

CITYRAIL AND STA BUSES AND FERRIES

PUBLIC TRANSPORT FARES

from 1 July 2001

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

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EXECUTIVE SUMMARY

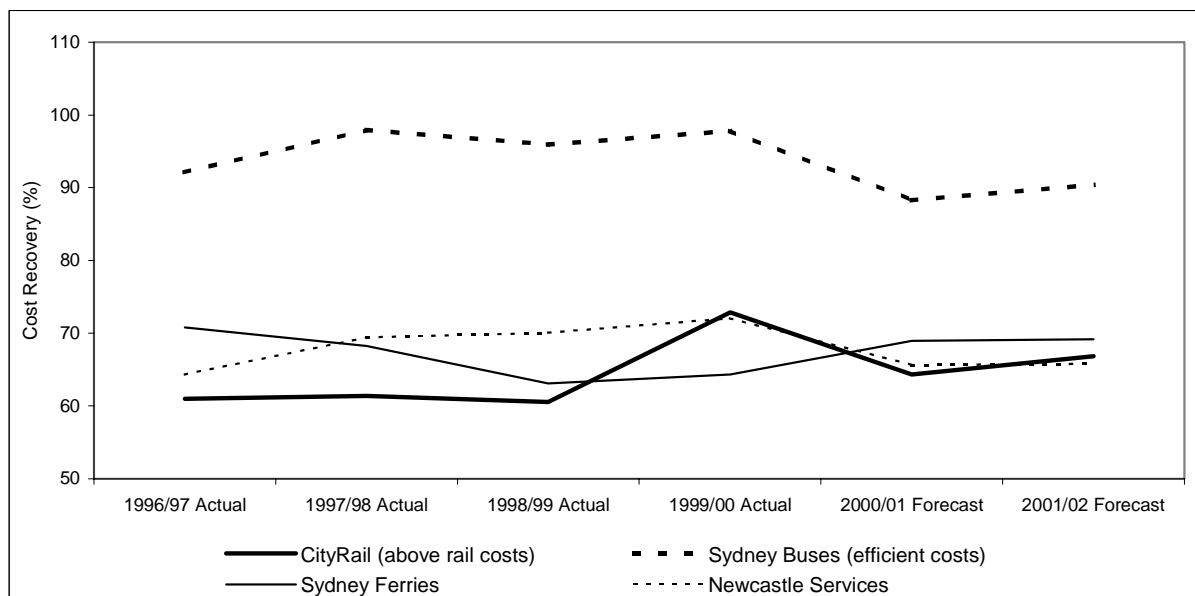
The Tribunal has determined that passenger fares for State Transit Authority (STA) will increase by a weighted average of 4.8 per cent for Sydney Buses, 5.0 per cent for Sydney Ferries and 3.7 per cent for Newcastle Services in 2001/02. CityRail fares will increase by a weighted average of 3.3 per cent in 2001/02, which is consistent with State Rail Authority's (SRA's) submission to the Tribunal. In determining passenger fare increases for all services, the Tribunal has considered, amongst other matters, cost increases, the cost recovery position and service quality outcomes of each of the business units.

The Tribunal notes that the Minister for Transport has stated that any fare increase granted by the Tribunal for Sydney Ferries will not come into effect until he is satisfied that Sydney Ferries' performance improves.

The figure below shows the recovery of operating costs through fares. In general, cost recovery does not seem to have improved greatly in recent years. It indicates that Sydney Buses is closest to recovering its operating costs. CityRail's cost recovery improved up to 1999/00, however recent cost increases have seen cost recovery fall to 64 per cent in 2000/01. Cost recovery is expected to increase to 67 per cent in 2001/02.

Sydney Buses' cost recovery has fallen sharply in 2000/01, however it is expected to increase to 90 per cent in 2001/02. Sydney Ferries' cost recovery has stabilised following cost increases over recent years. Its cost recovery is expected to remain at 69 per cent in 2001/02. Newcastle Services' cost recovery, having fallen in 2000/01, is expected to remain at 66 per cent in 2001/02.¹

Operating cost recovery, 1996/97 – 2001/02



¹ Cost recovery figures are measured as farebox revenue over the operating cost base. For each of the operators, the cost base is taken to include depreciation and interest. For CityRail, the figure excludes access fees. For Sydney Buses, the cost base excludes previously identified efficiency savings. Efficiency studies have not been conducted for CityRail, Sydney Ferries or Newcastle Services.

The new CityRail fares will increase SRA's farebox revenue by 3.0 per cent or \$13.4m in 2001/02. The new fares for Sydney Buses, Sydney Ferries and Newcastle Services will increase STA's farebox revenue by \$9.7m.

Increases to main fare categories for each transport operator resulting from this determination are as follows:

For CityRail

Cash Fares

- *adult single* fares will increase by up to 8.3 per cent (up to 20 cents)
- *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 1.19 times the equivalent adult single fare
- *child off peak* fares will increase by 10 cents.

Periodical fares

- *rail weekly* fares will increase by up to 4.5 per cent (an increase of up to \$2.00)
- *weekly TravelPass* fares will increase by between \$1.00 and \$2.00, the equivalent of between 10 and 20 cents per trip for a ticket used 10 times
- *28-day and upwards periodical rail* fares (Flexipass) will increase by an amount corresponding to the increase in weekly tickets for that distance band.

For Sydney Buses

- *adult single journey bus* fares will increase by between 10 cents and 20 cents per journey
- *adultTravelTen* bus fares will increase by between 60 cents and \$2.00, equivalent to between 6 and 20 cents per journey
- *adult weekly TravelPasses* will increase by between \$1.00 and \$2.00, equivalent to between 10 and 20 cents per journey for a ticket used 10 times
- *half* fares will be set at half the corresponding adult fare, rounded down to the nearest 10 cents.

For Sydney Ferries

- *adult inner zone single ferry* fares will increase by 20 cents per journey
- *Rydalmere and Manly adult single ferry* fares will increase by 30 cents per journey
- *the Parramatta adult single ferry* fare will increase by 20 cents per journey
- *Manly JetCat/SuperCat adult single* fares will increase by 30 cents per journey and by \$2.70 for a FerryTen ticket
- *adult FerryTen* tickets on other services will increase by between \$1.00 and \$1.70, an average of 10 to 17 cents per journey for a ticket used 10 times
- *half* fares will be set at half the corresponding adult fare, rounded down to the nearest 10 cents.

For Newcastle Buses and Ferries

- *adult one-hour single time based fares will increase by 10 cents*
- *adult four-hour and daily single fares will increase by 20 cents and 40 cents respectively*
- *adult TimeTen fares will rise by \$1.60*
- *adult orange, yellow and pink Newcastle TravelPasses will increase by \$2.00*
- *adult single Stockton ferry fares will increase by 10 cents*
- *half fares will be set at half the corresponding adult fare, rounded down to the nearest 10 cents.*

1 INTRODUCTION

The Independent Pricing and Regulatory Tribunal of New South Wales (the Tribunal) regulates the prices that State Rail Authority (SRA) can charge for its CityRail train services, and State Transit Authority (STA) can charge for monopoly aspects of its Sydney Buses, Sydney Ferries and Newcastle bus and ferry services.

As part of the review process, the Tribunal received separate submissions from SRA and STA. In its submission, SRA sought a price increase of 3.3 per cent in 2001/02, and included a draft customer charter. SRA recognised that its recent on time running performance had generally fallen short of its 92 per cent target.

STA sought fare increases from 1 July 2001 of 9.5 per cent for Sydney Buses, 11.2 per cent for Sydney Ferries and 9.3 per cent for Newcastle Services. It stated that the increases were required taking into account the funding framework within which it operates, the services it provides, the relationship between farebox revenue and efficient costs, and the characteristics of the market it serves. For Sydney Buses, a four year price path was proposed to recover efficient costs and provide for the long term replacement of assets. Over this period, nominal fares would increase by over 24 per cent.

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

Under this determination:

- **CityRail fares are to increase by a weighted average of 3.3 per cent**
- **Sydney Buses fares are to increase by a weighted average of 4.8 per cent**
- **Sydney Ferries fares are to increase by a weighted average of 5.0 per cent**
- **Newcastle Services fares are to increase by a weighted average of 3.7 per cent.**

The fare increases take into account recent cost increases each agency has experienced and consideration of service quality outcomes.

The Tribunal notes that the Minister for Transport has stated that any fare increase granted by the Tribunal for Sydney Ferries will not come into effect until he is satisfied that service standards for the ferries improve.

The full determinations for SRA and STA, which list maximum prices for every fare, are attached. The rest of this report discusses the main issues considered by the Tribunal, including cost recovery, service standards, maximum prices and requirements under section 15 of the Act.

2 COST RECOVERY

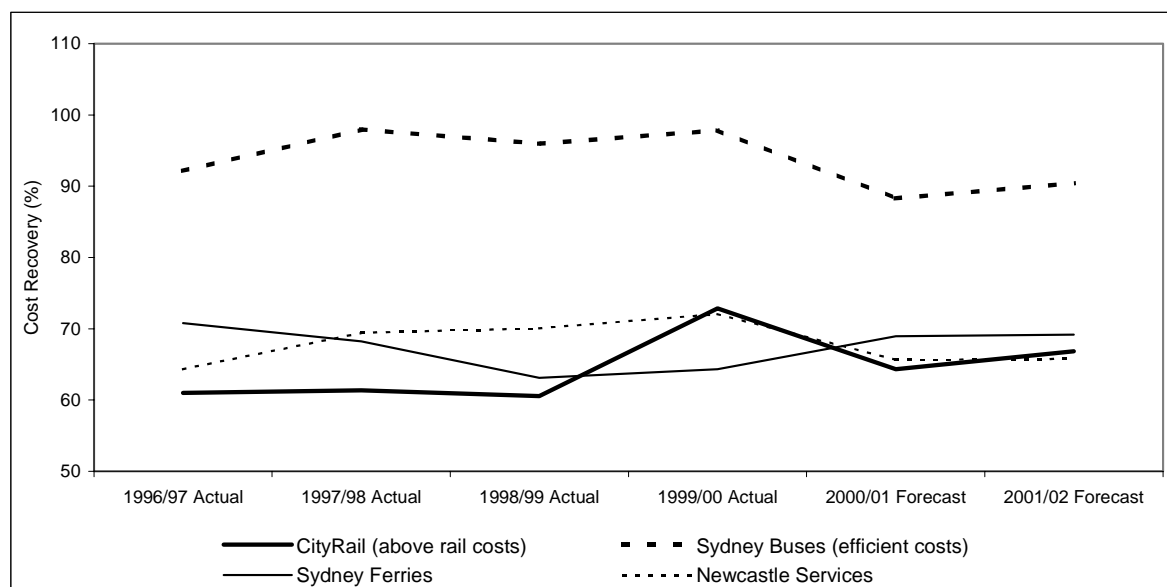
The cost recovery level of each public transport service providers is one of the key issues the Tribunal examined in making this determination. All four service providers experienced cost increases between 1999/00 and 2000/01 which has limited the improvements in cost recovery levels.² To reflect these cost increases, and enable the agencies to maintain or improve their cost recovery levels in 2001/02, the Tribunal has determined the following:

- for CityRail, average fares will increase by 3.3 per cent, allowing it to increase its cost recovery of above rail costs from 64 per cent in 2000/01 to 67 per cent in 2001/02
- for Sydney Buses, average fares will increase by 4.8 per cent. This will enable Sydney Buses to recover 90 per cent of its efficient costs in 2001/02, compared with 88 per cent in 2000/01
- for Sydney Ferries, average fares will increase by 5.0 per cent, enabling it to maintain its cost recovery at 69 per cent
- for Newcastle Services, average fares will increase by 3.7 per cent, enabling it to maintain its cost recovery at 66 per cent.

2.1 Current levels of cost recovery

The following figure shows the cost recovery levels of each of the public transport providers since 1996/97. The cost base for each operator is taken to include depreciation and interest costs. For CityRail it excludes access fees.³ For Sydney Buses the cost base excludes a number of previously identified efficiency savings. Efficiency studies for CityRail, Sydney Ferries and Newcastle Services have not been conducted.

Figure 2.1 Operating cost recovery, 1996/97 – 2001/02



² STA and SRA argue that the cost increases are largely associated with service improvements.

³ Since 1996/97, the Rail Access Corporation has charged CityRail an annual access fee for control and maintenance of below rail infrastructure.

Cost recovery for CityRail and Sydney Buses has displayed a similar trend, with cost recovery having risen up to 1999/00, being forecast to fall in 2000/01, and then slightly improve going forward. By contrast Sydney Ferries' cost recovery has declined to 1998/99, and is forecast to improve in 2000/01, with this cost recovery level being maintained in 2001/02. In general, cost recovery does not seem to have improved greatly in recent years.

2.2 CityRail

In 2000/01, the Tribunal allowed CityRail fares to be adjusted by the net impact of the Goods and Services Tax (9.2 per cent), however, due to the rounding of individual fares, the average fare increase was 8.0 per cent. At the time of the last determination, it was projected that recovery of CityRail above rail costs would improve to 72 per cent for 2000/01. Costs increasing faster than previously expected have meant that cost recovery for that period is now forecast to be only 64 per cent.

In 2001/02, the Tribunal has determined that average fares charged by CityRail should increase by 3.3 per cent, in line with SRA's submission. Above rail cost recovery is projected to be 67 per cent in 2001/02.

Table 2.1 shows the level of cost recovery of above rail costs since 1996/97 for each of CityRail's operating segments. Cost recovery has fluctuated over the period. The cost recovery figures for each segment are only approximate, owing to the difficulty of allocating costs and revenues appropriately.

Table 2.1 Recovery of CityRail's above rail costs 1996/97 – 2001/02

Operating Segment	Cost recovery of above rail costs(%)					
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
CityMet	Actual	Actual	Actual	Actual	Forecast	Forecast
North	75	72	71	85	76	79
West	75	70	70	83	74	77
South	62	61	60	72	64	66
Illawarra	87	83	78	97	85	89
Total CityMet	72	70	68	82	72	75
Outer Suburban	34	37	38	45	39	41
Regional	51	26	25	32	26	28
Total CityRail	62	61	61	73	64	67

Notes:

1. Revenues include revenue from the farebox, concession, other rail entities and other non government sources.
2. Total above rail costs include the total costs of CityRail shown in Table A2.1 in Attachment 2, less CityRail's annual access fee.

2.2.1 Increases in CityRail's costs since 1996/97

In previous determinations the Tribunal has been critical of the quality of SRA's financial information, querying the quantum of CityRail's overall costs and casting doubt on how accurately SRA has isolated the costs of CityRail services within its total costs.

In order to gain a consistent set of financial information for CityRail, the Tribunal in its last determination stated that it would work with SRA to develop ring fenced regulatory accounts for CityRail services. This process has now taken place and SRA has been able to present to the Tribunal ring fenced accounts for CityRail services. External auditors appointed by SRA have reviewed CityRail's ring fenced accounts, and found the accounts to be accurate.

Further work will be undertaken by the Tribunal in conjunction with SRA to improve the quality of information provided. This will ensure a higher degree of accuracy and consistency in the financial information used in future determinations.

The Tribunal notes that a contributing factor to CityRail's declining cost recovery performance in 2000/01 has been an increase in staff numbers and associated labour costs. SRA has informed the Tribunal that this in part reflects SRA's decision to target higher service levels for customers. Due to this, additional staff, including those hired during the Olympics period, have been appointed by SRA.

As presented in attachment 2, labour costs are forecast to increase significantly in 2000/01. Labour costs are expected to increase by around \$98.2m to \$636.4m, a nominal increase of 18.2 per cent (or a real increase of 12.4 per cent based on SRA's figures). At last year's determination, SRA had forecast labour costs of \$559.8m in 2000/01. Notwithstanding SRA's approach to targeting higher service levels for customers, this degree of change within the last 12 months is significant and is an area with which the Tribunal has some concern with. The Tribunal notes that SRA forecasts that labour costs will fall to \$610.0m in 2001/02.

The Tribunal also notes that 'other operating expenses' have increased over recent years, and that forecast figures presented during this determination have increased over those presented previously.

Other operating expenses (defined as major periodic maintenance plus other operating in Table A2.1) have increased from \$271.7m in 1996/97 to a forecast figure of \$302.3m in 2000/01, a nominal increase of 11.3 per cent (or a real increase of 1.6 per cent based on SRA figures). During last year's determination, SRA had forecast other operating expenses to fall from \$297.9m in 1999/00 to \$264.4m in 2000/01. The changed forecast from \$264.4m to \$302.3m is significant. SRA have indicated that the increase in expenditure was Olympic related. Nonetheless, SRA still forecast other operating expenses to rise to \$314.6m in 2001/02. SRA argue that this increase is associated with increased major periodic maintenance on rollingstock to improve services.

The Tribunal will consider further SRA's control of costs, particularly labour costs and other operating expenses, in future determinations. In the case of labour costs, the Tribunal would expect to see evidence presented that the additional expenditure will produce a measurable improvement in service standards for customers.

2.3 Sydney Buses

The Tribunal has increased maximum fares in 2001/02 to allow Sydney Buses to improve its recovery of estimated efficient costs and to reflect ongoing service improvements through the purchase of new buses. The Tribunal has calculated cost recovery by updating and deducting the efficiency gains identified in 1997 from the cost base (which includes

depreciation and interest).⁴ The 4.8 per cent fare rise will increase Sydney Buses' fare revenue by \$7.8m.

STA had requested a medium term price path for Sydney Buses that would recover efficient costs and provide for asset replacement. STA submits that it is committed to implementing the Sydney Buses' reforms identified in the 1997/98 efficiency review, and achieving the identified savings. However, STA notes that \$6.4m of the identified savings of \$20m will not be achieved due to Government support for the maintenance of current employment conditions and entitlements. At the end of November 2000, the total value of reforms implemented was \$7.7m. STA states that it is confident that strategies will be implemented by 30 June 2001 to secure an overall \$13.6m in achievable savings.⁵

STA estimates that the efficient fare (average) in 2000/01 is \$1.90. If the \$6.4m of previously targeted savings was achieved, then STA's efficient fare would reduce to \$1.86. STA's actual average fare in 2000/01 is \$1.50. STA argues that these savings do not represent inefficiencies and notes that the conditions and entitlements represented by the \$6.4m are becoming industry standard throughout Australia.

Figure 2.2 shows that cost recovery will decline significantly between 1999/00 and 2000/01, as cost increases have outweighed increases in revenues. While cost recovery is then forecast to improve in 2001/02, it will still be well below 1999/00 levels.

Sydney Buses' declining cost recovery result in 2000/01 is largely due to increased costs. Figure A3.1 and Table A3.1 in attachment 3 indicate that labour costs⁶, and particularly labour oncosts, increased significantly between 1999/00 and 2000/01. Total labour costs increased from \$179.2m to \$207.9m, or 16 per cent. In addition, operations and maintenance expenditure increased by 17 per cent to \$40.6m, and depreciation by 26 per cent to \$27.8m.

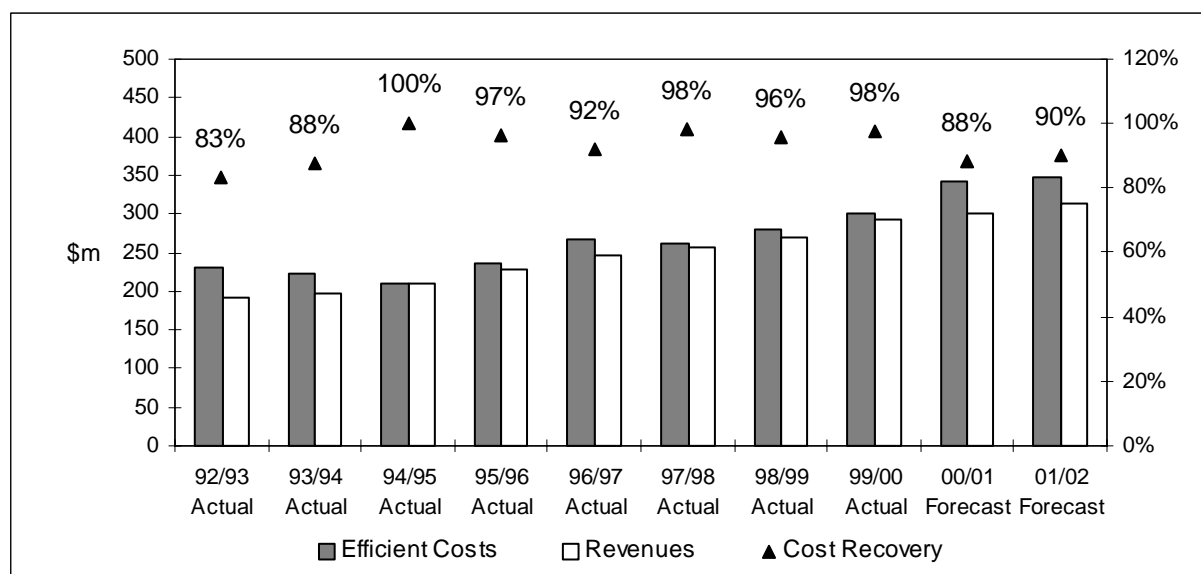
STA argues that the increased costs are largely associated with improved service levels, such as the introduction of new routes and CCTC surveillance equipment. STA also attributes the increase in labour oncosts to fluctuations in actuarial analysis of superannuation liabilities. STA argues that this change distorts the movement in Sydney Buses' controllable costs. In relation to depreciation, STA has indicated that the increase is due to acquisition of the North & Western and Riverside buslines and the high levels of capital expenditure over recent years. Further, the depreciation figures include amortisation of route rights acquired through these busline purchases.

⁴ The Tribunal had previously engaged consultants Sinclair Knight Mertz, in association with Coopers and Lybrand, to determine the efficient operating cost level for Sydney Buses. The consultants advised that Sydney Buses could save \$20.4m per annum over 3 years.

⁵ State Transit Authority submission, February 2001, pp 13-14.

⁶ Labour costs is defined as direct salary and wage costs plus labour oncosts.

Figure 2.2 Sydney Buses' recovery of efficient costs



The movement in dollars mask changes in underlying physical measures. For example, bus kilometres travelled by Sydney Buses has increased by 17.8 per cent from 1996/97 to 2000/01 compared with an 11.4 per cent increase in full time equivalent staff.⁷ STA believes that this reduction in staff per km is one indication of improved efficiency in Sydney Buses and this supports its case for an efficient fare claim. While bus kilometres has increased significantly, there has not been a corresponding increase in boardings (patronage). Over the same period boardings have only increased by 8.5 per cent, indicating that staff per passenger has increased from 1996/97 to 2000/01. STA notes that it takes time to attract new patrons and the increased bus kilometres impact on boardings is yet to occur.

The Tribunal supports the establishment of an efficient costs base which could be considered in making fare determinations. The Tribunal also acknowledges STA's efficiency gains in controllable costs (ie excluding effects of changes in actuarial assessments of superannuation liabilities), particularly when compared with the increase in bus kilometres travelled. However, for recent years it is difficult to ascertain clearly the trend in costs and patronage levels given the one off effects of the Olympics, the introduction of new cross regional services and busline purchases.

In addition, the Tribunal would like its fare determinations to be able to consider an effective performance assessment regime for public buses as implemented by the Department of Transport.

Clarification of these matters will assist the Tribunal in future determinations.

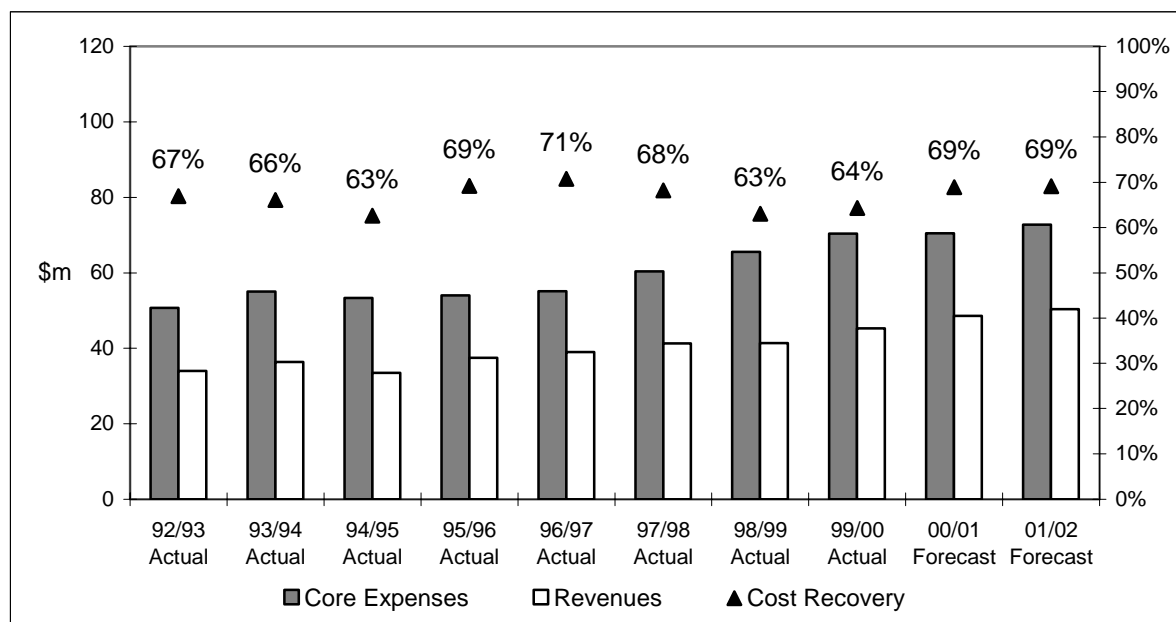
2.4 Sydney Ferries

In its last determination the Tribunal granted Sydney Ferries a fare increase above the net impact of the Goods and Services Tax and CPI to enhance cost recovery. For 2001/02, the Tribunal has determined an average fare increase of 5.0 per cent for Sydney Ferries. This will maintain Sydney Ferries' cost recovery level at 69 per cent as indicated in Figure 2.3.

⁷ Letter from State Transit Authority, 14 June 2001.

In previous determinations, the Tribunal has indicated that future fare increases for Sydney Ferries would be dependent on STA establishing and achieving efficient cost targets. The Tribunal is aware that STA has engaged consultants to review Sydney Ferries' cost efficiency, and that this review is close to completion. The Tribunal will be in a position to consider this review in next year's determination.

Figure 2.3 Sydney Ferries' cost recovery



In the above figure, 'core expenses' reflects Sydney Ferries' total operating expenses, including depreciation and interest. Expenses have not been adjusted for possible efficiency savings as has been done for Sydney Buses.

Similar to Sydney Buses, labour costs constitute a significant proportion of Sydney Ferries' recurrent operating expenses (see Table A3.2 and Figure A3.2 in Attachment 3). STA are forecasting Sydney Ferries' labour costs (defined as direct salary and wage costs plus labour oncosts) to increase by 15.8 per cent to \$36.0m in 2000/01. This includes costs associated with staff transferred from the Balmain Shipyard to Sydney Ferries. This transfer was not forecast in last year's determination and in part explains why 2000/01 labour costs were previously forecast at \$30.5m.

Again, the Tribunal is concerned that figures have changed so significantly in the space of 12 months. In addition, similar to the case of Sydney Buses, much of this change is explained by fluctuations in actuarial analysis of the agency's superannuation liability. STA forecast total labour costs to increase by 2.2 per cent in 2001/02. The Tribunal will consider closely any changes in Sydney Ferries costs over the next year, and is expecting STA to submit the Sydney Ferries efficiency study as part of the next determination.

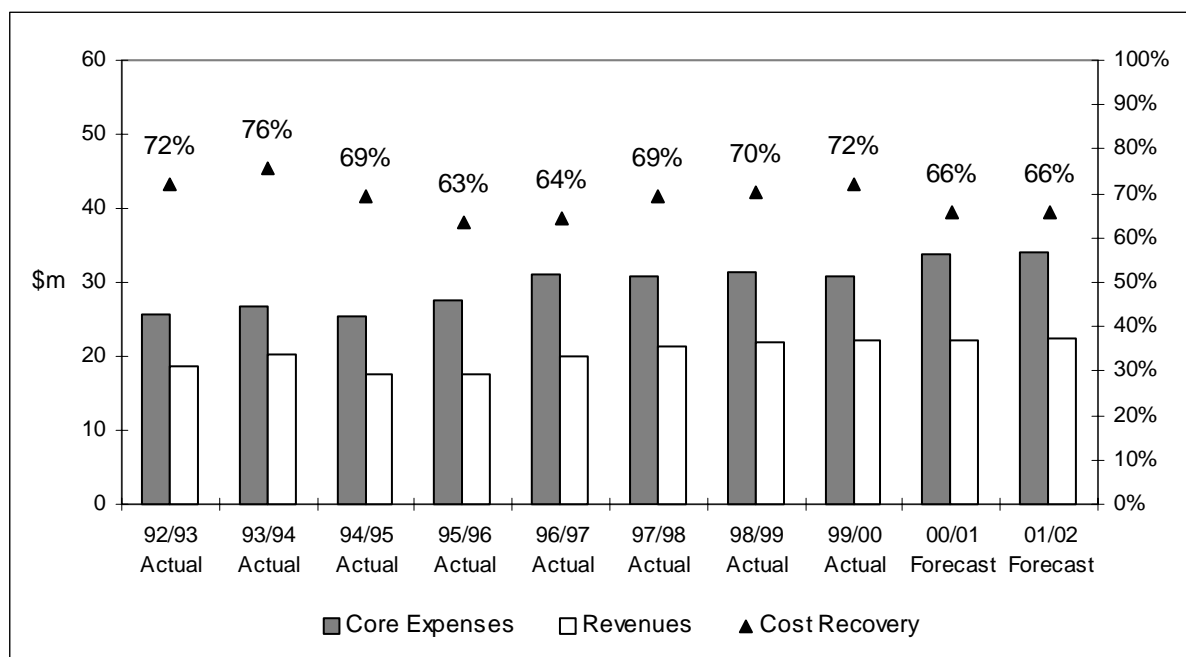
The Tribunal projects that the 5.0 per cent rise in average fares will increase Sydney Ferries' passenger revenue by \$1.7m, with cost recovery remaining at 69 per cent in 2001/02. Sydney Ferries' cost recovery has improved since 1998/99. However, Sydney Ferries will still depend on a Government contribution to support services.

2.5 Newcastle Services

In its last determination the Tribunal granted Newcastle Services a fare increase consistent with the net impact of the Goods and Services Tax and CPI. For 2001/02, the Tribunal has determined an average fare increase of 3.7 per cent for Newcastle Services. The Tribunal projects that this increase will maintain Newcastle Services' cost recovery level at 66 per cent as indicated in Figure 2.4. The 3.7 per cent increase in average fares will increase Newcastle Services' fare revenue by \$0.18m.

In the figure, 'core expenses' reflects Newcastle Services total operating expenses, including depreciation and interest. STA states that efficiency improvements identified in the review of Sydney Buses have also been implemented in Newcastle bus operations. Despite these efficiency savings, overall core expenses for Newcastle Services have increased over recent years. Comments on labour costs made in regard to Sydney Buses and Sydney Ferries are equally applicable to Newcastle Services. Further, in recent years while costs have often increased, declining patronage has meant that despite fare increases revenue has remained static, thereby limiting enhanced cost recovery.

Figure 2.4 Newcastle Services' cost recovery



3 SOCIAL IMPACTS AND ENVIRONMENTAL ISSUES

Two issues that the Tribunal is required to consider under section 15 of the *Independent Pricing and Regulatory Tribunal Act 1992* are the social impacts of its determination and environmental issues. These issues are discussed in this chapter.

3.1 Assessing social impacts

The Government sets social policy and makes available targeted concessions to particular groups within the community. The Tribunal sets fares that apply uniformly to all users. However, the Tribunal is concerned with large increases in fares that may impact adversely on particular transport users.

Stakeholders have presented the Tribunal with conflicting views on the ability of public transport users to pay for fare increases. For example, NSW Treasury has previously argued that rail passengers are from high income groups and that higher rail fares will not significantly affect this group. On the other hand, Western Sydney Regional Organisation of Councils has argued that rail passengers in Western Sydney have lower incomes than other rail passengers and would therefore be more severely affected by fare increases.⁸

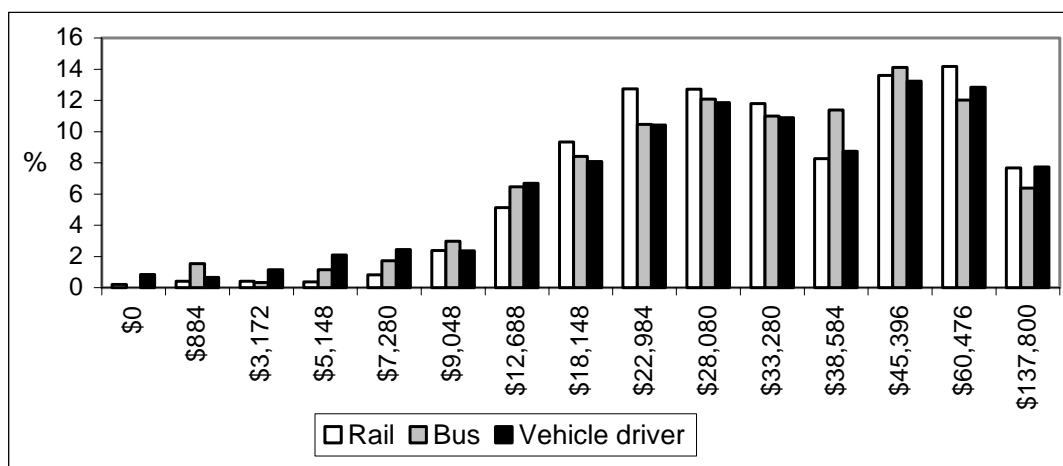
Given the diverging views, the Tribunal has sought out the available information on the likely impact of its determinations. However, the available data is of limited assistance in this regard.⁹ The following figure contrasts the proportion of private vehicle users in particular income groups and compares it with the proportion of full fare paying passengers¹⁰ of CityRail and STA buses in particular income groups.

⁸ NSW Treasury submission, May 1999, p 29, and Western Sydney Regional Organisation of Councils submission, October 1995, p 15.

⁹ The data is sourced from the Household Travel Surveys (HTS) conducted by the Transport Data Centre (within the Department of Transport) between 1997 to 1999. The HTS surveys the travel patterns of residents in the Greater Metropolitan Region. The HTS is a personal interview survey carried out each day over a full calendar year and collects information on all travel undertaken for a nominated 24 hour period by all members of each selected household.

¹⁰ Given that social policy is the responsibility of Government, the Tribunal has assumed for this purpose that the Government's fare concessions are targeted appropriately.

Figure 3.1 Income profile of fulltime and part-time workers

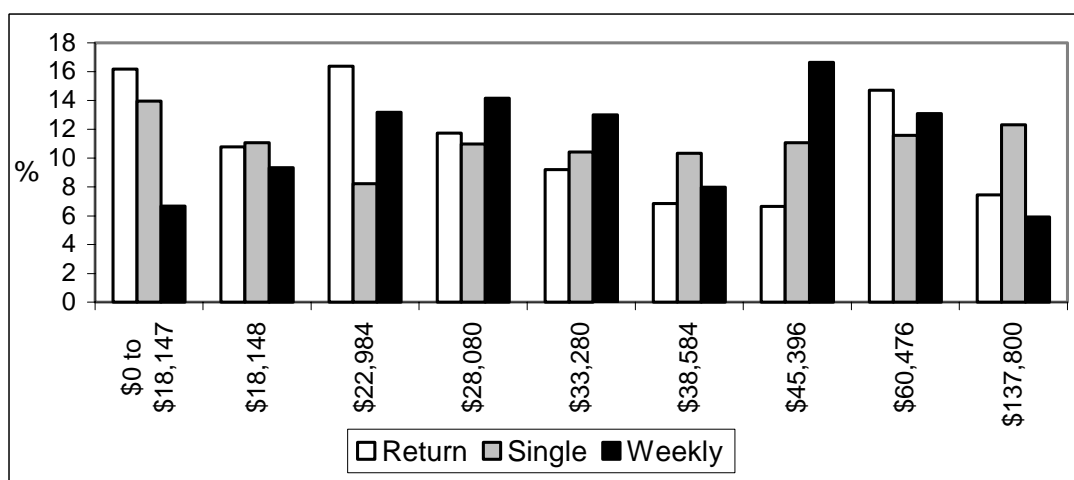


Note: The income profile of ferry users has not been presented due to the small sample sizes, which may significantly misrepresent the actual income profile. The sample above focuses on fulltime and part-time workers only and takes account of both work and non-work related trips made. Income groups are based on the income ranges from the survey.

From the figure it can be seen that a greater proportion of private vehicle users are at the lower income scale. For example, 24.3 per cent of vehicle drivers have incomes of \$12,688 or below, compared to 19.0 per cent for rail and 22.6 per cent for government bus services. While there are variations in the income profiles of users of each of the transport modes, there is no discernible variance that would indicate that public transport users should be treated differently on the basis of income.

The Tribunal has also considered the income profile of rail users for different ticket types, as presented in Figure 3.2. For train commuters, there is a some divergence in income levels for weekly ticket users compared to single and return ticket users. Weekly ticket purchasers have relatively high representation in the middle-income groups compared to single and return ticket users. However, the figure does not indicate that fare increases for particular ticket types should be varied based on the income profile of users.

Figure 3.2 Income profile of users of different rail tickets

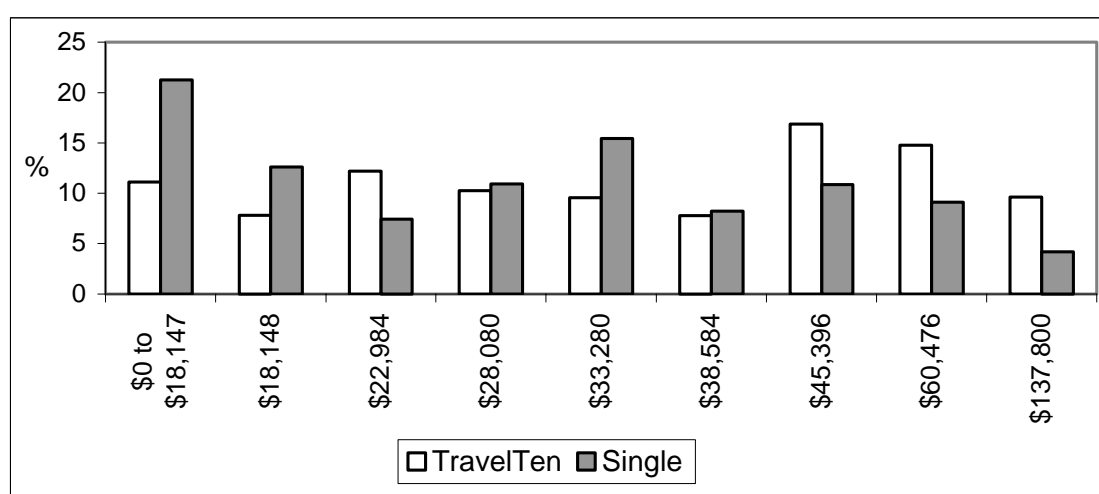


Note: The figure only includes fulltime and part-time workers who pay the full fare. The lowest income groups have been consolidated due to the small sample sizes. The survey does not distinguish between peak and offpeak tickets, therefore, the single and return tickets include both peak and offpeak travel.

Stakeholders stated that train fares/tickets do not properly account for part-time and casual workers. There are time restrictions on multiride (eg weekly) and return train tickets. This contrasts with the absence of time restrictions on multiride bus tickets (TravelTens). Limitations in SRA's ticketing procedures restrict the effective policing of such tickets if introduced at this time by CityRail. However, the Tribunal will continue to raise this as an issue with SRA.

The income profile of different STA bus ticket type users is presented in Figure 3.3. Compared to the single tickets, users of the TravelTen tickets are more heavily represented in the higher income groups. Users of the single tickets are more heavily represented in the lower income groups.

Figure 3.3 Income profile of users of different STA bus tickets



Note: The figure only includes fulltime and part-time workers who pay the full fare. The lowest income groups have been consolidated due to the small sample sizes.

STA has indicated that it is considering introducing other ticket types such as a TravelSix ticket to cater for the growing number of part-time/casual workers. The Tribunal supports this proposal. A TravelSix type ticket will benefit lower income travellers who will still be able to purchase discounted multiride tickets but not have the high upfront cost of the TravelTen tickets.

As indicated above, the limited data available to the Tribunal does not suggest improved outcomes are achievable by varying the proposed moderate fare increases. The Tribunal considers that the moderate fare increases proposed in this determination will have minimal social impact.

The use of public transport fare subsidies to offset shortcomings in road pricing and the deleterious environmental effects of private vehicle use is considered under section 3.2.

3.2 Environmental issues

As part of this determination, the Tribunal has undertaken additional research on the costs and benefits of public transport. Environmental issues are closely related to these issues.

In 1996, the Tribunal first considered these issues during its major transport review, discussing the environmental benefits of public transport. It also indicated that further research on the environmental and social benefits of public transport be undertaken. As part of the major review, 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.

Since the Tribunal's major review, stakeholders have increasingly commented on the costs and benefits of public transport. The Tribunal has noted the concerns of a number of stakeholders who have argued that higher fares will discourage travellers from using public transport, with a resultant increase in car use and environmental damage. Similarly, it has been argued that lower fares are justified as a means of attracting additional passengers.

Further, stakeholders have argued that fares should be set based on the full costs and benefits of transport by alternative modes such as train, bus and private cars.¹¹ This would include financial measures of the environmental and social costs and benefits of each mode. The stakeholders believe that this approach will more adequately take into account the subsidies to private car use through, for example, the construction of roads.

From the above, it is apparent that stakeholders raise two broad issues:

- that demand for public transport will be influenced by fare levels
- that alternate transport modes should be valued with reference to the full social costs and benefits associated with the varying modes of travel.

During this determination, the Tribunal has undertaken some additional research in considering these issues. The Tribunal has considered recent results from the Household Travel Surveys in assessing why particular transport modes are selected. These surveys indicate that there are a large range of factors, aside from the price, that determine a person's choice of transport mode. For example, 97.5 per cent of car users surveyed stated that one of the reasons for choosing private transport was due to the inaccessibility of buses or trains. Further, only 20.2 per cent of public transport users indicated that one of the reasons for choosing public transport was because it was cheaper.¹²

This tends to indicate that lower public transport fares are not likely to attract car travellers away from their cars, and marginally higher fares should not create a major shift away from public transport use. What is more likely to support increased public transport usage are service quality aspects such as frequency and timeliness, accessibility, cleanliness and safety. The importance of these issues was also raised in public submissions during this determination, as discussed in the following chapter.

¹¹ 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.

¹² The survey questions allowed a person to choose more than one answer. This means that a person's choice of transport mode may be influenced by more than one factor.

As part of this determination, the Tribunal also commissioned an independent study by the Centre for International Economics (CIE) on subsidies and the social costs and benefits of public transport.¹³ The study indicated that changes in public transport fare levels are unlikely to have a major impact on patronage levels, and that a range of factors are considered by the traveller when determining travel mode. The study states:¹⁴

The effectiveness of public transport subsidies in controlling transport externalities depends partly on the influence they have on fares, and, through these, on the relative price of travel by these modes compared with car. The influence is only partial because subsidies can also be used to change the quality of service at a given fare – through expenditure that change journey speed, frequency, reliability, comfort and safety. The EPA and NCOSS have emphasised that these factors play a significant role in inhibiting public transport patronage. Mees (2000, p 86) also points out that ‘... public transport is already cheaper than owning and operating a car. It is flexibility, convenience and door to door travel times that count most’.

The available evidence on the ability of public transport subsidies to influence travel behaviour through reducing the relative cost of travel suggests they have a limited effect.

Although changes in fares levels are likely to have only a limited effect on public transport usage, the Tribunal is mindful that higher fares can have social impacts, as discussed above.

The CIE study considered the issue of appropriate pricing of alternate transport modes. It notes that the external costs of car use include congestion, noise and air pollution, and accidents. However, it is possible to take a broader view, and come up with correspondingly larger estimates of external costs of road use.

Notwithstanding the substantial difficulties in estimating externalities, the CIE study indicates that in considering appropriate pricing for alternate transport modes, the best way to deal with a distortion is to use an instrument that bears most directly on the incentive that needs to be changed. In the case of private transport use, congestion tends to dominate other traditional external costs. As such, road user charges would be a first best approach to correcting excessive use of private transport.¹⁵ The study then notes that:¹⁶

Despite the theoretical evidence pointing to the efficiency gains to be had through road pricing, and the relative ineffectiveness of public transport subsidies in dealing with externalities the main real world experience of road pricing is of its continual non implementation...

In the absence of efficient road pricing, subsidisation of public transport is a second best means of bringing external road usage costs to account in transport pricing and investment decisions.

The international attempts to *model* the likely impacts of road use charging have in a number of instances included public transport subsidies as a complementary or alternative instrument for modifying road use to more efficient levels. These studies point to significant potential gains where road user charges are part of a larger policy

¹³ Centre for International Economics, *Subsidies and the social costs and benefits of public transport*, March 2001. Available from the Tribunal's website, www.ipart.nsw.gov.au.

¹⁴ Op cit, pp 38 and 43.

¹⁵ Anecdotal evidence reported in the Daily Telegraph (13 June 2001, p 3) supports the case that car users are responsive to changes in toll charges and petrol prices.

¹⁶ Op cit, pp 40 and 51.

package... Public transport subsidies on their own seem capable of delivering only a fraction of the benefits of these more direct methods, particularly when the social costs (efficiency losses) of tax funding of subsidies is taken into account.

The CIE study supports stakeholder comments that ideally, pricing of alternate transport modes should reflect the social costs and benefits of each of those modes. The study also indicates that for whatever reasons, whether they be political or technical, appropriate road pricing policies have rarely been implemented.

The Tribunal notes that the CIE study also indicates that public transport subsidies are largely ineffective in addressing the mispricing of alternate transport modes. That is, providing lower and/or subsidised fares will have little impact on increasing public transport patronage or on correcting externalities. This is not to say that public transport should not be subsidised. There are a range of reasons why governments may choose to subsidise public transport, for example, to provide concessions to those requiring assistance, to ensure the public has reasonable access to public transport, or to provide capital funding.

The above supports the Tribunal's approach to fare setting, whereby a balance between farebox revenue and government funding is pursued. As fare levels have a minimal impact on patronage, and hence externalities, providing lower fares through the Tribunal determination process would be an inappropriate way of addressing the externalities of private transport use. Further, given the low elasticity of patronage to shifts in public transport fares, the Tribunal does not believe that this fare determination will have a significantly adverse environmental impact.

4 SERVICE STANDARDS

Service standards are one of a range of factors the Tribunal is required to consider under section 15 of its Act when setting prices.¹⁷ In recent years service levels have been a focus of the Tribunal's determinations of transport fares, particularly for CityRail. The recent incidents involving Sydney Ferries, and the level of services provided on particular routes, have increased attention on the standard of service provided by STA.

Stakeholders have expressed various views on the link between fares and service levels. The Council of Social Services in NSW (NCOSS) argues 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. However, in the absence of fare setting based on a social benefit cost analysis, NCOSS states that service standards and performance should be linked to fares.¹⁸

Action for Public Transport (APT) argues that there are benefits of linking fares to service performance to ensure that customers are being provided with the service that they purchased. However, APT notes that there are problems in linking fares to service quality performance. For example, in relation to CityRail, poor performance does not occur everyday and on every line. As such, not all passengers of CityRail services will be affected by a particular service issue. Further, depriving CityRail of funds (by providing lower fares) may exacerbate any service quality problems.¹⁹

The Tribunal has reviewed the service quality performance of each agency and concluded that service quality for both agencies has generally improved over the last year. The agencies also appear committed to improving service standards, however, deficiencies remain. The Tribunal has considered the service quality outcomes in this fare determination.

4.1 Introducing a passenger charter

In its 1999 determination, the Tribunal recommended that SRA introduce a customer charter for its CityRail services. The Tribunal also expected that the Department of Transport would introduce a Performance Assessment Regime (PAR) for STA and private bus operators which included the publication of customer service indicators.

SRA has recently introduced a customer charter following consultation with customers. Although stakeholders are supportive of the release of a charter, they believe the consultation process was generally poor and the document requires further improvements. The Department of Transport has already prepared a draft PAR and has sought comment on this document. The Department has not indicated when this regime will be implemented.

¹⁷ See attachment 2 for a review of matters considered under section 15 of the IPART Act in setting CityRail fares for 2001/02. See attachment 3 for a review of matters considered under section 15 of the IPART Act in setting State Transit Authority fares for 2001/02.

¹⁸ NCOSS submission, April 2001, p 1.

¹⁹ Action for Public Transport submission, April 2001, p 3.

4.1.1 CityRail's progress

SRA's submission to the Tribunal included a draft customer charter. In making the draft charter, SRA held initial consultations with stakeholders (eg Action for Public Transport, Commuter Council) and conducted meetings with representative focus groups. SRA states in its submission that it also intends to subject the proposed charter to extensive public review and discussion.

Following further public consultation and review, SRA tabled an amended customer charter (its *CityRail Customer Service Commitment*), at the Tribunal's public hearing on Friday 20 April 2001.

The *CityRail Customer Service Commitment* covers a range of issues, including:

- the areas of operation for CityRail services
- the types of services and tickets CityRail will provide to passengers
- customer information contacts and avenues for feedback
- performance and service standard targets
- passenger obligations and requirements.

The customer service commitment proposes two performance indicators: on-time running and reliability (ie proportion of services operated). These indicators are published by SRA on its website.

Stakeholders are generally not satisfied with CityRail's customer service commitment and believe that it does not draw enough on the existing charters in Victoria and overseas. The customer service commitment does not include a range of measurable performance indicators, making it difficult to effectively monitor CityRail's performance from a customer perspective.²⁰ Stakeholders believe that measurable targets should include: on-time running, skipped stops, cancellations, accessibility, perception of safety, crime rate, comfort, perception of customer service and overall service quality and response time to feedback. They also call for performance statistics such as on-time running to be collected by line, for stations other than Central, and during peak and off-peak periods.

Western Sydney Community Forum (WSCF) and NCOSS also support the need for independent passenger surveys and an independent monitoring authority. WSCF believes that customer surveys should be undertaken quarterly and be made publicly available.²¹

A number of stakeholders' submissions believe that the charter should include a customer refund clause to penalise SRA for poor services. APT, however, notes that refunding passengers for poor service will result in significant administrative costs for CityRail and be open to abuse.²²

²⁰ NSW Council of Social Services submission, April 2001, p 1 and Western Sydney Regional Organisation of Councils submission, April 2001, p 1.

²¹ Western Sydney Community Forum and NSW Council of Social Services have made supplementary submissions commenting on CityRail's amended customer charter. The comments are similar to those made in their initial submissions, requesting the inclusion of additional performance information into the charter.

²² Action for Public Transport submission, April 2001, p 4.

The Tribunal has received a significant number of submissions from individuals. Three factors dominate their views on assessing service quality: on-time running, overcrowding and cleanliness. Related to on-time running are issues such as missed stops, cancellations and service frequency.

The Tribunal has considered customer charters and performance reporting by tram and train operators and transport authorities in Victoria and the UK.²³ The Victorian and UK customer charters and/or operator performance reporting (eg via websites) generally include far more detailed performance indicators, compared to those included in CityRail's customer service commitment. SRA argues that it has not included detailed performance indicators in the customer service commitment because this will be one of the key tasks of the proposed Rail Regulator, whose role will be to monitor and audit SRA's performance against standards set by the Minister for Transport.²⁴ The Rail Regulator will determine a range of indicators and report to the NSW Parliament on SRA's compliance against the performance standards. SRA argues therefore that the customer service commitment should not represent a separate document to monitor CityRail's performance.

The Tribunal has assessed the *CityRail Customer Service Commitment* with reference to stakeholder submissions and charters/performance reporting in other jurisdictions. While the customer service commitment does not address all the concerns raised in submissions, the Tribunal supports the release of the current customer service commitment. The Tribunal views the service commitment as an evolving document that will be developed further once the exact role of the Rail Regulator is clear and the concerns of stakeholders and other customers are addressed. The Victorian and UK customer charters and performance reporting activities provide useful examples of further information that may be provided within the customer service commitment.

4.1.2 State Transit's progress

The Department of Transport has been working towards a Performance Assessment Regime (PAR) to apply to both STA and private bus operators. This would include the publishing of performance indicators. The regime would provide the Tribunal and public with more detailed information on which to judge STA's service standards.

In the Department of Transport's September 1998 discussion paper, it was envisaged that the PAR would be implemented from July 1999. Feedback on the discussion paper contributed to the Department's decision to significantly revise its approach to the PAR. A second discussion paper was released in October 2000, and submissions received in December 2000.²⁵

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.

²³ In both these cases, the public transport services are operated by private sector operators.

²⁴ The formation of the Rail Regulator was proposed in an amendment bill on 6 December 2000. The Rail Regulator has the function of recommending to the Minister appropriate rail performance standards and when setting the rail performance standards the Minister is required to have regard to the standards recommended by the Rail Regulator.

²⁵ The discussion paper and submissions can be viewed in the 'what's new' section of the Department of Transport website, www.transport.nsw.gov.au.

4.2 CityRail's service standards in 2000/01

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 NSW Government. The contract specifies minimum and target performance levels. The Tribunal receives some of this information annually as part of the fare determination process.

In the future CityRail's performance will be monitored and audited by the Rail Regulator against a set of standards established by the Minister for Transport.

While the key performance standards that will be monitored have not yet been established, they will broadly include:²⁶

- rail passenger service reliability (including train cancellations and skipping of stops at train stations)
- on-time running of passenger trains
- rail passenger comfort (including the cleanliness of trains and overcrowding)
- any other matter prescribed by the regulations with respect to the performance of railway passenger services.

For this determination, the Tribunal considered a number of indicators of performance, based on information submitted by SRA and submissions from stakeholders.

4.2.1 Customer satisfaction

SRA has not published results of customer satisfaction surveys over the past year. Nevertheless, SRA states that CityRail's services have improved. SRA's submission highlights a number of areas where improvements to service levels have been made:²⁷

- introduction of a program to reduce the size of gaps between platforms and trains. At stations where such action has taken place, there has been a reduction of around 80 per cent in the number of passengers injured as a result of this hazard
- introduction of a pager system to communicate train delays to train guards and staff, allowing them to better inform the public
- upgrades of key stations including Central, Town Hall, Wynyard, Bondi Junction, Parramatta and Penrith
- a 'station sparkle' (ie improved lighting) program covering 33 stations
- enhancement of ticket vending machines at major CityRail stations through the introduction of touch screen technology.

Despite these improvements there has been a large number of submissions from individual commuters expressing their concern at CityRail's poor services. Many of these submissions come from passengers on the Illawarra line (including Cronulla) and also on the longer distance trains (eg from Gosford).

²⁶ Transport Administration Amendment (Rail Management) Bill 2000, Schedule 4: Amendment of Transport Administration Act 1988 and other Acts relating to Rail Regulator. See Part 2B, Division 3.

²⁷ State Rail Authority submission, February 2001, p 19.

The submissions indicate that customers were extremely happy with CityRail's performance over the Olympic period. However, customers have noted that service performance has deteriorated significantly since the Olympics. Overall, customers continue to be dissatisfied with current service levels.

The key areas of concern are similar to those raised last year and include:

- late running, missing stops and overcrowding
- air conditioning temperature variable, not set at the appropriate temperature
- ticket machines not working
- long ticket queues and train tickets not available at newsagents
- cleanliness on trains
- personal safety (although this issue does not appear to be as much of a concern as last year)
- helpfulness of staff.

On the whole, individual submissions indicate a level of dissatisfaction with service quality, particularly given that service quality was of a much higher standard during the Olympics. While SRA has made changes, submissions suggest that these changes are yet to be reflected in improved customer satisfaction generally.

4.2.2 On-time running

SRA indicates in its submission that CityRail achieved an average on-time running performance for peak periods of 86.2 per cent in 1999/2000, significantly below the target of 92 per cent. Using performance information from SRA's website, the Tribunal has estimated that performance for 2000/01 up to the end of May was 91.0 per cent.

On-time running performance receives considerable attention, and the NSW Government has moved to improve what it perceives to be problems with the system. The Government has allocated more maintenance funding and additional funds for capital works. Key features of the investment package include:²⁸

- \$90m in additional funding for track maintenance for 2000/01
- \$30m to accelerate the completion of two extra tracks to relieve congestion on the East Hills line for 2000/01, with completion to Kingsgrove by September 2001
- \$25m to expedite the construction of an extra track to Quakers Hill to improve services on the Richmond line by 2002
- \$114m over four years to accelerate the maintenance and refurbishment of CityRail trains
- \$14m to increase regular training for drivers and guards for 2000/01.

²⁸ State Rail Authority submission, February 2001, pp 17-18. Full details of SRA's expenditure can be found in the NSW Budget Papers, 2001/02.

SRA also notes that timetabling is a factor in on-time running. During the Olympics, a simple single-purpose timetable was introduced and an unprecedented level of reliability was achieved. CityRail has examined lessons from the Olympics and is considering possible changes to the timetable with a view to delivering a more reliable service.²⁹

Overall, on-time running in the morning peak has improved since the last determination. For 2000/01 to date, on-time running in the morning peak has averaged 93.0 per cent for the metropolitan services and 94.1 per cent for the intercity services. This compares with 89.3 per cent for the metropolitan services and 93.4 for the intercity services during 1999/00.

Historically, on-time running in the evening peak period has been considerably below that during the morning peak, due to the difficulty of 'catching-up' time throughout the day once a service is late. While the level of on-time running in the evening peak remains poor, there has been some improvement recently. For 2000/01 to date, on-time running in the evening peak has averaged 84.5 per cent for metropolitan services and 87.7 per cent for the intercity services. This compares with 79.4 per cent for the metropolitan services and 86.4 per cent for the intercity services during 1999/00.

While the 2000/01 data incorporates the Olympic period where on-time running was very good, overall there does appear to have been an improvement after the 'Olympics effect' is removed.

The Tribunal considers that on-time running is an important indicator of service standards. However, it should not be the sole focus when service standards are considered. It is sensible to have a range of indicators with which to assess performance. An organisation forced to focus on a single indicator may have perverse operational incentives forced upon it. This was also pointed out by SRA in its presentation to stakeholders on 20 March 2001. With a sole focus on on-time running performance, services may be cancelled and stops skipped in an effort to have trains arrive on-time. In addition, the Tribunal considers that any focus on on-time running performance should not jeopardise the safe operation of the rail system.

The Tribunal notes that overall, on-time running has improved over the last year. It will continue to consider on-time running performance, but will also consider other performance indicators such as reliability (ie proportion of scheduled services run) and missed stops.

²⁹ State Rail Authority submission, February 2001, p 18.

4.3 State Transit's service standards in 2000/01

STA's performance statistics show that service standards have been maintained on average across each of its businesses, although there has been a slight decline for Newcastle services.

Table 4.1 STA service standards

	1996/97	1997/98	1998/99	1999/00	2000/01 ¹
Sydney Buses					
On-time running	97.5%	97.2%	97.1%	97.4%	98.0%
Trips cancelled	0.28%	0.37%	0.52%	0.44%	0.40%
Customer satisfaction	73%	72%	na	na	70%
Sydney Ferries					
On-time running	99.5%	98.6%	98.4%	99.5%	99.0%
Trips cancelled	na	na	na	na	na
Customer satisfaction	70%	71%	na	86%	84%
Newcastle					
On-time running	98.8%	99.2%	97.9%	95.1%	95.0%
Trips cancelled	90	60	73	291	200
Customer satisfaction	84.1%	na	na	na	na

Note:

1. Figures for 2000/01 are projections by STA.

The Tribunal recognises that the operational statistics quoted above are aggregates and can mask problems in particular areas or for particular timeframes. For example, they do not highlight the service problems Sydney Ferries experienced during the early months of this year. Further, some of the statistics presented are not relevant from a customer perspective: 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.

On-time running for buses will be affected by general traffic flows, which STA cannot control. It may therefore be inappropriate to measure on-time running on a similar basis to CityRail. However, it may be reasonable to measure on-time running at the beginning of each route, ie do timetabled services actually begin their run on-time. The Tribunal also notes that on-time running for buses is measured by the Victorian authorities.³⁰

As well as collecting the above information, STA has undertaken a number of passenger surveys covering Sydney Buses and Sydney Ferries. These included route based surveys, service quality index surveys, satisfaction and willingness to pay surveys, and special purpose surveys. The Tribunal has considered this information as presented in STA's submission.

³⁰ Victoria's *Track Record* publication publishes on time performance for Metro buses. On-time performance is measured at the end of the journey. On-time is defined as not more than two minutes early or five minutes late at their destination.

4.3.1 Sydney Buses

The main performance statistics provided by STA include on-time running, trips cancelled and overall customer satisfaction.³¹

STA believes that recent survey results are favourable and point to a general level of satisfaction with STA's bus services. Three hundred Sydney Buses users were asked to rate different aspects of Sydney Buses service quality. Sydney Buses' passengers rate bus services 7 out of 10 in meeting their expectations. Passengers also gave Sydney Buses a rating of 6.8 out of 10 for improvement in service quality compared to the previous two years (a scale of 0 – 10 was used, with a rating of 0 defined as very poor, a rating of 6 defined as no change, and a rating of 10 defined as excellent).³²

There have been a significant number of submissions from individuals raising concerns about service quality. In last year's determination the key issues of concern were on-time running, skipped stops when buses were full and overcrowding, particularly on the Northern beaches services running along Military Road. These issues still remain a concern to customers.

Key service improvements proposed by STA in following years include:

- continuation of the bus replacement program
- undertaking a network review following customer consultation (letterbox drops) to determine the optimal routing
- establishing a relatively senior management position within the STA to deal on a day to day basis with the management of bus priority lanes with the RTA and police³³
- trialling a bus that does not accept cash fares to examine the extent of improvement in on-time running.³⁴

The Tribunal accepts that STA appears committed to improving services. Further improvements are likely to arise through the development and implementation of the PAR being developed by the Department of Transport. Under the PAR it is likely that STA will be required to collect information (and report on a quarterly basis) on vehicle accessibility, heating and ventilation of buses, information and signage systems, vehicle emission performance and complaint handling mechanisms. The Department of Transport will be required to assess STA's (and that of other private operators) performance against a set of benchmarks. It is likely that penalties for operators that breach their contract requirements will be introduced.

³¹ For its service contract with the Department of Transport, STA currently collects information on a range of service quality issues including: bus reliability, customer complaints mechanisms, bus maintenance and cleanliness levels, proximity to bus routes and hours of operation on different days of the week. Mr Lyall Kennedy, STA, transcript of the public hearing, 20 April 2001, pp 83-84.

³² State Transit Authority submission, 2 March 2001, Appendix D.

³³ Mr Lyall Kennedy, State Transit Authority, transcript of the public hearing, 20 April 2001, p 85.

³⁴ Mr Lyall Kennedy, State Transit Authority, transcript of the public hearing, 20 April 2001, p 85.

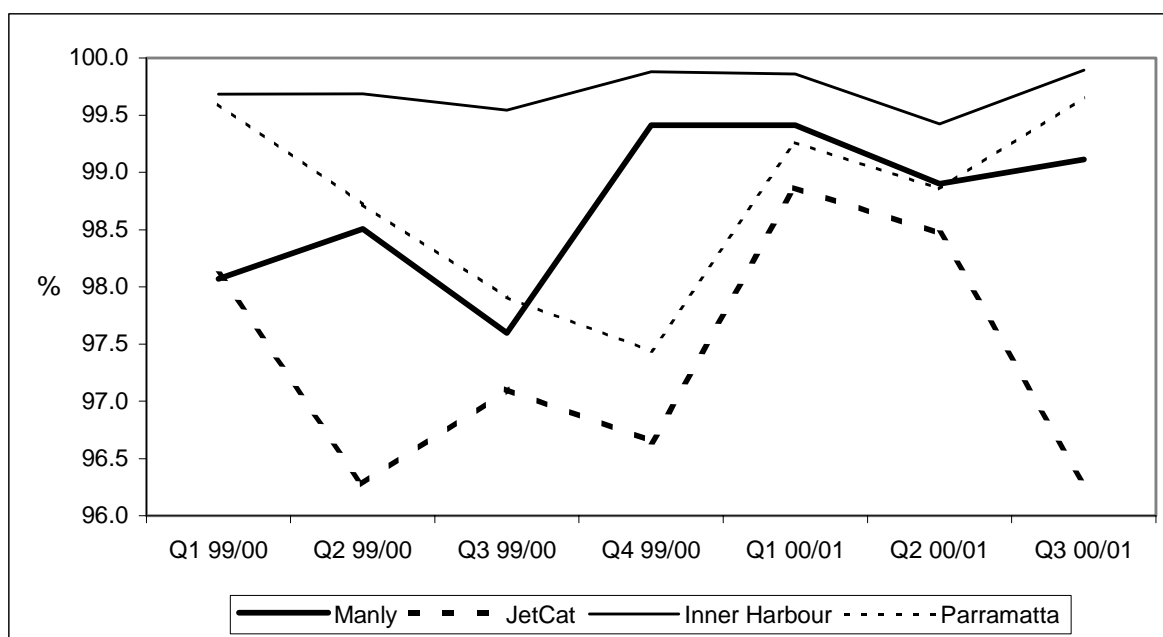
4.3.2 Sydney Ferries

The Tribunal has received a significant number of submissions concerned with the service standards of Sydney Ferries. The main issue is with the Manly JetCat service, particularly during March of this year, when a number of services were cancelled. Submissions also have raised concerns in regard to the refurbishment of the Manly ferry (eg seats uncomfortable, view obscured due to height of windows) and the appropriateness of the new SuperCats for the Manly service.

STA has conducted a series of surveys of Sydney Ferries' services and the ferry wharves. Only some of the wharves are owned by STA and the condition of the other wharves are often outside their control. The surveys indicate that generally:

- Sydney Ferries had a higher level of overall customer satisfaction compared to Sydney Buses (before the recent problems with the Manly ferries)
- customer satisfaction across the different ferry types was high, with a rating ranging from 8.2 and 8.7 out of 10 (this excludes the JetCat service)
- overall satisfaction with wharves was lower, with an overall rating of 7.9 out of 10.

Figure 4.1 Service reliability (% of scheduled trips completed)



On the whole Sydney Ferries' have a high level of reliability (ie there are a small number of services cancelled). The reliability on the Manly ferry has improved considerably during 2000/01 compared to 1999/00. The reliability of Parramatta services declined throughout 1999/00 but has improved over the past year. Reliability on the Inner Harbour services is high and has not changed significantly in 2000/01. The reliability of the JetCat service to Manly has varied considerably. The performance during the third quarter in 2000/01 has been particularly poor.

There have been a significant number of submissions concerned with the service standards of Sydney Ferries. The main complaints regarding the Manly services concerned cancelled, unreliable and slow running services. However, there also were complaints about:

- refurbishment of the Manly ferries and the new SuperCats (eg slower service than the JetCat, reduced indoor seating compared to the JetCat)
- poor contingency planning in the event that the JetCat breaks down (eg buses, other ferries)
- no refund policy if JetCat passengers (who pay a higher fare) are required to be shifted to the Manly ferry if the JetCat service is cancelled/delayed³⁵
- no clear protocol for wharf staff to be informed of delays and then to relay these on to passengers waiting, allowing them to plan for these delays
- staff utilisation
- no response to email complaints.

The Tribunal noted in its last determination that STA was working to fix the problems on the Manly route, and had commissioned the construction of new high-speed ferries (the SuperCats) to replace the JetCats. It was expected that two of the ferries would be in place before the Olympics and a third probably at the time of the Olympics. However, the introduction of the SuperCats has been delayed from the timing initially expected, and the public has some concerns in regard to their suitability for the Manly service.

After considering the data submitted by STA and the submission received from passengers, Tribunal concludes that Sydney Ferries' overall performance during the past year has improved slightly on all services except the JetCat service to Manly.

4.3.3 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 notes that after a significant rise in cancelled services in 1999/2000, this figure is expected to fall in 2000/01, but remains at a historically high level

While there have not been any complaints in regard to services in Newcastle, the Tribunal notes that on-time running performance has been particularly poor in 1999/00 and 2000/01. Given that Newcastle does not face the same level of traffic problems it is particularly concerning that on-time running could deteriorate so significantly over the past three years. STA argues that the main reason for the deterioration is due to the construction of a bus interchange in Newcastle's CBD. As the majority of bus routes have been affected by the interchange reconstruction the on-time running statistics have been significantly affected.

³⁵ STA has noted that its policy is to reimburse JetCat passengers who are 'downgraded' to the Manly Ferry when the JetCat service is cancelled. The reimbursement is equivalent to the difference between the single/return JetCat and Manly Ferry tickets. However, they can only do so at the cashier before they board the ferry.

5 MAXIMUM FARES FOR 2001/02

Weighted average fares in 2001/02 will rise by 3.3 per cent for CityRail, 4.8 per cent for Sydney Buses, 5.0 per cent for Sydney Ferries and 3.7 per cent for Newcastle Services. The increase granted to CityRail is consistent with its submission. In determining increases for STA, the Tribunal has considered cost increases experienced by the organisation.

5.1 CityRail fares

The Tribunal has continued to use CityRail's master fare schedule to set maximum CityRail fares. In the last determination fares moved out of line with the master fare schedule due to the restrictions imposed by the ACCC's price exploitation guidelines.³⁶ A key component of SRA's submission is adjusting fares to be more consistent with the master fare schedule. In particular, this has meant a proposal to increase fares in the 25 – 65 km bands (although no fare increases by more than 20 cents).

Since its submission, SRA has indicated to the Tribunal that it would not proceed with the proposed increase in fares for the 65 km distance band. A 20 cent increase had been proposed, which would have taken the single fare to \$6.60. As SRA have pointed out, this would have made a peak period return trip more expensive than the new DayTripper ticket. Such an outcome was considered undesirable.

In its 1997/98 determination, the Tribunal supported CityRail's use of 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.

In previous determinations, fares for 25 – 65 km bands have been held slightly below the level calculated by the master fare schedule. It was considered that the scale of increase required in one year to reach the master fare was too high. The Tribunal's current determination goes some way to removing the fare anomalies for these distance bands, with increases marginally higher than the average increase in fares.

³⁶ Australian Consumer and Competition Commission, *Price Exploitation and the New Tax System*, March 2000.

5.1.1 CityRail's 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 price.

Table 5.1 Increases in CityRail single journey fares

Distance up to (km)	2000/01 fare (\$)	2001/02 fare (\$)	Change (\$)
5	2.20	2.20	0.00
10	2.40	2.60	0.20
15	2.80	2.80	0.00
20	3.20	3.40	0.20
25	3.40	3.60	0.20
30	3.80	4.00	0.20
35	4.00	4.20	0.20
45	4.80	5.00	0.20
55	5.60	5.80	0.20
65	6.40	6.40	0.00
75	7.60	7.80	0.20
85	8.40	8.60	0.20
95	9.40	9.60	0.20
105	9.80	10.00	0.20
115	11.00	11.20	0.20
125	12.40	12.40	0.00
135	12.60	12.60	0.00
155	14.60	14.60	0.00
175	16.60	16.60	0.00
195	19.80	19.80	0.00
215	21.00	21.00	0.00
235	24.00	24.00	0.00
255	25.00	25.00	0.00
305	27.00	27.00	0.00
305+	29.00	29.00	0.00

5.1.2 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 SRA's recommendation, the Tribunal has set off-peak return fares at 1.19 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 return fares

Distance up to (km)	2000/01 fare (\$)	2001/02 fare (\$)	Change (\$)
5	2.60	2.60	0.00
10	2.80	3.00	0.20
15	3.20	3.40	0.20
20	3.80	4.00	0.20
25	4.00	4.20	0.20
30	4.40	4.80	0.40
35	4.60	5.00	0.40
45	5.60	6.00	0.40
55	6.60	7.00	0.40
65	7.40	7.60	0.20
75	8.80	9.20	0.40
85	9.80	10.20	0.40
95	11.00	11.40	0.40
105	11.40	11.80	0.40
115	12.80	13.40	0.60
125	14.60	14.80	0.20
135	14.80	15.00	0.20
155	17.00	17.40	0.40
175	19.40	19.80	0.40
195	23.00	24.00	1.00
215	25.00	25.00	0.00
235	28.00	29.00	1.00
255	29.00	30.00	1.00
305	32.00	32.00	0.00
305+	34.00	35.00	1.00

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	2000/01 fare (\$)	2001/02 fare (\$)	Change (\$)
1	Sydney metropolitan and Newcastle metropolitan	2.20	2.30	0.10
2	Outer metropolitan	3.30	3.40	0.10
3	All CityRail network	5.50	5.60	0.10

5.1.3 CityRail periodicals

Historically, CityRail has not sold weekly tickets for journeys greater than 195 km. SRA state that this was driven by a pragmatic approach to the distribution of pre-printed tickets. However, since May 2000, it has been possible for some devices to sell such tickets. SRA have calculated the proposed fares at 3.9 times the single fare, rounded down to the nearest dollar.

The Tribunal supports the introduction of weekly tickets for distances greater than 195 km, and considers SRA's calculation based on a multiplier of 3.9 times to be reasonable. Table 5.4 compares the 2000/01 and 2001/02 CityRail weekly fares.

Table 5.4 Increase in CityRail weekly fares

Distance up to (km)	2000/01 fare (\$)	2001/02 fare (\$)	Change (\$)
5	16.40	17.00	0.60
10	19.80	20.00	0.20
15	22.00	23.00	1.00
20	26.00	26.00	0.00
25	27.00	28.00	1.00
30	29.00	30.00	1.00
35	31.00	31.00	0.00
45	35.00	35.00	0.00
55	38.00	38.00	0.00
65	41.00	42.00	1.00
75	44.00	45.00	1.00
85	47.00	48.00	1.00
95	49.00	50.00	1.00
105	51.00	52.00	1.00
115	53.00	54.00	1.00
125	56.00	57.00	1.00
135	62.00	62.00	0.00
155	67.00	67.00	0.00
175	69.00	71.00	2.00
195	79.00	79.00	0.00
215	na	81.00	na
235	na	93.00	na
255	na	97.00	na
305	na	105.00	na
315+	na	113.00	na

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

In the last determination the Tribunal was required to round down STA's fares to the nearest 10 cents or 1 dollar, in order to allow appropriate coin increments to be made while still complying with the ACCC's price exploitation guidelines.³⁷ This has resulted in altering the structure of fares. STA has proposed the introduction of a master fare schedule to realign fares and to ensure that future rounding does not significantly alter the fare structure.³⁸

The Tribunal's current determination goes some way to removing the fare anomalies and realigning fares with STA's master fare schedule. STA has indicated it will review the fare structure further as a medium term objective.³⁹ In particular, STA believes that TravelTen and TravelPass tickets offer significant discounts relative to cash single fares and there is a need to reduce the level of discount.

However, STA is concerned that any reduction in discounts at this stage will encourage a further shift toward the cash single tickets, exacerbating the current trend. STA is trying to discourage the use of the cash single fare because it slows boarding on bus services, resulting in slower operating speeds and higher operating costs. More cash on board the buses also poses a greater security risk for drivers.⁴⁰

STA has indicated that it will consider ways to encourage a shift away from the cash single tickets, prior to proposing lower discount levels for the multiride and travelpass tickets. Action for Public Transport has suggested the introduction of a 'no-cash' bus.⁴¹ STA has indicated that it will trial such a bus on certain routes to evaluate the success. STA has also indicated that it will consider a ticket with less than 10 rides (eg a TravelSix ticket) to cater for the growing number of part-time/casual workers.⁴²

³⁷ Australian Consumer and Competition Commission, *Price Exploitation and the New Tax System, March 2000*.

³⁸ State Transit Authority, submission 2 March 2001, p 19.

³⁹ State Transit Authority, submission 2 March 2001, p 22.

⁴⁰ Other benefits of moving away from the cash fares include: more efficient utilisation of the fleet as operating speed increases and more efficient administrative functions regarding cash handling, banking and reconciliation of bus operators cash deposits with electronic value of sales recorded. State Transit Authority, submission 2 March 2001, p 22.

⁴¹ Action for Public Transport, submission April 2001, p 8.

⁴² This product would also benefit those lower income patrons who cannot afford the up-front cost of the TravelTen tickets.

5.2.1 Sydney Buses

The fares 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	2000/01 fare (\$)	2001/02 fare (\$)	Change (\$)
1-2 Section	1.40	1.50	0.10
3-5 Section	2.50	2.60	0.10
6-9 Section	3.10	3.30	0.20
10-15 Section	3.70	3.80	0.10
16+ Section	4.40	4.60	0.20

Prices for Sydney Buses' TravelTen tickets are presented in Table 5.6. The Tribunal and STA have previously agreed that the discount on TravelTen tickets should be between 15 and 20 per cent (or the ticket should be priced between 8.0 and 8.5 times the price of a single fare). As Table 5.6 shows, the level of discount provided for shorter distance journeys provide a higher level of discount. This issue will be considered in the medium term.

Table 5.6 Increases in Sydney Buses' TravelTen fares

Bus TravelTen	2000/01 fare (\$)	2001/02 fare (\$)	Change (\$)	Discount (%)	
				2000/01	2001/02
Blue: 1-2 Section	10.40	11.00	0.60	25.7	26.7
Brown: 3-5 Section	17.60	18.40	0.80	29.6	29.2
Red: 6-9 Section	22.00	23.00	1.00	29.0	30.3
Green: 10-15 Section	29.50	31.00	1.50	20.3	20.5
Orange: 16+ Section	37.00	39.00	2.00	15.9	15.2

The Tribunal has increased Sydney Buses' BusTripper⁴³ ticket to \$9.50, its School Term Pass⁴⁴ to \$37.00, and its Sports Special⁴⁵ to \$4.30 or \$2.10 for a half fare.

⁴³ 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. STA sell an average of 76 BusTripper tickets per day.

⁴⁴ 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.

⁴⁵ 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.

5.2.2 Sydney Ferries

Sydney Ferries' single journey fares for 2001/02 are presented in Table 5.7.

Table 5.7 Increases in Sydney Ferries' single journey ferry fares

	2000/01 fare (\$)	2001/02 fare (\$)	Change (\$)
Inner Zone 1	4.00	4.20	0.20
Inner Zone 2	4.20	4.40	0.20
Manly & Rydalmere	5.00	5.30	0.30
Manly JetCat	6.30	6.60	0.30
Parramatta	6.10	6.30	0.20

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

Table 5.8 Increases in Sydney Ferries' FerryTen fares

	2000/01 fare (\$)	2001/02 fare (\$)	Change (\$)	Discount from single	
				Current (%)	New (%)
Inner Zone 1	25.30	26.30	1.00	36.8	37.4
Inner Zone 2	27.50	28.80	1.30	34.5	34.5
Manly & Rydalmere	37.40	38.80	1.40	25.2	26.8
Manly JetCat	52.00	54.70	2.70	17.5	17.1
Parramatta	42.90	44.60	1.70	29.7	29.2

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 2001/02 are presented in Table 5.9.

Table 5.9 Increases in Newcastle Services' bus and ferry fares

	2000/01 fare (\$)	2001/02 fare (\$)	Change (\$)
Bus services			
1 Hour	2.40	2.50	0.10
4 Hour	4.60	4.80	0.20
Daily	7.00	7.40	0.40
TimeTen (1 Hour)	19.00	20.60	1.60
Stockton Ferry services			
Single	1.70	1.80	0.10
Daily	7.00	7.40	0.40

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

	2000/01 fare (\$)	2001/02 fares (\$)	Change (\$)
TravelPass – Bus and Ferry			
Blue	25.00	26.00	1.00
Orange	31.00	33.00	2.00
Two-zone	25.00	26.00	1.00
Pittwater	44.00	46.00	2.00
TravelPass – Bus, Ferry and Rail			
Red	28.00	29.00	1.00
Green	36.00	37.00	1.00
Yellow	39.00	41.00	2.00
Pink	42.00	44.00	2.00
Brown	48.00	50.00	2.00
Purple	56.00	58.00	2.00

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 STA and SRA. By valuing TravelPass travel at the next-best single mode ticket price, the TVT studies show 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	2001/02 fare (\$)	Average TVT (\$)	Effective Ave discount (%)	Price to achieve a 20% discount (\$)
Bus & Ferry				
Blue	26.00	47.86	45.66	38.28
Orange	33.00	54.30	39.23	43.44
2 Zone	26.00	42.81	39.27	34.25
Pittwater	46.00	64.04	29.17	51.23
Bus, Ferry & Train				
Red	29.00	45.20	35.83	36.16
Green	37.00	53.66	31.05	42.93
Yellow	41.00	58.51	29.92	46.81
Pink	44.00	60.60	27.40	48.48
Brown	50.00	71.54	30.11	57.23
Purple	58.00	83.14	30.24	66.51

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

5.3.2 Other integrated tickets

The CityHopper ticket currently provides a day's unlimited train and bus travel within the CBD zone bounded by North Sydney, Kings Cross and Redfern. STA has indicated that it no longer wishes to participate in this ticket due to its low sales. SRA has proposed to price the ticket at \$2.00 as an add-on⁴⁶, and if purchased in the CityHopper area at \$6.40 in the peak and \$4.60 in the off-peak. Child fares will be calculated at half the adult fare. The Tribunal considers SRA's proposal to be reasonable.

In its last determination the Tribunal had also set maximum fares for the DayRover⁴⁷ and the DayPass⁴⁸ tickets. In an effort to rationalise the range of excursion tickets available and provide more useful ticket options to passengers, STA consolidated the previous DayRover and DayPass tickets into a DayTripper ticket. This ticket allows for travel on rail, bus and ferry services in the Sydney metropolitan area at a cost of \$13. At the time of implementing this ticket, STA also removed the BusTripper ticket from sale. This decision to remove the BusTripper ticket has since been reversed.

Given the short period of time the DayTripper ticket has been in place STA has submitted, and the Tribunal has accepted, that its fare should be maintained at \$13 for 2001/02.

The Moore Park Link ticket provides combined rail and bus travel from Central station to the Moore Park site. The majority of these ticket holders travel directly to the Moore Park site for sporting and other special events. The price of a Moore Park Link ticket is calculated as the combined price of the rail ticket to Central and the sports special bus ticket (\$4.30

⁴⁶ The price of the CityHopper ticket, when purchased outside the CBD zone (ie CityHopper area), is the price of the appropriate return ticket, peak or off-peak, from the originating station to the City plus an add-on component.

⁴⁷ 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.

⁴⁸ 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.

adult and \$2.10 concession). The ticket provides the convenience of purchasing a single ticket for the combined journey.

SRA provides a single ticket to Olympic Park. The cost of the ticket is the combined price of the rail fare either to Lidcombe or Strathfield stations, whichever is shortest, plus an add-on component from these stations to Olympic Park.⁴⁹ The ticket may be used on both rail and STA bus services from Lidcombe/Strathfield to Olympic Park. The add-on is \$1.50 (\$0.70 concession) for single, \$3.00 (\$1.40 concession) for return and \$11.00 (\$5.50 concession) for weekly fares.

SRA also has a Bondi Link ticket which offers a combined rail and STA bus service to Bondi Beach. The ticket is offered as a single or return ticket. The fare is the appropriate rail ticket to Bondi Junction plus an add-on component for the bus service to Bondi Beach. The price of the add-on is the price of a 1-2 section bus ticket which is \$1.50 (\$0.70 concession) for a single journey and \$3.00 (\$1.40 concession) for a return journey.⁵⁰

The pensioner concession fare of \$1.10 provides unlimited travel within the CityMet area on the day of purchase. Since 1988, this fare has increase only once, with the introduction of the goods and services tax. Some submissions have called for an increase in this ticket. The price of these concession tickets and the reimbursements made by Government to STA and SRA are matters of social policy for the Government to determine, not the Tribunal. As such, the pensioner concession fare is not affected by this determination.

5.4 Examples of new fares

The following tables provide examples of typical fares under the Tribunal's determination.

Table 5.12 Examples of CityRail 2001/02 fares

Station	Single fare to city		Weekly fare to city		TravelPass		
	2000/01	2001/02	2000/01	2001/02	2000/01	2001/02	
Redfern	2.20	2.20	16.40	17.00	28.00	29.00	Red
Edgecliff	2.20	2.20	16.40	17.00	28.00	29.00	Red
Strathfield	2.80	2.80	22.00	23.00	36.00	37.00	Green
Hurstville	3.20	3.40	26.00	26.00	39.00	41.00	Yellow
Parramatta	3.80	4.00	29.00	30.00	39.00	41.00	Yellow
Hornsby	3.80	4.00	29.00	30.00	42.00	44.00	Pink
Blacktown	4.80	5.00	35.00	35.00	48.00	50.00	Brown
Campbelltown	5.60	5.80	38.00	38.00	48.00	50.00	Brown
Gosford	7.60	7.80	44.00	45.00			
Wollongong	9.40	9.60	49.00	50.00			
Katoomba	11.00	11.20	53.00	54.00			
Newcastle	16.60	16.60	69.00	71.00			

⁴⁹ Patrons in the stations between Lidcombe and Strathfield are only charged the add-on price for their journeys to Olympic Park.

⁵⁰ The add-on for both the Olympic Park and the Bondi Link tickets is based on the price of a 1-2 section STA bus fare, rounded down to the nearest 20 cent multiple.

Table 5.13 Examples of 2001/02 rail, bus and ferry fares to the City

	Rail		Bus		Ferry		
	Single	Weekly	Single	TravelTen	Single	TravelTen	
Redfern	2.20	17.00	1.50 ¹	11.00 ¹	4.20	26.30	Inner zone 1
Bondi Jn	2.60	20.00	2.60	18.40	4.40	28.80	Inner zone 2
Strathfield	2.80	23.00	3.30	23.00	5.30	38.80	Manly/Rydalmere
20 km	3.40	26.00	3.80	31.00	6.60	54.70	Manly JetCat
40 km	5.00	35.00	4.60	39.00	6.30	44.60	Parramatta

1. Assumes travel to Town Hall.

ATTACHMENT 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 SRA and STA for maximum prices to be charged from 1 July 2001 for declared passenger transport monopoly services.⁵¹

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 SRA, excluding services supplied in accordance with the ticket known as the 'SydneyPass'.

STA operates three business units, Sydney Buses, Sydney Ferries and Newcastle Services. The Tribunal sets fares for all these business units except for fares for services supplied under the 'Sydney Pass' tickets, or by 'Airport Express', 'Sydney Explorer', 'Bondi and Bay Explorer' and similar bus services. These services operate in competitive markets. Those wishing to buy this type of travel can choose between STA and competing privately operated services.

On 20 December 2000, the Tribunal wrote to SRA and STA asking them to make public submissions by 23 February 2001, ahead of a public hearing in April 2001. The Tribunal invited submissions from other stakeholders by advertising the review on its webpage, the Sydney Morning Herald, Daily Telegraph, Illawarra Mercury and the Newcastle Herald. Submissions were to reach the Tribunal by 23 March 2001.

SRA and STA made written submissions on 2 March 2001. To allow interested stakeholders sufficient time to respond, the Tribunal extended the time for submissions from the public to 6 April. This change was advertised on the Tribunal's webpage on 2 March 2001. The date for the public hearing was set for 20 April 2001.

The Tribunal organised for presentations to be made by STA and SRA on 20 March 2001. This allowed the agencies to present the key points of their submissions to stakeholders. Stakeholders also had the opportunity to clarify issues with the agencies before making their own submissions.

The public hearing was held on 20 April 2001 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 webpage. The Tribunal received a total of 159 submissions from 138 individuals and the following organisations:

- Action for Public Transport
- Australian Rail Tram and Bus Industry Union
- Blue Mountains Commuter and Transport Users Association
- Bus and Coach Association (NSW)
- Cambelltown Campus Students' Association
- Commuter Council

⁵¹ 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, p 1015.

- NSW Department of Transport
- Ettinger House Inc
- Leichhardt Municipal Council
- National Union of Students
- NSW Council of Social Service (x 2)
- Public Service Association of NSW
- State Rail Authority
- State Transit Authority
- University of New England Students' Association
- University of NSW
- University of Wollongong
- Western Sydney Community Forum (x 2)
- Western Sydney Regional Organisation of Councils.

Paper copies all these submissions may be viewed during business hours (8:30am – 5:00pm, Monday to Friday) at the Tribunal's offices.

ATTACHMENT 2 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)]*

Figure A2.1 provides a breakdown of CityRail's costs since 1997/98. Table A2.1 summarises 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 (defined as above rail recurrent operating expenditure plus access fees).

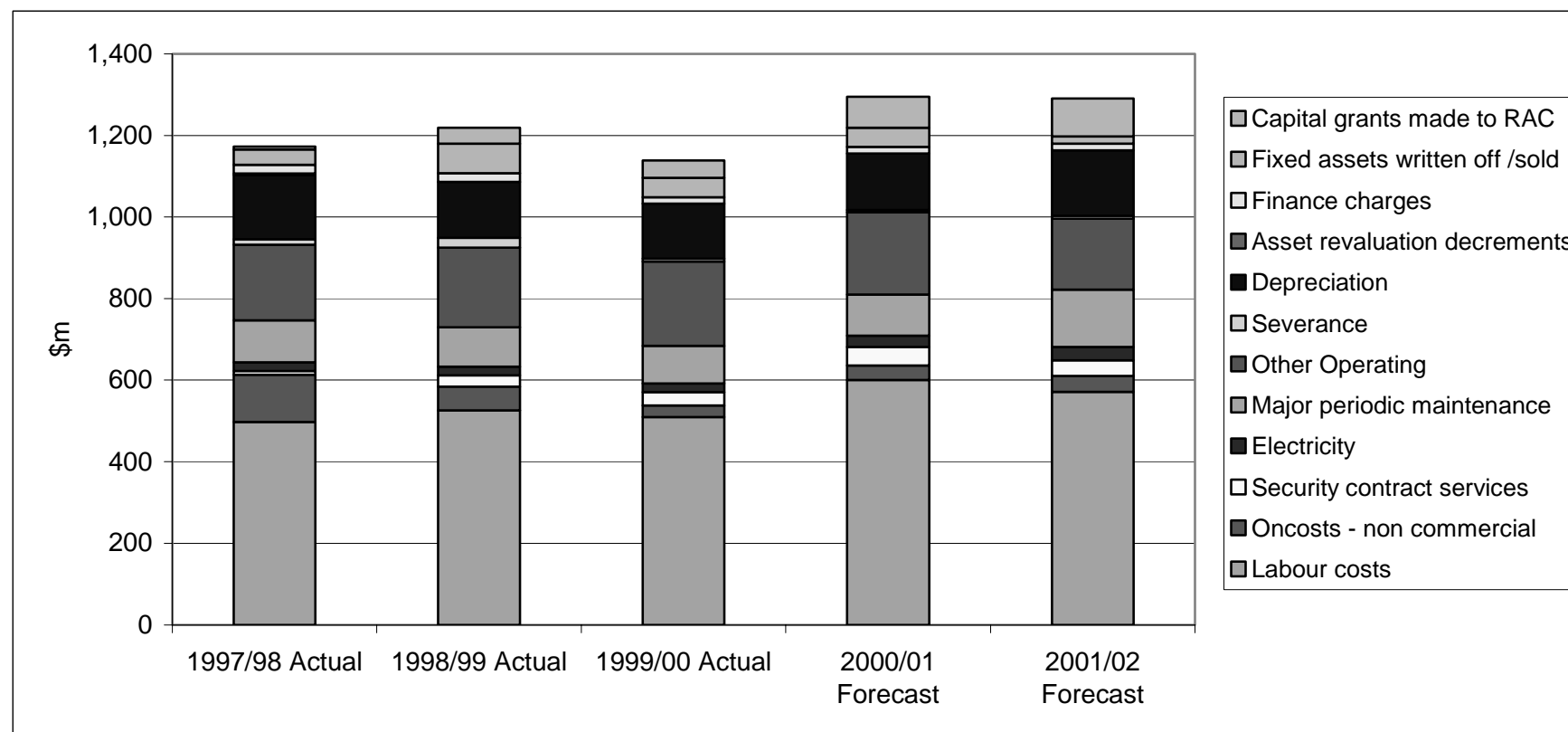
The cost of CityRail services are forecast to increase significantly from 1999/00 to 2000/01, particularly labour costs. CityRail has attributed this in part to an increasing focus on customer service, necessitating an increase in the number of front line staff. Costs are then forecast to decline slightly in 2001/02, however they will remain well above historic levels.

In explaining increased labour costs, SRA provided the following detail to the Tribunal:⁵²

- the need for additional front line staff to cover additional safety training, rollingstock maintenance and cleaning and additional staff on stations to improve public safety and on time train performance (\$28.9m)
- an examination of the levels of front line staff by the Co-ordinator-General of Rail found that an increase in staffing levels was required to improve public confidence in the rail system. This was particularly necessary in view of the Olympic transport requirements. As a result of these decisions, original forecasts of reductions in staffing levels totalling \$32m were not achievable
- award increases resulting from standard inflation movements (\$10m)
- a need to utilise overtime payments to meet short term resource requirements principally as a result of the Olympic effort (\$17m). The main focus of this requirement was in the provision of train crews to improve the level of reliability of the rail system in keeping with the drive to provide improved customer service.

⁵² Correspondence from SRA, 21 June 2001.

Figure A2.1 CityRail expenditure (\$m of the day)



Note: the order of the data labels as listed in the legend read down each column in that same order. Excludes access fees.

Table A2.1 CityRail income and expenditure statement (\$m of the day)

	96/97	97/98	98/99	99/00	00/01	01/02
	Actual	Actual	Actual	Actual	Forecast	Forecast
Operating revenue						
Farebox revenue	348.5	370.3	391.1	453.4	488.3	481.4
Revenue from other rail organisations	137.3	121.8	102.3	81.7	82.8	82.6
Other income	60.6	44.3	48.0	72.0	53.7	61.9
Non operating revenue						
Finance revenue	-	7.8	8.3	6.8	5.1	6.1
Asset sale proceeds	-	2.0	4.4	21.2	0.2	0.2
Total Revenue before Govt Subsidy	546.4	546.2	554.1	635.1	630.1	632.2
Concession revenue from Govt	111.0	133.5	143.3	152.6	166.8	168.0
Revenue before general Subsidy	657.4	679.7	697.4	787.7	796.9	800.2
Operating expenses						
Labour costs (incl oncosts)	560.1	613.1	584.0	538.2	636.4	610.0
Security contract services	-	9.5	28.0	32.6	44.9	38.2
Electricity	32.8	21.0	21.1	21.7	27.8	33.2
Major periodic maintenance of assets	59.0	103.2	97.0	92.3	100.8	140.4
Other operating	212.7	185.2	194.8	205.6	201.5	174.2
Transfer charge/allocation to Clink¹	(57.5)	(65.0)	(66.7)	(57.5)	(56.3)	(58.0)
Above rail recurrent operating	807.1	867.0	858.2	832.9	955.1	938.0
Access fees²	345.0	320.6	303.5	322.0	333.1	375.7
Recurrent operating	1,152.1	1,187.6	1,161.7	1,154.9	1,288.2	1,313.7
Non-recurrent operating expenses						
Severance	2.2	13.5	24.1	7.4	6.3	7.0
Non-cash						
Depreciation	176.3	157.7	137.0	135.8	138.3	160.0
Asset revaluation decrements	-	3.6	-	-	-	-
Non operating expenses						
Finance charges	22.9	21.9	21.2	14.5	16.1	16.3
Fixed assets written off /sold	51.3	36.8	72.9	47.9	47.4	17.8
Capital grants made to RAC	-	7.3	38.7	42.4	75.4	92.9
Total costs CityRail	1,404.8	1,428.4	1,455.5	1,402.9	1,571.7	1,607.7
Surplus/(shortfall) before Govt funding	(747.4)	(748.6)	(758.2)	(615.3)	(774.8)	(807.5)
Government Subsidy	731.8	724.7	739.5	706.0	841.0	830.2
Surplus/(shortfall) after Govt funding	(15.6)	(23.9)	(18.6)	90.7	66.2	22.7

Source: State Rail Authority financial information return.

Note:

1. 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.
2. Since 1996/97, the Rail Access Corporation has charged CityRail an annual fee for control and maintenance of below rail infrastructure. An additional access fee of \$40m will be paid to the Rail Infrastructure Corporation in 2001/02 for additional track maintenance to improve system reliability.

Under section 15(h) of the IPART Act the Tribunal is required to take account of the impact of the fare determination on any arrangements that CityRail has entered into with another party in regards to the exercise of its functions. The Tribunal has noted SRA's arrangement in regard to the Airport Link.

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 2000/01 farebox revenue will contribute \$488.3m of the \$1,571.7m cost of CityRail services. Similarly, in 2001/02 farebox revenue will contribute \$481.4m of the \$1,532.8 total costs of CityRail. 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 in 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 maximum fares in this determination will have a negligible impact on the general level of inflation.

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.

In its last determination, the Tribunal cited expenditures consistent with those in Table A2.2 to illustrate the extent of service improvements since 1996 or planned for 1999/00 and beyond. The Government has recently announced additional initiatives which will further improve CityRail's services, as included in the table below.

CityRail service standards during 2000/01 are considered in detail in chapter 4.

Table A2.2 CityRail expenditure on service improvements since 1996

	Cost (\$m)	Comments
Cumberland line	60.0	Construction cost, opened in 1996/97. The Cumberland line provides a direct link from Campbelltown and Liverpool to Parramatta with trains every half hour.
Security guards	27.8	This is a recurrent expense and represents the expenditure in 2000/01. It includes security guards patrol all trains after 7.00pm and some services from 2.00pm on weekdays and Contract security guards on stations where a safety risk has been identified..
Security program*	106.5	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. The program is to be completed during 2001/02.
Station upgrades – Easy Access*	87.6	Implementation of Easy Access program, eg. initiatives including provision of lifts, tactile tiles and other aids, to a number of stations. This is an ongoing program – 46 stations have been completed to date.
Other station upgrades*	135.8	Includes major station upgrading, gap reduction, reconstruction of platforms and other upgrading works. This is an ongoing program.
Tangara cars	12.2	Purchase of 5 Tangara cars offering a higher level of passenger comfort.
Passenger information network installation*	21.3	New wayfinding signage at key points and improvement to customer information systems including plasma screens and an upgrade to digital voice announcement.
Fleet refurbishment*	56.6	General refurbishment to maintain current safety standards.
East Hills amplification*	52.0	Construction of additional track to relieve congestion – to be completed by August 2001.
Kiama electrification*	36.0	Extension of electrified network from Dapto to Kiama CityRail network – to be completed in 2001/02.

Source: Information supplied by State Rail Authority, 2001.
 State Rail Authority of NSW, submission to IPART, 2000, 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.

Note:

* Covers expenditure from 1997/98 to 2000/01.

The Tribunal has considered the social impacts of the determination, using data from the Household Travel Survey. The survey results provide a further picture of public transport users, although it does not provide a conclusive answer of the capacity of users to pay higher fares. The Tribunal is also cautious of drawing too many detailed conclusions from the survey results due to the small sample sizes and the difficulties associated with income

based surveys.⁵³ However, on the whole the Tribunal does not believe that the fare increases in this determination will have a significant social impact. Further discussion is provided in chapter 3 on the issue of social impacts.

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)]*

In past determinations the Tribunal has noted the concerns of a number of stakeholders who have argued that higher fares will discourage travellers from using public transport, with a resultant increase in car use and environmental damage. A number of stakeholders have argued that fares should be set based on the full costs and benefits of transport by alternative modes such as train, bus and private cars. This would include financial measures of the environmental and social costs and benefits of each mode. The stakeholders believe that this approach will more adequately take into account the subsidies to private car use through, for example, the construction of roads.

During the course of this determination, the Tribunal has conducted additional research into these issues. These are discussed in chapter 3 of the determination.

Other issues

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 \$13.4 million in 2001/02.

⁵³ For example, personal income does not necessarily reflect a person's capacity to pay higher fares - a low income person may live in a high income household. Household income, on the other hand, does not necessarily reflect capacity to pay due to the effect of household size - a two person household has a different capacity to pay higher fares than a four person household, despite the same level of income.

ATTACHMENT 3 SECTION 15 OF THE IPART ACT – STA

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. STA projects that Sydney Buses' costs will continue to increase in 2001/02 in line with increased service provision. The movement in Sydney Buses' costs is shown in Figure A3.1 and Table A3.1.

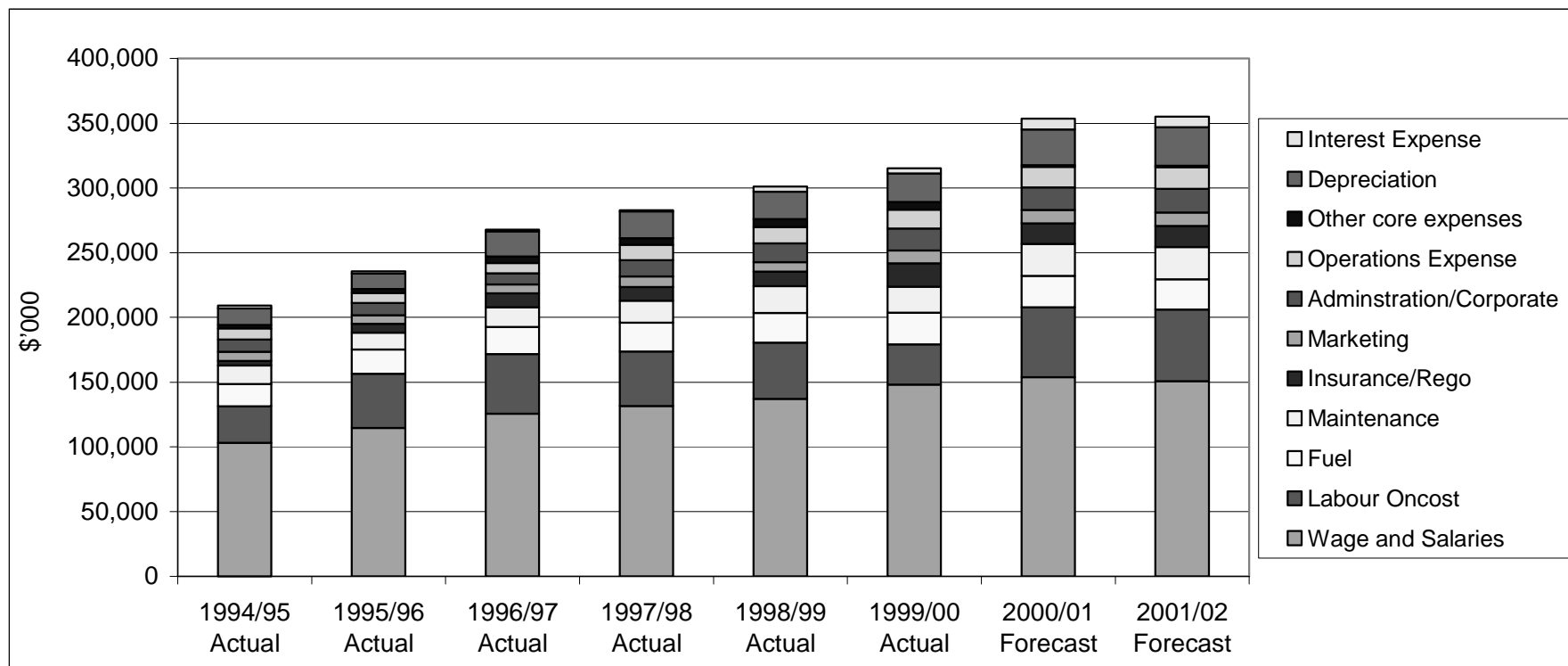
As indicated, Sydney Buses' total expenses in 2000/01 are expected to increase by 12 per cent compared to 1999/00. This follows an increase in total expenses of 11 per cent from 1998/99 to 1999/00.

The increase in total expenses between 1999/00 and 2000/01 partly reflects:

- a 16 per cent increase in labour costs, driven by wage increases of approximately 3 per cent and associated increases in labour oncosts⁵⁴. Labour costs constitute approximately 60 per cent of Sydney Buses' costs before financing expenses
- a 17 per cent increase in operations and maintenance expenses. This reflects an increase in cross regional services and the purchase of the North and Western Buslines and the Riverside buslines
- a significant increase in non cash expenses. Depreciation has increased by 26 per cent, due to the acquisition of the North and Western and Riverside Buslines and an increase in the fleet size. Although only a small component of total costs, interest expense has risen by 107 per cent due to higher levels of debt carried by STA.

⁵⁴ As noted in section 2.3, the annual fluctuations in labour oncosts may be partially a result of actuarial reassessment of superannuation liabilities rather than underlying changes to Sydney Buses' business.

Figure A3.1 Sydney Buses' expenses (\$'000 of the day)



Note: the order of the data labels as listed in the legend read down each column in that same order.

STA argues that much of this increase in total expenses reflects inflationary pressures (as measured by STA's cost index⁵⁵) as well as improved service provision, such as the introduction of cross-regional routes.⁵⁶ STA also notes that while it has experienced increases in wages, these increases have been in line with increases across the public service.

STA projects that Sydney Buses will achieve \$13.6m in efficiency savings in 2001/02.⁵⁷ However, the remaining \$6.4m of savings recommended by Sinclair Knight Mertz / Coopers and Lybrand will not be achieved as a result of Government support for the maintenance of current employment conditions and entitlements.

Table A3.1 Sydney Buses' past and projected expenses (\$m of the day)

	1999/00 Actual	2000/01 Forecast	Increase %	2001/02 Forecast	Increase %
EXPENSES					
Labour costs	179.2	207.9	16.0	206.0	-0.9
Fuel	24.5	24.1	-1.6	23.3	-3.3
Marketing & administration	22.3	23.4	4.9	24.4	4.2
Operations & maintenance	34.7	40.6	17.1	41.6	2.6
Other operating expenses	28.6	21.5	-24.9	21.7	1.1
Recurring operating expenditure	289.4	317.5	9.7	317.1	-0.1
Depreciation	22.0	27.8	26.4	29.8	7.3
Cost before financing expenses	311.3	345.3	10.9	346.9	0.5
Interest	4.0	8.3	107.6	8.2	-0.5
TOTAL EXPENSES	315.3	353.5	12.1	355.1	0.5

Source: STA financial information return.

Notes:

1. 2001/02 data is in 2000/01 dollars.
2. All other figures are in dollars of the day.
3. Totals may not add up due to rounding.

Sydney Ferries' costs

Sydney Ferries' costs have increased significantly over the past few years, and STA projects that Sydney Ferries' costs will continue to increase in 2001/02. This is indicated in figure A3.2.

Further, as indicated in Table A3.2, Sydney Ferries' total expenses in 2000/01 are expected to increase by 0.2 per cent compared to 1999/00. This slight increase comprises a number of more substantial movements in costs. These costs include:

- 15.8 per cent increase in labour costs, driven by increases in wage rates of approximately 3 per cent and the consequent increase in labour oncosts⁵⁸, as well as

⁵⁵ STA's cost index has increased by 26.1 per cent between 1996/97 and 2000/01, 4.6 per cent between 1999/00 and 2000/01.

⁵⁶ STA notes that one of the indicators of improved services is increased bus kilometres travelled, which has risen by 17.8 per cent from 1996/97 to 2000/01.

⁵⁷ State Transit Authority, submission 2 March 2001, p 14.

⁵⁸ The annual fluctuations in labour oncosts may be partially a result of actuarial reassessment of superannuation liabilities rather than underlying changes to Sydney Ferries' business.

the transfer of staff from the Balmain shipyard resulting from a corporate restructure. This has been the major contributor to increasing costs for Sydney Ferries, as labour costs make up almost half of Sydney Ferries' total costs.

- 42 per cent decline in fuel costs, as a result of a Government rebate. Fuel is the second largest contributor to Sydney Ferries' total costs, thus this cost reduction has acted to reduce the overall increase in costs
- 10.9 per cent increase in interest expense. While interest constitutes only a small percentage of Sydney Ferries' total costs, this has risen substantially in recent years. Depreciation is also forecast to increase, by 4.8 per cent between 1999/00 and 2000/01, and by a further 17.9 per cent between 2000/01 and 2001/02.

STA argues that much of this increase in total expenses reflects inflationary pressures (as measured by STA's cost index).⁵⁹

Table A3.2 Sydney Ferries' past and projected expenses (\$m of the day)

	1999/00 Actual	2000/01 Forecast	Increase %	2001/02 Forecast	Increase %
EXPENSES					
Labour costs	31.1	36.0	15.8	36.8	2.2
Fuel	6.9	4.0	-42.3	4.0	1.0
Marketing & administration	6.7	5.7	-16.1	5.8	2.9
Operations & maintenance	16.0	16.0	-0.3	15.9	-0.2
Other operating expenses	1.3	0.1	-94.3	0.1	0.0
Recurring operating expenses	62.1	61.7	-0.6	62.7	1.6
Depreciation	7.0	7.4	4.8	8.7	17.9
Costs before financing expenses	69.1	69.1	0.0	71.4	3.3
Interest	1.3	1.4	10.9	1.4	0.6
TOTAL EXPENSES	70.4	70.5	0.2	72.8	3.3

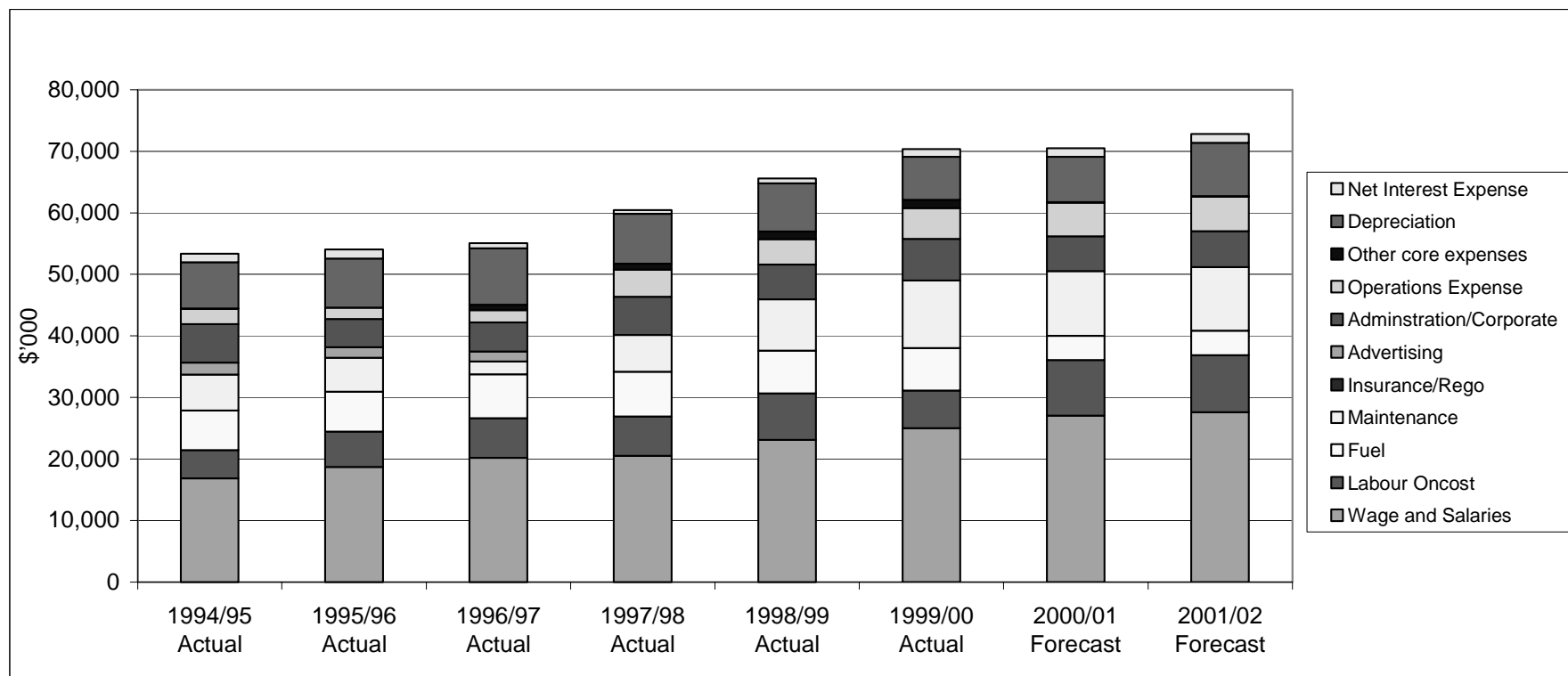
Source: STA financial information return.

Notes:

1. 2001/02 data is in 2000/01 dollars.
2. All other figures are in dollars of the day.
3. Totals may not add up due to rounding.

⁵⁹ STA's cost index has increased by 26.1 per cent between 1996/97 and 2000/01, 4.6 per cent between 1999/00 and 2000/01.

Figure A3.2 Sydney Ferries' expenses (\$'000 of the day)



Note: the order of the data labels as listed in the legend read down each column in that same order.

Newcastle Services' costs

The STA projects that Newcastle Services' costs will increase significantly from 1999/00 to 2000/01. This, coupled with falling patronage has resulted in a decline in cost recovery levels. The cost breakdown of Newcastle Buses' is shown in Figure A3.3.

Further, as indicated in Table A3.3, Newcastle Services' recurrent operating expenses in 2000/01 are expected to increase by 13.4 per cent compared to 1999/00. This increase reflects the following:

- a 15.7 per cent increase in labour costs. This is driven by an increase in wage rates, increasing both wages expense and labour oncosts
- a 26.9 per cent increase in operations and maintenance expense. This is partly offset by a decline in other operating expenses
- a 22.7 per cent increase in marketing and administration expense. STA attributes this to a change in the methodology for allocating expenses within STA.

Table A3.3 Newcastle Services' past and projected expenses (\$m of the day)

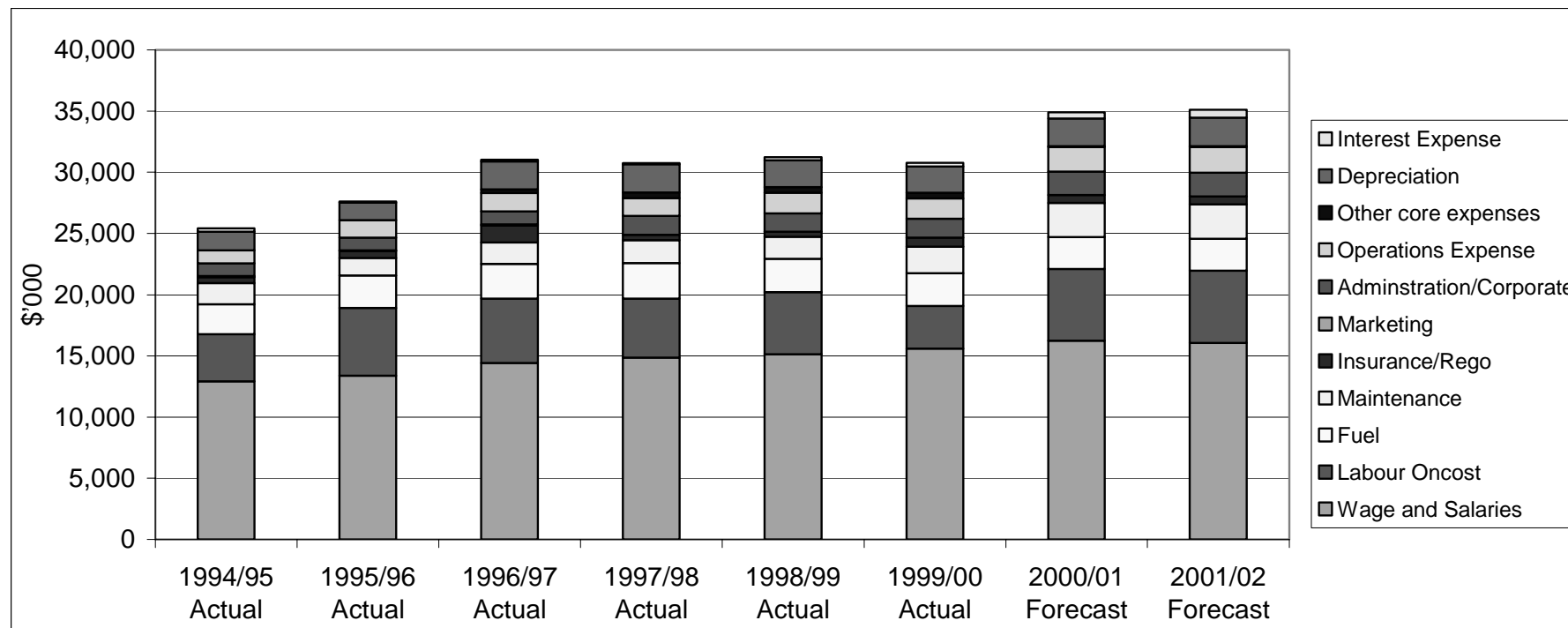
	1999/00 Actual	2000/01 Forecast	Increase %	2001/02 Forecast	Increase %
EXPENSES					
Labour Costs	19.1	22.1	15.7	22.0	-0.5
Fuel	2.7	2.6	-2.6	2.6	0.0
Marketing & administration	1.5	1.9	22.7	1.9	2.0
Operations & maintenance	3.8	4.8	26.9	4.9	1.6
Other operating expenses	1.2	0.7	-41.6	0.7	0.0
Recurrent operating expenses	28.3	32.1	13.4	32.1	0.0
Depreciation	2.1	2.3	5.1	2.3	2.9
Cost before financing expenses	30.5	34.4	12.9	34.5	0.2
Interest	0.3	0.5	75.8	0.7	24.0
TOTAL EXPENSES	30.8	34.9	13.5	35.1	0.5

Source: STA financial information return.

Note:

1. 2001/02 data is in 2000/01 dollars.
2. All other figures are in dollars of the day.
3. Totals may not add up due to rounding.

Figure A3.3 Newcastle Services' expenses (\$'000 of the day)



Note: the order of the data labels as listed in the legend read down each column in that same order.

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 2000/01 farebox revenue contributed \$188.5m of the \$353.5m costs of Sydney Buses' services. The Government will provide 41.9 per cent of Sydney Buses' revenue in 2000/01, up from 41.4 per cent in 1998/99 and 41.0 per cent in 1999/00. Despite the contribution from Government, Sydney Buses' is expected to make an operating loss of \$4.8m in 2000/01 compared to a profit of \$15.5m in 1999/00, as indicated in Table A3.4.

Table A3.4 Sydney Buses' income and expenditure statement (\$m of the day)

	1998/99 Actual	Proportion %	1999/00 Actual	Proportion %	2000/01 Forecast	Proportion %
REVENUE						
Passenger revenue	169.1	56.2	187.2	56.6	188.5	54.1
Revenue from Government						
- Concession contract	99.4	33.0	105.9	32.0	113.2	32.5
- Pricing CSO	25.2	8.4	29.5	8.9	32.9	9.4
Total	124.6	41.4	135.4	41.0	146.1	41.9
Other Revenue	7.0	2.3	8.1	2.4	14.1	4.0
TOTAL REVENUE	300.7	100.0	330.7	100.0	348.7	100.0
EXPENSES						
Total operating expenses	276.0	91.7	289.4	91.8	317.5	89.8
Depreciation	21.1	7.0	22.0	7.0	27.8	7.9
Interest	3.8	1.3	4.0	1.3	8.3	2.3
TOTAL EXPENSES	300.9	100.0	315.3	100.0	353.5	100.0
Profit before tax and abnormals	-0.2		15.5		-4.8	

Source: STA financial information return.

Note:

1. All figures are in dollars of the day.
2. Totals may not add up due to rounding.

Sydney Ferries

In 2000/01 farebox revenue contributed \$40.2m of the \$70.5m 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 43.0 per cent of Sydney Ferries' revenues in 2000/01, up from 39.5 per cent in 1999/00. Despite this contribution, Sydney Ferries' is expected to make an operating loss of \$7.6m in 2000/01 compared to a loss of \$8.2m in 1999/00, as indicated in Table A3.5.

Table A3.5 Sydney Ferries' income and expenditure statement (\$m of the day)

	1998/99 Actual	Proportion %	1999/00 Actual	Proportion %	2000/01 Forecast	Proportion %
REVENUE						
Passenger revenue	33.3	57.6	37.4	60.1	40.2	63.9
Revenue from Government						
- Concession contract	8.1	14.0	7.9	12.7	8.4	13.3
- Service contract revenue	12.0	20.8	15.3	24.6	15.8	25.2
- Pricing CSO	4.3	7.4	1.3	2.1	2.8	4.5
Total	24.3	42.1	24.6	39.5	27.1	43.0
Other revenue	0.1	0.3	0.3	0.4	-4.3	-6.9
TOTAL REVENUE	57.8	100.0	62.2	100.0	62.9	100.0
EXPENSES						
Total operating expenses	57.0	86.9	62.1	88.2	61.7	87.6
Depreciation	7.8	11.9	7.0	10.0	7.4	10.5
Interest	0.8	1.2	1.3	1.8	1.4	2.0
TOTAL EXPENSES	65.6	100.0	70.4	100.0	70.5	100.0
Profit before tax and abnormals	-7.8		-8.2		-7.6	

Source: STA financial information return.

Note:

1. All figures are in dollars of the day.
2. Totals may not add up due to rounding.

Newcastle Services

In 2000/01 farebox revenue contributed \$6.3m of the \$34.9m 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 contributed 74.9 per cent of Newcastle Services' revenues in 2000/01, up from 72.5 per cent in 1998/99 and 73.6 per cent in 1999/00. Newcastle Services' is expected to make an operating loss of \$7.8m in 2000/01 compared to a loss of \$4.1m in 1999/00.

Table A3.6 Newcastle Services' income and expenditure statement (\$m of the day)

	1998/99 Actual	Proportion %	1999/00 Actual	Proportion %	2000/01 Forecast	Proportion %
REVENUE						
Passenger revenue	6.5	25.1	6.6	24.6	6.3	23.3
Revenue from Government						
Concession contract	15.3	58.9	15.6	58.5	15.9	58.5
Service contract revenue	2.3	8.7	3.0	11.1	3.5	12.8
Pricing CSO	1.3	4.9	1.1	4.0	1.0	3.6
Total	18.9	72.5	19.6	73.6	20.3	74.9
Other Revenue	0.6	2.4	0.5	1.8	0.5	1.8
TOTAL REVENUE	26.1	100.0	26.7	100.0	27.1	100.0
EXPENSES						
Total operating expenses	28.8	92.2	28.3	92.0	32.1	92.0
Depreciation	2.2	7.0	2.1	7.0	2.3	6.5
Interest	0.3	0.8	0.3	1.0	0.5	1.5
TOTAL EXPENSES	31.2	100.0	30.8	100.0	34.9	100.0
Profit before tax and abnormal	-5.2		-4.1		-7.8	

Source: STA financial information return.

Note:

1. All figures are in dollars of the day.
2. Totals may not add up due to rounding.

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 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 STA's bus and ferry services. STA's service standards during 2000/01 are considered in detail in chapter 4.

In its submission STA notes that key service improvements over the past two years include:

- improved accessibility of information through the introduction of an Integrated Transport Information Service
- acquisition of additional compressed natural gas and diesel buses with ultra low floor access and air conditioning

- acquisition of 2 new SuperCat ferries and the refurbishment of the Manly Ferry 'Collaroy'
- introducing Closed Circuit Television camera on all buses and on wharves to improve passenger safety
- introduction of new automatic ticketing and fare collection systems at Circular Quay at a total cost of \$7m
- introduction of cross regional routes
- 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).

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

As discussed in chapter 3 and attachment 2 above the Tribunal believes that there is unlikely to be a significant social impact resulting from this 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)]*

As part of this determination, the Tribunal has conducted additional research on environmental and social costs and benefits of public transport issues. These are discussed in detail in chapter 3 of this determination. As noted in chapter 3, changes in fare levels generally have a minimal impact on patronage. The decision to use public transport is influenced by a range of factors, apart from price, including service quality, accessibility, frequency and timeliness.

Given the discussion in chapter 3, the Tribunal is satisfied that its fare determination will not cause a significant shift away from bus and ferry travel.

Other issues

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 \$9.7 million in 2001/02.



INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES

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

Reference No.:	00/280
Determination:	No 1, 2001
Government Agency:	State Rail Authority
Government monopoly services:	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 2001) 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, when purchased outside the CityHopper area, must not exceed the price of the appropriate standard return ticket (peak or off-peak) to the City plus an additional sum of \$2.00 for unlimited rail travel in the City area. If purchased within the CityHopper area the fare will be \$6.40 in the peak and \$4.60 in the offpeak.

3. DayTripper tickets

The price of a DayTripper ticket must not exceed \$13.

4. Moore Park Link tickets

The price of a Moore Park Link ticket must not exceed the combined price of the rail ticket to Central (as outlined in Table 1) and the sports special bus ticket (\$4.30).

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 rail ticket for the distance from the station of origin to Strathfield or Lidcombe (whichever is shortest) plus an additional sum of \$1.50 for an adult single journey (\$0.70 concession), \$3.00 for an adult return journey (\$1.40 concession) or \$11.00 for an adult weekly ticket (\$5.50 concession).

7. Bondi Link ticket

The price of a ticket to Bondi must not exceed the price of the appropriate rail ticket for the distance from the station of origin to Bondi Junction plus an additional sum of \$1.50 for an adult single journey (\$0.70 concession) or \$3.00 for an adult return journey (\$1.40 return).

8. 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 2000/01 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
26 June 2001

CITYRAIL PRICING SCHEDULE

This Pricing Schedule forms part of Determination No. 1 of 2001 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 2001

Distance Km	Single \$	Half Single \$	Return \$	Half Return \$	Weekly \$	Off-peak \$
5.00	2.20	1.10	4.40	2.20	17.00	2.60
10.00	2.60	1.30	5.20	2.60	20.00	3.00
15.00	2.80	1.40	5.60	2.80	23.00	3.40
20.00	3.40	1.70	6.80	3.40	26.00	4.00
25.00	3.60	1.80	7.20	3.60	28.00	4.20
30.00	4.00	2.00	8.00	4.00	30.00	4.80
35.00	4.20	2.10	8.40	4.20	31.00	5.00
45.00	5.00	2.50	10.00	5.00	35.00	6.00
55.00	5.80	2.90	11.60	5.80	38.00	7.00
65.00	6.40	3.20	12.80	6.40	42.00	7.60
75.00	7.80	3.90	15.60	7.80	45.00	9.20
85.00	8.60	4.30	17.20	8.60	48.00	10.20
95.00	9.60	4.80	19.20	9.60	50.00	11.40
105.00	10.00	5.00	20.00	10.00	52.00	11.80
115.00	11.20	5.60	22.40	11.20	54.00	13.40
125.00	12.40	6.20	24.80	12.40	57.00	14.80
135.00	12.60	6.30	25.20	12.60	62.00	15.00
155.00	14.60	7.30	29.20	14.60	67.00	17.40
175.00	16.60	8.30	33.20	16.60	71.00	19.80
195.00	19.80	9.90	39.60	19.80	79.00	24.00
215.00	21.00	10.50	42.00	21.00	81.00	25.00
235.00	24.00	12.00	48.00	24.00	93.00	29.00
255.00	25.00	12.50	50.00	25.00	97.00	30.00
305.00	27.00	13.50	54.00	27.00	105.00	32.00
305+	29.00	14.50	58.00	29.00	113.00	35.00

Travelpass	\$	Child Off-Peak	\$
Red	29.00	Sydney Suburban	2.30
Green	37.00	Newcastle Suburban	2.30
Yellow	41.00	Outer Metropolitan	3.40
Pink	44.00	CityRail	5.60
Brown	50.00		
Purple	58.00		

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

Reference No.:	00/279
Determination:	No 2, 2001
Government agency:	State Transit Authority
Government monopoly services:	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">a) services supplied in relation to the ticket known as the "SydneyPass",b) the bus service known as the "Airport Express",c) the bus service known as the "Sydney Explorer", the bus service known as the "Bondi & Bay Explorer" and any other similar bus services operating in any other areas,d) ferry cruises operated by STA.

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 2001) 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. Sports special return bus tickets

The price of a sports special return bus ticket must not exceed \$4.30 for an adult ticket and \$2.10 for a concession.

3. Moore Park Link tickets

The price of a Moore Park Link ticket must not exceed the combined price of the rail ticket to Central (as outlined in Table 1 in the CityRail determination) and the sports special bus ticket.

4. School term pass

The price of a school term pass must not exceed \$37.00 per school term.

5. 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.

6. 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.

7. New or additional charges

All other prices or charges for scheduled passenger transport services provided by the State Transit Authority must remain at 2000/01 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

26 June 2001

STATE TRANSIT AUTHORITY PRICING SCHEDULE

This Pricing Schedule forms part of Determination No. 2 of 2001 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 2001

SYDNEY BUSES FARES	Adult (\$)	Concession (\$)
Single ride fares		
1-2 Sections	1.50	0.70
3-5 Sections	2.60	1.30
6-9 Sections	3.30	1.60
10-15 Sections	3.80	1.90
16+ Sections	4.60	2.30
TravelTen		
Blue: 1-2 Sections	11.00	5.50
Brown: 3-5 Sections	18.40	9.20
Red: 6-9 Sections	23.00	11.50
Green: 10-15 Sections	31.00	15.50
Orange: 16+ Sections	39.00	19.50
TravelPass – Bus and Ferry		
Blue	26.00	13.00
Orange	33.00	16.50
2 Zone	26.00	13.00
Pittwater	46.00	23.00
TravelPass^{1,2} Bus, Ferry and Rail		
Red	29.00	14.50
Green	37.00	18.50
Yellow	41.00	20.50
Pink	44.00	22.00
Brown	50.00	25.00
Purple	58.00	29.00
BusTripper	9.50	4.70
DayTripper (Bus/ferry/rail daily)	13.00	6.50

Notes:

1. Quarterly TravelPass = 11 x weekly fare.
2. Yearly TravelPass = 40 x weekly fare.
3. Half fare concessions have been rounded down to the nearest 10 cents, according to STA policy.

Table 2 Maximum prices for STA ferry services from 1 July 2001

FERRY FARES	Adult (\$)	Concession (\$)
Single		
Inner Harbour Zone 1	4.20	2.10
Inner Harbour Zone 2	4.40	2.20
Manly / Rydalmere	5.30	2.60
Manly JetCat	6.60	na
Parramatta	6.30	3.10
Stockton	1.80	0.90
Stockton ferry (daily ticket)	7.40	3.70
FerryTen		
Inner Harbour Zone 1	26.30	13.10
Inner Harbour Zone 2	28.80	14.40
Manly / Rydalmere	38.80	19.40
Manly JetCat	54.70	na
Parramatta	44.60	22.30

Notes:

1. Half fare concessions have been rounded down to the nearest 10 cents, according to STA policy.

Table 3 Maximum prices for STA Newcastle bus services from 1 July 2001

NEWCASTLE FARES	Adult (\$)	Concession (\$)
Time		
1 Hour	2.50	1.20
4 Hours	4.80	2.40
TimeTen 1 Hour	20.60	10.30
All day	7.40	3.70
TravelPass^{1,2}		
Orange	33.00	16.50
Yellow	41.00	20.50
Pink	44.00	22.00

Notes:

1. Quarterly TravelPass = 11 x weekly fare.
2. Yearly TravelPass = 40 x weekly fare.
3. Half fare concessions have been rounded down to the nearest 10 cents, according to STA policy.