *Price Exploitation and the New Tax System*, March 2000, p 1.

<sup>2</sup> Western Sydney Regional Organisation of Councils Ltd, submission to IPART, April 2000, p 2.

<sup>3</sup> WSROC submission, op cit, p 1.

By contrast, the Public Transport Advisory Council (PTAC) accepts that as transport is subject to the GST, it is reasonable for fares to increase in line with the net impact of the new tax system.<sup>4</sup>

The SRA suggests that Government should examine further the policy implications of applying the GST to public transport. It cites the examples of France, where the transport GST is 5.5 per cent while the standard rate of GST is 20.6 per cent, and the UK where the standard rate is 17.5 per cent, but passenger transport is exempted.<sup>5</sup>

As the State Governments have already negotiated with the Federal Government and agreed that public transport will be subject to the 10 per cent GST, the Tribunal has decided to pass on these costs to passengers. In addition, if the net-GST effect were not fully passed through it would shift the burden of the GST payments to the general taxpayer, which could shift resources away from other community services.

### 2.3 Net increase in costs from the new tax system

The Tribunal has established procedures to ensure that the impact of the new tax system is correctly reflected in prices. This is separate to the ACCC's role of monitoring price exploitation during the introduction of the new tax system. The utilities regulated by the Tribunal must comply with the Tribunal's procedures in addition to the ACCC's GST price exploitation guidelines.<sup>6</sup>

To determine the cost savings resulting from the new tax system, the Tribunal has required all regulated utilities to use an economic model created by Econtech. This model examines all costs of the regulated utility and calculates the direct and indirect savings to be derived by that business. Direct savings arise where the business no longer has to pay certain taxes such as wholesale sales tax. Indirect tax savings arise from the business' supply chain as taxes previously embedded in inputs are removed.

The Tribunal has required each utility to engage an independent financial reviewer to certify that the costs it used in the modelling are an accurate and representative record of its costs. Econtech has also reviewed each utility's modelling and provided an opinion on whether the coding of the data entered into the model is appropriate, and to certify that the model has been used correctly.

#### 2.3.1 Net impact on CityRail's costs

CityRail estimated that cost savings associated with the abolition of wholesale sales tax would be in the order of 0.73 per cent. After reviewing the modelling, the Tribunal estimates CityRail's cost savings will be 0.7 per cent and the net impact of the new tax system on CityRail's costs will be 9.2 per cent.<sup>7</sup>

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<sup>4</sup> Mr Alex Sanchez, Public Transport Advisory Council, transcript of the public hearing of 5 May 2000, p 44.

<sup>5</sup> State Rail Authority, submission to IPART, May 2000, p 45. The State Rail Authority note that they are aware of 11 countries where Governments provide preferential tax treatment for public transport, see note 11 to p 45.

<sup>6</sup> Australian Consumer and Competition Commission, *Price Exploitation and the New Tax System*, March 2000.

<sup>7</sup> The net GST effect is not the sum of the cost reductions and the GST. The net GST effect is calculated by the formula  $[(1-X)*1.1 - 1]$ , where X is the cost reductions.

### 2.3.2 Net impact on STA's costs

The STA has estimated cost savings over the next year of 0.59 per cent for Sydney Buses, 5.91 per cent for Sydney Ferries and 0.73 per cent for Newcastle services. After review by Econtech the Tribunal has revised these estimates to the amounts shown in the following table.

**Table 3.1 Net impact of the new tax system on STA business units**

|                    | Cost reductions | GST | Net GST |
|--------------------|-----------------|-----|---------|
| Sydney Buses       | 2.05%           | 10% | 7.75%   |
| Sydney Ferries     | 7.69%           | 10% | 1.54%   |
| Newcastle Services | 2.21%           | 10% | 7.58%   |

Source: Econtech modelling results.

Note: The net GST effect is not the sum of the cost reductions and the GST. The net GST effect is calculated by the formula  $[(1-X)*1.1 - 1]$ , where X is the cost reductions.

The projected cost savings for each of the STA's business units differ due to access to the diesel fuel rebates and grants. The Diesel Fuel Rebate Scheme currently provides a rebate of between 60 to 80 per cent of the customs and excise duty paid on diesel consumed in certain eligible off-road uses in the agriculture, fishing and mining sectors. Major amendments to the Scheme will increase the rebate to 100 per cent of the excise tax, and extend the rebate to include eligible uses in the rail transport and marine industry sectors. Under the new scheme, all STA ferries are eligible for the 100 per cent rebate, while only 5 per cent of STA buses are eligible. This different tax treatment is significant because the STA's businesses are heavy users of diesel.<sup>8</sup>

## 2.4 Consistency with other regulators

The Tribunal's approach to modelling the impact of the new tax system is consistent with the way the ACCC will review price rises in the wider economy. The Tribunal expects that other State regulators will pass on to passengers the impact of the new tax system on their transport utilities' costs.

However, the cost savings achievable by public transport providers will differ between States. For example, the Tasmanian metropolitan bus service expects savings of 5.3 per cent, as all Hobart bus services are eligible for the diesel fuel rebate, being in a non-metropolitan area. By contrast, only 11 per cent of Transperth's buses and 5 per cent of Sydney Buses' buses are eligible for the rebate.

Queensland Transport forecast savings of 2.06 per cent for public and private metropolitan bus providers. ACT Buses estimates savings of 1.8 per cent.<sup>9</sup> These are consistent with the cost savings of 2.05 per cent and 2.21 per cent estimated for Sydney Buses and Newcastle Services respectively. Victorian metropolitan bus providers will pass on the GST in two stages, 5 per cent on 1 July 2000 and 7.5 per cent from 1 January 2001.<sup>10</sup>

<sup>8</sup> Expenditure on diesel fuel is 8 per cent of Sydney Buses' operating costs, 11 per cent of Sydney Ferries' operating costs, and 8.5 per cent of Newcastle Services' operating costs.

<sup>9</sup> Independent Pricing and Regulatory Commission, *ACTION's Bus Fares for 2000-01*, March 2000, p 2.

<sup>10</sup> Media release by the Victorian Minister for Transport, 15 May 2000, *Howard Government's GST Forces Up Public Transport Fares*, currently available from [www.dpc.vic.gov.au](http://www.dpc.vic.gov.au).



### 3 SERVICE STANDARDS

Service standards are one of a range of factors the Tribunal is required to consider under Section 15 of the Independent Pricing and Regulatory Tribunal Act when setting prices.<sup>11</sup> However, in recent years service levels have carried considerable weight in the Tribunal's determinations of transport fares, particularly for CityRail. For example, in its 1999/2000 CityRail determination, the Tribunal linked a significant fare increase to expenditure on improving service standards.

Stakeholders have expressed various views on this link. The Council of Social Services in NSW (NCOSS) and the UNSW Transport Program, for example, argue that the link between service levels and fares is weak, and fares should be set by comparing the full social costs and benefits of all modes of transport.<sup>12</sup> Action for Public Transport argues that reducing farebox revenue and hence funding will make it more difficult to improve service standards.<sup>13</sup> WSROC and the Western Sydney Community Forum (WSCF), on the other hand, argue that CityRail's 2000/01 fares should be frozen, forcing CityRail to absorb the GST and inflationary cost increases, partly because of its declining service quality.<sup>14</sup> However, both groups believe that future fare determinations should not be based solely on changes in service quality.<sup>15</sup>

Although the Tribunal agrees that service standards should not be the sole determinant of fares, most of the 330 submissions received this year complained of declining CityRail service standards. This indicates that standards are the key concern of many passengers, and as a consequence, the Tribunal has again made them one of its key considerations in setting fares for 2000/01.

As part of its review process, the Tribunal has examined the progress the SRA and STA have made on introducing a 'Passenger Charter' since the last determination, and the levels of service they achieved over the past year. Based on this review, the Tribunal believes that:

- CityRail fares should not be increased to reflect the impact of inflation because service standards have declined, and the SRA has not introduced a Passenger Charter for CityRail services. This decision is in line with the SRA's revised fare proposal.
- Sydney Buses, Sydney Ferries and Newcastle Services fares can be increased to reflect inflation, as the STA's average service standards across its whole area of operation have been maintained over the past year. While there has been a decline in service standards in isolated locations, the STA has demonstrated it is addressing the causes of these problems.

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<sup>11</sup> See Appendix 3 for a review of matters considered under section 15 of the IPART Act in setting CityRail fares for 2000/01. See Appendix 4 for a review of matters considered under section 15 of the IPART Act in setting State Transit Authority fares for 2000/01.

<sup>12</sup> Council of Social Service in New South Wales, submission to IPART, p 1. University of NSW Transport Program, submission to IPART, p 3.

<sup>13</sup> Mr Allan Miles, Action for Public Transport, transcript of the public hearing 5 May, 2000, pp 62-63, Ms Denis Juelicher, WSCF, transcript of the public hearing, 5 May, 2000, p 48.

<sup>14</sup> Western Sydney Community Forum, submission to IPART, p 4. Western Sydney Regional Organisation of Council Ltd, submission to IPART, April 2000, p 1.

<sup>15</sup> Ms Denis Juelicher, Western Sydney Community Forum, transcript of the public hearing, 5 May, 2000, p 46, Mr Alex Gooding, Western Sydney Regional Organisation of Council Ltd, transcript of the public hearing, 5 May, 2000, p 51.

### 3.1 Introducing a passenger charter

At the time of its last determination, the Tribunal recommended that the SRA introduce a Passenger Charter for its CityRail Services. The Tribunal also expected that the Department of Transport was going to publish customer service indicators for the STA and private bus operators.

The PTAC argues Government should establish a Passenger Charter and a regime to monitor and enforce service standards. The PTAC believes a Passenger Charter would restore public confidence in the rail system, focus the SRA on the quality of passengers' transport, rather than the input costs of CityRail services, and provide:

- consumers of SRA services with information on performance in key areas
- a database of service standards and performance through which operators could be assessed and benchmarked
- a basis through which performance beyond standards can be rewarded and below par performance sanctioned or consumer rebates payable.<sup>16</sup>

Similar approaches have been successfully taken in the privatised transport industries in the United Kingdom and Victoria (see Box 3.1). In addition, both Western Australian and Tasmania have imposed Passenger Charters on their government-owned transport operators. (Appendix 5 provides a more detailed summary of how transport services standards are regulated in Australian States.)

#### **Box 3.1 Passenger Charters in other jurisdictions**

Passenger Charters for rail services have been introduced after the privatisation of rail operators in the UK and in Victoria.

Key elements of the rail regulatory regimes in the UK and Victoria are:

- franchise contracts for each operator specifying minimum service levels
- an independent authority to monitor and enforce service levels, including negotiating alternate service improvements where operators fail to meet service levels
- a Passengers' Charter covering passenger information, comfort, service frequency, staff conduct, cleanliness, fares, crowding, safety, disabled access, complaints handling and ticketing policies
- public reporting of audited performance data and independent passenger surveys
- penalties for breaching standards and incentive bonuses for exceeding standards
- compensation to passengers holding periodical tickets via free monthly tickets
- consultation with passenger committees on timetable change.

<sup>16</sup> Public Transport Advisory Council, submission to IPART, p 1. See also Mr Alex Sanchez, Public Transport Advisory Council, transcript of the public hearing, 5 May, p 40.

### 3.1.1 CityRail's progress

In August 1999, the Tribunal drafted a possible CityRail Passenger Charter in conjunction with the SRA. (A copy of this draft and the format for public reporting of performance are attached in Appendix 2.) The Tribunal saw the draft Passenger Charter as a starting point, which could be improved following community consultation after the first year's results were published. However, the SRA has not made further progress on introducing the Charter.

Although the Tribunal cannot compel the SRA to introduce a Charter, its failure to do so has attracted strong criticism in submissions, and supports the Tribunal's decision not to increase CityRail fares in line with inflationary cost increases.

### 3.1.2 State Transit's progress

In its 1999/00 determination, the Tribunal anticipated that the Department of Transport would publish customer service indicators for the STA and private bus operators in a Performance Assessment Regime. The regime would provide the Tribunal and public with more detailed information to judge the STA's service standards. While the Department has released a discussion paper, the regime has not yet been established.

The Tribunal supports the publication of detailed service standards on a regular basis for public scrutiny. Such a publication should clearly outline the meaning of each statistic and the sampling methodology used to collect the information.

## 3.2 CityRail's service standards in 1999/2000

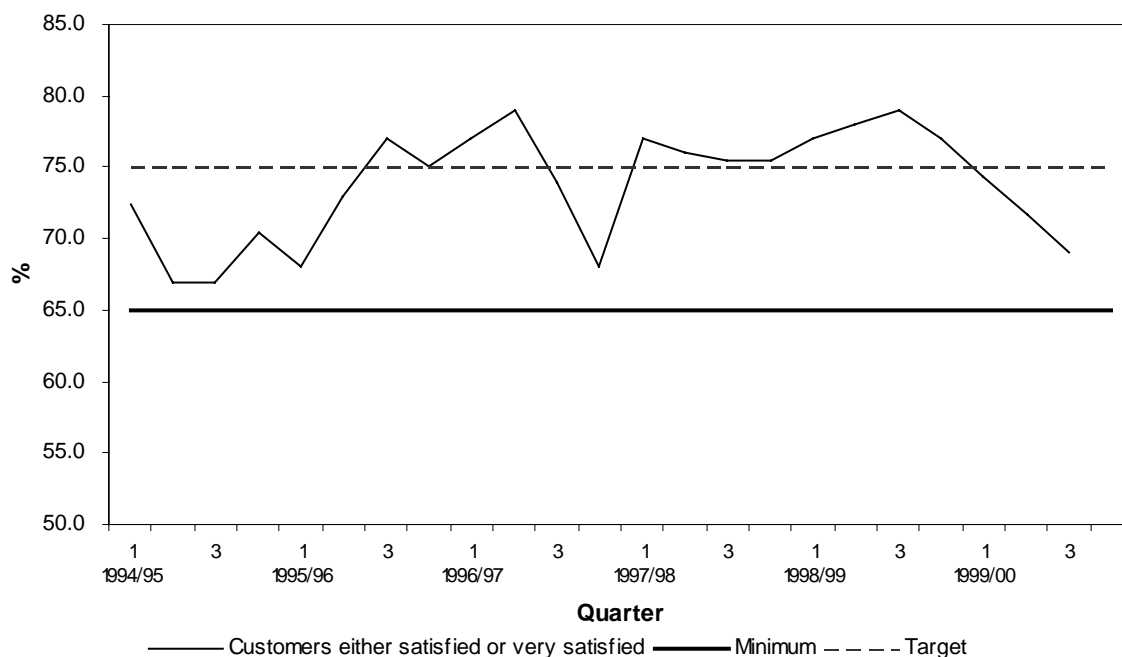
The SRA operates CityRail services subject to a range of quality and reliability standards codified in its community service obligation (CSO) funding contract with the Government. The contract specifies minimum and target performance levels. The SRA measures its own performance by line in operating CityRail services and makes quarterly, confidential reports to the Department of Transport on:

- a) customer satisfaction levels with:
  - on time running
  - personal safety on trains
  - personal safety on stations
  - passenger information at stations
  - helpfulness of staff
  - overall satisfaction with services
- b) on time running of metropolitan and intercity services, separated into morning and evening services
- c) scheduled services operated
- d) skipped stops
- e) incidents involving safety, such as collisions, derailments, falls, strikes, and fires and explosions
- f) incidents involving passenger security, such as assaults, sexual offences and robbery
- g) extent of graffiti on seats and on external sides of rail cars.

### 3.2.1 Customer satisfaction

Customer satisfaction has fallen since its peak in the quarter ending April 1999. The SRA did not release the survey results for the first quarter of 1999/00 and cancelled its passenger survey in the second quarter.

**Figure 3.1 Passengers 'satisfied' or 'very satisfied' with CityRail service (%)**



Note:

1. The SRA has not released the survey result for the first quarter of 1999/00 and cancelled the survey in the second quarter.
2. IPART has extrapolated results for these quarters based on the survey result of 77 in the last quarter of 1998/99 and the survey result of 69 in the third quarter of 1999/00.

While acknowledging customer satisfaction has fallen over the last twelve months, the SRA attribute this decline to:

- disruptions due to industrial action
- deterioration in on-time running
- disruption due to construction work associated with the Olympics
- an increase in safety incidents, including the Glenbrook accident.<sup>17</sup>

The SRA claims that in the absence of these disruptions, customer satisfaction would have further improved because of continued or increased expenditure on:

- a) customer security:
  - security guards on trains after 2pm
  - upgrading of lighting, CCTV and help points at stations
  - environmental design programs to reduce crime

<sup>17</sup> State Rail Authority submission, op cit, p 22.



- b) upgrading or implementing Easy Access at Central, Wynyard, Town Hall, Ashfield, Liverpool, Penrith and Lidcombe stations
- c) building the new St Leonard's station
- d) improving information to customers
  - digital voice announcements installed at 250 stations
  - expenditure on signage and passenger indicators
- e) air conditioning of an additional 86 carriages
- f) introducing a platform gap reduction program
- g) increasing emphasis on station cleanliness
- h) planning and executing major events
- i) delivering a high level of customer service at major events.<sup>18</sup>

However, the SRA's own performance indicators show that passengers do not see increased expenditure on service quality as resulting in improvements in service standards. The PTAC argues that the SRA should refocus on the transport outcomes achieved for passengers, rather than the resources expended on CityRail services,

... the whole debate about public transport is essentially input driven, it is about capital and people and resources and stock and moneys and the like. There is not a real discussion on what it is that we want to achieve in terms of outcomes and at the end of the day transport is not all that flash, it is about moving people from point A to point B...

... managerially [the SRA] is still locked into an input driven view as opposed to what is it the customers want, what are they prepared to trade off, what do they value.<sup>19</sup>

### 3.2.2 On-time running

On-time running has deteriorated to 88.7 per cent in 1999/00 from record levels in 1998/99, with the worst performance being in the afternoon. Metropolitan services are typically later than intercity services.

The SRA attributes its poor on-time running to:

- the introduction of new safety procedures for track inspections
- infrastructure failures
- a shortage of signallers
- partial closedowns for Olympics related construction
- infrastructure failures on new works.<sup>20</sup>

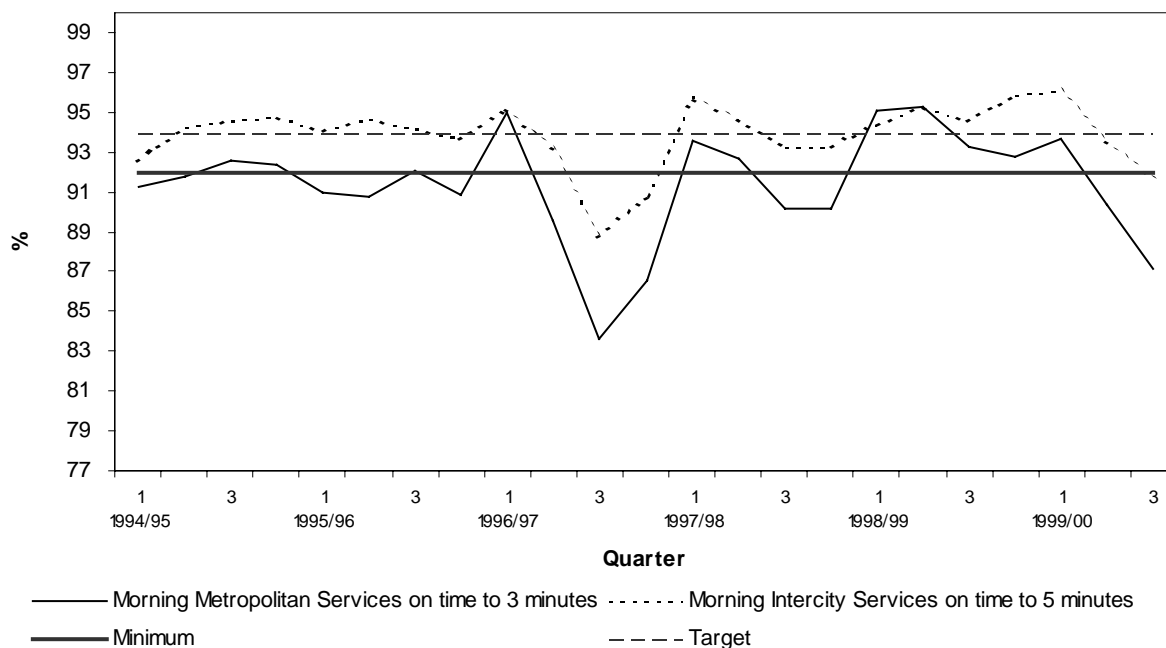
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<sup>18</sup> State Rail Authority submission, op cit, p 25.

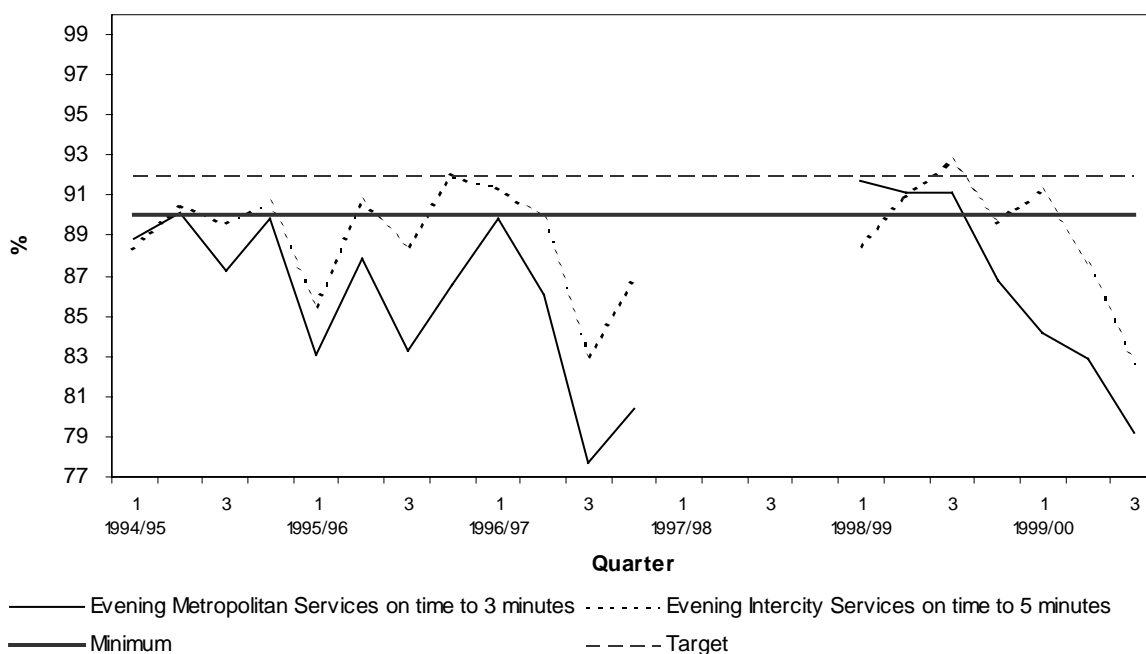
<sup>19</sup> Mr Alex Sanchez, Public Transport Advisory Council, transcript of the public hearing 5 May, 2000, p 40.

<sup>20</sup> State Rail Authority submission to IPART, March, 2000, p 23.

**Figure 3.1 CityRail on-time running for morning services (%)**



**Figure 3.2 CityRail on-time running for afternoon services (%)**

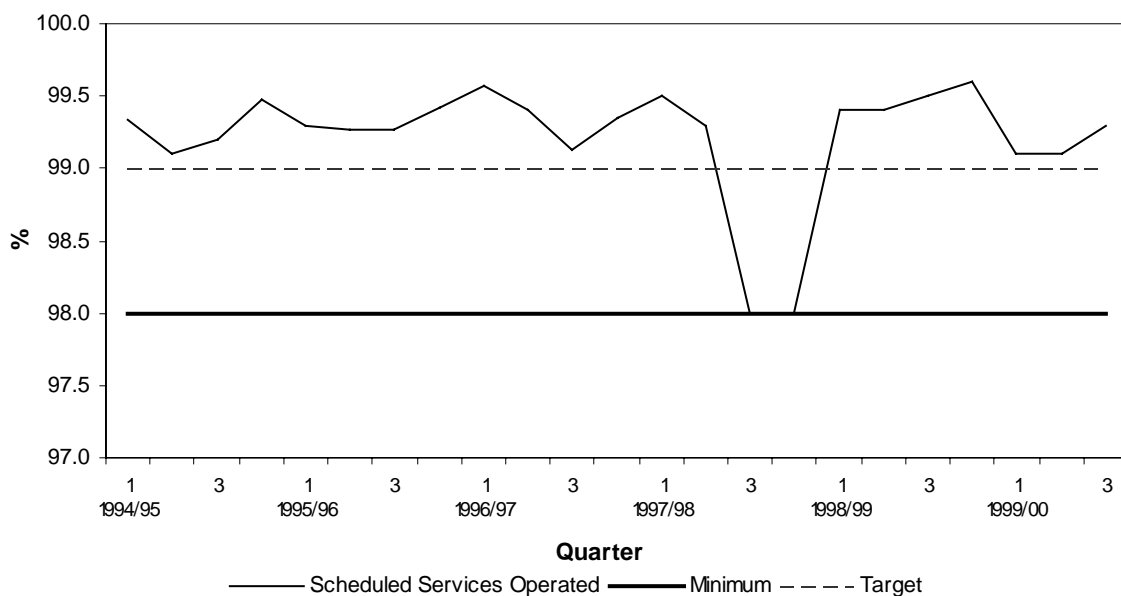


Note: Data not available for 1997/98.

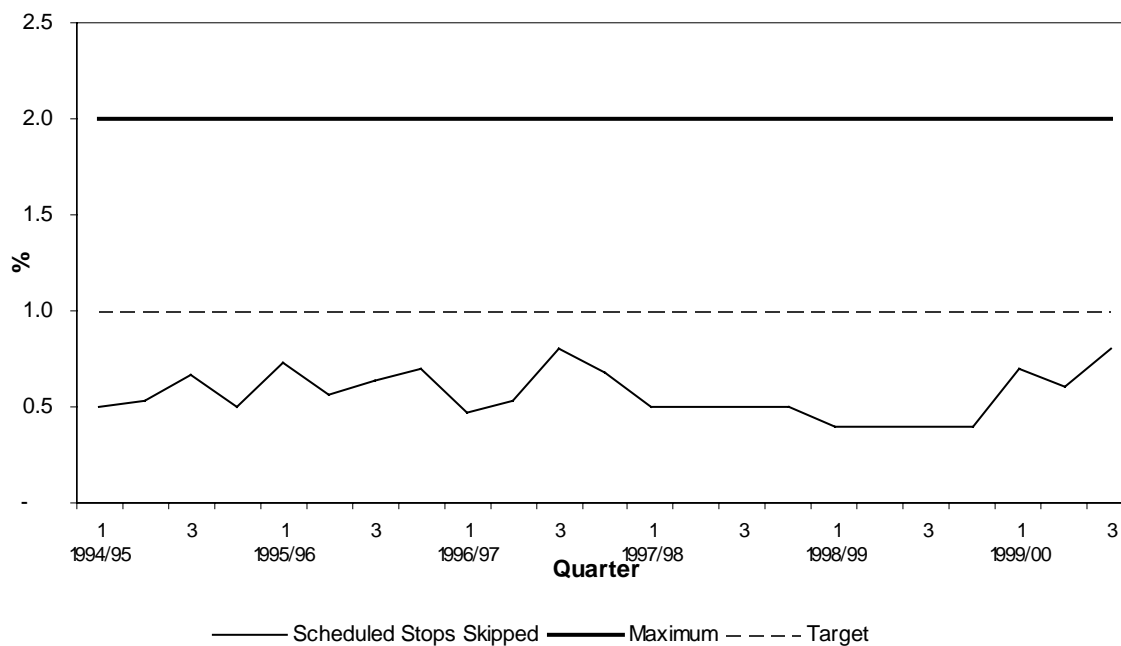
### 3.2.3 Scheduled services operated and stops skipped

While scheduled services operated and skipped stops remain above target levels, more services have been cancelled and more stops skipped in recent months.

**Figure 3.3 Scheduled services operated (%)**



**Figure 3.4 Scheduled stops skipped (%)**



As the SRA point out, the increase in skipped stops and cancelled services may be linked to efforts to improve on-time running.<sup>21</sup> Many submissions to the Tribunal complained about skipped stops, suggesting that current levels of skipped stops may be unsatisfactory to passengers. A number of stakeholders argue that trains should be recorded as running late where they skip stops to catch up to timetable.

<sup>21</sup> Dr Dick Day, State Rail Authority, transcript of the public hearing, 5 May 2000, p 88.

### 3.3 State Transit service standards in 1999/2000

The STA's performance statistics show that service standards have been maintained on average across each of its businesses (see Table 3.1).

**Table 3.1 STA Service Standards**

| <b>Sydney Buses</b>    | <b>1996/97</b> | <b>1997/98</b> | <b>1998/99</b> | <b>1999/00</b> |
|------------------------|----------------|----------------|----------------|----------------|
| On time running        | 98.0%          | 97.5%          | 97.2%          | 97.1%          |
| Trips cancelled        | 0.33%          | 0.25%          | 0.25%          | 0.24%          |
| Customer satisfaction  | 72%            | 73%            | 72%            | Not available  |
| <b>Sydney Ferries</b>  |                |                |                |                |
| On time running        | 99.1%          | 99.5%          | 99.4%          | 99.0%          |
| Trips cancelled        | Not available  | Not available  | Not available  | Not available  |
| Customer satisfaction  | 71%            | 70%            | 71%            | Not available  |
| <b>Newcastle</b>       |                |                |                |                |
| On time running        | 99.9%          | 99.9%          | 99.9%          | 99.9%          |
| No. of trips cancelled | 174            | 90             | 60             | 60             |
| Customer satisfaction  | 84%            | 84%            | Not available  | Not available  |

The Tribunal recognises that the operational statistics quoted above are aggregates and can mask problems in particular areas. Further, some of the statistics presented are not relevant from a customer perspective. For example, on-time running is measured at the point where the bus leaves the depot to begin its route. It therefore may not reflect whether the bus arrives on time at a particular point along the route.

#### 3.3.1 Sydney Buses

While the majority of customers appear satisfied with the STA's bus services in Sydney, the Tribunal received a significant number of submissions complaining about on-time running. These submissions were mainly from commuters in the northern beaches routes. The Tribunal also received submissions from individuals complaining about services from Beacon Hill and Lane Cove and between Drummoyne and Gladesville. The main issues of concern on these routes were overcrowding on buses, which forced passengers to miss services, and the poor condition of some of the buses.

The STA has acknowledged that the service standards in parts of the northern beaches bus routes may be below the average, particularly from the Spit through to North Sydney.<sup>22</sup> In order to resolve these issues, the STA has:

- worked with the RTA and local councils to introduce bus lanes and bus priority traffic signals (hindered partly by the illegal use of transit lanes, the STA is now working with NSW Police to increase policing of this area)
- increased its fleet size in Mona Vale and Brookvale depots by 20 per cent

<sup>22</sup> Mr John Stott, State Transit Authority, transcript of public hearing 5 May 2000, p 35.

- encouraged local councils to open up their car-parking along the beachfronts and then provided additional express buses to the CBD from these areas.<sup>23</sup>

The Tribunal accepts that for buses, on-time running depends largely on traffic flows, and that this is beyond the STA's control. Further, pre-Olympic construction activity may have also compromised Sydney Buses' capacity to provide reliable services.

### 3.3.2 Sydney Ferries

The Tribunal has received a small number of submissions identifying problems with the service standards of Sydney Ferries. The main concerns were with the Manly JetCat service which experienced a significant number of breakdowns relative to the other ferries in the STA's fleet. These commuters were also concerned that incoming ferries at Circular Quay were delayed while waiting for a free wharf to dock, and that ferry services did not adhere to the published timetable.

The Tribunal believes that the STA is working to fix these problems. For example, the STA has commissioned the construction of new high-speed ferries to replace the JetCats. The design of the new ferries has been chosen with reliability in mind.<sup>24</sup> Two of the ferries will be in place before the Olympics and a third will probably arrive at the time of the Olympics. A further seven new vessels will be purchased. After the Olympics, the STA will also conduct a study to measure the costs required to operate Sydney Ferries in the most efficient way.

### 3.3.3 Newcastle Services

Newcastle Services' bus and ferry services do not face the same level of traffic as Sydney Buses and Sydney Ferries, which makes it easier for them to run on time. The operating environment of Newcastle Services is also less complex. The Tribunal has not received submissions from individuals or organisations commenting on STA bus and ferry services in Newcastle. The Tribunal has no reason to believe that the STA's services in Newcastle have deteriorated significantly over the past year.

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<sup>23</sup> Mr Bruce Eldrige, State Transit Authority, transcript of public hearing 5 May 2000, p 36.

<sup>24</sup> Mr John Stott, State Transit Authority, transcript of public hearing 5 May 2000, p 28.



## 4 COST RECOVERY

In 1999/00, the Tribunal increased CityRail fares to complete its 1996 recommendation of a 15 per cent increase in fares over 4 years,<sup>25</sup> and to recover part of the costs of service improvements CityRail had achieved since 1996 and planned for 1999/00 and beyond. Since that time, cost recovery levels for CityRail's CityMet<sup>26</sup> business segment have improved from 72 to 77 per cent of above rail costs. In response to requests from some stakeholders, the Tribunal will commission studies during 2000/01 to determine an appropriate cost recovery target for CityRail services.

The Tribunal believes that the current level of cost recovery for Sydney Buses is appropriate. In order to maintain this level, it has increased Sydney Buses' weighted average fares by 8.6 per cent. The Tribunal has increased fares for Sydney Ferries by 8.6 per cent and Newcastle Services by 8.4 per cent, broadly in line with the increase granted to Sydney Buses.

### 4.1 The Tribunal's 1996 major review

In 1996, the Tribunal conducted a major review of passenger transport services and made a series of recommendations to Government. The Tribunal accepted that some Government subsidy to CityRail fares was justified to reflect the external, environmental benefits of rail travel, such as reductions in road congestion and pollution, road accidents and spending on roads.<sup>27</sup> However, it concluded that it was difficult to measure external benefits accurately and to predict how these benefits might change as fares increased.<sup>28</sup>

NSW Treasury proposed that CityRail's "below rail"<sup>29</sup> infrastructure costs should be taken as a proxy for the environmental benefits of the rail system.<sup>30</sup> The Tribunal proposed a medium-term price objective of a weighted average increase in real terms of 15 per cent over the four years from 1996/97 to 1999/2000. This would allow the SRA to move significantly towards the recovery of above rail costs on the CityMet business segment.

The major review did not establish medium-term price objectives for the STA, concluding that fare increases should be considered when the STA's costs and service levels were reduced to efficient levels.<sup>31</sup>

### 4.2 Current levels of cost recovery

The following graph shows the cost recovery levels of all transport operators since 1996/97. Only Sydney Buses recovers its operating costs in fares.

<sup>25</sup> IPART, *Inquiry into the Pricing of Public Passenger Transport Services, Final Report*, October 1996, p 50.

<sup>26</sup> CityRail's CityMet business segment covers train services in the Metropolitan area of Sydney. The CityMet area is bounded by Macarthur and Waterfall in the South, Penrith in the west, Bondi in the east, Richmond in the north-west and Cowan in the north.

<sup>27</sup> The external benefits of travel by rail are considered in more detail in Appendix 3.

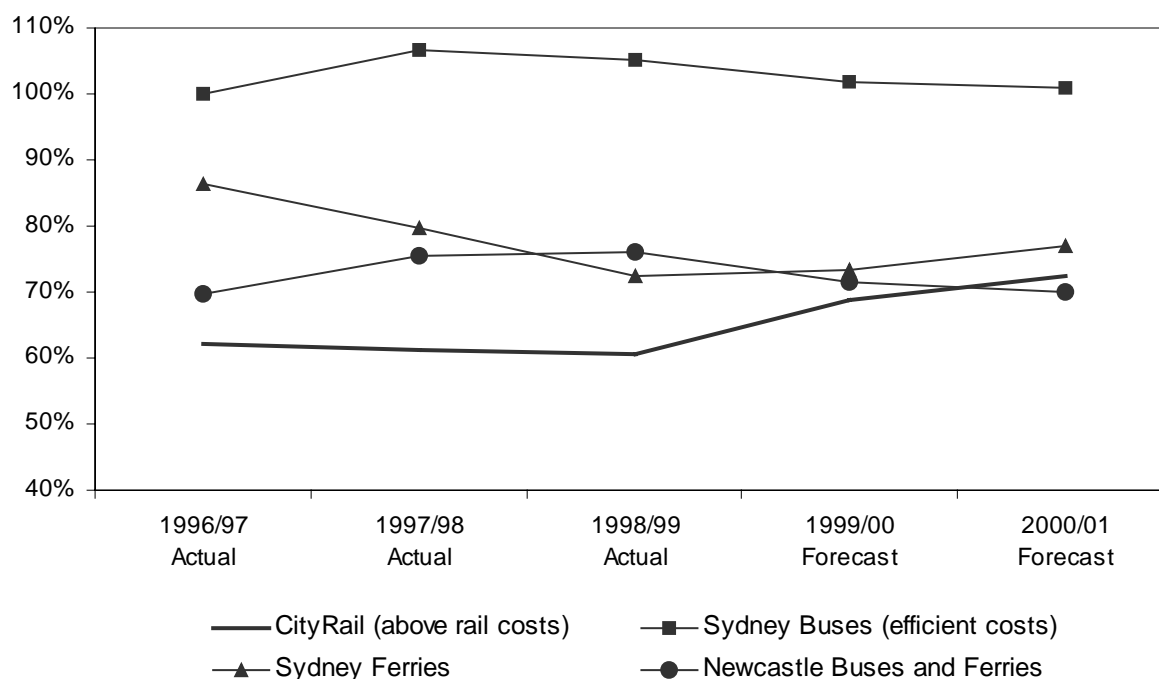
<sup>28</sup> The State Rail Authority presented estimates of the external benefits of the rail system ranging from \$350m to \$425m, IPART, *Inquiry into the Pricing of Public Passenger Transport Services, Final Report*, October 1996, p 25. The State Rail Authority calculated that the Government's annual subsidy to CityRail services was \$498.2m in 1995/96.

<sup>29</sup> The Tribunal uses the term "below rail costs" to mean the costs of the track, stations, signalling and other infrastructure used for running the line.

<sup>30</sup> NSW Treasury, submission to IPART, p 22.

<sup>31</sup> IPART, *Inquiry into the Pricing of Public Passenger Transport Services, Final Report*, October 1996, pp 21-40.

Figure 4.1 Operating cost recovery, 1996/97 – 2000/01



### 4.3 CityRail

Table 4.1 shows how the level of cost recovery of above rail costs has improved since 1996/97 for each CityRail operating segment.

Table 4.1 Recovery of CityRail's above rail costs 1996/97 – 2000/01

| Operating Segment     | Cost recovery of above rail costs(%) |           |           |           |           |
|-----------------------|--------------------------------------|-----------|-----------|-----------|-----------|
|                       | 1996/97                              | 1997/98   | 1998/99   | 1999/00   | 2000/01   |
| <b>CityMet</b>        | Actual                               | Actual    | Actual    | Forecast  | Forecast  |
| North                 | 75                                   | 72        | 71        | 81        | 85        |
| West                  | 75                                   | 70        | 70        | 79        | 83        |
| South                 | 62                                   | 61        | 60        | 68        | 71        |
| Illawarra             | 87                                   | 83        | 78        | 89        | 94        |
| <b>Total CityMet</b>  | <b>72</b>                            | <b>70</b> | <b>68</b> | <b>77</b> | <b>81</b> |
| Outer Suburban        | 34                                   | 37        | 38        | 43        | 45        |
| Regional              | 51                                   | 26        | 25        | 30        | 33        |
| <b>Total CityRail</b> | <b>62</b>                            | <b>61</b> | <b>61</b> | <b>69</b> | <b>72</b> |

## Notes:

1. The Table does not include the effect of the new tax system on costs and revenues.
2. Revenues includes revenue from the farebox, concession, other rail entities and other non-government sources.
3. Total above rail costs includes the total costs of CityRail shown in Table A3.1 in Appendix 3, less CityRail's annual access fee.



### 4.3.1 Increases in CityRail costs since 1995/96

In previous determinations the Tribunal has criticised the quality of the SRA's financial information, casting doubt on how accurately the SRA has isolated the costs of CityRail services within its total costs.

During the Tribunal's major review in 1996, the SRA estimated the total costs of CityRail services at \$929 million in 1995/96.<sup>32</sup> However, the SRA now argues that the cost of CityRail services was \$1,405 million in 1996/97 and has remained in excess of \$1.4 billion since the restructure of the SRA in 1996.<sup>33</sup> Table A3.1 in Appendix 3 summarises the SRA's current estimates of the full costs and revenues of CityRail services since 1996/97. These estimates are different to the estimates provided to the Tribunal during the 1999/00 determination due to recent changes in the SRA's accounting rules.<sup>34</sup>

During 2000/01, the Tribunal will work with the SRA to develop ring-fenced, regulatory accounts for CityRail services. These regulatory accounts will be reconciled back to audited SRA accounts, and will ensure that the SRA uses consistent accounting rules when making submissions to the Tribunal each year.

## 4.4 Sydney Buses

The Tribunal has increased maximum fares in 2000/01 to allow Sydney Buses to continue to recover its efficient costs. The Tribunal has calculated this cost recovery target by updating<sup>35</sup> and deducting the efficiency gains identified in 1997,<sup>36</sup> and not allowing Sydney Buses to recover depreciation, interest or a return on its assets. The 8.6 per cent fare rise will increase Sydney Buses' passenger revenue by \$15.9 million.<sup>37</sup>

In the 1999/00 determination the Tribunal indicated that it would consider providing a rate of return if Sydney Buses operated at an efficient cost level. The STA has stated that it will not achieve the full efficiency gains recommended.<sup>38</sup> However, it has achieved efficiency savings of \$4.3 million in Sydney Buses and expects to achieve a further \$9.6 million by June 2001. The remaining \$6.5 million will not be achieved due to a Government directive to maintain current employment conditions and entitlements.

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<sup>32</sup> IPART, *Inquiry into the Pricing of Public Passenger Transport Services, Final Report*, October 1996, Table 4.1, p 25. The estimate of \$929m for costs in 1995/96 was expressed in 1994/95 dollars.

<sup>33</sup> Prior to July 1996, the State Rail Authority operated CityRail, Countrylink and Freight Rail businesses, while maintaining and controlling all track operations. The State Rail Authority was restructured in July 1996 to establish separate, businesses for track ownership (Rail Access Corporation), track maintenance (now Rail Services Australia), and freight (FreightCorp). The restructured State Rail Authority has a clearer focus on passenger train services. This in turn should make it easier to estimate the full costs of operating CityRail and Countrylink services.

<sup>34</sup> IPART, *Public Transport Fares from 1 August 1999*, 28 July 1999, Table 5.1, p 11.

<sup>35</sup> The efficiency cost savings identified in 1997 have been updated in line with an index of Sydney Buses' costs developed by the State Transit Authority. While not done in the current determination, the Tribunal will review this index in detail prior to setting prices to apply from 1 July, 2001.

<sup>36</sup> The Tribunal has previously engaged consultants Sinclair Knight Mertz, in association with Coopers & Lybrand, to determine the efficient operating cost level for Sydney Buses. The consultants advised that Sydney Buses could save \$20.4m per annum over three years.

<sup>37</sup> This assumes that patronage will increase by approximately 1 per cent during 2000/01, partly reflecting the increased tourist numbers resulting from the Olympics and population growth. The State Transit Authority disputes this assumption and argues that any increases in patronage will only arise if Sydney Buses' services are increased.

<sup>38</sup> State Transit Authority, submission to IPART, p 3.

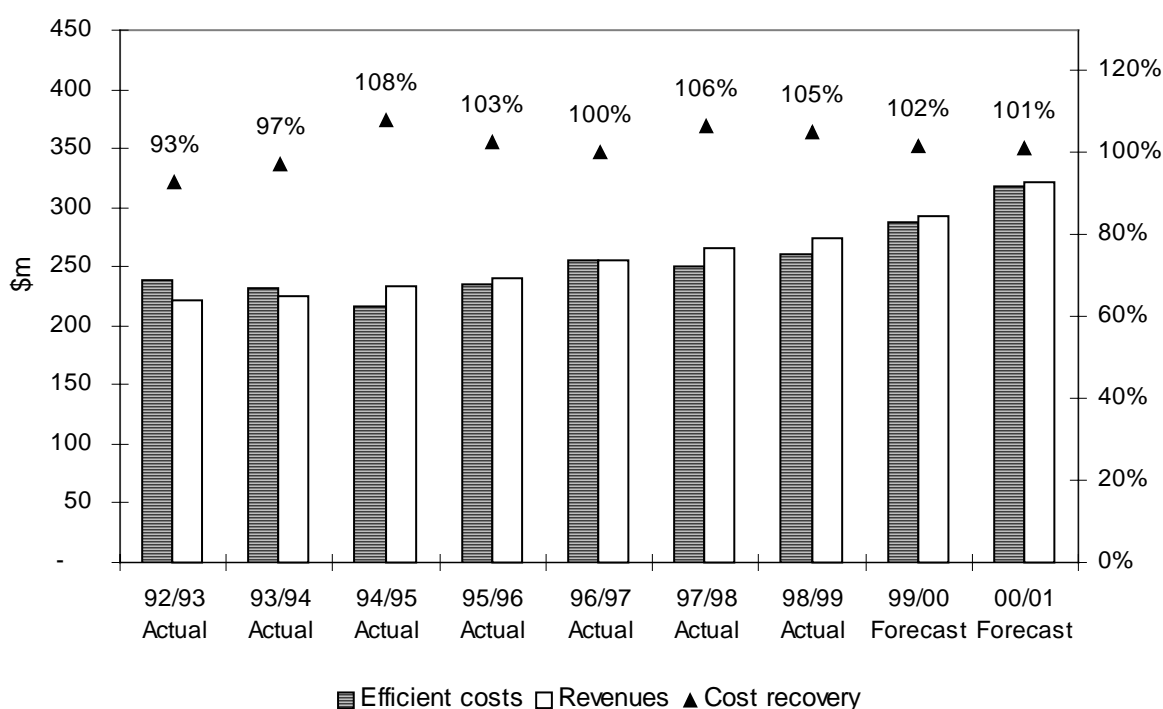
The STA has argued that passengers should pay for Sydney Buses' inefficiency and higher-than-necessary service frequency because Government has directed the STA not to achieve the possible efficiency gains.<sup>39</sup> While not including it in its current price proposals, the STA argues that passengers should also pay for depreciation of its assets and its interest expense.

The Tribunal does not wish to allow the costs of inefficient operations to be recovered in fares. However, it is reluctant to support the STA's bid to have these inefficient costs legitimised by a Government CSO payment. The proposal to recover depreciation on the STA's assets may have more merit, but does not need to be resolved this year.

The Tribunal will review the appropriate cost recovery target for Sydney Buses in more detail next year. In the interim, the Tribunal has increased fares for inflation and the net impact of the new tax system only. This effectively requires the Government to fund Sydney Buses' inefficiency via the STA's operating deficit.<sup>40</sup>

Figure 4.2 shows that cost recovery of efficient costs has declined over the last six years because cost increases have outweighed increases in revenues. After adjusting for inflation, operating costs have increased by 41 per cent from 1994/95 to 1999/00, compared to revenues which have increased by 25 per cent over the same period.

**Figure 4.2 Sydney Buses' cost recovery**



Notes:

1. All costs and revenues are in 1999/00 dollars.
2. Non-core expenses and revenues, depreciation and net interest expenses are excluded.
3. The costs prior to 1997/98 are actual costs, given that the Tribunal did not have any information on efficient costs prior to the SKM study in 1997/98.

<sup>39</sup> State Transit Authority submission, p 4.

<sup>40</sup> Appendix 4 presents Sydney Buses' income and expenditure statement.

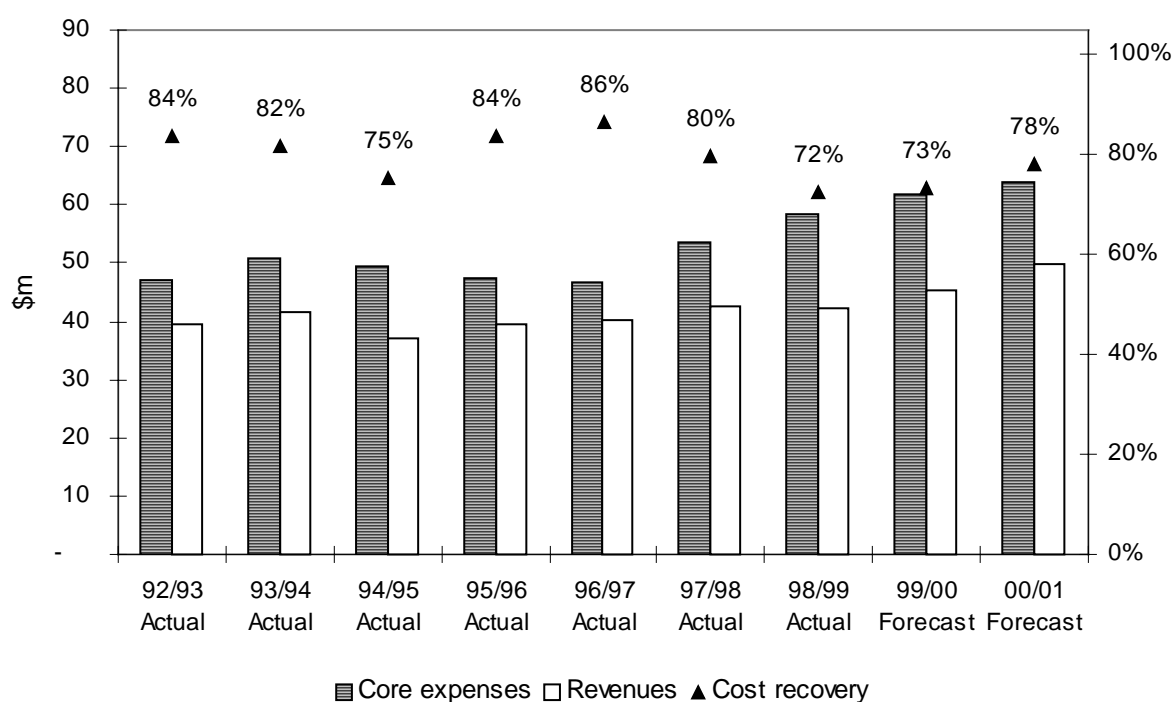
## 4.5 Sydney Ferries

Sydney Ferries' average fares increase of 8.6 per cent will improve Sydney Ferries' cost recovery level as indicated in Figure 4.3.

In the 1999/00 determination the Tribunal indicated that future price increases for Sydney Ferries will depend on the STA establishing and achieving efficient cost targets. The STA has stated that an efficient cost study for Sydney Ferries will begin immediately after the Olympics. The Tribunal will review the findings of the consultancy in the next price determination.

Passenger revenue is projected to increase by 12 per cent, from \$33.3 million in 1998/99 to \$37.4 million in 1999/00. The Tribunal projects that an 8.6 per cent fare rise will increase Sydney Ferries' passenger revenue by \$3.1 million.<sup>41</sup> Sydney Ferries will still depend on a Government contribution to support services.<sup>42</sup> In real terms, its operating costs have increased by 25 per cent from 1994/95 to 1999/00, compared to revenues which have increased by 21 per cent over the same period.

**Figure 4.3 Sydney Ferries' cost recovery**



Notes:

1. All costs and revenues are in 1999/00 dollars.
2. Non-core expenses and revenues, depreciation and net interest expenses are excluded.

<sup>41</sup> This assumes that patronage will increase by approximately 1 per cent during 2000/01, partly reflecting the increased tourist numbers resulting from the Olympics and population growth.

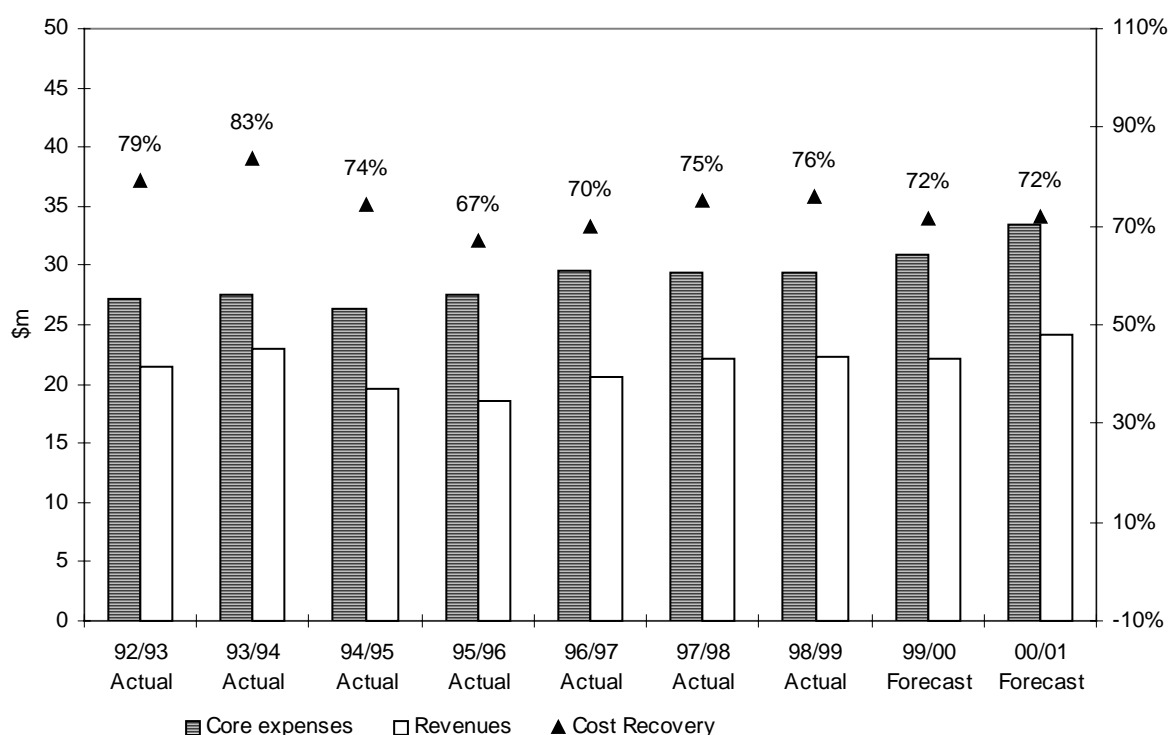
<sup>42</sup> Appendix 4 presents Sydney Ferries' income and expenditure statement.

## 4.6 Newcastle Services

The STA has achieved efficiency savings in Newcastle Services of \$0.4 million in 1999/00 and expects to achieve a further \$1 million in efficiency savings in coming years. Passenger revenue is projected to remain unchanged at \$6.5 million between 1998/99 and 1999/00. The Tribunal projects that an 8.4 per cent fare rise will increase Newcastle Services' passenger revenue by \$0.3 million, resulting in a cost recovery of 72 per cent of expenses, excluding depreciation and interest. Newcastle Services will still depend on a Government contribution.<sup>43</sup>

As shown in Figure 4.4, the STA project that in 1999/00 total passenger and concessions revenue from Government will recover approximately 72 per cent of costs, excluding depreciation and interest. This is lower than the cost recovery level achieved in previous years despite significant increases in passenger revenue.

Figure 4.4 Newcastle Services' cost recovery



Notes:

1. All costs and revenues are in 1999/00 dollars.
2. Non-core expenses and revenues, depreciation and net interest expenses are excluded.

The reason for the declining cost recovery level is because cost increases have outweighed increases in revenues over this period. In real terms, operating costs have increased by 17 per cent from 1994/95 to 1999/00, compared to revenues which have increased by 13 per cent over the same period.

<sup>43</sup> Appendix 4 presents Newcastle Services' income and expenditure statement.

## 5 MAXIMUM FARES FOR 2000/01

Fares in 2000/01 will rise by 8.0 per cent for CityRail, 8.6 per cent for Sydney Buses and Sydney Ferries, and 8.4 per cent for Newcastle Services' bus and ferry services. Fare increases on top of those caused by the new tax system have been granted for all operators except CityRail. The increases for Sydney Buses and Newcastle Services compensate them for inflation, while the increases for Sydney Ferries will also improve cost recovery by approximately 5.2 per cent. A maximum increase of 10 per cent on any individual fare will cause many fares to be rounded down, reducing the average fare increases.

### 5.1 CityRail fares

The Tribunal has continued to use CityRail's master fare schedule to set maximum CityRail fares. However, in line with the ACCC's price exploitation guidelines,<sup>44</sup> the Tribunal has limited the increase on individual tickets to a maximum of 10 per cent. Many tickets will increase by less than 10 per cent, as full fares must be rounded to the nearest 20 cent increment. Fares from certain distance bands remain below the level required by the master fare schedule, but these anomalies cannot be removed in 2000/01 because of the maximum increase of 10 per cent on each fare.

#### 5.1.1 Proposed change to CityRail fares to the City zone

The SRA propose to change the boundary of the City zone so that travel from any station outside the zone will automatically include travel to any station within the full City zone. Currently, travel from some stations to a 'gateway' station on the boundary of the City zone is cheaper than travel to and within the City zone. By contrast, travel from other stations is the same price whether to the gateway station or the City zone.<sup>45</sup>

The SRA claims its proposal will remove confusion and inflexibility for passengers deciding to return from an alternative City zone station. However, the proposal will also remove the option of paying a lower fare for passengers travelling to a gateway station only.

The Tribunal does not support the SRA's proposal. The alternate tickets offer different products, and the pricing anomaly is a side-effect of the distance-based fare schedule. The Tribunal sees no reason why passengers who can currently choose to purchase a cheaper ticket for travel to a gateway station, should be forced to pay for a City zone ticket. It is up to passengers to decide if they require the additional flexibility of a ticket to the City zone.

#### 5.1.2 Master fare schedule

In its 1997/98 determination, the Tribunal supported CityRail using a master fare scale based on the fares for single journeys. Single journey fares have a flagfall component and a distance-related component. All other fares are multiples of the single journey fares. Future fare increases are then applied to this master fare schedule to obtain a calculated fare. The actual fare charged is this value rounded to the nearest 20 cents. Future fare increases are tied back to the calculated and not the rounded values.

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<sup>44</sup> Australian Consumer and Competition Commission, *Price Exploitation and the New Tax System*.

<sup>45</sup> This arises because the fare to the City zone is calculated as the distance to the gateway station plus 3.21kms. The additional 3.21kms pushes a fare from some stations into the next fare distance band, while others remain within the same distance band as a ticket to the gateway station only.

However, as in 1999/00, fares for distances of 25km and 35 to 65km bands have been held slightly below the level calculated by the master fare schedule. The scale of increase required in one year to reach the master fare is too large. The Tribunal will seek to remove these fare anomalies in future determinations by increasing the fares for these distances marginally ahead of the general increase in fares.

### 5.1.3 CityRail single journey tickets

CityRail's new single journey fares are shown in Table 5.1. Return fares are twice the single fare ticket prices shown in Table 5.1. Half fares are half of the corresponding single ticket prices shown.

**Table 5.1 Increases in CityRail single journey fares**

| Distance up to (km) | 1999/00 fare (\$) | 2000/01 fare (\$) | Change (\$) |
|---------------------|-------------------|-------------------|-------------|
| 5                   | 2.00              | 2.20              | 0.20        |
| 10                  | 2.20              | 2.40              | 0.20        |
| 15                  | 2.60              | 2.80              | 0.20        |
| 20                  | 3.00              | 3.20              | 0.20        |
| 25                  | 3.20              | 3.40              | 0.20        |
| 30                  | 3.60              | 3.80              | 0.20        |
| 35                  | 3.80              | 4.00              | 0.20        |
| 45                  | 4.40              | 4.80              | 0.40        |
| 55                  | 5.20              | 5.60              | 0.40        |
| 65                  | 6.00              | 6.40              | 0.40        |
| 75                  | 7.00              | 7.60              | 0.60        |
| 85                  | 7.80              | 8.40              | 0.60        |
| 95                  | 8.60              | 9.40              | 0.80        |
| 105                 | 9.00              | 9.80              | 0.80        |
| 115                 | 10.00             | 11.00             | 1.00        |
| 125                 | 11.40             | 12.40             | 1.00        |
| 135                 | 11.60             | 12.60             | 1.00        |
| 155                 | 13.40             | 14.60             | 1.20        |
| 175                 | 15.20             | 16.60             | 1.40        |
| 195                 | 18.00             | 19.80             | 1.80        |
| 215                 | 19.40             | 21.00             | 1.60        |
| 235                 | 22.00             | 24.00             | 2.00        |
| 255                 | 23.00             | 25.00             | 2.00        |
| 305                 | 25.00             | 27.00             | 2.00        |
| 305+                | 27.00             | 29.00             | 2.00        |

### 5.1.4 CityRail off-peak fares

Off-peak fares are sold as return fares only, available from 9:00 am weekdays and all day on weekends. In line with the SRA's recommendation, the Tribunal has set off-peak return fares at 1.17 times the single journey fare. Table 5.2 compares the current and proposed fares, indicating the increase for each distance band.

**Table 5.2 Increases in CityRail off-peak fares.**

| Distance up to (km) | 1999/00 fare (\$) | 2000/01 fare (\$) | Change (\$) |
|---------------------|-------------------|-------------------|-------------|
| 5                   | 2.40              | 2.60              | 0.20        |
| 10                  | 2.60              | 2.80              | 0.20        |
| 15                  | 3.00              | 3.20              | 0.20        |
| 20                  | 3.60              | 3.80              | 0.20        |
| 25                  | 3.80              | 4.00              | 0.20        |
| 30                  | 4.20              | 4.40              | 0.20        |
| 35                  | 4.40              | 4.60              | 0.20        |
| 45                  | 5.20              | 5.60              | 0.40        |
| 55                  | 6.20              | 6.60              | 0.40        |
| 65                  | 7.00              | 7.40              | 0.40        |
| 75                  | 8.20              | 8.80              | 0.60        |
| 85                  | 9.20              | 9.80              | 0.60        |
| 95                  | 10.20             | 11.00             | 0.80        |
| 105                 | 10.60             | 11.40             | 0.80        |
| 115                 | 11.80             | 12.80             | 1.00        |
| 125                 | 13.40             | 14.60             | 1.20        |
| 135                 | 13.60             | 14.80             | 1.20        |
| 155                 | 15.80             | 17.00             | 1.20        |
| 175                 | 18.00             | 19.40             | 1.40        |
| 195                 | 21.00             | 23.00             | 2.00        |
| 215                 | 23.00             | 25.00             | 2.00        |
| 235                 | 26.00             | 28.00             | 2.00        |
| 255                 | 27.00             | 29.00             | 2.00        |
| 305                 | 30.00             | 32.00             | 2.00        |
| 305+                | 32.00             | 34.00             | 2.00        |

The off-peak child fares are shown in Table 5.3. These tickets are available for three very broad fare zones, similar to those used for pensioner concession tickets. However, unlike the pensioner fare, the ticket is valid for one return journey only.

**Table 5.3 Increases in CityRail off-peak child fares**

| Zone | Coverage                                       | 1999/00 fare (\$) | 2000/01 fare (\$) | Change (\$) |
|------|------------------------------------------------|-------------------|-------------------|-------------|
| 1    | Sydney metropolitan and Newcastle metropolitan | 2.00              | 2.20              | 0.20        |
| 2    | Outer metropolitan                             | 3.00              | 3.30              | 0.30        |
| 3    | All CityRail network                           | 5.00              | 5.50              | 0.50        |

### 5.1.5 CityRail Periodicals

Table 5.4 compares the 1999/00 and 2000/01 CityRail weekly fares.

**Table 5.4 Increases in CiyRail weekly fares**

| Distance up to (km) | 1999/00 fare (\$) | 2000/01 fare (\$) | Change (\$) |
|---------------------|-------------------|-------------------|-------------|
| 5                   | 15.00             | 16.40             | 1.40        |
| 10                  | 18.00             | 19.80             | 1.80        |
| 15                  | 20.00             | 22.00             | 2.00        |
| 20                  | 24.00             | 26.00             | 2.00        |
| 25                  | 25.00             | 27.00             | 2.00        |
| 30                  | 27.00             | 29.00             | 2.00        |
| 35                  | 29.00             | 31.00             | 2.00        |
| 45                  | 32.00             | 35.00             | 3.00        |
| 55                  | 35.00             | 38.00             | 3.00        |
| 65                  | 38.00             | 41.00             | 3.00        |
| 75                  | 40.00             | 44.00             | 4.00        |
| 85                  | 43.00             | 47.00             | 4.00        |
| 95                  | 45.00             | 49.00             | 4.00        |
| 105                 | 47.00             | 51.00             | 4.00        |
| 115                 | 49.00             | 53.00             | 4.00        |
| 125                 | 51.00             | 56.00             | 5.00        |
| 135                 | 57.00             | 62.00             | 5.00        |
| 155                 | 61.00             | 67.00             | 6.00        |
| 175                 | 63.00             | 69.00             | 6.00        |
| 195                 | 72.00             | 79.00             | 7.00        |

Flexipass tickets, for travel over periods greater than 28 days, are calculated using a formula set out in the CityRail Pricing Schedule attached to this report.

## 5.2 State Transit Authority fares

### 5.2.1 Sydney Buses

The prices for Sydney Buses' single ride bus tickets are presented in Table 5.5.

**Table 5.5 Increases in Sydney Buses' single fares**

| Bus single section | 1999/00 fare (\$) | 2000/01 fare (\$) | Change (\$) |
|--------------------|-------------------|-------------------|-------------|
| 1-2 Section        | 1.30              | 1.40              | 0.10        |
| 3-5 Section        | 2.30              | 2.50              | 0.20        |
| 6-9 Section        | 2.90              | 3.10              | 0.20        |
| 10-15 Section      | 3.40              | 3.70              | 0.30        |
| 16+ Section        | 4.00              | 4.40              | 0.40        |



Prices for Sydney Buses' TravelTen tickets are presented in Table 5.6. The Tribunal and STA agree that the discount on TravelTen tickets have been too high and should be between 15 and 20 per cent (or the ticket should be priced at between 8.0 and 8.5 times the price of a single fare).<sup>46</sup> The current determination brings the discount for the green and orange TravelTen tickets to within the Tribunal's preferred range. However, as Table 5.6 shows, the new fares for shorter distance journeys continue to provide too high a level of discount.

**Table 5.6 Increases in Sydney Buses' TravelTen fares**

| Bus TravelTen        | 1999/00 fare<br>(\$) | 2000/01 fare<br>(\$) | Change<br>(\$) | Discount (%) |         |
|----------------------|----------------------|----------------------|----------------|--------------|---------|
|                      |                      |                      |                | 1999/00      | 2000/01 |
| Blue: 1-2 Section    | 9.50                 | 10.40                | 0.90           | 26.9         | 25.7    |
| Brown: 3-5 Section   | 16.00                | 17.60                | 1.60           | 30.4         | 29.6    |
| Red: 6-9 Section     | 20.00                | 22.00                | 2.00           | 31.0         | 29.0    |
| Green: 10-15 Section | 27.00                | 29.50                | 2.50           | 20.6         | 20.3    |
| Orange: 16+ Section  | 34.00                | 37.00                | 3.00           | 15.0         | 15.9    |

To reflect the net impact of the GST and inflation, the Tribunal has increased Sydney Buses' BusTripper<sup>47</sup> ticket to \$9.00, its School Term Pass<sup>48</sup> to \$36.00, and its Sport Special<sup>49</sup> to \$4.10 or \$2.05 for a half fare.

### 5.2.2 Sydney Ferries

Sydney Ferries' single journey fares for 2000/01 are presented in Table 5.7.

**Table 5.7 Increases in Sydney Ferries' single journey ferry fares**

|                   | 1999/00 fare (\$) | 2000/01 fare (\$) | Change (\$) |
|-------------------|-------------------|-------------------|-------------|
| Inner Zone 1      | 3.70              | 4.00              | 0.30        |
| Inner Zone 2      | 3.90              | 4.20              | 0.30        |
| Manly & Rydalmere | 4.60              | 5.00              | 0.40        |
| Parramatta        | 5.60              | 6.10              | 0.50        |
| Manly JetCat      | 5.80              | 6.30              | 0.50        |

<sup>46</sup> A 20 per cent discount for a multi-ride fare is the same as the multi-ride fare being 8 times the single-ride fare. A multi-ride ticket which is 7.0 times the single-ride fare offers a discount of 30 per cent.

<sup>47</sup> The BusTripper is an all-day (unlimited) bus ticket for the Sydney area, ideal for people who make numerous bus trips over one day. Utilisation is low, with 1 in every 1,700 journeys being undertaken using a BusTripper. The STA sell an average of 76 BusTripper tickets per day.

<sup>48</sup> The School student transport scheme provides free travel to and from school for eligible students. The main eligibility criteria for free travel is that students live over 2km (in radial distance) from their school. The School Term Pass provides one term's bus transport to students who are ineligible for free travel due mainly to their proximity (less than 2km) to the school they attend. The school term is generally ten weeks in duration and hence the pass provides travel for up to 100 bus journeys.

<sup>49</sup> The Sports Special is a return bus ticket available for travel from Central Station (or occasionally Circular Quay or Wynyard) when sporting and other events (eg concerts) are held in the Moore Park area or Randwick Racecourse.

Table 5.8 shows Sydney Ferries' FerryTen fares, and illustrates that FerryTen tickets still offer excessive discounts.

**Table 5.8 Increases in Sydney Ferries' FerryTen fares**

|                   | 1999/00 fare (\$) | 2000/01 fare (\$) | Change (\$) | Discount from single Current (%) | Discount from single New (%) |
|-------------------|-------------------|-------------------|-------------|----------------------------------|------------------------------|
| Inner Zone 1      | 23.00             | 25.30             | 2.30        | 37.8                             | 36.8                         |
| Inner Zone 2      | 25.00             | 27.50             | 2.50        | 35.9                             | 34.5                         |
| Manly & Rydalmere | 34.00             | 37.40             | 3.40        | 26.1                             | 25.2                         |
| Manly JetCat      | 48.00             | 52.00             | 4.00        | 17.2                             | 17.5                         |
| Parramatta        | 39.00             | 42.90             | 3.90        | 30.4                             | 29.7                         |

### 5.2.3 Newcastle Services

A time-based fare structure was successfully introduced for Newcastle bus services in January 1997. Newcastle bus and ferry fares for 2000/01 are presented in Table 5.9.

**Table 5.9 Increases in Newcastle Services bus and ferry fares**

|                                | 1999/00 fare (\$) | 2000/01 fare (\$) | Change (\$) |
|--------------------------------|-------------------|-------------------|-------------|
| <b>Bus services</b>            |                   |                   |             |
| 1 Hour                         | 2.20              | 2.40              | 0.20        |
| 4 Hour                         | 4.20              | 4.60              | 0.40        |
| Daily                          | 6.40              | 7.00              | 0.60        |
| TimeTen (1 Hour)               | 18.00             | 19.00             | 1.00        |
| <b>Stockton Ferry services</b> |                   |                   |             |
| Single                         | 1.60              | 1.70              | 0.10        |
| Daily                          | 6.40              | 7.00              | 0.60        |

## 5.3 Integrated CityRail and STA fares

### 5.3.1 TravelPass tickets

TravelPasses provide unlimited travel over the period of issue (week, quarter or year) throughout the zones of issue and apply to CityRail and STA bus and ferry services. They provide regular users of public transport with very flexible and relatively cheap travel options. Table 5.10 shows the new maximum TravelPass fares.

Table 5.10 Increases in TravelPass fares

|                                         | 1999/00 fare (\$) | 2000/01 fare (\$) | Change (\$) |
|-----------------------------------------|-------------------|-------------------|-------------|
| <b>TravelPass – Bus and Ferry</b>       |                   |                   |             |
| Blue                                    | 23.00             | 25.00             | 2.00        |
| Orange                                  | 29.00             | 31.00             | 2.00        |
| Two-zone                                | 23.00             | 25.00             | 2.00        |
| Pittwater                               | 40.00             | 44.00             | 4.00        |
| <b>TravelPass – Bus, Ferry and Rail</b> |                   |                   |             |
| Red                                     | 26.00             | 28.00             | 2.00        |
| Green                                   | 33.00             | 36.00             | 3.00        |
| Yellow                                  | 36.00             | 39.00             | 3.00        |
| Pink                                    | 39.00             | 42.00             | 3.00        |
| Brown                                   | 44.00             | 48.00             | 4.00        |
| Purple                                  | 51.00             | 56.00             | 5.00        |

The STA uses total value of travel (TVT) studies to measure the average value of travel consumed by TravelPass customers and the subsequent average discounts. TVT studies have also been used to improve the accuracy of revenue sharing for TravelPasses between the STA and SRA. By valuing TravelPass travel at the next- best single mode ticket price, the TVT studies shows that most customers are gaining good value from TravelPass products.

Table 5.11 illustrates the average TVT for TravelPass usage and resulting discount levels. However, the Tribunal is aware that TVT represents an average discount and that some customers can receive discounts above or below the average.

Table 5.11 Analysis of average TravelPass usage and discounts

| TravelPass                    | 2000/01 fare (\$) | Average TVT (\$) | Effective Ave discount (%) | Price to achieve a 20% discount (\$) |
|-------------------------------|-------------------|------------------|----------------------------|--------------------------------------|
| <b>Bus &amp; Ferry</b>        |                   |                  |                            |                                      |
| Blue                          | 25.00             | 44.56            | 43.90                      | 35.65                                |
| Orange                        | 31.00             | 56.97            | 45.59                      | 45.58                                |
| 2 Zone                        | 25.00             | 39.23            | 36.27                      | 45.86                                |
| Pittwater                     | 44.00             | 57.32            | 23.24                      | 31.38                                |
| <b>Bus, Ferry &amp; Train</b> |                   |                  |                            |                                      |
| Red                           | 28.00             | 44.71            | 37.37                      | 35.77                                |
| Green                         | 36.00             | 54.60            | 34.06                      | 43.68                                |
| Yellow                        | 39.00             | 58.83            | 33.71                      | 47.07                                |
| Pink                          | 42.00             | 62.16            | 32.44                      | 49.73                                |
| Brown                         | 48.00             | 72.04            | 33.37                      | 57.63                                |
| Purple                        | 56.00             | 83.98            | 33.31                      | 67.18                                |

Source: STA fares model provided to IPART. Estimated discount based on purchasing single fare tickets.

### 5.3.2 Other integrated tickets

To reflect the net impact of the GST on CityRail and Sydney Buses, the Tribunal has increased the CityHopper add-on<sup>50</sup> ticket to \$3.60, the DayRover<sup>51</sup> ticket to \$22.00 (or \$17.60 at off-peak times), and the DayPass<sup>52</sup> ticket to \$13.00.

The pensioner concession fare of \$1 provides unlimited travel within the CityMet area on the day of purchase. This fare has not increased since 1988 and is not affected by this determination. The price of these concession tickets and the reimbursements made by Government to the STA and SRA are matters of social policy for the Government to determine, not the Tribunal.

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<sup>50</sup> The CityHopper ticket allows travel from the origin station to the City with unlimited travel on CityRail trains and STA buses within the city area. The ticket can be purchased during peak and off-peak periods. The price of the CityHopper ticket is the price of the appropriate return ticket, peak or off-peak, from the originating station to the City plus an add-on component.

<sup>51</sup> A DayRover ticket can be used for all day on peak and off-peak services. The ticket can be used on bus, rail and ferry services within the area covered by the Purple TravelPass. Concessions are not offered on the DayRover. However, it is available at an off-peak discount.

<sup>52</sup> The DayPass is a one-day, unlimited bus and ferry ticket. It is equivalent to a Bus Tripper with the addition of unlimited regular ferry use.

## APPENDIX 1 THE PRICE DETERMINATION PROCESS

As required by Section 11(1) of the *Independent Pricing and Regulatory Tribunal Act, 1992*, the Tribunal has investigated proposals by the State Rail Authority (SRA) and the State Transit Authority (STA) for maximum prices to be charged from 1 July 2000 for declared passenger transport monopoly services.<sup>53</sup>

The SRA operates two businesses, CityRail and Countrylink. The Tribunal is required to set fares for CityRail only as Countrylink operates in a competitive environment, competing with coach and air service operators for passengers. For CityRail the declared services are railway passenger services supplied under the name 'CityRail' by the SRA, excluding services supplied in accordance with the ticket known as the 'SydneyPass'.

The Tribunal sets maximum fares for each of the STA's three business units, Sydney Buses, Sydney Ferries and Newcastle Services. However the Tribunal does not set fares for services supplied under the 'Sydney Pass' tickets, or by 'Airport Express', 'Sydney Explorer', 'Bondi & Bay Explorer' and similar bus services. These services operate in competitive markets. Those wishing to buy this type of travel can choose between the STA and competing, privately operated services.

On 10 February, 2000 the Tribunal wrote to the SRA and STA asking them to make public submissions by 25 February, 2000 ahead of a public hearing on 14 April, 2000. The Tribunal invited submissions from other parties by advertising the review on its web page, in the *Sydney Morning Herald* and in the *Newcastle Herald*. Submissions were to reach the Tribunal by 23 March, 2000 ahead of the public hearing on 14 April, 2000.

The SRA and STA made written submissions on 20 and 21 March, 2000. To allow interested persons sufficient time to respond, the Tribunal extended the time for submissions from the public to 14 April. In turn, the date for the public hearing was moved to 5 May, 2000 and readvertised.

The public hearing was held on 5 May, 2000 at the Tribunal's offices, Level 2, 44 Market Street, Sydney. A copy of the agenda and transcript from the public hearing along with copies of all submissions can be obtained from the Tribunal's web page. The Tribunal received a total of 333 submissions from 317 individuals and the following organisations:

- Action for Public Transport
- Blue Mountains Commuter and Transport Users Association
- Campbelltown & District Commuters Association
- Combined Pensioners & Superannuants Association of NSW
- Commuter Council
- Council of Social Service of NSW
- Newcastle and Hunter Business Chamber
- NSW Treasury

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<sup>53</sup> Independent Pricing and Regulatory Tribunal (Passenger Transport Services) Order 1998, made on 24 February 1998 and published in Gazette No. 38 dated 27 February 1998 at page 1015.

- Public Transport Advisory Council
- Shadow Cabinet
- State Rail Authority of NSW
- State Transit Authority of NSW
- University of New South Wales
- UWS Macarthur Campbelltown Students Association
- Western Sydney Community Forum
- Western Sydney Regional Organisation of Councils.

Paper copies of all these submissions may be viewed during business hours (8:30am – 5:00pm, Monday to Friday) at the Tribunal’s offices, Level 2, 44 Market St, Sydney.

The Tribunal members who considered this determination are:

*Dr Thomas Parry, Chairman*

*Mr James Cox, Full-time Permanent Member*

## APPENDIX 2 A POSSIBLE CITYRAIL PASSENGER CHARTER

### IPART DRAFT OF POSSIBLE CITYRAIL PASSENGER CHARTER

#### **Why a Passenger Charter?**

It is CityRail's objective to provide you with a transport service that meets the community's expectations.

This Passenger Charter will provide the focus for an innovative and passenger responsive service. It sets out what CityRail aims to provide to you as a passenger, and your obligations when using CityRail services.

CityRail endeavours to provide a standard of service that will encourage you to travel with us for work, leisure and any other purpose.

#### **What is covered under this Passenger Charter?**

CityRail has sought to include the factors which affect your level of satisfaction when using our services. A summary of these factors are:

##### *Service reliability*

- maintaining the existing government contracted service frequencies
- minimum targets for on-time running
- avoiding the cancellation of services and the skipping of scheduled stops.
- providing sufficient carriages to minimise over-crowding
- arranging adequate alternative transport in the event of service disruptions.

##### *Passenger service standards*

- staff helpfulness
- the availability of up-to-date information covering any train delays
- the availability of timetable, other connecting services and ticketing information
- increased access to services for people with a disability
- making CityRail stations and trains safe places
- train and station cleanliness (including availability and cleanliness of public amenities)
- the provision of public phones.

As a passenger of CityRail services you have the following obligations:

- to purchase the correct fare for the journey to be undertaken
- not to endanger the safety of other passengers and CityRail staff
- not to damage or deface CityRail property.

CityRail also undertakes to combat fare evasion which is unfair on those passengers who do the right thing and pay the correct fare.

### **How will the aims of this Passenger Charter be achieved?**

CityRail is committed to providing continuous improvements in service levels and has established a range of targets and indicators to progressively reach these improvements.

Service reliability will be monitored and passenger satisfaction surveys will be conducted regularly. The results of these performance programs will be published on a quarterly basis by CityRail and made widely available to our passengers.

An annual report will also be prepared outlining the programs to be implemented in the following year to improve service quality along with expected completion dates for any specific service enhancements.

The success of this Charter is dependent on the feedback we receive from you as our valued passenger. Opportunities will be available in the year 2000 for public participation in evaluating and enhancing this Charter.

### **How to have your say**

If you have any comments, suggestions or complaints about CityRail services or this Passenger Charter, please contact us at:

Manager Public Affairs  
PO Box K349  
Haymarket NSW 1238

You can also e-mail us via our web page [www.cityrail.gov.au](http://www.cityrail.gov.au)  
or ring the *Your Say* line on 131 500

Any urgent matters will be attended to promptly. CityRail values your feedback and all comments received will be passed on to the appropriate manager for attention.



## IPART DRAFT OF CITYRAIL QUARTERLY SERVICE REPORT

### CityRail Quarterly Service Report

| <b>Service reliability</b>              | <b>Target</b>              | <b>Mar-99</b>            | <b>Jun-99</b>                   | <b>Sep-99</b>      |
|-----------------------------------------|----------------------------|--------------------------|---------------------------------|--------------------|
| On-time running – morning               | 94                         |                          |                                 |                    |
| On-time running – evening               | 92                         |                          |                                 |                    |
| On-time running – overall               |                            |                          |                                 |                    |
| Scheduled services operated             | 99                         |                          |                                 |                    |
| Skipped stops                           | 1                          |                          |                                 |                    |
| Scheduled carriages operated            |                            |                          |                                 |                    |
| <b>Passenger service standards</b>      |                            |                          |                                 |                    |
| <b>Passenger satisfaction survey</b>    | <b>Target</b>              | <b>Mar-99</b>            | <b>Jun-99</b>                   | <b>Sep-99</b>      |
| Overall satisfaction                    | 75                         |                          |                                 |                    |
| On-time running                         |                            |                          |                                 |                    |
| Staff helpfulness                       |                            |                          |                                 |                    |
| Passenger information at stations       |                            |                          |                                 |                    |
| Personal safety on trains               |                            |                          |                                 |                    |
| Personal safety on stations             |                            |                          |                                 |                    |
| Cleanliness of trains                   |                            |                          |                                 |                    |
| Cleanliness of stations                 |                            |                          |                                 |                    |
| <b>Other service standards</b>          | <b>Target</b>              | <b>Mar-99</b>            | <b>Jun-99</b>                   | <b>Sep-99</b>      |
| Stations with train running information |                            |                          |                                 |                    |
| Stations covered by CCTV                |                            |                          |                                 |                    |
| Assaults – number                       | N/A                        |                          |                                 |                    |
| Sexual offences – number                | N/A                        |                          |                                 |                    |
| Passenger robberies – number            | N/A                        |                          |                                 |                    |
| Easy access stations                    |                            |                          |                                 |                    |
| Public phones at stations               |                            |                          |                                 |                    |
| Graffiti free carriages                 |                            |                          |                                 |                    |
| Graffiti free stations                  |                            |                          |                                 |                    |
| <b>Complaint handling</b>               | <b>Service reliability</b> | <b>Staff helpfulness</b> | <b>Provision of information</b> | <b>Cleanliness</b> |
| Total number                            |                            |                          |                                 |                    |
| Resolved:                               |                            |                          |                                 |                    |
| At point of contact                     |                            |                          |                                 |                    |
| Within 48 hours                         |                            |                          |                                 |                    |
| Within 10 working days                  |                            |                          |                                 |                    |
| Greater than 10 working days            |                            |                          |                                 |                    |

Note: The target levels specified in this report are taken from CityRail's CSO contract with the NSW Government. Appropriate target levels need to be developed for all service standards.

## IPART DRAFT OF CITYRAIL PUBLIC INFORMATION DOCUMENT

### A framework for the CityRail Passenger Charter

CityRail has developed a Passenger Charter with the objective of providing a transport service that meets the community's expectations. The Passenger Charter sets out the factors relating to service quality that CityRail believes are important to its passengers. A copy of the Passenger Charter is attached to this public information document.

The purpose of this document is to provide passengers, CityRail staff and the public with an outline of the processes that are necessary for meeting the objectives of the Passenger Charter. These include a timetable for performance reporting and the stages where stakeholder involvement will be sought to evaluate the effectiveness of the Passenger Charter and the performance reporting process.

#### *The Passenger Charter*

The Passenger Charter sets out the areas of service reliability and passenger service standards which will provide CityRail with a focus for continuous improvement. Specific service targets have not been included in the Passenger Charter as it is expected these will change over time. It is intended to display copies of the Passenger Charter at stations and on the internet at [www.cityrail.nsw.gov.au](http://www.cityrail.nsw.gov.au).

#### *Performance reporting*

Public reporting of key indicators of service quality will allow CityRail and its passengers to assess how improvements in service delivery are progressing. Quarterly reports will enable trends to be identified and areas that require special attention. These reports will be publicly released one month after the end of each quarter based on the example attached to this document. The first report should be available at the end of October 1999 for the quarter ending September 1999. A press release will be issued by CityRail at that time and copies of the quarterly service report will be available on display at CityRail stations and on our internet site.

The key performance indicators will initially be provided on a CityRail wide basis for 2000/2001. For the year 2001/02, results will be reported separately for metropolitan, intercity and regional services. A further breakdown of information by train line should be available for 2002/03.

A yearly review will be included in the annual report of the State Rail Authority which will summarise CityRail's performance and include the following:

- a summary of trends in key performance measures
- a comparison of performance against other passenger rail services in Australia and overseas
- the projects undertaken by CityRail to improve service quality over the previous year
- an analysis of specific areas where service performance has been below expectations
- the proposed projects to be undertaken during the following year
- expected completion dates for major projects
- revised targets for key performance indicators for the following year.

The yearly review will also include an analysis of the effectiveness of CityRail's operations to combat fare evasion and any plans to improve revenue collection.

*Public consultation*

The success of the Passenger Charter and the performance reporting process is dependent on the feedback that CityRail receives from passengers, staff and the public.

CityRail regards this Passenger Charter as a co-operative effort between CityRail and its passengers. Comments on the Passenger Charter are welcome and can be provided to:

Manager Public Affairs  
PO Box K349  
Haymarket NSW 1238

You can also e-mail us via our web page [www.cityrail.gov.au](http://www.cityrail.gov.au)  
or ring the *Your Say* line on 131 500

Public consultation will be timetabled as part of an on-going review process for the Passenger Charter and the content of performance reporting.

An opportunity will be available in early 2000 for public submissions on the Passenger Charter as part of the annual fare determination by the Independent Pricing and Regulatory Tribunal (IPART). The IPART sets maximum fares for CityRail services and will consider the effectiveness of the Passenger Charter and the performance reporting process in its fare determination.

*Passenger feedback and the YourSay telephone service*

CityRail's mechanisms to deal effectively with passenger complaints are vital for continuous passenger service improvements. The Passenger Charter recognises these benefits by providing an initial channel through the *YourSay* telephone service for comments, suggestions and complaints about CityRail services.

Any complaints will be recorded by CityRail and reported upon in the quarterly service reports. Complaints and enquires which cannot be resolved immediately will receive a written response outlining the actions taken by CityRail to rectify the particular aspect of service operations. CityRail endeavours to provide written responses within 7 days of the receipt of a complaint and to have all complaints resolved within 10 days.

*Information about special timetable arrangements*

As part of the Passenger Charter, CityRail is committed to providing timely information to its passengers. Where there are planned delays we will provide adequate notification of these changes. In cases where service delays are unexpected then CityRail will advise up-to-date train running information at all CityRail locations including unstaffed stations and within carriages through remote voice announcements.

## APPENDIX 3 SECTION 15 OF THE IPART ACT: CITYRAIL

Section 15 of the IPART Act 1992 requires the Tribunal to have regard to 12 criteria when determining maximum prices, and to indicate the extent of this regard in its report. This appendix explains how the Tribunal has considered these criteria (italicised below) in making its determination on CityRail fares. In some instances, references are made to other sections within this report.

### Costs and efficiency

- \* *the cost of providing the services concerned [S15(1)(a)]*
- \* *the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers [S15(1)(e)]*
- \* *the impact on pricing policies of any arrangements that the government agency concerned has entered into for the exercise of its functions by some other person or body [S15(1)(h)]*
- \* *the need to promote competition in the supply of the services concerned [S15(1)(i)]*

Table A3.1 summarises the SRA's current estimates of the full costs and revenues of CityRail services since 1996/97. Before payment of the Government's subsidy and concession reimbursements, CityRail's revenue covers only half of its recurrent expenditure.

The impact of the new tax system on CityRail's costs is explained in section 2.3.

Between 1996/97 and 1999/00, the SRA has managed to reduce the cost of CityRail services by 2.2 per cent after allowing for inflation. Costs increased marginally ahead of the rate of inflation until 1998/99, but real reductions of 4 per cent are expected in 1999/00.

Labour costs have fallen by 5.9 per cent in real terms since 1996/97, faster than the drop in total costs. In 1996/97, staff numbers were 8,502. The SRA argue that:

Staff numbers have fallen from 8,402 in June 1998 to 7,800 in December 1999. In addition the recent review of corporate overheads by INDEC has earmarked about 200 jobs that will be made redundant in the coming months.

The efficiency gains in labour have been achieved despite not being able to implement station reforms budgeted to reduce staff by 300.

However, staff numbers and labour costs will increase during 2000 due to the recruitment of approximately 271 additional train crew (drivers and guards) to cater for the Olympic Games.<sup>54</sup>

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<sup>54</sup> State Rail Authority submission, op cit, p 26.

Table A3.1 CityRail income and expenditure statement (\$m of the day)

|                                                          | SRA            | CityRail       |                |                |                |                | Change       |
|----------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------|
|                                                          | 1995/96        | 1996/97        | 1997/98        | 1998/99        | 1999/00        | 2000/01        |              |
| <b>Revenues</b>                                          | Actual         | Actual         | Actual         | Actual         | Forecast       | Forecast       |              |
| Farebox revenue (regulated)                              |                | 359.2          | 370.3          | 391.1          | 456.5          | 487.0          | 35.6%        |
| Rev. from other rail org's                               |                | 135.6          | 121.8          | 102.3          | 87.9           | 82.6           | -39.1%       |
| Other external revenue                                   |                | 51.8           | 54.1           | 60.6           | 61.6           | 61.2           | 18.1%        |
| Revenue before Govt subsidy and concession reimbursement | 1,056.2        | 546.6          | 546.2          | 554.0          | 606.0          | 630.8          | 15.4%        |
| Concession revenue from Govt                             | 114.4          | 111.0          | 133.5          | 143.3          | 159.1          | 169.7          | 52.9%        |
| <b>Total rev. before general subsidy from Govt.</b>      | <b>1,170.6</b> | <b>657.6</b>   | <b>679.7</b>   | <b>697.3</b>   | <b>765.1</b>   | <b>800.5</b>   | <b>21.7%</b> |
| <b>Expenditure</b>                                       |                |                |                |                |                |                |              |
| Labour costs                                             | 1,033.7        | 560.1          | 613.1          | 584.0          | 553.7          | 559.8          | -0.1%        |
| Security contract                                        | 0.0            | 0.0            | 9.5            | 28.0           | 32.8           | 40.8           |              |
| Electricity                                              |                | 32.8           | 21.0           | 21.1           | 21.8           | 28.4           | -13.4%       |
| Other operating expenses                                 | 500.8          | 266.6          | 288.4          | 291.8          | 291.1          | 264.4          | -0.8%        |
| Transfer charge to Clink <sup>2</sup>                    | 0.0            | -57.5          | -65.0          | -66.7          | -60.8          | -57.8          | 0.5%         |
| <b>Above rail recurrent operating expenditure</b>        | <b>1,534.5</b> | <b>802.0</b>   | <b>867.0</b>   | <b>858.2</b>   | <b>838.6</b>   | <b>835.6</b>   | <b>4.2%</b>  |
| Access fees                                              | 0.0            | 345.0          | 320.6          | 303.5          | 317.4          | 333.4          | -3.4%        |
| <b>Recurrent operating expenditure</b>                   | <b>1,534.5</b> | <b>1,147.0</b> | <b>1,187.6</b> | <b>1,161.7</b> | <b>1,156.0</b> | <b>1,169.0</b> | <b>1.9%</b>  |
| Non-recurrent operating exps                             | 10.3           | 2.2            | 13.5           | 24.1           | 11.3           | 4.5            | 104.5%       |
| Non-cash expenditure                                     | 663.0          | 227.6          | 161.2          | 137.0          | 142.6          | 142.4          | -37.4%       |
| Finance charges                                          | 59.8           | 22.9           | 21.9           | 21.2           | 16.0           | 16.5           | -27.9%       |
| Cap. funded working exp.                                 | 0.0            | 5.1            | 44.1           | 111.6          | 106.0          | 106.0          | 1978.4%      |
| <b>Total costs of CityRail</b>                           | <b>2,267.6</b> | <b>1,404.8</b> | <b>1,428.4</b> | <b>1,455.6</b> | <b>1,431.9</b> | <b>1,438.4</b> | <b>2.4%</b>  |
| Surplus (shortfall) before Govt. subsidy                 | (1,097.0)      | (747.2)        | (748.6)        | (758.3)        | (666.8)        | (637.9)        | -14.6%       |
| Government subsidy                                       | 1,097.0        | 731.9          | 724.7          | 739.5          | 761.9          | 613.8          | -16.1%       |
| Surplus (shortfall) after Govt Subsidy                   | 0.0            | (15.3)         | (23.9)         | (18.8)         | 95.1           | (24.1)         | 57.5%        |

Source: State Rail Authority financial information return.

Note:

1. Since 1996/97, the Rail Access Corporation has charged CityRail an annual fee for control and maintenance of below rail infrastructure. This access fee is the best measure of the below rail costs of CityRail services.
2. CityRail business units charge Countrylink for rollingstock maintenance, fuel and use of CityRail stations. The transfer charge includes a proportion of CityRail's corporate and labour-related costs. The total cost of Countrylink services is significantly higher (\$189.4m in 1999/00) as it includes an additional \$128.6m allocated directly from the State Rail Authority to Countrylink.

The Tribunal is not aware of any arrangements that CityRail has entered for the exercise of its functions that are relevant to the maximum prices the Tribunal should set. The SRA's funding, and hence its ability to fund any contractual payments, is determined by the NSW Treasury in its annual budget process.

CityRail is subject to competition from private cars, taxis and other forms of public transport. The Tribunal believes that improving CityRail's service standards is the best way to maintain CityRail's ability to compete with these other forms of transport.

## Financial viability

- \* *the appropriate rate of return on public sector assets, including appropriate payment of dividends to the Government for the benefit of the people of NSW [S15(1)(c)]*
- \* *the impact on pricing policies of borrowing, capital and dividend requirements of the government agency concerned and, in particular, the impact of any need to renew or increase relevant assets [S15(1)(g)]*

In 1999/00 farebox revenue will contribute \$457m of the \$1,432m cost of CityRail services. The SRA makes large operating losses each year and does not make a return on its assets, nor pay a financial dividend to Government. Indicating it places at least this value on CityRail services, the Government continues to fund this operating loss and make large capital investments to extend CityRail services. The level of maximum fares has little or no impact on the SRA's ability to renew or increase its assets.

## Consumer protection

- \* *the protection of consumers from abuses of monopoly power in terms of price, pricing policies and standard of services [S15(1)(b)]*
- \* *the effect on general price inflation over the medium term [S15(1)(d)]*
- \* *the social impacts of the determinations and recommendations [S15(1)(k)]*
- \* *standards of quality, reliability and safety of the services concerned [S15(1)(l)]*

The Tribunal sets maximum prices to restrict CityRail from using its monopoly power to charge prices above what the Tribunal considers is a reasonable, maximum contribution by passengers to the cost of CityRail services. The decline in CityRail service standards during 1999/00 is considered in detail in section 3.2.

The maximum fares in this determination will have a negligible impact on the general level of inflation.

Based on the limited impact fare increases have on passenger numbers (considered below), the Tribunal believes there are no significant social impacts arising from the current determination.

In its 1999/00 determination, the Tribunal cited the expenditures in Table A3.2 to illustrate the extent of service improvements since 1996 or planned for 1999/00 and beyond.

Table A3.2 CityRail service improvements since 1996

|                                                             | Cost (\$m) | Comments                                                                                                                                                                                                                            |
|-------------------------------------------------------------|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cumberland line                                             | 60.0       | Construction cost, opened in 1996/97                                                                                                                                                                                                |
|                                                             | 8.1        | Operating cost per annum                                                                                                                                                                                                            |
| Olympic Park                                                | 4.7        | Net cost in 1998/99                                                                                                                                                                                                                 |
| Security guards                                             | 23.2       | Introduction of security guards on services after 7.00pm.                                                                                                                                                                           |
| Security program                                            | 55.0       | Security program for trains, car parks and stations implemented from 1 July 1998, and includes video surveillance cameras, high intensity lighting, new improved help points and 24 hour monitoring from a local area control room. |
| Station upgrades                                            | 16.7       | Implementation of Easy Access program, eg. initiatives including provision of lifts, tactile tiles and other aids, to a number of stations.                                                                                         |
| Other station upgrades                                      | 5.7        | Includes reconstruction of platforms and other capital works.                                                                                                                                                                       |
| Tangara cars                                                | 12.2       | Purchase of 5 Tangara cars offering a higher level of passenger comfort.                                                                                                                                                            |
| CityRail station passenger information network installation | 5.2        |                                                                                                                                                                                                                                     |

Source: State Rail Authority of NSW, submission to IPART, p 25.  
 State Rail Authority of NSW, *Annual Report 1997/98*, October 1998, p 20 and p 60.  
 State Rail Authority of NSW, *Annual Report 1996/97*, October 1997, p 89.

## Environmental issues

- \* *the need to maintain ecologically sustainable development by appropriate pricing policies that take account of all the feasible options available to protect the environment [S15(1)(f)]*
- \* *considerations of demand management and least cost planning [S15(1)(j)]*

The Council on Social Services in NSW (NCOSS) and the University of NSW Transport Program want the Tribunal to set fares based on the full costs and benefits of transport by alternative modes such train, bus and private cars.<sup>55</sup> This would include financial measures of the environmental and social costs and benefits of each mode.

<sup>55</sup> Council of Social Service in New South Wales, submission to IPART, p 1. University of NSW Transport Program, submission to IPART, pp 3-6. See also the submission by Mr Philip Howell, p 2. Mr Howell has argued that the Tribunal should set fares to equalise the level of Government subsidy to travel by trains and private cars. The Tribunal agrees that it is appropriate to conduct research to analyse the comparative levels of subsidy between all modes. However, the question of whether this is a sound pricing policy should be debated when the Tribunal has completed and published further analysis on this issue.

The UNSW Transport Program argue that a key benefit of the rail system is fewer trips by private cars, and list the costs of travel by private car as:

- the costs of constructing and maintaining further road space and parking
- costs of motor traffic congestion and impacts on a city's competitiveness
- health costs - road trauma, motor vehicle air pollution-related deaths and disability, displacement of physical activity, noise etc
- environmental costs - an urban area with loss of habitat, excessive air pollution, unnecessarily high levels of greenhouse gas emissions, noise, water pollution
- social costs - exclusion from participation in everyday life, alienation from local neighbourhood and severance of communities by roads, loss of play space, the degradation of urban areas and public space by motor traffic contributing to parental 'chauffeuring' (NB the highest growth in trips is for this purpose) and to the 'barrier effect' i.e. the disamenity that motor vehicle traffic imposes on pedestrian and bicycle travel.<sup>56</sup>

There are external costs caused by most forms of urban transport. External costs of road transport include congestion, air pollution and noise pollution. External costs of rail travel include noise pollution, and air pollution from electricity generation. Transport pricing should encourage passengers to move towards the combination of transport modes which minimises total external costs.

The SRA estimate that the rail system will save the people of Sydney at least \$410m in external environmental and social cost in 2000/01.<sup>57</sup> Other submissions to the Tribunal quoted figures as high as \$1,200m.<sup>58</sup> These measures assume the rail system is closed down altogether and all trips are made by private cars. The resultant value is for the entire rail system.

However, the Tribunal believes it is more relevant to consider where an increase in fares may cause some people to switch to travelling by car and impose greater external costs on the environment and community. While now dated, the Tribunal's 1996 economic modelling predicts that very few people change their travel mode if fares are increased. Fare increases will not reduce the external benefit of the rail system if they do not significantly reduce passenger numbers.

Figure A3.1, compares increases in fares above the level of general inflation with increases in passenger numbers above population growth. Passenger numbers have grown ahead of population growth, despite significant fare increases. This appears to support the conclusion of the Tribunal's modelling that transport fares are not the key determinant of passenger numbers. The Tribunal<sup>59</sup> and other stakeholders have argued that passenger numbers are more directly linked to the business cycle, ease of access to transport, and the quality of CityRail services.

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<sup>56</sup> University of NSW Transport Program, submission to IPART, p 3.

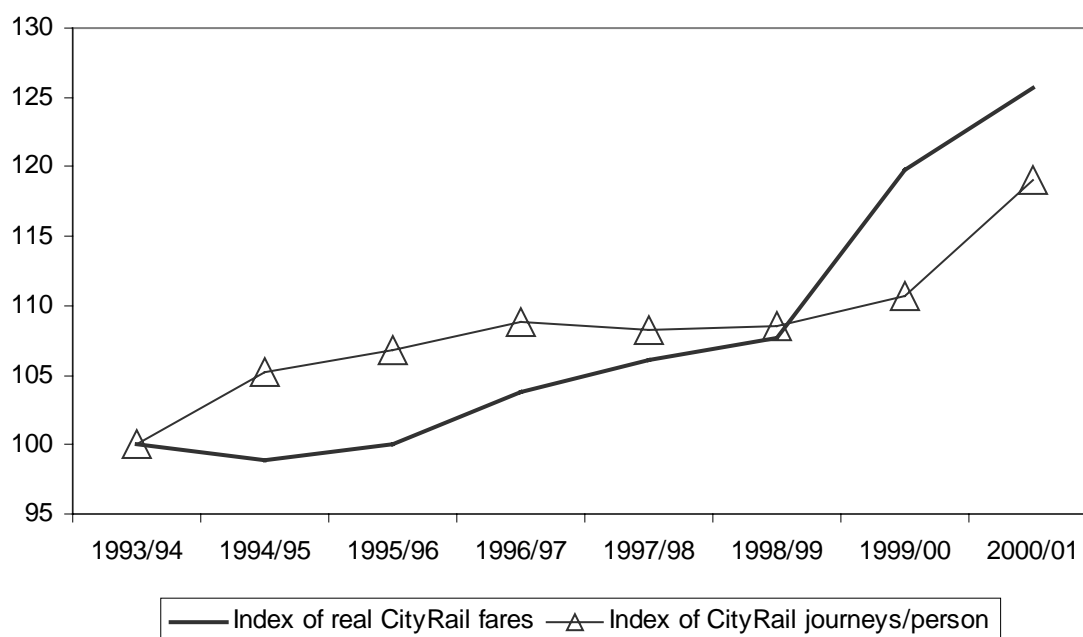
<sup>57</sup> State Rail Authority of NSW, submission to IPART, p 12. This figures is based on CityRail's 1996 estimate of \$350m in avoided external cost, updated for patronage growth.

<sup>58</sup> Nature Conservation Council, submission to IPART, p 2.

<sup>59</sup> IPART, *Inquiry into the Pricing of Public Passenger Transport Services - Final Report*, October 1996, pp 53-56.



Figure A3.1 Real fares and CityRail journeys per head of population since 1993/94



## Notes:

1. The base year for both indexes is 1993/94.
2. Passenger journeys and population growth data for 1999/00 and 2000/01 are forecasts.
3. Real CityRail fares are calculated allowing for movements in the Sydney CPI, June to June.
4. Journeys per person calculated by adjusting CityRail passenger journeys for population growth.

The SRA's projected increase in passenger numbers of 9.1 per cent in 2000/01 is largely attributable to the Olympic games, with passenger numbers forecast to fall in 2001/02 by around 4.4 per cent.

The Tribunal is required under Section 16 of the *Independent Pricing and Regulatory Tribunal Act, 1992* to report on the likely annual cost to the Government if fares were not increased to the maximum permitted, and the SRA were compensated from the Consolidated Fund for the revenue foregone. This determination will increase CityRail farebox revenue by \$34 million in 2000/01.

## APPENDIX 4 SECTION 15 OF THE IPART ACT: STATE TRANSIT

Section 15 of the IPART Act 1992 requires the Tribunal to have regard to 12 criteria when determining maximum prices, and to indicate the extent of this regard in its report. This appendix explains how the Tribunal has considered these criteria (italicised below) in making its determination on State Transit fares. In some instances, references are made to other sections within this report.

### Costs and efficiency

- \* *the cost of providing the services concerned [S15(1)(a)]*
- \* *the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers [S15(1)(e)]*
- \* *the impact on pricing policies of any arrangements that the government agency concerned has entered into for the exercise of its functions by some other person or body [S15(1)(h)]*
- \* *the need to promote competition in the supply of the services concerned [S15(1)(i)]*

### Sydney Buses' costs

Sydney Buses' costs have increased significantly over the past few years resulting in lower levels of cost recovery. The STA projects that Sydney Buses' costs will continue to increase in 2000/01.

As indicated in Table A4.1, Sydney Buses' total expenses in 1999/00 are expected to increase by 11 per cent compared to 1998/99. This increase partly reflects:

- A combination of wage inflation and increases in diesel fuel price, which the STA projects to increase by 3.2 per cent for Sydney Buses during 1999/00.
- The introduction of services on new routes and increased frequency of services on existing routes. New services introduced throughout the year include the cross regional bus routes from Coogee to Leichhardt, Bondi to Sydney Airport and Circular Quay to Parramatta.<sup>60</sup>
- The purchase of the North and Western Buslines and the Ryde/ Parramatta service through 1999/00, which increased its operating costs by \$8.1m.

These increases were partially offset by efficiency savings of \$4.3m achieved by Sydney Buses during 1999/00. The STA indicates that the efficiency savings have been achieved mainly through:

- rebuilding rosters to make greater use of part-time employees
- out-sourcing non-driving duties that drivers used to do around the depot and eliminating some of these duties by introducing new computer software
- introducing multi-skilling in the maintenance areas.<sup>61</sup>

<sup>60</sup> State Transit Authority, submission to IPART, p 1.

<sup>61</sup> Mr John Stott, State Transit Authority, transcript of public hearing 5 May 2000, p 34.

The STA forecasts that operating expenses will increase by 5.2 per cent in 2000/01 to fund new routes and increased services. The STA also projects that Sydney Buses will achieve a further \$9.6 in efficiency savings in 2000/01 and 2001/02 through better use of on-street staff and customer coordinators, and by introducing new computer software to reduce administrative staff.<sup>62</sup> However, the remaining \$6.5m of savings recommended by SKM will not be achieved as a result of a Government directive to maintain the current employment conditions and entitlements.<sup>63</sup>

The STA has indicated that interest expenses for Sydney Buses are likely to increase substantially in 2000/01 and future years. This is because the Government has restricted additional funding for the STA and encouraged it to increase its commercial borrowings to fund its services. The STA estimates that interest expense will more than double between 1999/00 and 2000/01, increasing from \$4.5m to \$10.0m.

In 2000/01 Sydney Buses' costs will also change as a result of the new tax system, which is not incorporated in the 2000/01 costs in Table A4.1. Sydney Buses' total expenses will increase by 7.8 per cent, as a result of the removal of the indirect taxes and the introduction of the 10 per cent GST.

**Table A4.1 Sydney Buses' past and projected expenses (\$m)**

|                                        | 1998/99<br>Actual | 1999/00<br>Forecast | Increase<br>% | 2000/01<br>Forecast | Increase<br>% |
|----------------------------------------|-------------------|---------------------|---------------|---------------------|---------------|
| <b>EXPENSES</b>                        |                   |                     |               |                     |               |
| Labour costs                           | 180.5             | 202.3               | 12.1          | 209.9               | 3.8           |
| Fuel                                   | 22.8              | 24.7                | 8.3           | 26.7                | 8.1           |
| Marketing & administration             | 18.1              | 21.5                | 18.8          | 22.3                | 3.7           |
| Operations & maintenance               | 33.2              | 34.2                | 3.0           | 37.9                | 10.8          |
| Other operating expenses               | 23.7              | 26.8                | 13.1          | 28.7                | 7.1           |
| <b>Recurring operating expenditure</b> | <b>278.3</b>      | <b>309.5</b>        | <b>11.2</b>   | <b>325.5</b>        | <b>5.2</b>    |
| Depreciation                           | 21.1              | 22.7                | 7.6           | 24.3                | 7.0           |
| <b>Cost before financing expenses</b>  | <b>299.4</b>      | <b>332.2</b>        | <b>11.0</b>   | <b>349.8</b>        | <b>5.3</b>    |
| Interest                               | 3.8               | 4.5                 | 18.4          | 10                  | 122.2         |
| <b>TOTAL EXPENSES</b>                  | <b>303.2</b>      | <b>336.7</b>        | <b>11.0</b>   | <b>359.8</b>        | <b>6.9</b>    |

Source: STA financial information return.

Notes:

1. 2000/01 data is in 1999/00 dollars.
2. All other figures are in dollars of the day.
3. 2000/01 data excludes the effects of the new tax system on Sydney Buses' costs.

### Sydney Ferries' costs

Sydney Ferries' costs have increased significantly over the past few years resulting in lower levels of cost recovery. The STA projects that Sydney Ferries' costs will continue to increase in 2000/01.

<sup>62</sup> Mr John Stott, State Transit Authority, transcript of public hearing 5 May 2000, p 34.

<sup>63</sup> State Transit Authority, submission to IPART, p 3.

As indicated in Table A4.2, Sydney Ferries' total expenses in 1999/00 is expected to increase by 7.9 per cent compared to 1998/99. This increase partly reflects a combination of wage inflation and increases in diesel fuel price, which the STA projects to increase by 4.0 per cent for Sydney Ferries during 1999/00.

The other reason for the increase in costs from 1998/99 to 1999/00 is the introduction of services on new routes as well as increased frequency on existing routes. New services introduced throughout the year include ferries to Putney and Cabarita. Extra services were also provided between Rose Bay and Circular Quay to meet increased passenger demand.<sup>64</sup>

The STA forecasts that increased service provision will increase recurrent operating expenses by 1.8 per cent in 2000/01, as indicated in Table A4.2. The STA estimates that Sydney Ferries' interest expense will increase from \$1.2m in 1999/00 to \$1.3m in 2000/01.

In 2000/01 Sydney Ferries' costs will also change as a result of the new tax system, which is not incorporated in the 2000/01 costs in Table A4.2. The Tribunal expects that Sydney Ferries total expenses will increase by 1.54 per cent, as a result of the removal of the indirect taxes and the introduction of the 10 per cent GST.

**Table A4.2 Sydney Ferries' past and projected expenses (\$m)**

|                                        | 1998/99<br>Actual | 1999/00<br>Forecast | Increase<br>% | 2000/01<br>Forecast | Increase<br>% |
|----------------------------------------|-------------------|---------------------|---------------|---------------------|---------------|
| <b>EXPENSES</b>                        |                   |                     |               |                     |               |
| Labour costs                           | 27.5              | 29.8                | 8.4           | 30.5                | 2.3           |
| Fuel                                   | 6.9               | 6.9                 | 0.0           | 7.1                 | 2.9           |
| Marketing & administration             | 5.6               | 5.9                 | 5.4           | 5.9                 | 0.0           |
| Operations & maintenance               | 16.0              | 18.1                | 13.1          | 18.2                | 0.6           |
| Other operating expenses               | 1.2               | 1.0                 | -16.7         | 1.1                 | 10.0          |
| <b>Recurring operating expenses</b>    | <b>57.2</b>       | <b>61.7</b>         | <b>7.9</b>    | <b>62.8</b>         | <b>1.8</b>    |
| Depreciation                           | 7.5               | 6.8                 | -9.3          | 7.6                 | 11.8          |
| <b>Costs before financing expenses</b> | <b>64.7</b>       | <b>68.5</b>         | <b>5.9</b>    | <b>70.4</b>         | <b>2.8</b>    |
| Interest                               | 0.8               | 1.2                 | 50.0          | 1.3                 | 8.3           |
| <b>TOTAL EXPENSES</b>                  | <b>65.5</b>       | <b>69.7</b>         | <b>6.4</b>    | <b>71.7</b>         | <b>2.9</b>    |

Source: STA financial information return.

Notes:

1. 2000/01 data is in 1999/00 dollars.
2. All other figures are in dollars of the day.
3. 2000/01 data excludes the effects of the new tax system on Sydney Buses' costs.

<sup>64</sup> State Transit Authority, submission to IPART, Executive Summary.

## Newcastle Services' costs

Newcastle Services' costs have increased significantly over the past few years resulting in lower cost recovery levels. The STA projects that Newcastle Services' costs will continue to increase in 2000/01.

As indicated in Table A4.3, Newcastle Services' recurrent operating expenses in 1999/00 is expected to increase by 7.3 per cent compared to 1998/99. This increase partly reflects a combination of wage inflation and increases in diesel fuel price, which the STA projects to increase by 3.7 per cent for Newcastle Services during 1999/00. The STA also expects that operating expenses will increase by 3.7 per cent in 2000/01.

In 2000/01 the STA expects to achieve a further \$0.6m in efficiency savings, which explains the 1 per cent reduction in operating expenditure shown in Table A4.3.

In 2000/01 Newcastle Services' costs will also change as a result of the new tax system, which is not incorporated in the 2000/01 costs in Table A4.3. The Tribunal expects that Newcastle Services total expenses will increase by 2.2 per cent, as a result of the removal of the indirect taxes and the introduction of the 10 per cent GST.

**Table A4.3 Newcastle Services' past and projected expenses (\$m)**

|                                       | 1998/99<br>Actual | 1999/00<br>Forecast | Increase<br>% | 2000/01<br>Forecast | Increase<br>% |
|---------------------------------------|-------------------|---------------------|---------------|---------------------|---------------|
| <b>EXPENSES</b>                       |                   |                     |               |                     |               |
| Labour Costs                          | 20.2              | 21.9                | 8.4           | 21.4                | -2.3          |
| Fuel                                  | 2.7               | 2.6                 | -3.7          | 2.6                 | 0.0           |
| Marketing & administration            | 1.5               | 1.6                 | 6.7           | 1.6                 | 0.0           |
| Operations & maintenance              | 3.5               | 3.9                 | 11.4          | 4.1                 | 5.1           |
| Other operating expenses              | 0.9               | 0.9                 | 0.0           | 0.9                 | 0.0           |
| <b>Recurrent operating expenses</b>   | <b>28.8</b>       | <b>30.9</b>         | <b>7.3</b>    | <b>30.6</b>         | <b>-1.0</b>   |
| Depreciation                          | 2.2               | 2.3                 | 4.5           | 2.4                 | 4.3           |
| <b>Cost before financing expenses</b> | <b>31.0</b>       | <b>33.2</b>         | <b>7.1</b>    | <b>33.0</b>         | <b>-0.6</b>   |
| Interest                              | 0.3               | 0.3                 | 0.0           | 0.3                 | 0.0           |
| <b>TOTAL EXPENSES</b>                 | <b>31.3</b>       | <b>33.5</b>         | <b>7.0</b>    | <b>33.3</b>         | <b>-0.6</b>   |

Source: STA financial information return.

Note: 2000/01 data is in 1999/00 dollars. All other figures are in dollars of the day. 2000/01 data excludes the effects of the new tax system on Sydney Buses' costs.

The STA is subject to strong competition from private cars, taxis and other forms of public transport. The Tribunal believes that maintaining the STA's service standards is the best way to maintain the STA's ability to compete with these other forms of transport.

## Financial viability

- \* *the appropriate rate of return on public sector assets, including appropriate payment of dividends to the Government for the benefit of the people of NSW [S15(1)(c)]*
- \* *the impact on pricing policies of borrowing, capital and dividend requirements of the government agency concerned and, in particular, the impact of any need to renew or increase relevant assets [S15(1)(g)]*

## Sydney Buses

In 1999/00 farebox revenue contributed to \$188m of the \$336.7m costs of Sydney Buses' services. Sydney Buses makes operating losses each year and does not make a return on its assets, nor pay a financial dividend to the Government.

The Government will provide 40.1 per cent of Sydney Buses' revenue in 1999/00, down from 41.7 per cent in 1997/98 and 41.1 per cent in 1998/99. Despite the contribution from Government, Sydney Buses' is expected to make an operating loss of \$3.2m in 1999/00 compared to a loss of \$0.2m in 1998/99, as indicated in Table A4.4.

**Table A4.4 Sydney Buses' income and expenditure statement (\$m of the day)**

|                                        | 1997/98<br>Actual | Proportion<br>% | 1998/99<br>Actual | Proportion<br>% | 1999/00<br>Forecast | Proportion<br>% |
|----------------------------------------|-------------------|-----------------|-------------------|-----------------|---------------------|-----------------|
| <b>REVENUE</b>                         |                   |                 |                   |                 |                     |                 |
| Passenger revenue                      | 161               | 55.8            | 169.1             | 55.8            | 188                 | 56.4            |
| Revenue from Government                |                   |                 |                   |                 |                     |                 |
| - Concession contract                  | 96                | 33.3            | 99.4              | 32.8            | 104.4               | 31.3            |
| - Pricing CSO                          | 24.3              | 8.4             | 25.2              | 8.3             | 29.5                | 8.8             |
| Total                                  | 120.4             | 41.7            | 124.6             | 41.1            | 133.9               | 40.1            |
| Other Revenue                          | 7.1               | 2.5             | 9.3               | 3.1             | 11.6                | 3.5             |
| <b>TOTAL REVENUE</b>                   | <b>288.5</b>      | 100.0           | 303               | 100.0           | 333.5               | 100.0           |
| <b>EXPENSES</b>                        |                   |                 |                   |                 |                     |                 |
| Total operating expenses               | 261.9             | 92.4            | 278.3             | 91.7            | 309.5               | 92.0            |
| Depreciation                           | 20.6              | 7.3             | 21.1              | 7.0             | 22.7                | 6.7             |
| Interest                               | 1                 | 0.4             | 3.8               | 1.3             | 4.5                 | 1.3             |
| <b>TOTAL EXPENSES</b>                  | <b>283.5</b>      | 100.0           | 303.2             | 100.0           | 336.7               | 100.0           |
| <b>Profit before tax and abnormals</b> | 5.0               |                 | -0.2              |                 | -3.2                |                 |

Source: STA financial information return.

Note: All other figures are in dollars of the day.

## Sydney Ferries

In 1999/00 farebox revenue contributed to \$188m of the \$336.7m costs of Sydney Ferries' services. Sydney Ferries makes operating losses each year and does not make a return on its assets, nor pay a financial dividend to the Government.

The Government will contribute 39.5 per cent of Sydney Ferries' revenues in 1999/00, down from 41.9 per cent in 1997/98 and 42.0 per cent in 1998/99. Despite this contribution, Sydney Ferries' is expected to make an operating loss of \$7.5m in 1999/00 compared to a loss of \$7.6m in 1998/99, as indicated in Table A4.5.

**Table A4.5 Sydney Ferries' income and expenditure statement (\$m of the day)**

|                                            | 1997/98<br>Actual | Proportion<br>% | 1998/99<br>Actual | Proportion<br>% | 1999/00<br>Forecast | Proportion<br>% |
|--------------------------------------------|-------------------|-----------------|-------------------|-----------------|---------------------|-----------------|
| <b>REVENUE</b>                             |                   |                 |                   |                 |                     |                 |
| Passenger revenue                          | 32.3              | 57.4            | 33.3              | 57.5            | 37.4                | 60.1            |
| Revenue from Government                    |                   |                 |                   |                 |                     |                 |
| - Concession contract                      | 8.9               | 15.8            | 8.1               | 14.0            | 7.9                 | 12.7            |
| - Service contract revenue                 | 10.2              | 18.1            | 12.0              | 20.7            | 15.3                | 24.6            |
| - Pricing CSO                              | 4.5               | 8.0             | 4.3               | 7.4             | 1.3                 | 2.1             |
| Total                                      | 23.6              | 41.9            | 24.3              | 42.0            | 24.6                | 39.5            |
| Other revenue                              | 0.4               | 0.7             | 0.3               | 0.5             | 0.2                 | 0.3             |
| <b>TOTAL REVENUE</b>                       | <b>56.3</b>       | <b>100.0</b>    | <b>57.9</b>       | <b>100.0</b>    | <b>62.2</b>         | <b>100.0</b>    |
| <b>EXPENSES</b>                            |                   |                 |                   |                 |                     |                 |
| Total operating expenses                   | 51.8              | 85.6            | 57.2              | 87.3            | 61.7                | 88.5            |
| Depreciation                               | 8.1               | 13.4            | 7.5               | 11.5            | 6.8                 | 9.8             |
| Interest                                   | 0.6               | 1.0             | 0.8               | 1.2             | 1.2                 | 1.7             |
| <b>TOTAL EXPENSES</b>                      | <b>60.5</b>       | <b>100.0</b>    | <b>65.5</b>       | <b>100.0</b>    | <b>69.7</b>         | <b>100.0</b>    |
| <b>Profit before tax and<br/>abnormals</b> | <b>-4.2</b>       |                 | <b>-7.6</b>       |                 | <b>-7.5</b>         |                 |

Source: STA financial information return.

Note: All other figures are in dollars of the day.

## Newcastle Services

In 1999/00 farebox revenue contributed to \$6.5m of the \$35.5m costs of Newcastle Services. Newcastle Services makes operating losses each year and does not make a return on its assets, nor pay a financial dividend to the Government.

The Government will contribute 74.0 per cent of Newcastle Services' revenues in 1999/00, down from 70.8 per cent in 1997/98 and 72.7 per cent in 1998/99. Newcastle Services' is expected to make an operating loss of \$7.0m in 1999/00 compared to a loss of \$5.3m in 1998/99.

**Table A4.6 Newcastle Services' income and expenditure statement (\$m of the day)**

|                                       | 1997/98<br>Actual | Proportion<br>% | 1998/99<br>Actual | Proportion<br>% | 1999/00<br>Forecast | Proportion<br>% |
|---------------------------------------|-------------------|-----------------|-------------------|-----------------|---------------------|-----------------|
| <b>REVENUE</b>                        |                   |                 |                   |                 |                     |                 |
| Passenger revenue                     | 6.8               | 27.2            | 6.5               | 25.0            | 6.5                 | 24.5            |
| Revenue from Government               |                   |                 |                   |                 |                     |                 |
| Concession contract                   | 14.5              | 58.0            | 15.3              | 58.8            | 15.6                | 58.9            |
| Service contract revenue              | 2.0               | 8.0             | 2.3               | 8.8             | 3.0                 | 11.3            |
| Pricing CSO                           | 1.1               | 4.4             | 1.3               | 5.0             | 1.1                 | 4.2             |
| Total                                 | 17.7              | 70.8            | 18.9              | 72.7            | 19.6                | 74.0            |
| Other Revenue                         | 0.5               | 2.0             | 0.6               | 2.3             | 0.4                 | 1.5             |
| <b>TOTAL REVENUE</b>                  | <b>25.0</b>       | <b>100.0</b>    | <b>26.0</b>       | <b>100.0</b>    | <b>26.5</b>         | <b>100.0</b>    |
| <b>EXPENSES</b>                       |                   |                 |                   |                 |                     |                 |
| Total operating expenses              | 28.4              | 92.2            | 28.8              | 92.0            | 30.9                | 92.2            |
| Depreciation                          | 2.3               | 7.5             | 2.2               | 7.0             | 2.3                 | 6.9             |
| Interest                              | 0.1               | 0.3             | 0.3               | 1.0             | 0.3                 | 0.9             |
| <b>TOTAL EXPENSES</b>                 | <b>30.8</b>       | <b>100.0</b>    | <b>31.3</b>       | <b>100.0</b>    | <b>33.5</b>         | <b>100.0</b>    |
| <b>Profit before tax and abnormal</b> | <b>-5.8</b>       |                 | <b>-5.3</b>       |                 | <b>-7.0</b>         |                 |

Source: STA financial information return.

Note: All figures are in dollars of the day.

The Government continues to invest in new assets for the STA, including the purchase in 1999/00 of a private bus company, despite the STA's fares being too low to fund its recurrent operating costs. The Tribunal can see no reason why the Government will not continue to fund the STA's capital requirements following the determination of fares for 2000/01.

## Consumer protection

- \* *the protection of consumers from abuses of monopoly power in terms of price, pricing policies and standard of services [S15(1)(b)]*
- \* *the effect on general price inflation over the medium term [S15(1)(d)]*
- \* *the social impacts of the determinations and recommendations [S15(1)(k)]*
- \* *standards of quality, reliability and safety of the services concerned [S15(1)(l)]*

The Tribunal sets maximum prices to restrict the STA from using its monopoly power to charge prices above what the Tribunal considers is a reasonable, maximum contribution by passengers to the cost of the STA's bus and ferry services. The STA's service standards during 1999/00 are considered in detail in section 3.3.



Key service improvements during 1999/00 noted by the STA in its submission include the:

- acquisition of an additional 104 compressed natural gas and diesel buses resulting in an increase in fleet size to 1,861
- commencement of work on the \$100m upgrade package for Sydney Ferries, including the design and construction of the first of 12 new SuperCat ferries and the refurbishment of the Manly Ferry fleet
- delivery of the first 50 of 150 new ultra low floor, wheelchair accessible, air conditioned buses powered by compressed natural gas at a total project cost of \$60m
- introduction of new automatic ticketing and fare collection systems at Circular Quay at a total cost of \$7m.<sup>65</sup>

The STA notes other service improvements including:

- introducing security systems on all STA buses (the frequency of incidents has not declined, however, there has been a significant decline in the severity of each incident)<sup>66</sup>
- improved cleaning of buses (buses are cleaned daily before work, those that are working in the middle of the day and are working high frequency areas are cleaned again).<sup>67</sup>

The maximum fares in this determination will have a negligible impact on the general level of inflation.

Given the limited impact fare increases have on passengers numbers (considered below), the Tribunal believes there are no significant social impacts arising from the current determination.

## Environmental issues

- \* *the need to maintain ecologically sustainable development by appropriate pricing policies that take account of all the feasible options available to protect the environment [S15(1)(f)]*
- \* *considerations of demand management and least cost planning [S15(1)(j)]*

The Council of Social Service in NSW and the University of NSW Transport Program want the Tribunal to set fares based on the full costs and benefits of transport by alternative modes such train, bus and private cars.<sup>68</sup> This would include financial measures of the environmental and social costs and benefits of each mode.

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<sup>65</sup> State Transit Authority, submission to IPART, Executive Summary.

<sup>66</sup> Mr John Stott, State Transit Authority, transcript of public hearing 5 May 2000, p 28.

<sup>67</sup> Mr John Stott, State Transit Authority, transcript of public hearing 5 May 2000, p 29.

<sup>68</sup> Council of Social Service in New South Wales, submission to IPART, p 1. University of NSW Transport Program, submission to IPART, pp 3-6. See also the submission by Mr Philip Howell, p 2. Mr Howell has argued that the Tribunal should set fares to equalise the level of Government subsidy to travel by trains and private cars. The Tribunal agrees that it is appropriate to conduct research to analyse the comparative levels of subsidy between all modes. However, the question of whether this is a sound pricing policy should be debated when the Tribunal has completed and published further analysis on this issue.

There are external costs caused by most forms of urban transport. External costs of road transport include congestion, air pollution and noise pollution. External costs of rail travel include noise pollution, and air pollution from electricity generation. Transport pricing should encourage passengers to move towards the combination of transport modes which minimises total external costs.

The Tribunal believes that the proposed increase in fares in the current determination will not cause a significant shift away from bus and ferry travel. In March 1996 the Tribunal commissioned the Institute of Transport Studies to estimate the extent to which existing users of private or public transport respond to changes in public transport fares by altering their travel patterns. The main finding of this study was that price plays a relatively minor role in determining the choice of a particular mode of transport.

The STA supports this argument and notes that patronage has continued to increase in every year since 1993/94 despite price increases in each of these years.<sup>69</sup> The Tribunal will consider the relationship between price and patronage in more detail in its next determination.

The Tribunal is required under Section 16 of the *Independent Pricing and Regulatory Tribunal Act, 1992* to report on the likely annual cost to the Government if fares were not increased to the maximum permitted, and the STA were compensated from the Consolidated Fund for the revenue foregone. This determination will increase the STA's farebox revenue by \$19.4 million in 2000/01.

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<sup>69</sup> State Transit Authority submission to IPART, p 9.

## APPENDIX 5 TRANSPORT SERVICE STANDARD REGULATION

### Key features:

1. Regulation of service standards is typically formalised and increased when transport operators are privatised.
2. Regulation of service standards may include a passenger charter, performance standards, damages for breach, compensation to passengers (often by free tickets), public reporting of performance, mandatory community consultation, and links to fare regulation.
3. Government-owned operators typically report their performance to their Department of Transport. The Departments may conduct passenger surveys and random audits of service levels, and monitor resolution of complaints.
4. Tasmania (bus) and Western Australia (all modes) have publicly-owned transport operators subject to a passenger charter and public reporting. WA fines its Government train operator for late running.
5. A number of jurisdictions intend to require public operators to meet the performance standards current required of privatised operators.

| Jurisdiction                     | Regulatory arrangements                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Monitoring                                                                                                                                                                                                                                                                                                                                                                            | Enforcement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| UK: train; privatised franchises | <p>Franchise contracts monitored and enforced by Strategic Rail Authority (formerly OPRAF)</p> <p>Contracts specify minimum service levels (Passenger Service Requirements) which can be amended during term of contract with community consultation</p> <p>SRA (OPRAF) negotiates alternate service improvements where operators fail to meet service levels or other franchise requirements</p> <p>Passengers' Charter since 1992 (information, comfort, service levels, staff conduct, cleanliness, fares, crowding, safety, disabled access, complaints handling, ticketing)</p> <p>Operators consult with Rail Users Consultative Committees on timetables</p> | <p>OPRAF (and now SRA) publish performance data in quarterly bulletins</p> <p>Service standard performance reported against Passenger's Charter criteria (since 92)</p> <p>Grading table ranks performance (since Feb 99)</p> <p>SRA developing more passenger-focussed measures of performance</p> <p>Passenger satisfaction surveys every 6 months using prescribed methodology</p> | <p>Penalty payments by operators to SRA for :</p> <ul style="list-style-type: none"> <li>• failing to meet punctuality benchmarks (but payments to operators for exceeding benchmarks)</li> <li>• failing to have a train plan to deliver required capacity</li> <li>• unauthorised changes to timetables</li> </ul> <p>Free monthly tickets to passengers holding periodical tickets if late running exceeds monthly benchmarks</p> <p>Maximum fares capped at RPI (-1% since Jan 99), but variation of +/- 2% possible for 10 London commuter operators by reference to performance against service standards</p> <p>Govt intention in June 99 to create more demanding enforcement regime (no announcements since then)</p> |

| Jurisdiction                                                                                    | Regulatory arrangements                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Monitoring                                                                                                                                         | Enforcement                                                                                                                                                                                                                                                                 |
|-------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Victoria:</b><br/>train, tram and coach; privatised franchises</p>                        | <p>Franchise contracts for 7 to 15 years</p> <p>Monitored and enforced by Office of Director of Public Transport</p> <p>Franchise contracts specify minimum service levels (Passenger Service Requirement)</p> <p>Passengers' Charter (information, comfort, service levels, staff conduct, cleanliness, fares, crowding, safety, disabled access, complaints handling, ticketing)</p> <p>Passengers' Charter Committee to advise on development/implementation</p>                                                                                                                      | <p>Trackside computer monitoring</p> <p>Punctuality and reliability statistics published</p> <p>Independent customer satisfaction surveys</p>      | <p>Penalties for breach of service standards</p> <p>Penalties for exceeding benchmarks for total monthly late running</p> <p>Incentive bonuses for operators who exceed standards</p> <p>Compensation to passengers holding periodical tickets via free monthly tickets</p> |
| <p><b>Tasmania:</b><br/>Bus, major operator<br/>Govt run<br/>new private franchise operator</p> | <p>Major bus operator is a State Owned Corporation:</p> <ul style="list-style-type: none"> <li>• Customer Service Charter (punctuality, information, cleanliness, safety, comfort, ticketing, complaints handling)</li> <li>• Nonenforceable agreement to maintain services as per commencement of operations as a SOC</li> </ul> <p>New private bus operator in Devonport from Feb 2000:</p> <ul style="list-style-type: none"> <li>• Franchise agreement with performance standards</li> <li>• Obligation to establish a customer charter, community consultation committee</li> </ul> | <p>Quarterly self reporting of performance and complaints</p> <p>Private operator piloting smartcards: may use data for monitoring punctuality</p> | <p>Public reporting of performance against benchmarks and actions to address problems</p> <p>Liquidated damages in private operators' franchise contract</p>                                                                                                                |

| Jurisdiction                                                                 | Regulatory arrangements                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Monitoring                                                                                                                                                                                                                                                                                                                                                                                                               | Enforcement                                                                                                                                                                                                                                                                                                                                            |
|------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>South Aust:</b><br/>Bus services contracted out<br/>Train Govt run</p> | <p>Private contractors have been selected to operate bus services under 5 year contracts. Buses and Depots will be leased by the State and maintained by the contractors</p> <p>Bus operators' contracts specify a range of performance standards. There are no plans to introduce a passenger charter</p> <p>Trains remain a state owned corporation subject to performance monitoring re punctuality and patronage</p> <p>Government sets fares and retains all revenues</p> | <p>Passenger surveys, complaint line and reporting requirements in the contracts</p>                                                                                                                                                                                                                                                                                                                                     | <p>Bus contracts have liquidated damages clauses</p> <p>TransAdelaide is fined for late running by an amount equal to its total costs/day/trip on that day. A small, unspecified, proportion of its funding is linked to patronage numbers</p> <p>There are no plans for public reporting of performance for private or public transport operators</p> |
| <p><b>Western Aust:</b><br/>Buses franchised<br/>Train Govt run</p>          | <p>Franchise contracts (transport information, bus and ferry) monitored by Transperth, a branch of WA Dept of Transport</p> <p>Train service still government owned; Westrail</p> <p>Transperth has a Customer Service Charter (community consultation re services &amp; timetables, punctuality, safety, customer satisfaction, affordable fares, concessions, ticketing) covering all services</p> <p>Transperth consults with Customer Service Committee</p>                | <p>Franchises require self-reporting of performance</p> <p>Performance Monitoring Group within Transperth:</p> <ul style="list-style-type: none"> <li>• audits service quality</li> <li>• monitors private operators' quality, reports quarterly</li> <li>• conducts customer satisfaction surveys</li> </ul> <p>Westrail monitors own performance weekly and reports monthly to Transperth, but no public reporting</p> | <p>\$300 penalty for each breach of franchise service standard</p>                                                                                                                                                                                                                                                                                     |
| <p><b>NSW</b><br/>Buses, Govt run &amp; private<br/>Train, Govt run</p>      | <p>Train &amp; Bus: CSO contract with DoT requires self-reporting of performance</p> <p>Bus: bus contracts require minimum service levels for all operators</p>                                                                                                                                                                                                                                                                                                                | <p>CityRail monitors own performance, surveys passengers &amp; reports to DoT.</p> <p>Bus operators report breaches of contract requirements</p> <p>DoT audits bus performance</p>                                                                                                                                                                                                                                       | <p>Nil for CityRail</p> <p>Buses: action for breach of contract. Possible removal of bus operator accreditation</p>                                                                                                                                                                                                                                    |



INDEPENDENT PRICING AND REGULATORY TRIBUNAL  
OF NEW SOUTH WALES

DETERMINATION UNDER SECTION 11 (1) OF THE INDEPENDENT PRICING AND  
REGULATORY TRIBUNAL ACT, 1992

|                                      |                                                                                                                                                                                                                                                   |
|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Reference No.:</b>                | 00/6                                                                                                                                                                                                                                              |
| <b>Determination:</b>                | No 1, 2000                                                                                                                                                                                                                                        |
| <b>Government Agency:</b>            | State Rail Authority                                                                                                                                                                                                                              |
| <b>Government monopoly services:</b> | Railway passenger services (within the meaning of the <i>Passenger Transport Act, 1990</i> ) supplied under the name "CityRail" by the State Rail Authority, excluding services supplied in accordance with the ticket known as the "SydneyPass". |

*The Government monopoly services were declared by the Independent Pricing and Regulatory Tribunal (Passenger Transport Services) Order 1998, made on 24 February 1998 and published in Gazette No. 38 dated 27 February 1998 at page 1015.*

**The following are the maximum prices (to commence from 1 July 2000) determined by the Tribunal for the Government monopoly services set out above.**

*1. All standard CityRail passenger rail services*

The price of any type of rail ticket for a given distance band must not exceed the price, for that distance band, of that type of ticket as set out in the attached Pricing Schedule which forms part of this Determination.

*2. CityHopper Tickets*

The price of a CityHopper ticket must not exceed the price of the appropriate standard return ticket (peak or off-peak) to the City plus an additional sum of \$3.60 for unlimited bus and rail travel in the City area.

*3. DayRover Tickets*

The price of a DayRover ticket must not exceed \$22 for a ticket purchased during the morning peak period or \$17.60 for a ticket purchased outside that period.

*4. RailRover Tickets*

The price of a RailRover ticket for all day travel on the CityRail CityMet network must not exceed \$12.10 for a ticket purchased during the morning peak period or \$7.70 for a ticket purchased outside that period.

### *5. Flexipass Tickets*

The price of a Flexipass ticket for a given distance band must not exceed the fare calculated by multiplying the weekly ticket price for the same distance band by the appropriate multiplier. The multiplier for calculating the appropriate Flexipass fare must be determined by the following formula (the value calculated then being rounded off to the nearest whole dollar).

$$P_N = R * (3.66 + K * x - L * y)$$

where:

$$\begin{aligned} P_N &= \text{Fare price (before rounding off)} \\ R &= \text{Weekly ticket price for the relevant distance band} \\ N &= \text{Number of days of validity (from 28 to 366)} \\ x &= N - 28 \\ y &= N - 90; \text{ for } N > 90 \\ &= 0; \text{ for } N \leq 90 \\ K &= 0.12 \\ L &= 0.011 \end{aligned}$$

### *6. Olympic Park Tickets*

The price of a ticket to Olympic Park Station must not exceed the price of the appropriate ticket for the distance from the station of origin to Strathfield or Lidcombe (whichever is shortest) plus an additional sum of \$1.40 for a single journey or \$2.80 for a return journey.

### *7. New or additional charges*

All other prices or charges for railway passenger services provided by CityRail not specifically referred to in this Determination must remain at 1999/00 levels. The State Rail Authority must not levy any new or additional charges for the Government monopoly services supplied under the name "CityRail", other than in accordance with this Determination or with the approval of the Tribunal pursuant to any future Determination.

Thomas G Parry  
*Chairman*  
23 June 2000

## CITYRAIL PRICING SCHEDULE

This Pricing Schedule forms part of Determination No. 1 of 2000 made by the Tribunal under section 11(1) of the *Independent Pricing and Regulatory Tribunal Act, 1992*.

### Maximum prices for CityRail railway passenger services from 1 July 2000

| Distance<br>km | Single<br>\$ | Half Single<br>\$ | Return<br>\$ | Half Return<br>\$ | Weekly<br>\$ | Off-peak<br>\$ |
|----------------|--------------|-------------------|--------------|-------------------|--------------|----------------|
| 5.00           | 2.20         | 1.10              | 4.40         | 2.20              | 16.40        | 2.60           |
| 10.00          | 2.40         | 1.20              | 4.80         | 2.40              | 19.80        | 2.80           |
| 15.00          | 2.80         | 1.40              | 5.60         | 2.80              | 22.00        | 3.20           |
| 20.00          | 3.20         | 1.60              | 6.40         | 3.20              | 26.00        | 3.80           |
| 25.00          | 3.40         | 1.70              | 6.80         | 3.40              | 27.00        | 4.00           |
| 30.00          | 3.80         | 1.90              | 7.60         | 3.80              | 29.00        | 4.40           |
| 35.00          | 4.00         | 2.00              | 8.00         | 4.00              | 31.00        | 4.60           |
| 45.00          | 4.80         | 2.40              | 9.60         | 4.80              | 35.00        | 5.60           |
| 55.00          | 5.60         | 2.80              | 11.20        | 5.60              | 38.00        | 6.60           |
| 65.00          | 6.40         | 3.20              | 12.80        | 6.40              | 41.00        | 7.40           |
| 75.00          | 7.60         | 3.80              | 15.20        | 7.60              | 44.00        | 8.80           |
| 85.00          | 8.40         | 4.20              | 16.80        | 8.40              | 47.00        | 9.80           |
| 95.00          | 9.40         | 4.70              | 18.80        | 9.40              | 49.00        | 11.00          |
| 105.00         | 9.80         | 4.90              | 19.60        | 9.80              | 51.00        | 11.40          |
| 115.00         | 11.00        | 5.50              | 22.00        | 11.00             | 53.00        | 12.80          |
| 125.00         | 12.40        | 6.20              | 24.80        | 12.40             | 56.00        | 14.60          |
| 135.00         | 12.60        | 6.30              | 25.20        | 12.60             | 62.00        | 14.80          |
| 155.00         | 14.60        | 7.30              | 29.20        | 14.60             | 67.00        | 17.00          |
| 175.00         | 16.60        | 8.30              | 33.20        | 16.60             | 69.00        | 19.40          |
| 195.00         | 19.80        | 9.90              | 39.60        | 19.80             | 79.00        | 23.00          |
| 215.00         | 21.00        | 10.50             | 42.00        | 21.00             |              | 25.00          |
| 235.00         | 24.00        | 12.00             | 48.00        | 24.00             |              | 28.00          |
| 255.00         | 25.00        | 12.50             | 50.00        | 25.00             |              | 29.00          |
| 305.00         | 27.00        | 13.50             | 54.00        | 27.00             |              | 32.00          |
| 305+           | 29.00        | 14.50             | 58.00        | 29.00             |              | 34.00          |

|                   |           |                       |           |
|-------------------|-----------|-----------------------|-----------|
| <b>Travelpass</b> | <b>\$</b> | <b>Child Off-Peak</b> | <b>\$</b> |
| Red               | 28.00     | Sydney Suburban       | 2.20      |
| Green             | 36.00     | Newcastle Suburban    | 2.20      |
| Yellow            | 39.00     | Outer Metropolitan    | 3.30      |
| Pink              | 42.00     | CityRail              | 5.50      |
| Brown             | 48.00     |                       |           |
| Purple            | 56.00     |                       |           |

#### Notes:

1. Quarterly TravelPass = 11 x weekly fare.
2. Yearly TravelPass = 40 x weekly fare.
3. Children over 4 years and under 16 years are eligible for the Child Off-Peak fare.
4. Eligibility for half fare tickets is as specified by the State Rail Authority from time to time. Details are available from the State Rail Authority and at <http://www.cityrail.nsw.gov.au/tickets/specialfares.htm>.
5. Off-peak tickets are available after 9am on weekdays and all day on weekends and public holidays.
6. Boundaries of the Child Off-Peak zones are as specified by the State Rail Authority from time to time.





INDEPENDENT PRICING AND REGULATORY TRIBUNAL  
OF NEW SOUTH WALES

DETERMINATION UNDER SECTION 11 (1) OF THE INDEPENDENT PRICING AND  
REGULATORY TRIBUNAL ACT, 1992

|                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|--------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Reference No.:</b>                | 00/4                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Determination:</b>                | No 2, 2000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Government agency:</b>            | State Transit Authority                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Government monopoly services:</b> | Regular passenger services (within the meaning of the <i>Passenger Transport Act, 1990</i> ) supplied by the State Transit Authority, excluding the following: <ul style="list-style-type: none"><li>a) services supplied in relation to the ticket known as the "SydneyPass",</li><li>b) the bus service known as the "Airport Express",</li><li>c) the bus service known as the "Sydney Explorer", the bus service known as the "Bondi &amp; Bay Explorer" and any other similar bus services operating in any other areas.</li></ul> |

*The Government monopoly services were declared by the Independent Pricing and Regulatory Tribunal (Passenger Transport Services) Order 1998, made on 24 February 1998 and published in Gazette No. 38 dated 27 February 1998 at page 1015.*

**The following are the maximum prices (to commence from 1 July 2000) determined by the Tribunal for the Government monopoly services set out above**

*1. All standard State Transit Authority Sydney Buses services*

The price of any State Transit Authority Sydney Buses ticket must not exceed the price set out for that type of ticket in Table 1 of the attached Price Schedule which forms part of this Determination.

*2. CityHopper Ticket*

The price of a CityHopper ticket must not exceed the price of the appropriate standard return ticket (peak or off-peak) to the City plus an additional sum of \$3.60 for unlimited bus and rail travel in the city area.

*3. DayRover Tickets*

The price of a DayRover ticket must not exceed \$22 for a ticket purchased during the morning peak period or \$17.60 for a ticket purchased outside that period.

*4. Sports special return bus ticket*

The price of a sports special return bus ticket must not exceed \$4.10.

*5. School term pass*

The price of a school term pass must not exceed \$36.00 per school term.

*6. All State Transit Authority ferry services*

The price of any type of State Transit Authority ferry ticket must not exceed the price set out for that type of ticket in Table 2 of the attached Price Schedule which forms part of this Determination.

*7. Newcastle bus services*

The price of any State Transit Authority Newcastle bus ticket must not exceed the price set out for that type of ticket in Table 3 of the attached Price Schedule which forms part of this Determination.

*8. New or additional charges*

All other prices or charges for scheduled passenger transport services provided by the State Transit Authority must remain at 1999/00 levels. The State Transit Authority must not levy any new or additional charges for the Government monopoly services supplied by the State Transit Authority other than in accordance with this Determination, or with the approval of the Tribunal pursuant to any future Determination.

*Thomas G Parry*

*Chairman*

23 June 2000

# STATE TRANSIT AUTHORITY PRICING SCHEDULE

This Pricing Schedule forms part of Determination No. 2 of 2000 made by the Tribunal under section 11(1) of the *Independent Pricing and Regulatory Tribunal Act, 1992*.

**Table 1 Maximum prices for STA Sydney Buses services from 1 July 2000**

| <b>SYDNEY BUSES FARES</b>                           | <b>\$ Maximum Price</b> |
|-----------------------------------------------------|-------------------------|
| <b>Single ride fares</b>                            |                         |
| 1-2 Sections                                        | 1.40                    |
| 3-5 Sections                                        | 2.50                    |
| 6-9 Sections                                        | 3.10                    |
| 10-15 Sections                                      | 3.70                    |
| 16+ Sections                                        | 4.40                    |
| <b>TravelTen</b>                                    |                         |
| Blue: 1-2 Sections                                  | 10.40                   |
| Brown: 3-5 Sections                                 | 17.60                   |
| Red: 6-9 Sections                                   | 22.00                   |
| Green: 10-15 Sections                               | 29.50                   |
| Orange: 16+ Sections                                | 37.00                   |
| <b>TravelPass – Bus and Ferry</b>                   |                         |
| Blue                                                | 25.00                   |
| Orange                                              | 31.00                   |
| 2 Zone                                              | 25.00                   |
| Pittwater                                           | 44.00                   |
| <b>TravelPass<sup>1,2</sup> Bus, Ferry and Rail</b> |                         |
| Red                                                 | 28.00                   |
| Green                                               | 36.00                   |
| Yellow                                              | 39.00                   |
| Pink                                                | 42.00                   |
| Brown                                               | 48.00                   |
| Purple                                              | 56.00                   |
| <b>Bus Tripper</b>                                  | 9.00                    |
| <b>DayPass (Bus and Ferry Daily)</b>                | 13.00                   |

Notes:

1. Quarterly TravelPass = 11 x weekly fare.
2. Yearly TravelPass = 40 x weekly fare.

**Table 2 Maximum prices for STA ferry services from 1 July 2000**

| <b>FERRY FARES</b>            | <b>\$ Maximum Price</b> |
|-------------------------------|-------------------------|
| <b>Single</b>                 |                         |
| Inner Harbour Zone 1          | 4.00                    |
| Inner Harbour Zone 2          | 4.20                    |
| Manly / Rydalmere             | 5.00                    |
| Manly Jetcat                  | 6.30                    |
| Parramatta                    | 6.10                    |
| Stockton                      | 1.70                    |
| Stockton ferry (daily ticket) | 7.00                    |
| <b>FerryTen</b>               |                         |
| Inner Harbour Zone 1          | 25.30                   |
| Inner Harbour Zone 2          | 27.50                   |
| Manly / Rydalmere             | 37.40                   |
| Manly Jetcat                  | 52.00                   |
| Parramatta                    | 42.90                   |

**Table 3 Maximum prices for STA Newcastle bus services from 1 July 2000**

| <b>NEWCASTLE FARES</b>          |                           |
|---------------------------------|---------------------------|
| <b>Time</b>                     | <b>Maximum Price (\$)</b> |
| 1 Hour                          | 2.40                      |
| 4 Hours                         | 4.60                      |
| TimeTen 1 Hour                  | 19.00                     |
| All day                         | 7.00                      |
| <b>TravelPass<sup>1,2</sup></b> |                           |
| Orange                          | 31.00                     |
| Yellow                          | 39.00                     |
| Pink                            | 42.00                     |

Notes:

1. Quarterly TravelPass = 11 x weekly fare.
2. Yearly TravelPass = 40 x weekly fare.