

PUBLIC TRANSPORT FARES

from 1 August 1999

CITYRAIL AND STA BUSES AND FERRIES

INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES

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Foreword

Both the State Rail Authority (providing CityRail services) and State Transit Authority (which provides Sydney Buses and Ferries, and Newcastle services) have requested significant fare increases. Such increases would reduce the financial dependence of the transport agencies on taxpayers and contribute to the financing of additional services and higher customer service standards. For example, taxpayers currently fund around 60 per cent of the total costs of CityRail services. It is fair and appropriate that public transport passengers make a suitable contribution to the cost of these services and service improvements.

The Tribunal has determined that average CityRail fares will increase by 13.8 per cent as:

- it implements the Tribunal's 1996 recommendations on cost recovery levels and makes allowance for expenditure on increased service levels
- it allows SRA to continue to pursue service improvement initiatives, particularly in relation to passenger safety on CityRail trains
- some increases in fares are required to compensate for expected cost increases.

The maximum fare increases determined by the Tribunal are justified by a number of key reasons. The first of these is CityRail's commitment to work with the Tribunal to establish a Customer Charter. The Tribunal believes that the transport agencies' commitments to customers should be more clearly specified and published in such a document. The commitments in the Customer Charter should be supported by regular public reporting of actual performance outcomes.

The increase in fares also promotes a better balance between passenger and general taxpayer funding of services. It is fair and reasonable that passengers bear some of the costs associated with CityRail service improvements. Importantly, the increase in fares will have a minimal adverse impact on patronage. Any reduction in patronage will be more than offset by continued natural growth in passenger numbers.

While pursuing a better funding balance between taxpayers and passengers, the Tribunal has placed great importance on equity considerations. The Tribunal is mindful to ensure that fare increases do not excessively impact on those members of the community that can least afford them. For example, the Tribunal has had regard to the inability of casual and part time workers to access discounted weekly tickets in making their determination.

The Tribunal believes that significant improvements are still required by SRA, particularly in relation to the quality of accounting information. The extent of any fare increases in future determinations is dependent on SRA demonstrating:

- further improvements in passenger service levels across a range of relevant customer service indicators in accordance with a proposed Customer Charter
- a clearer portrayal of cost levels and cost drivers, and the relationship between current costs and efficient costs
- positive actions undertaken to reduce the occurrence of fare evasion
- clarification of financial performance targets and Government funding commitments.

In relation to STA, the Tribunal has determined a 7.0 per cent increase in fares to:

- achieve cost recovery of the efficient costs of Sydney Buses
- improve cost recovery levels for Sydney Ferries and Newcastle services.

The maximum fare increases for STA determined by the Tribunal are justified by a number of key reasons. The first of these is STA's commitment to work with the Department of Transport to establish a performance assessment regime. The increase in fares also promotes a better balance between passenger and general taxpayer funding of services, and allows Sydney Buses to recover their efficient costs.

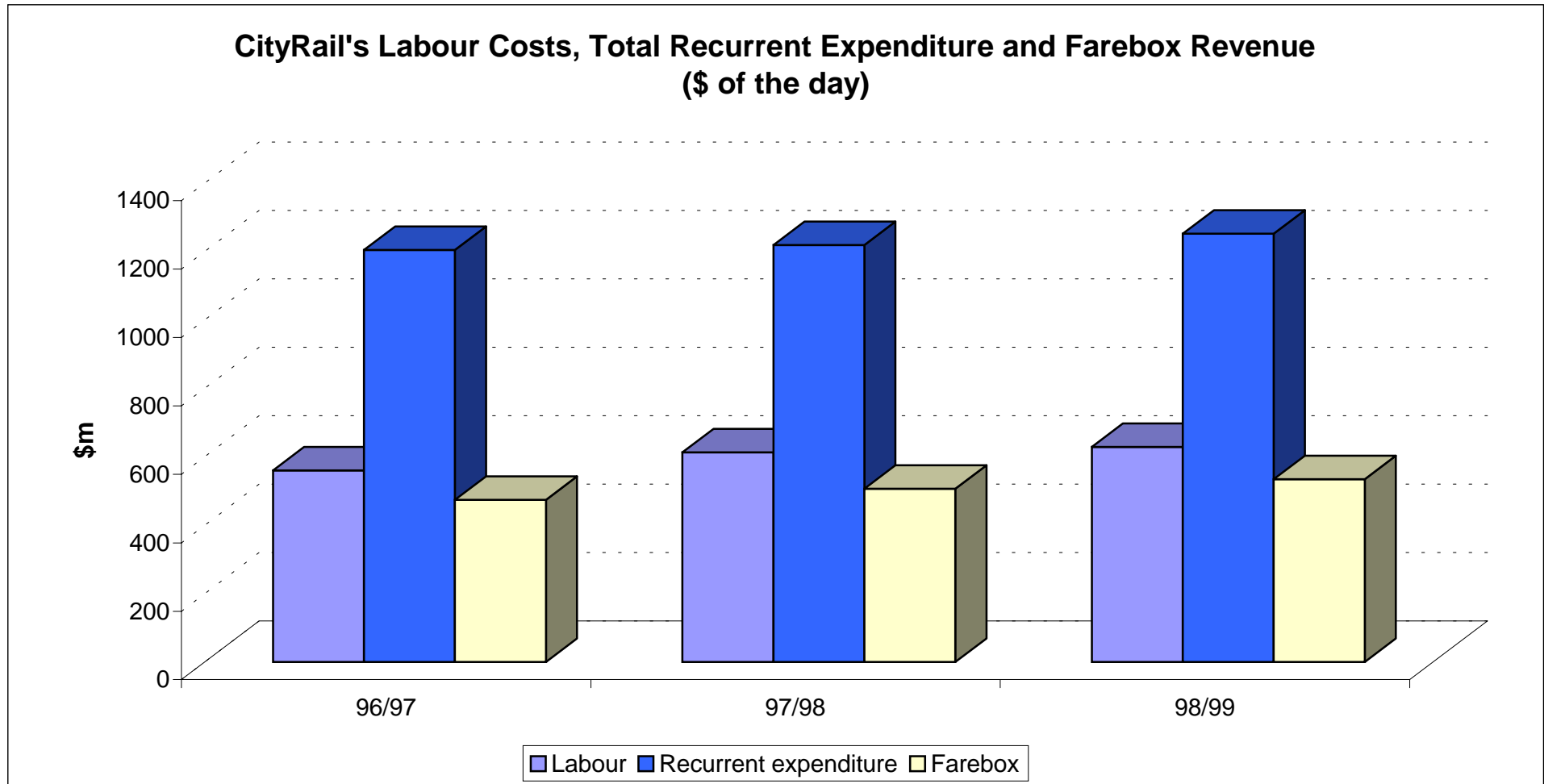
Future increases in the maximum STA fares will rely on STA:

- achieving cost efficiency targets for Sydney Buses
- establishing and attaining cost efficiency targets for Sydney Ferries and Newcastle Buses and Ferries
- developing customer service indicators and achieving an improving trend in those indicators. As with CityRail services, these customer service indicators should be specified and published
- clarification of financial performance targets and proposed Government CSO funding.

Thomas G Parry
Chairman
28 July 1999

STATE RAIL AUTHORITY OF NSW
REPORT TO THE PREMIER AND DETERMINATION

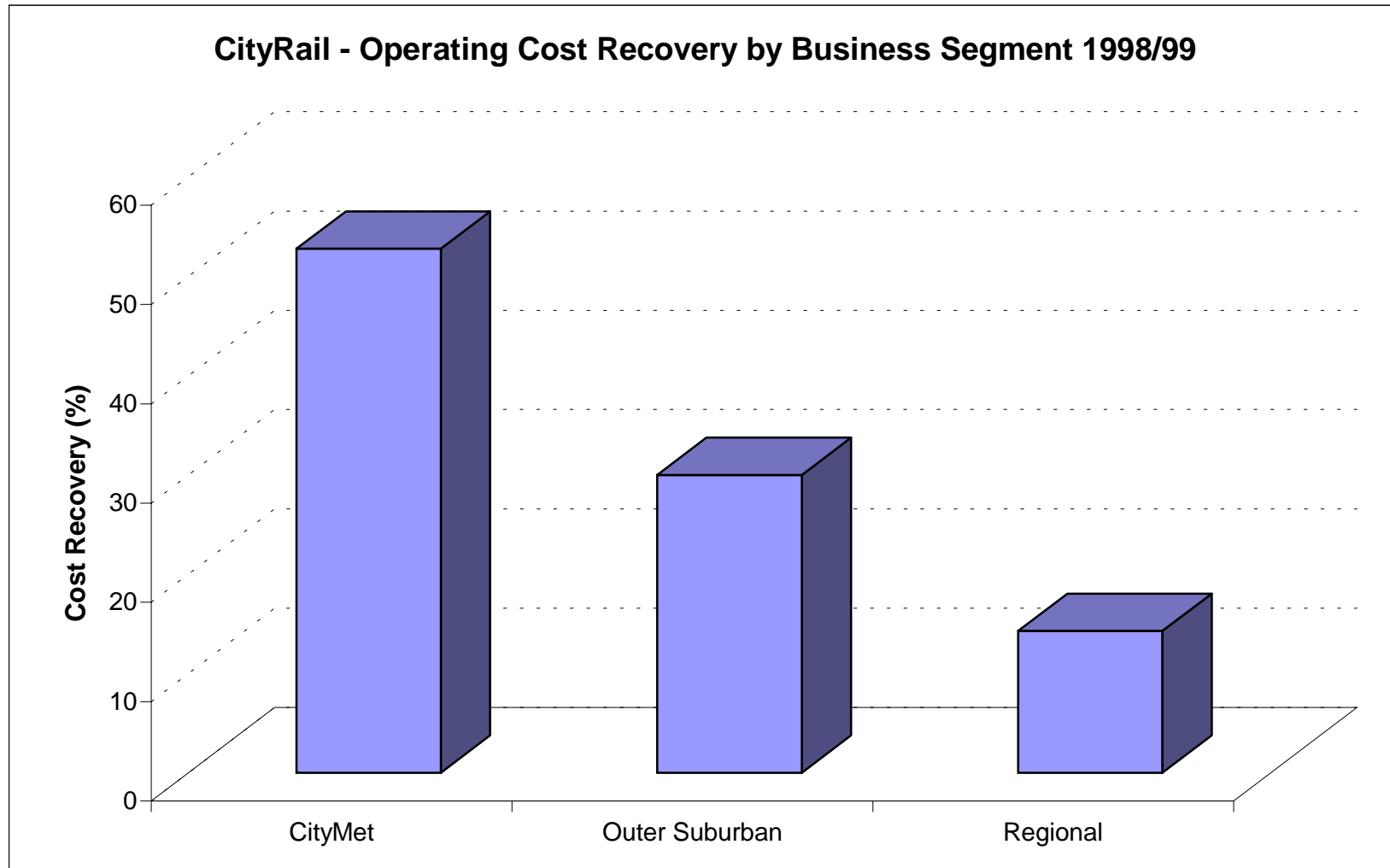
"CityRail's labour costs represent a significant proportion of total recurrent expenditure. Farebox revenues are insufficient to meet labour costs..."



Source: SRA

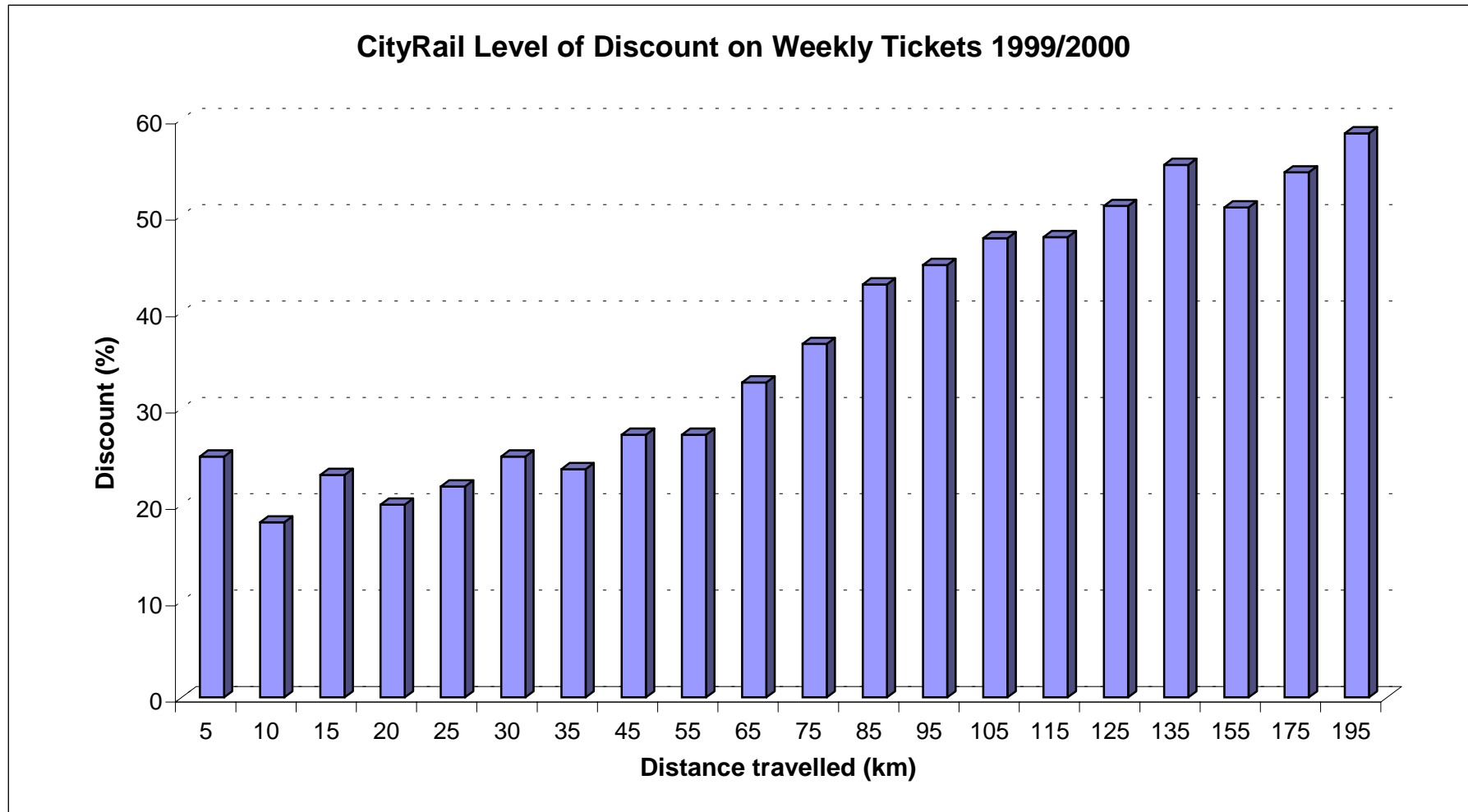
Note: Farebox revenue includes concession payments.

"As a result, cost recovery for CityRail remains low, and falls sharply with business segment..."



Source: SRA

"CityRail's discounts on weekly tickets (over cash fares) are as much as 59% for long distance travel."



Note: Discount on equivalent purchase of 5 daily return tickets.

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1 INTRODUCTION

As required by Section 11(1) of the *Independent Pricing and Regulatory Tribunal Act 1992*, the Independent Pricing and Regulatory Tribunal (the Tribunal) has investigated proposals by the State Rail Authority (SRA) for maximum prices to be charged from 1 August 1999 for declared passenger transport monopoly services.¹

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

The Tribunal is required to determine the maximum prices for the monopoly services.² Its determination for SRA's CityRail services is attached to this report.

2 THE PRICE DETERMINATION PROCESS

The Tribunal called for pricing proposals from SRA for CityRail passenger services. Submissions were also invited from other interested parties on issues relating to the pricing of public transport services. A public hearing was held on 7 June 1999 at the Tribunal's offices, Level 2, 44 Market Street, Sydney.

Details of SRA's proposals are provided within this report and a list of other submissions received is in Attachment 1.

Copies of all submissions and a transcript of the hearing can be viewed on the Tribunal's website www.ipart.nsw.gov.au and are available for inspection at the Tribunal's office.

The Tribunal members who considered this determination are:

Dr Thomas Parry, Chairman

Mr James Cox, Full-time Permanent Member

Ms Liza Carver, Part-time Permanent Member

Ms Cristina Cifuentes, Temporary Member

3 SUMMARY OF THE DETERMINATION

The Tribunal has determined that for 1999/2000 maximum fares should increase on average by 13.8 per cent. There were a number of key considerations for the Tribunal in determining the extent of any fare increases. The key factors influencing the determination are discussed below.

- Revenue requirements - taxpayers fund around 60 per cent of the total costs of providing CityRail services. The Tribunal believes that fares should increase to ensure that there is an appropriate balance between moneys received through the farebox and those paid by taxpayers. **It is also important that SRA work to reduce the incidence of fare evasion.**

¹ 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.

² Section 13A(1)(a) of the *Independent Pricing and Regulatory Tribunal Act 1992*.

- Service standards – over the last few years SRA have introduced a number of initiatives to improve CityRail service standards. Management have committed itself to continued service improvements and will work with the Tribunal on the development and publication of a Customer Charter.
- Cost increases – to compensate for the expected increase in the CPI of 2 per cent over 1999/2000 and additional costs associated with service improvements.
- Impact on patronage - the recommended price increases are likely to have only a small impact on patronage. Overall patronage will grow in line with natural passenger growth.³ Concession tickets are also available to protect the disadvantaged in the community.

The Tribunal has also placed significant importance on equity issues. The Tribunal has worked to ensure that proposed fare increases are reasonable and affordable, particularly to members of the community who cannot access discounted weekly tickets.

The following table shows recent service improvements implemented by SRA to CityRail services, and their associated costs. It is reasonable that some of these costs are recouped through fares charged to passengers. This will also contribute to improving the balance between taxpayer and passenger funding of SRA's CityRail services.

CityRail service improvements since 1996

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

Source: State Rail Authority of NSW, Submission to IPART, *CityRail Fare Review 1999/2000*, April 1999, 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.

³ This is an important issue for the Tribunal, further discussion is contained in section 5.5.

The new fares will apply only for 11 months of the 1999/2000 financial year. This will yield additional farebox revenue of 12.2 per cent or \$47.2m in a full year and 11.2 per cent or \$43.3m in 1999/2000.

Key changes to fares as a result of this determination are:

Cash fares

- the maximum increase in adult single fares will be capped at 60 cents
- return fare tickets corresponding to the above single journey tickets will be set at twice the full fare
- half fare tickets corresponding to the above single and return tickets will be set at half the corresponding adult fare
- adult off-peak (return) fares will be set at approximately 1.18 times the equivalent single journey fare
- child off-peak fares will increase by 20 cents in band 1 and 40 cents in bands 2 and 3.

Periodical fares

- rail weekly fares will increase by a maximum of \$4.00 representing an increase capped at 40 cents per trip for a weekly ticket used on ten occasions
- excluding red weekly TravelPasses which will increase by \$3.00, all weekly TravelPass fares will increase by \$4.00, an increase of 40 cents per trip for a weekly TravelPass ticket used ten times
- the price of the 28-day and upwards periodical rail tickets ("Flexipasses") will increase by an amount corresponding to the increase in weekly tickets for that distance band. Flexipass prices will be calculated as tapered multiples of the rail weekly price, rounded to the nearest whole dollar amount.

In future fare determinations, the Tribunal will consider SRA's success in achieving efficient cost levels in providing CityRail services and satisfying an improved set of service standards to be published in a Customer Charter. The Tribunal wishes to satisfy itself that rail services cost no more than is necessary to provide the level of services that the public requires. The Tribunal is concerned to ensure that both passengers' and taxpayers' funding of CityRail services delivers efficient and cost effective service delivery.

4 SUBMISSIONS

In setting fares, the Tribunal encourages public discussion about the key issues. This enables a better understanding of the issues and provide a broader range of inputs than otherwise possible.

4.1 Pricing proposals made for CityRail services

In its submission, SRA seeks a 15 per cent nominal increase in CityRail's weighted average fares⁴ from July 1999. In addition, SRA suggests that a price path over a number of years is warranted.

The main points SRA proposes for CityRail services are:

- an immediate nominal weighted average fare increase of 15 per cent
- elimination of the last remaining anomalous fare bands⁵
- off-peak fares to be set at a multiple of 1.23 times the peak return fare for all distances. Previously, this multiple was 1.2 times the peak return fare up to 215km and 1.15 for distances greater than 215km. The maximum increase proposed is \$1.60 within 55 km (the metropolitan area) and \$2.00 for greater distances
- increases in weekly fares of up to \$4.00 within the metropolitan area and \$5.00 for greater distances
- an increase in all TravelPass tickets of \$3.00
- increases in child off-peak fares of 20 cents for zone 1 (CityMet) and 40 cents for the other zones.

In support of its proposals, SRA also supplied the Tribunal with financial information. SRA forecast CityRail's cash expenditure and farebox revenue for 1998/99 as:⁶

Operating expenditure	\$526.1m	62%
Access fees and bulk electricity	\$324.8m	38%
Total cash expenditure	\$850.9m	100%
Farebox revenue	\$390.1m	

Operating expenditure includes internal services and allocations, which are costs associated with services provided by other SRA internal divisions, namely fleet maintenance, network control and corporate services.

⁴ The weighted average fare is defined as total ticket revenue divided by passenger journeys. The fare is weighted in the sense that revenues for each ticket type are divided by the number of passenger journeys for that particular ticket.

⁵ City Rail fares are essentially distance based. Rather than different fares for every possible distance, CityRail fares are calculated according to travel being within a distance range or fare band. Passengers to stations within a given distance band pay the same fare. Prior to 1996, fare bands were not based on easily understood or rational distances.

⁶ State Rail Authority of NSW, Submission to IPART, *CityRail Fare Review 1999/2000*, April 1999, p 27.

Cost savings claimed in the 1998/99 year include:⁷

- base payroll down \$12.4m (notwithstanding pay rises equating to \$9m)
- overtime down \$11.6m
- staff numbers down 730 (including 300 planned to go in June 1999).

In its main submission SRA argued that the cost of providing CityRail's services has fallen by 9 per cent in real terms over the period from 1996 to 1999.⁸ This is an average annual reduction of around 3 per cent.

It should be noted that following the Tribunal's major review of transport services⁹, the Tribunal recommended that SRA pursue real reductions in the costs of providing CityRail services of a least 2.5 per cent per year. Based on figures provided by SRA, this target has been achieved. However, the Tribunal's own analysis suggests smaller cost savings have been attained, and that the target has not been met (see section 5.1).

After allowing for a 5.5 per cent increase in passenger journeys over the same period, SRA claims that CityRail's underlying total expenditure per passenger journey has reduced by about 14 per cent over the three years.

Excluded from this underlying expenditure are funds spent on additional services comprising:

- the Cumberland line (operating cost \$8.1m per annum)
- Olympic Park (net cost of \$4.7m in 1998/99)
- introduction of security guards to all train services after 7pm (with security contractor costs increasing by \$23.2m).

SRA has also argued that fare increases would have a minimal impact on passenger numbers. SRA management estimate that their proposed fare increase would result in a 1.5 per cent fall in patronage, which would be off-set by natural passenger growth over the course of the year.¹⁰

In response to issues raised at the public hearing on 7 June 1999, SRA made an additional submission. The supplementary submission maintains SRA's support for a 15 per cent nominal increase in average fares arguing:

- it is equitable to increase the relative contribution made by passengers to the funding of CityRail services
- passengers are willing to pay higher fares for service improvements (primarily information, cleanliness and security)
- Government provides targeted concessions to protect disadvantaged groups at a cost of \$143 million each year.

⁷ State Rail Authority of NSW, Submission to IPART, *CityRail Fare Review 1999/2000*, April 1999, p 24.

⁸ State Rail Authority of NSW, Submission to IPART, *CityRail Fare Review 1999/2000*, April 1999, p 25.

⁹ IPART, *Inquiry into the Pricing of Public Passenger Transport Services - Final Report*, October 1996, p 5.

¹⁰ State Rail Authority of NSW, Submission to IPART, *CityRail Fare Review 1999/2000*, April 1999, p 2.

4.2 Other submissions

A list of submissions from groups other than SRA is given in the attachment to this determination. A number of key points were raised in these submissions. Much of the comments centred on the quality of CityRail services, the importance of quality to patronage and performance reporting matters. Treasury commented that:¹¹

Public transport patronage is generally less sensitive to changes in fares than it is to land use policy initiatives and to changes in service attributes. The relevant service attributes include system reach; frequency and reliability of service; ease of ticketing; ride comfort; and assurances of passenger security.

The importance of different service attributes was also raised by Parramatta Council:¹²

State Rail are underestimating the importance of 'service quality' by implying that on-time running is a major measure of service quality above aspects such as security, comfort, design, air-conditioning, staff assistance etc.

In relation to reporting of performance outcomes, Ettinger House commented that:¹³

CityRail should be directed to draft a performance assessment regime which includes:

- Punctuality, measured at peak and off-peak, at major, minor and intermediate stations
- Cleanliness
- Clarity and accuracy of information and announcements
- Safety, both actual and perceived, measured at peak, off-peak, day and night, as well as actual number of incidents.

These measures should be prepared and reported on separately by CityRail line.

NCOSS also called on the Tribunal to require CityRail and STA to report on passenger oriented performance indicators.¹⁴ Similar comments were given by the Western Sydney Community Forum:¹⁵

A number of performance measures should be developed to ensure service quality from a public transport user perspective.

Another important issue raised in submissions was the range of ticket options available to passengers. In particular, comments from groups such as Action for Public Transport related to the difficult position faced by casual and part time workers who are unable to access discounted weekly and travelpass tickets:¹⁶

We would welcome investigations into the introduction of a "RailTen" product similar to the TravelTen and FerryTen tickets. These may be of benefit to part-time workers who need a product somewhere between weekly and daily tickets.

A key issue for the Tribunal and one that was raised in submissions is the extent of fare evasion occurring on the CityRail system. The issue has also received media attention

¹¹ NSW Treasury, *1999-2000 Public Passenger Transport Fares Submission*, 28 May 1999, p 32.

¹² Parramatta Council, Submission to IPART, *CityRail Fare Review 1999/2000*, May 1999, p 2.

¹³ Ettinger House, Submission to IPART, *CityRail Fare Review 1999/2000*, May 1999, pp 2-3.

¹⁴ NCOSS, Submission to IPART, *CityRail Fare Review 1999/2000*, June 1999, p 3.

¹⁵ Western Sydney Community Forum, Submission to IPART, *CityRail Fare Review 1999/2000*, May 1999, p 4.

¹⁶ Action for Public Transport, Submission to IPART, *CityRail Fare Review 1999/2000*, May 1999, p 4.

recently. Fare evasion is believed to be a particular problem for short rail trips outside the Sydney City area. Many of these stations do not have ticket barriers and/or staff who inspect tickets. However, fare evasion can also be a problem in City areas where gates are left open and tickets are not checked by staff. It has been stated that the extent of fare evasion is underestimated by SRA and generally receives a low priority. The Rail, Tram and Bus Union comments:¹⁷

The RTBU believes that the current estimate of \$9 million loss through fare evasion in CityRail is incorrect. Our own research and information using our Revenue Protection Officer Members indicates that when inwards ticket checks are conducted single ticket sales at that location increase by up to 40 per cent. This does not identify those fare evaders who purchase short destination tickets in the comfort that no one will check their tickets at their destination. Notwithstanding that staff are rostered at CityRail stations they have been directed not to undertake ticket barrier functions.

The issue of fare evasion was also raised by the Retired Members Association of the Australian Liquor, Hospitality and Miscellaneous Workers Union, who stated:¹⁸

We would like this Tribunal to immediately investigate the suburban railway stations of Sydney which are unmanned as far as ticket collections are concerned, all day, there are millions of dollars in fare evasions being lost to State Rail by the stupid cutting of the ticketing staff in the suburban stations and we feel this should be stopped immediately...

There has been increased interest in the extent of fare evasion, with the issue recently receiving significant media attention. Since this occurring, SRA have increased efforts to reduce fare evasion, with staff checking tickets and gates no longer being left open.

Other points raised in submissions include:

- the extent of fare increases sought are not affordable for sections of the community¹⁹
- the proposed increase in fares is not a uniform 15 per cent. Some fares will rise by over 30 per cent²⁰
- the proposals do not address the need for integrated ticketing and fail to consider passengers who rely on more than one mode of public transport²¹
- CityRail services do not extend to a large number of Sydney residents, particularly those in Western Sydney²²
- NSW Treasury argued that fare increases are necessary to reduce the dependence on taxpayers for funding CityRail's operations and that improvements in service quality have not been matched by increases in fares. A 20 per cent increase in weighted average fares was proposed.²³

¹⁷ Rail, Tram and Bus Union, Submission to IPART, *CityRail Fare Review 1999/2000*, 1999, p 2.

¹⁸ Australian Liquor, Hospitality and Miscellaneous Workers Union, Retired Members Association, Submission to IPART, *CityRail Fare Review 1999/2000*, p 2.

¹⁹ The Smith Family, Submission to IPART, *CityRail Fare Review 1999/2000*, May 1999, p 1.

²⁰ Action for Public Transport, Submission to IPART, *CityRail Fare Review 1999/2000*, May 1999, p 5.

²¹ Western Sydney Commuter Association, Submission to IPART, *CityRail Fare Review 1999/2000*, May 1999, p 2.

²² Western Sydney Commuter Association, Submission to IPART, *CityRail Fare Review 1999/2000*, May 1999, p 1.

²³ NSW Treasury, *1999-2000 Public Passenger Transport Fares Determination by IPART Submission*, May 1999, pp i-iii.

5 ISSUES CONSIDERED UNDER SECTION 15

Under Section 15 of the *Independent Pricing and Regulatory Tribunal Act 1992*, the Tribunal is required to have regard to a number of matters and indicate what regard it has had to them. These matters are outlined below.

5.1 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)]*

5.1.1 The Tribunal's major review of passenger transport services

The attainment of efficient cost levels by SRA in providing CityRail services has always been an important consideration for the Tribunal. In 1996, the Tribunal completed an *Inquiry into the Pricing of Public Passenger Transport Services*.²⁴ The key recommendations of this major review for CityRail services were:

1. Significant scope for productivity improvements were identified in the operation of CityRail services. The Tribunal encouraged SRA to pursue real reductions in the costs of providing CityRail services of at least 2.5 per cent per year.
2. SRA should be able to attain higher levels of cost recovery for "above rail" costs on the CityMet²⁵ service. A substantial government subsidy would be required for "below rail" costs.²⁶ This subsidy would recognise the externality benefits of the rail service to the community. Targeted concessions to particular groups would involve specific subsidies.
3. Fares for outer suburban and regional CityRail customers were to increase in line with CityMet fares. It was considered that these services were unlikely to achieve levels of recovery of operating costs comparable to those achievable within CityMet.
4. With regard to fares the Tribunal proposed:
 - a medium term price objective of a weighted average increase in real terms of 15 percent over the four years from 1996/97 to 1999/2000
 - phasing in real increases for CityRail's 'cash' single, return fares and off-peak fares, and periodical and multi-ride tickets over the period to 1999/2000
 - continue the process of annual determinations to review fare changes.

²⁴ IPART, *Inquiry into the Pricing of Public Passenger Transport Services – Final Report*, October 1996, pp 45-49.

²⁵ SRA's CityMet operating segment is bounded by Macarthur and Waterfall in the south, Penrith in the west, Richmond in the north-west, and Cowan in the north.

²⁶ Maintenance and construction of track, signalling and catenary.

5.1.2 Poor quality of financial information

The Tribunal's task in preparing its 1999/2000 report has been made more difficult by the absence of consistent financial information on the costs of providing CityRail services and how these have changed since 1996. SRA is required to report its operating outcomes to Government. SRA is the 'reporting entity' rather than either of its brand names (CityRail and Countrylink). However, as the Tribunal is concerned with the fares charged for CityRail services only, it is necessary to separate from SRA's figures that information which relates to CityRail. During the course of each Tribunal determination, SRA provides information on CityRail services in the form of submissions and information requests made by the Tribunal.

On 1 July 1996, the SRA was restructured as part of major reforms to separate the rail infrastructure and train management functions, and establish freight services under a separate state owned corporation. From that date the restructured SRA became responsible for the operation of all passenger services of the CityRail and Countrylink brand names, and retained those assets essential to its business, including rollingstock and stations. All rail freight services were established under a separate Freight Rail Corporation (FreightCorp), the Railway Services Authority (RSA) was established to supply goods and services to the rail industry (eg. signals and track). Rail Access Corporation (RAC) became responsible for the ownership and management of railway tracks within NSW.

Since this major reorganisation, the new SRA's corporate structure has been further revised on a number of occasions. SRA was again restructured in February 1998 to improve its focus on key issues for the organisation. It now consists of four operating divisions, CityRail-Stations, Countrylink, Passenger Fleet Maintenance and Operations. These operating divisions are supported by corporate units responsible for policy and planning. CityRail services are provided by CityRail-Stations and particular proportions of Passenger Fleet Maintenance, Operations and the corporate units.

The definition of the new SRA's business was incomplete at the time of the Tribunal's last major review in 1996. SRA did not at that time prepare management information on the expected impact of the restructure on its costs and revenues and is unable now to provide this information retrospectively. Consequently, there is no trail to match current operating and capital expenses and revenues with those of the former SRA where freight and below rail functions were undertaken within the one entity. This has made comparison of financial information more difficult than it would otherwise have been.

SRA has confirmed that Countrylink effectively operates as a stand-alone unit. Accordingly, for the purposes of this review, financial information for CityRail has been assumed to comprise that of the SRA less that of Countrylink. Costs associated with Passenger Fleet Maintenance and Operations have been fully allocated between Countrylink and CityRail by SRA. The basis of the allocation has not been provided. The Tribunal has relied on the allocations undertaken by SRA in the absence of more adequate information. Thus SRA's audited financial results have been used as the basis for the historical analysis.

The Tribunal has used such an approach given the scope and general reliability of the audited information.

Much of the SRA's forecast and financial analysis information is based on cash requirements, driven by the SRA's focus on preparing requests to Treasury for CSO

funding. The SRA has found it difficult to provide a time series for forecasts of expenditure matching to past audited results.

The Tribunal believes that SRA has to substantially improve the financial information available relating to CityRail operations. One option the Tribunal recommends is the ringfencing of CityRail operations/accounts from SRA. Ringfencing is already a requirement for utilities regulated by the Tribunal. SRA's CityRail service is a significant business, with total recurrent expenditure of around \$1,252m in 1998/99. The size and importance of the business requires that SRA and CityRail management have a proper understanding of CityRail's financial performance. Treasury, who is a significant contributor to the funding of SRA, should also have a proper understanding of CityRail's cost structure. The Tribunal will look at requiring audited accounts for CityRail, which are also reconciled back to SRA. This reconciliation should also be audited.

Furthermore, those elements of the SRA's business which are competitive, for example the Passenger Fleet Maintenance, should be ring fenced from the monopoly elements of SRA's business. Costs and revenues associated with the provision of monopoly services should be separately reported to SRA management, Board and owners, and to the Tribunal.

The Tribunal recommends that audited ringfenced accounts for the monopoly segments of the SRA's operations be prepared annually and that the forecasting and budgeting tasks of SRA also be undertaken separately for the ringfenced monopoly and competitive businesses. This may require SRA engaging an external adviser who would, in consultation with Treasury and the Tribunal, put in place the necessary systems and reforms in order to deliver the required historical and forecast information.

5.1.3 Operating costs

The cost information provided in the following table has been derived from Auditor-General annual reports for SRA and corresponding Countrylink figures supplied by SRA.

With the restructure of the NSW rail industry from 1 July 1996, SRA's cost structure changed markedly. Costs relating to the new entities, FreightCorp, RAC and RSA, were eliminated from SRA's books and replaced with an access charge payable to RAC and smaller amounts payable to RSA and FreightCorp for services provided. However, SRA has retained some significant unfunded liabilities for superannuation, workers' compensation, annual leave provisions and long service leave provisions. Since the restructure these liabilities have been added to CityRail's cost base. Liabilities incurred prior to that date are funded by Treasury.

Table 5.1 CityRail income and expenditure statement (\$m of the day)

	SRA	CityRail			
	95/96	96/97	97/98	98/99	99/2000
<i>Staff Numbers</i>	18,874	8,502	8,402	7,706	7,217
Revenues					
Farebox revenue		359.2	374.4	391.0	434.3
Rail entity revenue		135.6	119.9	105.6	76.2
Other external revenue		51.8	45.2	42.7	44.6
Non govt. revenue	1,056.2	546.5	539.5	539.3	555.1
Targeted concessions	114.4	114.7	132.1	143.3	n/a
Expenditure					
Labour	1,033.7	560.1	613.1	628.8	557.5
Infrastructure	-	377.8	341.6	324.6	332.5
Other operating	500.8	266.6	264.1	298.4	276.9
Total recurrent	1,534.5	1,204.5	1,218.8	1,251.8	1,166.9
Non recurrent operating	10.3	2.2	13.5	26.7	24.5
Non cash	663.0	227.6	204.7	212.1	192.1
Cap. funded working exp.	-	5.1	27.8	47.7	39.8
Finance	59.8	22.9	21.8	21.1	18.2
Total operating costs	2,267.6	1,462.3	1,486.6	1,559.5	1,441.5

Source: SRA.

The impact of the major restructure is immediately recognisable in the reduction in staff numbers between 1995/96 and 1996/97. There were corresponding falls in labour costs. Imposed on the new SRA were infrastructure charges (for access to RAC's track network).

As figures for 1995/96 and 1996/97 cannot be reliably compared, the Tribunal has focussed on changes to costs since 1996/97. Over this period total recurrent expenditure has risen 3.9 per cent in nominal terms or 1.6 per cent in real terms. When the cost of new and improved services (\$36m), and non-commercial on costs retained by SRA following the 1996 restructure (\$35m) are excluded, total recurrent expenditure has fallen by 4.1 per cent in real terms between 1996/97 and 1998/99. SRA estimate in their submission of a 9 per cent real reduction. It is important to note that there are key differences between the analysis carried out by the Tribunal and that of SRA. In particular, the SRA analysis is based on cash operating costs, while the Tribunal's analysis is based on accruals. These varying approaches will produce different results.

If total recurrent expenditure is weighted by SRA passenger journeys (of which CityRail constitute the majority), expenditure has risen by 2.2 per cent in nominal terms and fallen by less than 1 per cent in real terms (compared to rises of 3.9 per cent and 1.6 per cent in unweighted recurrent expenditure calculated above).

The information in the table also indicates that labour costs are a significant proportion of total recurrent expenditure (50.2 per cent of total recurrent expenditure in 1998/99), and in fact are of a similar magnitude to tickets revenues, including reimbursement for concession

tickets, which are estimated to be \$534.3m in 1998/99.²⁷ Over the two year period to 1998/99, labour costs have increased, rising 12.3 per cent in nominal terms (or 9.8 per cent in real terms). Over the same period staff numbers have actually fallen by 9.4 per cent.

Greater effort is required by SRA in controlling their labour costs. This has been a recurring issue raised in recent annual reports by the Auditor-General, in particular, the extent of overtime payments made to employees. In the Auditor-General's 1998 report to Parliament a total of 2,653 out of 8,554 SRA employees who worked overtime during 1997/98 were paid more than 25 per cent in excess of their base salary in overtime.²⁸ Comparison with previous reports indicates that some progress has been made in this area. However it is still an issue requiring attention by SRA management.

While recognising that labour is a significant proportion of the costs of providing CityRail services, there appears little information in the public arena on what initiatives SRA has adopted to curtail non-labour costs.

Focussing on recurrent expenditure, infrastructure costs (essentially access charges for track) have remained relatively constant. However, other operating expenditure²⁹ has trended upwards. In nominal terms, these costs have increased by 11.9 per cent over the two years to 1998/99. The increase in real terms is 9.5 per cent.

Since the July 1996 restructure SRA has paid an access fee to RAC for functions it had previously performed. As this fee includes an allowance for capital works, CityRail's operating expenses now include an element of expenditure previously regarded as capital.

IPART recommended in its 1995/96 major review that SRA pursue a reduction in costs and improvements in productivity to reduce the impost on Government funds. In its supplementary submission to the current review, CityRail noted that its CSO operating payments for 1997/98, 1998/99 and 1999/2000 are \$421.3m, \$422.3m, and \$398.4m respectively" and went on to state that this indicated a reduction in expenditure "despite the introduction of security guards".³⁰ The additional cost of the security guards is approximately \$23m per annum. Excluding the security guard cost, CityRail's operating CSO funding therefore is expected to reduce in nominal terms by nearly 11 per cent over 2 years.

The Auditor General Annual Report states that the efficiency of SRA's operations should be considered in the context of services delivered. The Auditor-General³¹ recorded significant developments in SRA's services in the 1997/98 year including:

- improved on time running of train services from 86.7 per cent to 91.8 per cent
- transporting 923,000 people to the Easter Show at Homebush
- increased passenger journeys, from 267.2m in 1996/97 to 269m in 1997/98
- improved safety for passengers and employees evidenced by a 12 per cent decrease in reported security incidents³² and a 16 per cent decrease in lost time from injury.

²⁷ State Rail Authority of NSW, *Submission to the IPART CityRail Fare Review 1999/2000*, April 1999, pp 27-28.
²⁸ Audit Office, *NSW Auditor-General's Report for 1998*, vol. 3, part 2, p 622.

²⁹ Includes internal services and costs associated with services provided by other SRA internal divisions, namely fleet maintenance, network control and corporate services.

³⁰ State Rail Authority of NSW, *Supplementary Submission to IPART, CityRail Fare Review 1999/2000*, June 1999.

³¹ Source: Auditor General's Report to Parliament 1998, Vol 3, p 618.

An issue that will affect the costs of providing passenger services is the introduction of a goods and services tax (GST) by the Commonwealth Government. The introduction of a new tax system from 1 July 2000 may have an impact on SRA's input costs, particularly with the abolition of the wholesale sales tax, and changes to the excise on petrol and diesel and to the diesel fuel rebate scheme. There are likely to be flow on effects of these and other changes from suppliers. The net impact of the goods and services tax on the costs of providing CityRail services will also need to be added to fares.

For periodical tickets sold during 1999/2000 that allow for service provision after 1 July 2000, the Tribunal will allow an adjustment to prices by an amount calculated to reflect the net effect of the introduction of these taxation reforms. However, SRA must first establish to the satisfaction of the Tribunal that its net costs will increase due to the imposition of the GST (and associated reforms such as the abolition of wholesale sales tax). The calculation of the net impact would also be subject to independent audit and approval by the Tribunal.

5.1.4 Capital expenditure forecast

SRA's capital expenditure is essentially funded through consolidated State revenues. SRA have provided the Tribunal with their capital expenditure program (excluding Countrylink), which is summarised in the following table. Information has also been included from SRA's latest Statement of Financial Performance. SRA capital costs associated with CityRail include the costs of holding assets such as stations and rollingstock and costs associated with major periodic maintenance.

Table 5.3 CityRail capital expenditure forecasts (\$98/99)

Program	96/97	97/98	98/99	99/2000	2000/01
Growth Requirements	13.3	10.2	60.0	49.3	123.9
Renewal of Assets	67.0	27.2	33.9	20.8	34.3
Regulatory Compliance ¹	15.0	10.5	10.5	8.4	7.0
Operational Requirements	39.5	26.0	63.5	90.6	43.5
Total CityRail	134.8	73.9	167.8	169.1	208.7
NSR/EHA ²	137.6	145.2	136.6	70.0	(10.0)
Total	272.4	219.1	304.4	239.1	198.7

1: Regulatory compliance relates to expenditures to meet Government directives, eg. in relation to appropriate access for people with disabilities.

2: NSR/EHA refers to New Southern Railway (Sydney Airport link) and the East Hills Amplification.

3: Rail Assess Corporation.

These figures are subject to review in the light of the Government's release of its 'Action for Transport 2010' plan. SRA indicated in its main submission to this investigation³³ that the Government is now committed to spending \$300m a year to 2010 to expand the rail system.

³² These figures appear in conflict with information provided to the Tribunal by the NSW Bureau of Crime Statistics and Research discussed under section 6.2.3.

³³ State Rail Authority of NSW, Submission to IPART, *CityRail Fare Review 1999/2000*, April 1999, p 3.

This expenditure extends beyond the CityRail network and includes above and below rail costs.³⁴

At current cost recovery levels, this represents a significant commitment by Government to fund future rail expansion and associated on going costs.

SRA and Treasury have not provided the Tribunal with details of their preferred basis of funding this expenditure over the relevant period and the financial impacts of utilising different funding sources. Furthermore, the Tribunal is not aware of any detailed cost/benefit analysis associated with SRA's capital expenditure initiatives. It is important that appropriate analysis is carried out for what are significant expenditure items.

5.2 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)]*

5.2.1 Recent determinations of CityRail fares

The Tribunal's determination of fares for 1996/97 increased the weighted average maximum fare by 5.2 per cent, in line with the prior year's inflation. This compared with the actual CPI increase in 1996/97 of 1.3 per cent.

The Tribunal's 1997/98 and 1998/99 determinations were strongly influenced by the variation in SRA's principal measure of customer service standards, namely on-time running. In May 1997, the Tribunal found SRA's customer service performance had deteriorated significantly over the course of 1996/97. The Tribunal determined that the maximum fares for 1997/98 should not increase in real terms. The weighted average increase for CityRail fares was 2.33 per cent, in line with the Tribunal's reference value for the expected increase in CPI during 1997/98 of 2.34 per cent. The actual CPI for 1997/98 (0.1 per cent) was substantially less than forecast.

On time running improved during the course of 1997/98. The 1998/99 review determined that maximum fares should increase broadly in line with inflation. Allowance was made for the over estimation of inflation in the preceding year offset by the improvement in service delivery. The Tribunal determined that average weighted fares should increase by 3.2 per cent after considering a range of CPI forecasts. The actual CPI is now estimated by NSW Treasury to be no more than 2.2 per cent.

5.2.2 Cumulative fare increases since the Major Review

As noted above, the Tribunal in its major review proposed real fare increases of 15 per cent over the four years from 1996/97 to 1999/2000. The following table sets out the cumulative increases to the CityRail average weighted fare and compares this with actual cumulative

³⁴ Below rail costs relate to maintenance and construction of track, signalling and catenary. Above rail costs essentially includes all other costs, including labour, bulk electricity, fleet maintenance, corporate services and other operating expenditure.

increases in the cost of living, as measured by the Sydney CPI. This table uses 1995/96 as a base year.

Table 5.4 Nominal fare increases 1996/97 to 1998/99

Increase since 1995/96	96/97	97/98	98/99
Cumulative increase in average weighted fare	+5.2	+7.7	+11.1
Actual cumulative increase in Sydney CPI	+1.3	+1.4	+3.0

Source: ABS Consumer Price Index 6401.0, Sydney average March to March CPI.

Note: the March to March CPI is used due to the timing of Tribunal determinations, which are usually released around the middle of the year.

Although weighted average fares for CityRail services have increased ahead of the Sydney CPI over the last three years, the increase in real terms over this period is 8.1 per cent compared with the 15 per cent real increase proposed by the Tribunal in its major review over the four years to 1999/2000. An additional real increase in average weighted fares of 6.9 (percentage) points would be needed to achieve the full 15 per cent target recommended by the Tribunal.

It is important to note that the CPI is a measure of the general rate of inflation impacting on households. It does not reflect SRA's cost structure nor does it take into account the additional costs incurred by SRA for new CityRail service initiatives (eg. security guards).

5.2.3 Cost recovery levels

SRA's CityRail services can be allocated to three operating segments. These are CityMet, Outer Suburban and Regional.³⁵ In its 1996 major review, the Tribunal concluded that:³⁶

The Tribunal believes that CityRail should be able to attain much higher levels of cost recovery for above rail costs on the CityMet service. A substantial government subsidy will still be required for the below rail costs. This subsidy will recognise the externality benefits of the rail service to the community. Targeted concessions to particular groups will entail specific subsidies.

The Tribunal believes that CityRail's fares for outer suburban customers should increase in line with CityMet fares. However, the Tribunal recognises that such increases will fall very far short of those necessary to achieve improved levels of cost recovery. It is unlikely that the outer suburban services can ever achieve levels of recovery of operating costs comparable to those achievable by CityMet.

The following graphs illustrate the 1998/99 financial outcomes for CityRail's three operating segments and selected CityMet lines.³⁷ Revenues are defined as farebox revenue (which do not include targeted concessions) and costs are recurrent expenditure presented by SRA in their submission (excluding infrastructure charges). In the absence of details from SRA, allowances for externalities, replacement capital expenditure and major periodic maintenance are excluded from these graphs.

³⁵ IPART, *An Inquiry into Pricing of Public Passenger Transport Services - CityRail*, March 1996, p 4.

³⁶ IPART, *An Inquiry into Pricing of Public Passenger Transport Services - Final Report*, October 1996, p 5.

³⁷ Information supplied by SRA.

Figure 5.1 Cost recovery of CityRail Operating Segments 1998/99

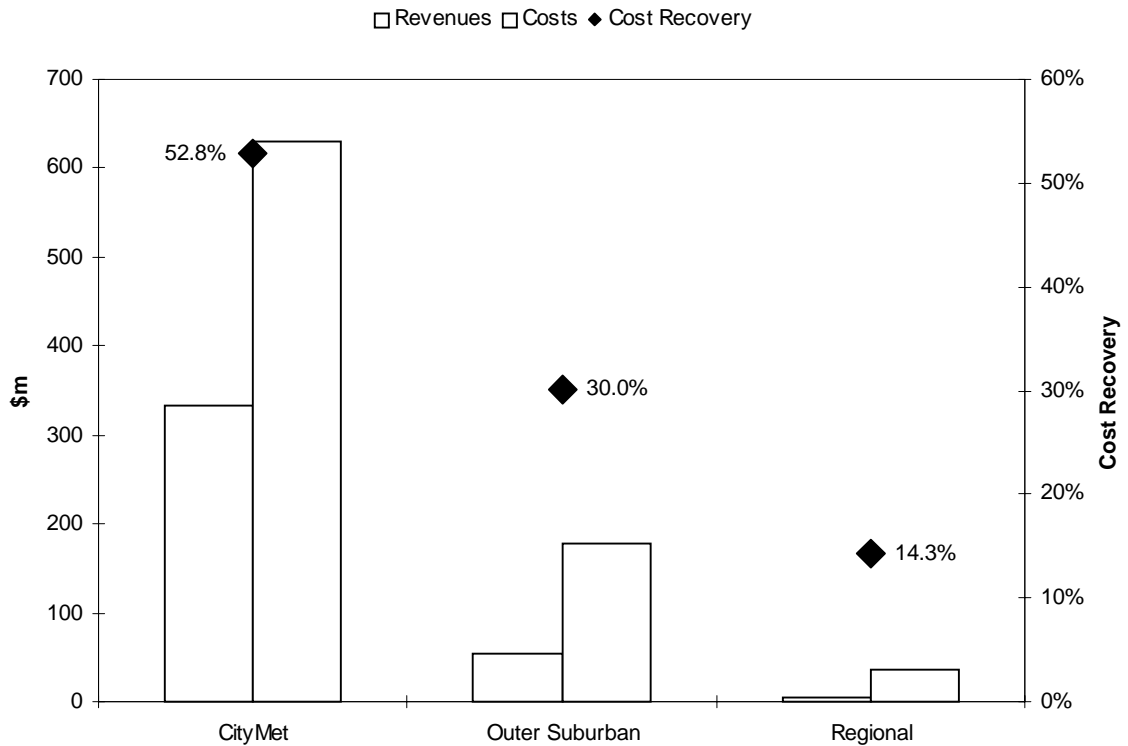
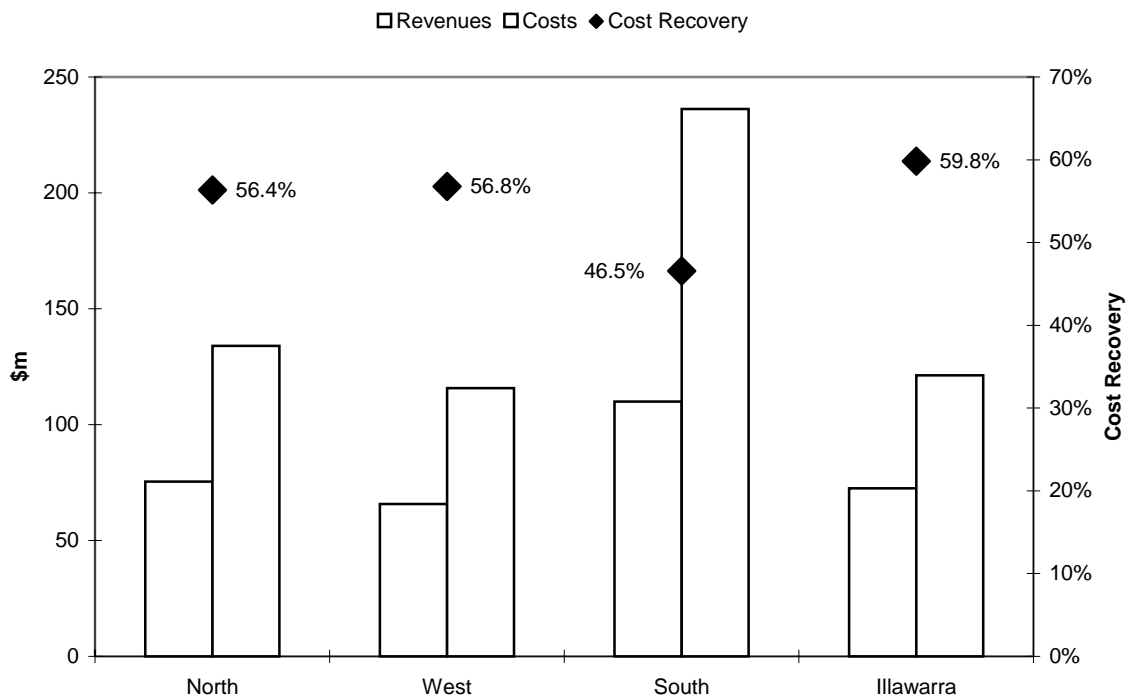


Figure 5.2 Cost recovery of selected CityMet lines 1998/99



The variation in cost recovery between individual lines can be explained by population density (number of passengers), the relationship between numbers travelling in peak and off-peak periods and passenger type (eg. proportion of full fare paying passengers). The

Tribunal does not propose that fares be varied between lines for the same distance travelled for reasons of equity, incomplete cost apportionment and ticketing complexities.

The above graphs and financial information in Table 5.1 indicate that overall cost recovery levels are low. In 1998/99, labour costs alone are equal to 116.6 per cent of non-government revenues. This has increased from 102.5 per cent in 1996/97, and can be explained by the real increase in labour costs discussed above. Taking into account targeted concessions, labour costs equated to 92.1 per cent of revenues in 1998/99, and 84.7 per cent in 1996/97. It is evident that revenues only just cover labour costs, and are therefore insufficient to meet even recurrent expenditure.

Comparing revenues to total recurrent expenditures also gives an indication of cost recovery levels. In 1998/99, revenues including targeted concession fares covered 54.5 per cent of recurrent expenditure. To achieve cost recovery on recurrent expenditures would require a 132.1 per cent increase in non-government revenues, or an 83.4 per cent increase in revenues including targeted concession reimbursements.

Clearly significant increases in fares would be required for CityRail to recover their recurrent expenditures. The Tribunal has already determined that high levels of cost recovery, particularly for outer suburban and regional lines may not be feasible. However, some increase in fares are justified to promote a fairer balance between passenger and general taxpayer funding of CityRail services and to help fund improved service levels. Over recent years a range of service improvements have been implemented by SRA, including new rollingstock, improved passenger security arrangements and new services. Generally, these improvements have not been funded through increased passenger contributions. Taxpayers currently fund approximately 60 per cent of SRA's CityRail services.

5.3 Standards

* *standards of quality, reliability and safety of the services concerned [S15(1)(l)]*

The Tribunal is concerned to ensure that service standards are set at an appropriate level and justify any increases in fares. To this end, it is important that the Tribunal has access to information on standards of service achieved by SRA in providing CityRail services.

SRA operates CityRail services subject to a range of quality and reliability standards codified in its CSO funding contract with the Government. SRA's performance in operating CityRail services is measured against these standards and reported quarterly to the Government. These are discussed in section 5.3.4 below.

SRA conducts regular customer satisfaction surveys, and subsequent to the public hearing provided the Tribunal with additional measures of customer service standards and more detail on customer satisfaction levels. In addition, the Tribunal has sourced relevant crime statistics from the NSW Bureau of Crime Statistics and Research.

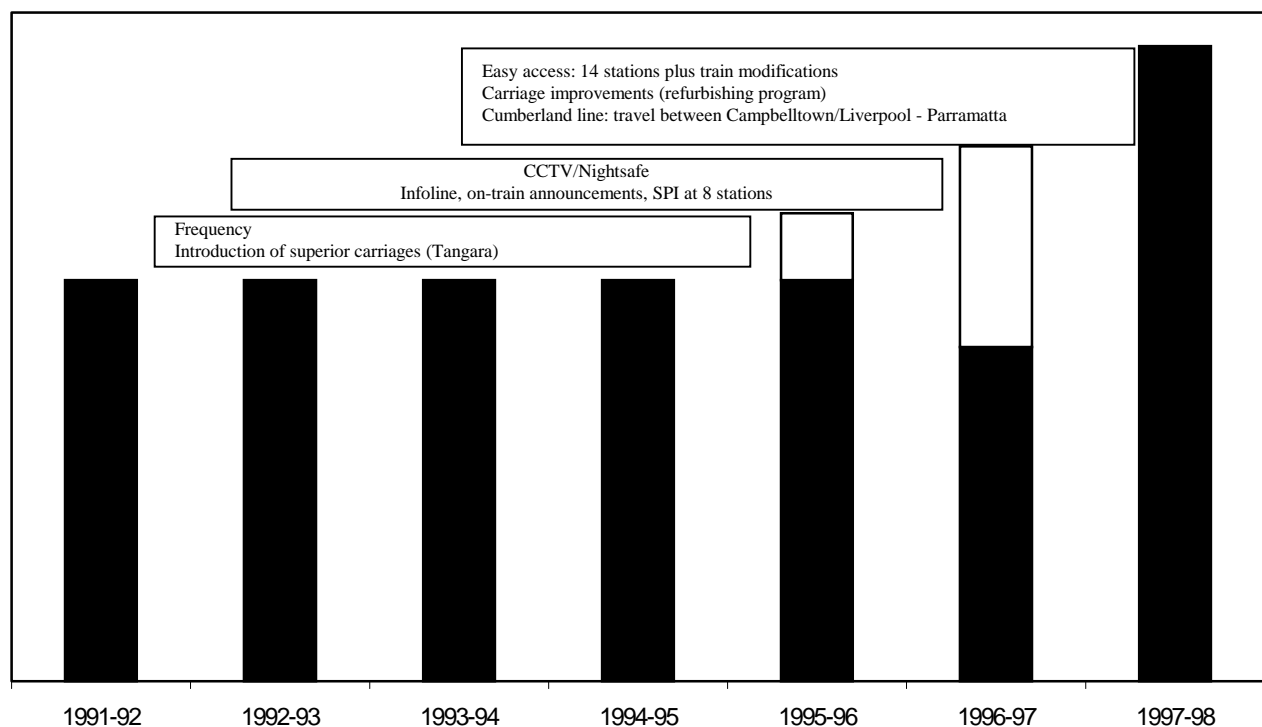
The safety of SRA's train operations is also regulated by the Transport Safety Bureau within the NSW Department of Transport. The recent derailment of a CityRail train in northern Sydney highlights the importance of continued focus on, and adequate funding for, safety and operational issues. It is important to note that the issue of safety can take a number of forms. There are safety concerns with the functioning of the rail system as the above

example points out, and there are also concerns with passenger security in relation to criminal offences such as assault and robbery.

5.3.1 Customer satisfaction surveys

The following graph, extracted from the submission by NSW Treasury, shows the trend in the overall level of customer satisfaction with notations which explain significant variations. The hatched areas reflect Treasury's estimate of the potential positive impact of service delivery initiatives, but for CityRail's difficulties with on-time running during 1995/96 and 1996/97.

Figure 5.3 Customer satisfaction levels with CityRail services



Over the past few years there have been major improvements to rail service attributes. In 1995/96, superior carriages were introduced and service frequency improvements were made. Services to outer areas increased in frequency and passengers no longer had to change trains. Frequency also increased on North Shore and western services, as did weekend services on some other lines. Following these changes a number of initiatives were introduced to improve the safety of passengers and station up-grades continued. In 1997/98 improvements to rail services included carriage refurbishing and the opening of the new Cumberland line, allowing passengers to travel direct between Campbelltown/Liverpool and Parramatta.

The graph suggests on-time running is a principal driver of overall satisfaction levels. The 1996/97 recorded level of customer satisfaction (the dark part of the column in the graph) fell sharply with SRA's failed attempt to introduce a new CityRail timetable. The 1997/98 level of customer satisfaction improved with the reversion to the old timetable with the associated improvement in on-time running.

As mentioned in the Treasury submission and their figure above, SRA have introduced a range of service improvements to CityRail services. The following table highlights some of these changes and their associated costs.

Table 5.5 Service improvements

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

Source: State Rail Authority of NSW, Submission to IPART, *CityRail Fare Review 1999/2000*, April 1999, 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.

SRA conducts an extensive customer satisfaction survey on a quarterly basis. It also collects a range of other performance indicators which it provides to the Department of Transport as part of its reporting requirements. Generally, these performance outcomes are measured by line for both CityRail suburban and intercity services, however this information is not made public, and only aggregated data is reported. Performance indicators recorded include:

- scheduled services operated
- skipped stops
- on time running for both morning and evening services
- safety incidents such as collisions, derailments, falls, strikes, and fires and explosions
- passenger security measures such as assaults, sexual offences, and robbery
- customer satisfaction levels with:
 - on time running
 - personal safety on trains
 - personal safety at stations
 - passenger information at stations
 - helpfulness of staff
 - overall satisfaction with services
- extent of graffiti on seats and on external sides of rail cars.

SRA have allowed the release of a limited number of disaggregated performance indicators. These relate to overall satisfaction with CityRail services and morning on-time performance of suburban (as opposed to intercity) services. Overall satisfaction with CityRail services rated 79 per cent. The worst outcome on a suburban line was 72 per cent, with the best result being 82 per cent. Overall morning on time running of suburban services was 92.0 per cent, with outcomes ranging from 85.1 per cent to 99.3 per cent.

The Tribunal is strongly in favour of the collection and publication of performance information as currently recorded by SRA. This type of information would be extremely useful in measuring the performance level and service standards of SRA's CityRail services, and could act as a catalyst to improved service standards. However, to achieve this, performance information needs to be made public. The issue of performance measurement and reporting by CityRail is an important one for the Tribunal and further discussion on this is contained in the following subsections.

The Tribunal is encouraged that customer satisfaction with CityRail services has again risen and now stand at record levels. However, it is felt that more useful insights may be gained if the information were disaggregated by line. The performance indicators measured by SRA should be made public. The Tribunal believes that reporting by line must be a requirement for future reporting, and will require this as part of a Customer Charter (see section 5.3.4), along with greater public reporting of standards. The importance of reporting performance by line was also raised by Ettinger House in their submission.³⁸

5.3.2 On time running

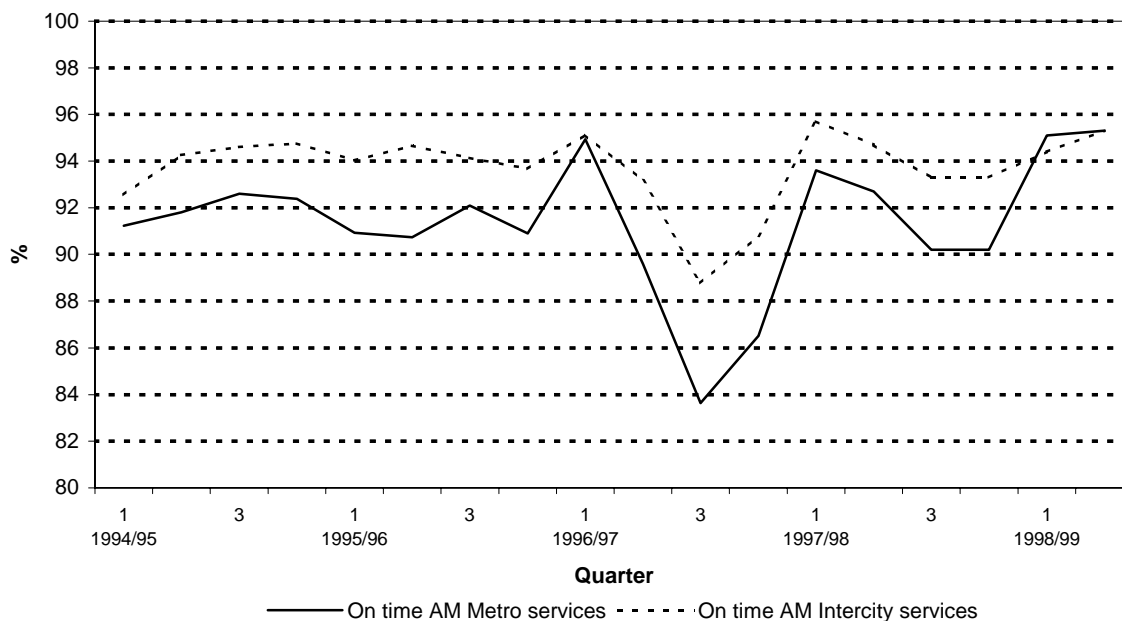
The following figure shows on time running of morning metro and intercity services.³⁹ While difficulties were encountered prior to the last review, the most recent data show that on time running of both metropolitan and inter-city services have improved, and SRA's on time performance for CityRail services is comparable with urban rail operators in other Australian states.⁴⁰

³⁸ Ettinger House, *Submission to IPART, CityRail Fare Review 1999/2000*, May 1999, pp 2-3.

³⁹ On time running of services is measured at terminating stations, eg. Central and Wollongong. Morning metropolitan services are classified as running on time if they operate within 3 minutes of timetabled operations. The time 'window' for morning intercity services is 5 minutes.

⁴⁰ Productivity Commission, *Performance of Government Trading Enterprises 1991/92 to 1996/97*, Research Report, AusInfo, Canberra, October 1998, p 223.

Figure 5.4 On time running of metro and intercity services



However, some changes need to be made in future to increase the usefulness and relevance of on-time running information. Similar points were also raised in the Ettinger House submission, which called for punctuality to be measured during peak and off-peak times, and at major, minor and intermediate stations.⁴¹ The Tribunal believes that punctuality is important at intermediate stations. This is particularly so for passengers who do not travel into Central station or other terminating stations. It is therefore recommended that SRA also measure on-time performance at intermediate stations, not just at Central.

5.3.3 Offences occurring on the NSW rail system

The following figures from the NSW Bureau of Crime Statistics and Research show an increase in certain offences on the NSW rail system. Table 5.6 presents figures for the absolute number of offences occurring. Table 5.7 shows figures for assaults and robberies weighted by millions of passenger journeys, and for NSW as a whole (these figures are presented in index form, with 1995 having been set to 100).

⁴¹ Ettinger House, *Submission to IPART, CityRail Fare Review 1999/2000*, May 1999, pp 2-3.

Table 5.6 Select offences occurring on the NSW rail system

	Incident	1995	1996	1997	1998
Location					
Train	Assault	113	102	137	134
	Robbery	94	80	121	154
	Sexual Assault				1
Station	Assault	607	702	877	1017
	Robbery	213	234	314	418
	Sexual Assault				9
Terminal	Assault	24	20	33	45
	Robbery	14	9	10	15
	Sexual Assault				2

Recorded incidents of assaults at stations and robbery on trains increased by over 60 per cent between 1995 and 1998. Robbery at stations and assault at terminals recorded the greatest percentage increases in offences occurring, increasing 96 per cent and 88 per cent respectively. When assault and robbery statistics are weighted to reflect growth in passenger journeys, the increase in these offences is reduced. Table 5.7 also suggests that the experience of CityRail is little different from that experienced by NSW as a whole.

Table 5.7 Select offences on NSW Rail System and for NSW

		1995	1996	1997	1998
Rail system ¹	Assaults	100.0	111.1	144.4	155.5
	Robbery	100.0	100.0	138.5	169.3
NSW	Assaults	100.0	123.0	134.1	142.1
	Robbery	100.0	116.0	167.0	178.7

1: These figures have been weighted by passenger journeys.

Concern by passengers over these crime levels is also reflected in SRA's passenger surveys. While the survey in March 1999 noted an overall satisfaction level of 79 per cent, passenger satisfaction with personal safety on trains and at stations stood at 33 per cent and 29 per cent respectively.

SRA is aware of the importance of customer safety and has implemented a number of on-going initiatives. These include having guards on trains after 7.00pm, improved lighting at stations and the introduction of designated 'nightsafe' areas on platforms. These service improvements impact on SRA's cost levels. For example, the introduction of security guards has added \$23.2m to security contractor costs. From 1 July 1998, a security program for trains, car parks and stations was implemented and includes video surveillance cameras, high intensity lighting, new improved help points and 24 hour monitoring from a local area control room. The cost of this program is \$55m.⁴² Many of the new safety initiatives are aimed at improving passenger safety during night travel. However, it is still important to

⁴² SRA, *Annual Report 1997/98*, 31 October 1998, p 20.

ensure that safety measures are appropriate during daylight hours also. This issue was emphasised at the Western Sydney Community Forum.⁴³

It is possible that greater awareness of safety issues over the last few years may have led to more incidents being reported. The recent introduction of guards may also encourage greater reporting of incidences on CityRail services. Although these factors have contributed to the reported increase in offences, the issue of passenger safety is an important one and SRA have taken actions to increase the safety of CityRail services.

5.3.4 Customer Charter

Under its CSO contract, the SRA reports quarterly to the Department of Transport on a range of performance related matters. The information presented includes:

- usage of targeted concession tickets, measured by passenger numbers and farebox revenue
- operational performance statistics such as train kilometres, passenger journeys, extent of graffiti on trains and seats
- on time running of metropolitan and intercity services, separated into morning and evening services
- occurrence of safety incidents, eg. collisions, derailments, strikes, fires and explosions
- passenger security statistics, eg. assaults, sexual offences, robbery
- results from customer satisfaction surveys.

The Tribunal believes that information should be available to measure SRA's standard of services. This would be useful in terms of measuring the status of SRA's relationship with its customers, and would also provide useful information for the Tribunal and its future determinations. To achieve this, the Tribunal recommends the establishment of the Customer Charter for CityRail services.

The use of customer contracts has been explored in a number of service areas, including utilities in NSW. For example, gas retailers are required to set out a customer service code that includes matters such as standards of service and dispute resolution procedures. They specify the specific commitments by the utility to their customers. Customer protection provisions in the NSW electricity market are similar to those for gas. Customer contracts can also indicate penalties that are imposed on utilities, and/or reimbursements to customers if the specified commitments are not fulfilled.

SRA lacks such a clearly enunciated public statement of its specific responsibilities to CityRail customers and what would happen if it fails its responsibilities. Customers are subject to penalties for fare evasion and property damage but there are no reciprocal rights for customers if SRA does not provide CityRail services to an appropriate standard. The establishment of such a Customer Charter would need to be supported by regular public reporting of the performance of CityRail's services in comparison with that required under the Customer Charter.

⁴³ Western Sydney Community Forum, *Submission to IPART, CityRail Fare Review 1999/2000*, May 1999, p 5.

A Customer Charter would need to specify:

- the areas of operation for CityRail services
- the specific CityRail services that SRA is required to provide to passengers
- associated service standards for particular outputs
- the implications for SRA if it fails to meet the conditions of its Customer Charter
- possible compensation to passengers under such circumstances.

The Tribunal will work with SRA and key stakeholders to develop the charter and to regularly report in the public arena on SRA's performance against the requirements of the charter. Performance measures contained in the charter should be calculated by CityRail lines as has already been done in CityRail's recent customer survey.

5.4 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)]*

There has been much discussion about the reasonableness of the fare increases sought by SRA, the higher increases sought by NSW Treasury, and the ability of customers to pay. While it is for the Government to decide what fare concessions it will pay and to whom, the Tribunal has a responsibility under its Act to have regard to the social impacts of its determinations.

The Tribunal believes that adjustments to fares other than concession fares are not the appropriate mechanism to assist those that are disadvantaged, and therefore are not an appropriate tool to account for social impacts. Such a mechanism is difficult to target, and assistance may not reach those who require it the most. Nonetheless, the Tribunal has reviewed and taken account of the material presented to it in framing the fare increases.

5.4.1 Pricing

CityRail's proposed fares structure is based on the following principles:

- the same distance bands for single, off-peak and weekly tickets
- a pricing formula for single tickets based on a fixed (flagfall) component and a per kilometre charge with fares for other tickets being based on the single fare
- future percentage increases to be applied to a base fare scale (the master fare schedule) and actual fares only increase when the calculated value is rounded to the next 20 cents
- off-peak fares are a constant multiple of the single journey fares
- weekly tickets are a multiple of the single journey fare with this multiple decreasing as distance increases.

These principles should provide a transparent approach to fare setting, making fares more cost-reflective and minimising levels of cross subsidies within the fare structure.

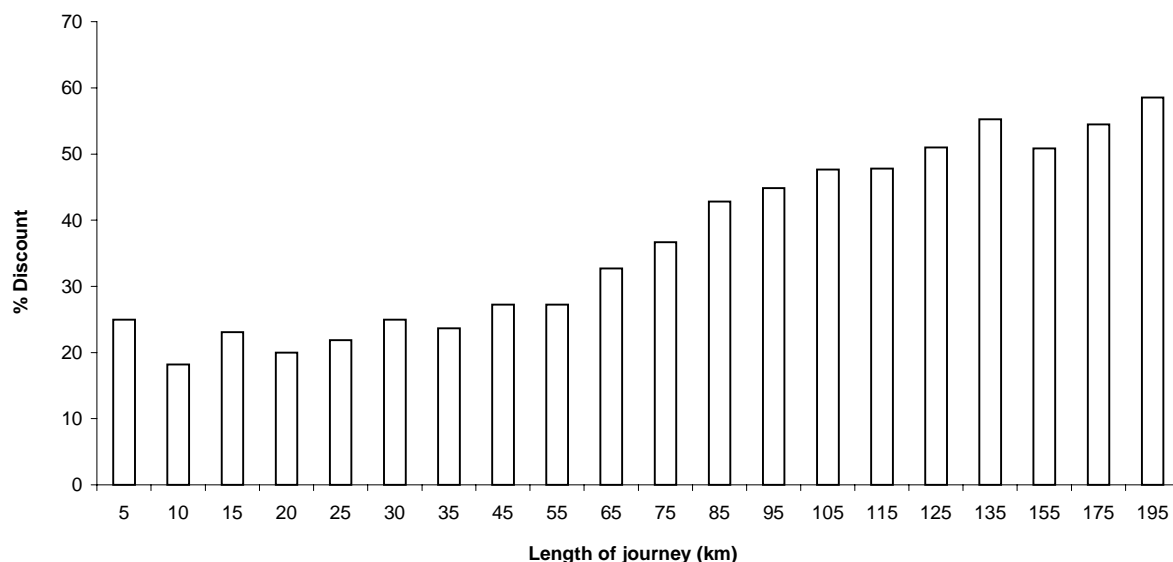
CityRail's fares are based on distance bands. For shorter distances the bands are set in 5 kilometre increments; fares for longer trips are based on 10 and 20 kilometre increments. CityRail's proposal involves the removal of the last remaining anomalous fare band based on a distance not consistent with these increments.

Multi-ride (weekly and other periodicals) and multi-mode (TravelPass) tickets have provided large discounts from the single journey fares to commuters. The benefits flowing from discounting multi-trip tickets were detailed in the 1996/97 determination when it was concluded that passengers would not be attracted to purchasing weekly tickets if the discount was set much below 20 per cent.

SRA have been aiming at a discount of 20 per cent for weekly tickets, ie. the weekly ticket should equate to about eight times the single fare.⁴⁴ The Tribunal is satisfied that this is reasonable. Only one weekly ticket has a discount of below 20 per cent. This is for travel of 5-10km. Figure 5.5 shows the discounts for weekly tickets in 1999/2000 under the Tribunal's determination. For trips within 45km of the originating station most weeklies offer discounts around 20 per cent. Prior to this recommendation tickets for up to 5km had discounts of over 30 per cent. The level of discount for this distance is now comparable with other short distance travel tickets.

As distances increase beyond 55km, the discounts become much greater. For these distances, very high fare increases would be required to reduce the large discounts. CityRail proposes that higher discounts should continue for the very long distance bands.

Figure 5.5 Discounts for weekly tickets, 1999/2000



5.4.2 Ability to pay

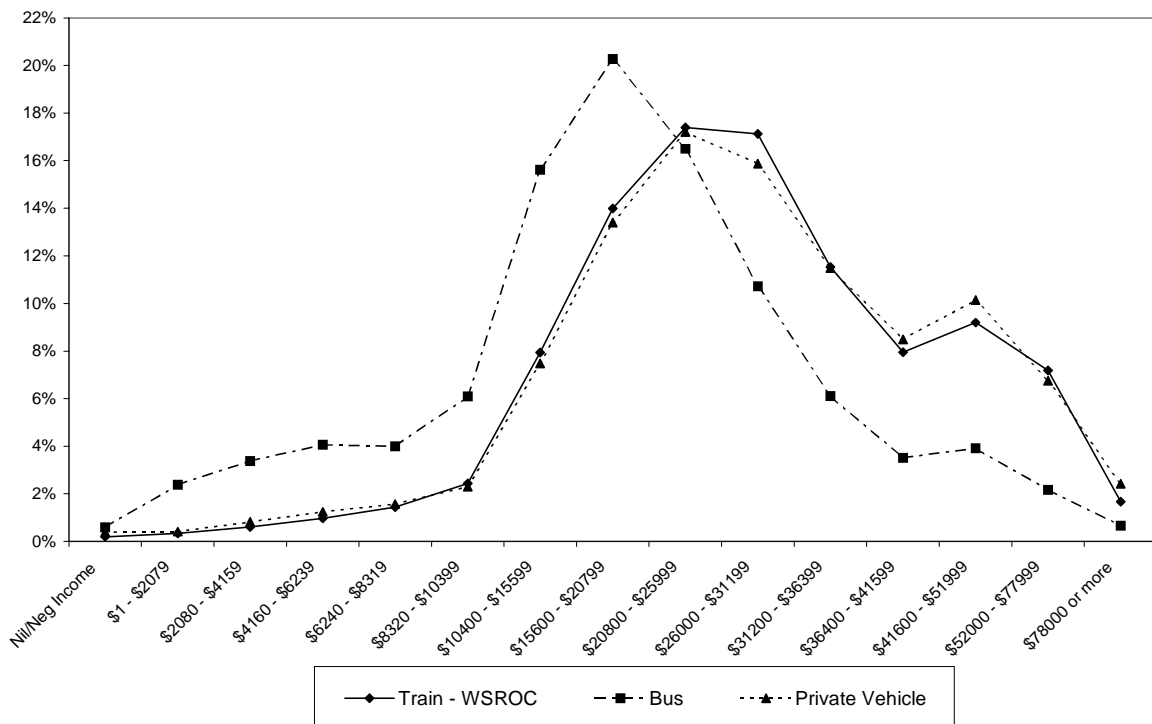
An important issue for the Tribunal is the effect fare increases may have on consumers. The Government currently gives fare concessions to those that are considered vulnerable to fare increases. However, for passengers who cannot access concession fares, the question is whether fares increases are just and can be reasonably met.

⁴⁴ State Rail Authority of NSW, *Submission to IPART, CityRail Fare Review 1999/2000*, April 1999, p 38.

It has been argued by some that the users of CityRail services are skewed towards affluent households, and similarly that the majority of passengers are employed people and therefore in a position to make a greater contribution to the cost of CityRail services.⁴⁵ WSROC⁴⁶ argues that comparison of rail users to the general population is inappropriate, as the majority of users of any public transport system will be employed people. It was argued that a more appropriate comparison would be between different transport modes.

The following graphs were provided by WSROC to support their arguments and conclusion that differences in occupational and income profiles are an insufficient basis to justify increases in rail fares.⁴⁷

Figure 5.6 Journey to work mode by personal income, western Sydney region 1996



Source: 1996 Journey to Work Data, Transport Data Centre

⁴⁵ NSW Treasury, *1999-2000 Public Passenger Transport Fares Submission*, May 1999, p 24.

⁴⁶ WSROC Ltd, *Submission to the IPART Inquiry*, May 1999, p 2.

⁴⁷ WSROC Ltd, *Supplementary Submission into the IPART Inquiry*, June 1999, p 7.

Figure 5.7 Train journey to work by personal income, selected regions, 1996

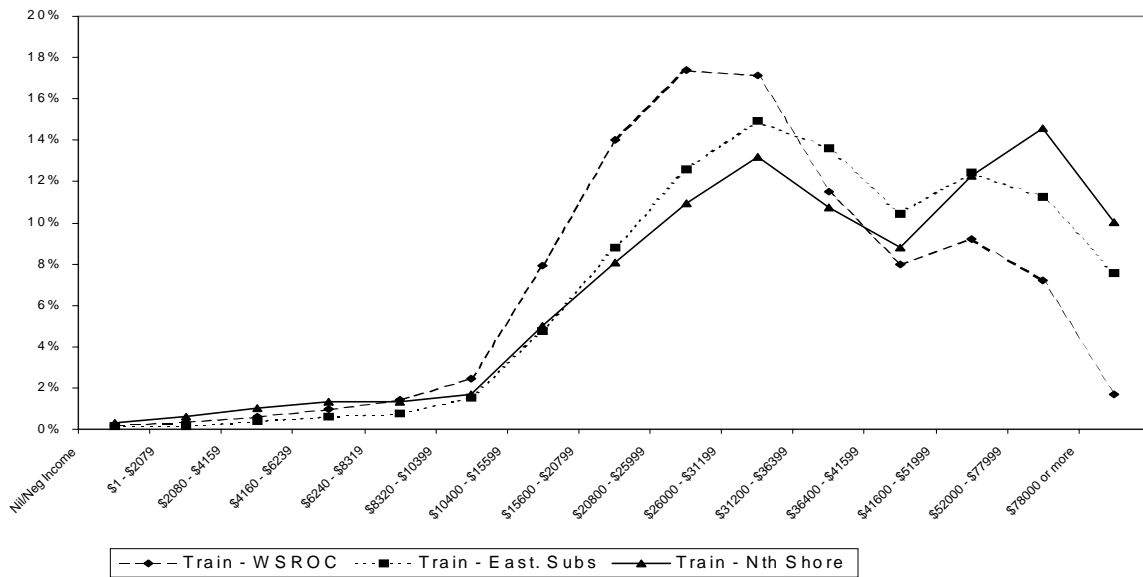


Figure 5.6 illustrates mode of transport to work for passengers from western Sydney. The figure indicates that users of train services may be better placed to meet any fare increases compared to users of bus services, however their profile is quite similar to that for private vehicle users.

Figure 5.7 shows use of train travel to work by income levels for different regions of Sydney. It shows that the proportion of higher income earners using train travel for work is greater for those from the North Shore and eastern suburbs of Sydney compared to western Sydney. It was argued by WSROC that commuters from western Sydney would be particularly vulnerable to any fare increases.

SRA has provided the Tribunal with details of passenger journeys by origin to compare with the proposed fare increases by distance band. This is intended to assist in comparing the impact on western Sydney relative to other journey origins. Journeys of 15-45km are more common for travellers from Western Sydney than from other parts of Sydney.

Table 5.8 Geographic distribution of CityRail journeys (%)

		Distance (km): up to			
		15	45	305+	Total
Western Sydney	Daily (%)	40.6	50.8	8.6	100
	Weekly (%)	16.5	64.5	19.0	100
	Periodical (%)	8.1	64.4	27.4	100
Rest of Sydney	Daily (%)	64.5	32.5	3.0	100
	Weekly (%)	43.9	53.1	3.0	100
	Periodical (%)	30.7	67.0	2.3	100
Outer Suburban/	Daily (%)	23.4	23.9	52.8	100
Regional	Weekly (%)	2.1	7.5	90.5	100
	Periodical (%)	0.6	1.8	97.6	100

Source: SRA.

The impact of fare increases on individual passengers will vary with the specific distance travelled and income level. It has been illustrated above that on average western Sydney train passengers have lower incomes than train travellers from the rest of Sydney and travel on average greater distances. This implies that any fare increase will consume, on average, a greater proportion of the income of these passengers.

The important point is whether these groups will be severely disadvantaged by any fare increase. The Tribunal believes that the recommended fare increase will not severely disadvantage current rail passengers. Although the majority of travellers purchasing non-concession fares are ordinary working people, it remains true that they are better off than many members of society. Specifically targeted Government support, rather than differential train fares, may more efficiently address social equity issues.

5.4.3 Casual and part time workers

An area of great importance to the Tribunal is the impact of fare increases on casual and part time workers. Many of these passengers travel on off-peak return and full fare single/return tickets, as opposed to weekly and travelpass tickets that carry substantial discounts and are more easily accessed by full time workers.

The Tribunal is concerned that CityRail does not offer multi-ride tickets similar to STA's discount tens. The absence of these tickets discriminates against part time and casual commuters when compared with STA bus and ferry travel. The alternative multi-ride tickets offered by CityRail (eg. weeklies) are limited to journeys within a specified period. Thus for someone wishing to use the rail system on a regular basis, say three times a week, there is no financial advantage from purchasing a multi-ride fare. This compares within someone travelling five days a week who gains at least a 20 per cent discount. Similar

concerns were raised in a number of submissions, including the Western Sydney Community Forum and NCOSS:⁴⁸

CityRail has no proposed fare structure which assists an increasing part-time and casual workforce to access discounted fare arrangements. It is not economical for these workers to use discounted periodicals.

The Tribunal has had regard to the ability of casual and part time workers to pay increased fares. For example, maximum increases for adult return off-peak fares up to 35km have been kept to 40 cents (20 cents for each journey).

The following table shows CityRail customers by occupation.

Table 5.9 CityRail customers by occupation

Occupation	%
Professional/managerial	22
Clerical	11
Skilled non manual/technical	4
Skilled manual/trades	7
Unskilled manual	2
Houseperson	8
Student	23
Retired	14
Other	9

Source: CityRail survey data.

The table indicates that the majority of passengers are professional/managerial workers and students. Part time and casual workers may be represented under a number of the occupational headings used. It is therefore difficult to assess what percentage of CityRail travellers this group represents. Nonetheless, the importance of minimising fare increases to this group is maintained.

CityRail's existing ticketing machines do not cater for the equivalent of STA's discount ten tickets. The introduction of such tickets without major change to SRA's gating and ticketing system would increase the opportunity for fare evasion as there is open access and exit at all but 34 of CityRail's stations.

The Tribunal believes this represents a gap in the services provided by CityRail, although the cost of provision at this time may be prohibitive.

5.4.4 Incidence of proposed fare increases

The average impact on main ticket types from the Tribunal's fare determination is summarised in Table 5.10. These fare types account for 66 per cent of all passenger journeys. The remainder of passenger journeys are made up on tickets such as other periodical tickets (quarterly and yearly TravelPasses), child and pensioner concession tickets, and CityHopper, DayRover and RailRover fares.

⁴⁸ NCOSS, Submission to IPART, *CityRail Fare Review 1999/2000*, May 1999, p 4.

Table 5.10 Variation in weighted average adult fares per passenger journey

Ticket Type	Current \$	New \$	Change \$	Change %	Passenger Journeys %
Single	2.62	3.05	0.43	16.4	12.3
Return	2.78	3.22	0.44	15.8	6.0
Off-peak return	1.55	1.77	0.22	14.2	14.3
Weekly	2.11	2.40	0.29	13.7	26.0
Weekly Travelpass	1.32	1.49	0.17	12.9	7.6

The smallest percentage increase applies to weekly travelpass tickets, where the weighted average adult fare is set to increase by 12.9 per cent per journey. The highest percentage increase has been levied on single fares, with the average adult fare to increase by 16.4 per cent.

Although fare increases are relatively large compared to previous determinations, CityRail fares compare favourably with other public transport providers. In their submission to the Tribunal, SRA compared CityRail fares to a number of providers in Australia and internationally.⁴⁹

CityRail's fares compare well to other public transport options in Sydney. For the average CityRail journey of 20km the existing fare is \$2.60. A similar journey on STA or Busways (private bus operator) would cost \$3.30 and \$4.00 respectively. For journeys of around 45km, the CityRail fare of \$3.80 again compares favourably with STA (\$4.60) and Busways (\$5.40). The Tribunal's recommended fare increases will maintain CityRail's favourable comparison with these other service providers. CityRail's fares also compare favourably with those charged by the private operations of Sydney Light Rail and the Monorail.

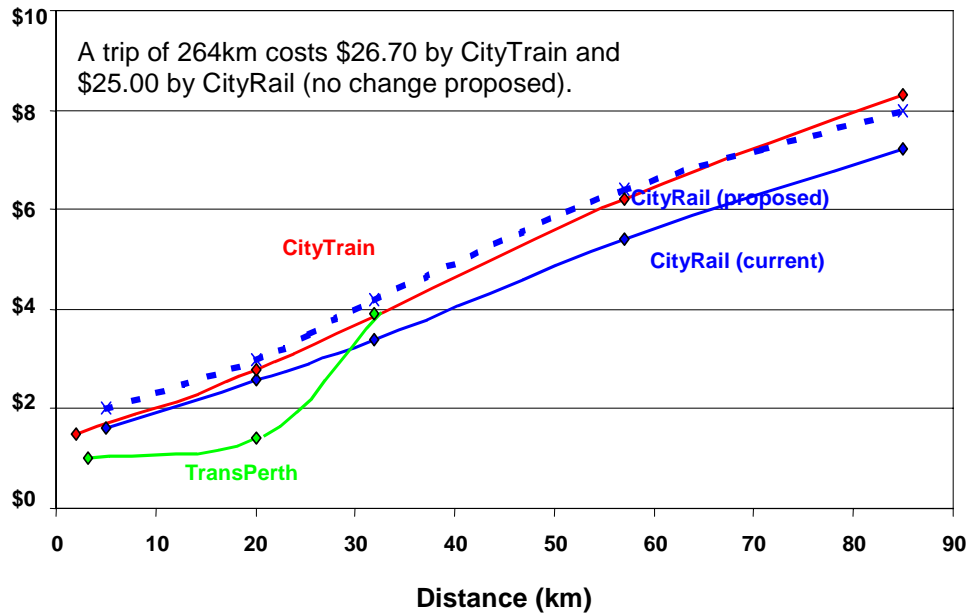
In their submission to the Tribunal, SRA compared CityRail fares to other operators in Australia and also overseas. In each of these CityRail's current and proposed fares were graphed. These graphs are reproduced below.⁵⁰ SRA's proposal was for a 15 per cent increase in the weighted average fare, compared to the Tribunal's determination of a 13.8 per cent increase. Thus, the representation of SRA's proposed fare increases in the following figures is broadly in line with the Tribunal's own determination.

Figure 5.8 compares CityRail fares to those of Perth's Transperth and Brisbane's CityTrain. Similar to CityRail, CityTrain and Transperth both use distance based pricing. Brisbane's CityTrain fares are consistently higher than those currently charged by CityRail. As the figure shows, SRA's fare proposal would have generally increased fares above those of CityTrain. However, as a result of the Tribunal's determination, CityRail fares will be marginally lower than CityTrain's. Perth's Transperth operates services up to 32km, and fares are generally lower than CityRail's. For distances up to 20km, Transperth's fares are around 40-50 per cent cheaper than CityRail's. Above 20km Transperth fares steadily increase, exceeding current CityRail fares around the 30km distance.

⁴⁹ State Rail Authority of NSW, *Submission to the Independent Pricing and Regulatory Tribunal of NSW, CityRail Fare Review 1999/2000*, April 1999, pp 14-15.

⁵⁰ State Rail Authority of NSW, *Submission to the Independent Pricing and Regulatory Tribunal of NSW, CityRail Fare Review 1999/2000*, April 1999, pp15-16.

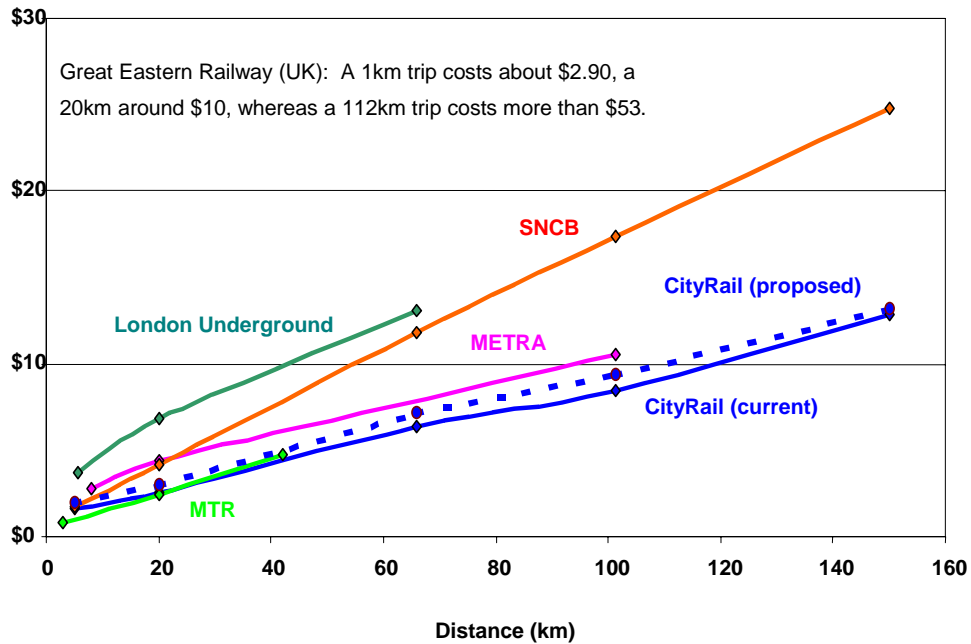
Figure 5.8 Fare comparisons, Australian railways



Melbourne’s Met and Adelaide’s TranAdelaide use time based ticketing, making comparisons to CityRail fares relatively difficult. For journeys up to 3km, Adelaide offers a \$1.50 ticket, or \$2.80 for longer trips. Under the Tribunal’s recommended fare increases, journeys up to 5km would cost \$2.00 and a fare of \$2.60 would allow travel up to 15km. Melbourne’s City zone day ticket for \$4.40 compares favourably with CityRail’s \$5.40 CityHopper.

Internationally, CityRail fares were compared to the London Underground, Hong Kong MTR metro systems, and heavy rail operators METRA of Chicago and SNCB of Belgium. CityRail fares are generally lower than each of these operators, and considerably so compared to London Underground and SNCB. MTR fares were marginally lower for distances up to around 20km.

Figure 5.9 Fare comparisons, international railways



Although international comparisons are useful, it should be kept in mind that these comparisons are difficult due to such issues as the effects of exchange rates, and differences in the incomes and cost of living between different countries.

5.4.5 Impacts on cost of living

The Australian Bureau of Statistics conducts a Household Expenditure Survey. The most recent survey indicates that public transport charges comprise 0.41 per cent of an average household’s weekly expenditure in NSW.⁵¹ Obviously, the impact will vary between households. The proposed increase in charges will have a negligible effect on the overall cost of living within the Greater Metropolitan Region.

⁵¹ ABS. *Household Expenditure Survey Australia 1993-94: Detailed Expenditure Items*. Cat No. 6535.0, Table 6.4.

5.5 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)]*

Ecologically sustainable development (ESD) is described in Part 3 of the *Protection of the Environment Administration Act 1991* as requiring the “effective integration of economic and environmental considerations” and the implementation of “improved valuation and pricing of environmental resources.”

There are external costs associated with most forms of urban transport. In terms of road transport, external costs include congestion, air pollution and noise pollution. External costs associated with rail travel include noise pollution and air pollution from the need to generate electricity. The important issue is the combination of transport modes which minimises these external costs.

CityRail states that rail services generate environmental benefits through a reduction in car use, thereby reducing road congestion, traffic accidents, and air and noise pollution. CityRail also claims that external consultants on behalf of the SRA have estimated that “the rail network saves the people of Sydney approximately \$350m per year (in 1995/96)”.⁵² At the public hearing, SRA provided an updated figure of \$410m. Whilst it is clearly a difficult task to quantify the environmental benefits of the rail network, they are undoubtedly very substantial. Other submissions quoted figures as great as \$1,200m.⁵³

It appears likely that a net reduction in external costs will result from a relative shift from road to rail travel. However, existing analysis does not allow a meaningful valuation of this effect and hence the determination of an optimum subsidy level. Nonetheless, the belief that rail travel involves net benefits over private vehicle implies that it would be inappropriate to recover all rail costs from rail passengers. This is particularly so when we also consider that other transport modes are not subject to their true cost of usage.

The Tribunal has previously noted that Sydney’s urban form and uneven access to transport limits the attraction of public transport.⁵⁴ However, given the potential benefits of increasing public transport usage relative to private vehicles, it is important to encourage increased use of public transport.

The Nature Conservation Council queries the reasons for the low use of public transport:⁵⁵

The Western Sydney Regional Organisation of Councils’ report *Western Sydney - a vision for the next twenty years* clearly demonstrates that where adequate public transport is provided people will use it. Local Government Areas with superior public transport services such as Ashfield (36.8%), South Sydney (36.5%) and Waverley (36.1%) attest to this, whilst poorly serviced areas such as Liverpool (14.9%), Warringah (14.2%) and Baulkham Hills (9.7%) demonstrate **you can’t use public transport if it isn’t there**, rather than prove the inability of public transport to meet the community’s transport needs.

⁵² State Rail Authority of NSW, *Submission to the Independent Pricing and Regulatory Tribunal of NSW, CityRail Fare Review 1999/2000*, April 1999, p 12.

⁵³ Nature Conservation Council, *Submission to IPART Public Passenger Transport Fares*, 3 June 1999, p 2.

⁵⁴ IPART, *Inquiry into the Pricing of Public Passenger Transport Services – Final Report*, October 1996, p 56.

⁵⁵ Nature Conservation Council, *Submission to IPART Public Passenger Transport Fares*, 3 June 1999, p 1.

Utilising CityRail's fare model, the following table shows the patronage and corresponding revenue reductions that would occur for various fare increases.

Table 5.11 Sensitivity of patronage and revenue to fare increases

Increase in Average Weighted Fares	Increase in Revenue	Increase in Revenue	Patronage Reduction	Patronage Reduction
%	%	\$m	%	000'pj
8	7	29	0.9	2,076
12	11	41	1.2	2,774
16	14	53	1.5	3,513

Note: The impact of changes in the average weighted fare on revenue and patronage will depend on exactly which fares have been altered. For example, it is possible to generate an 8 per cent increase in the average weighted fare in various ways, depending on how different fares are changed. These specific fare changes then flow onto changes in revenue and patronage.

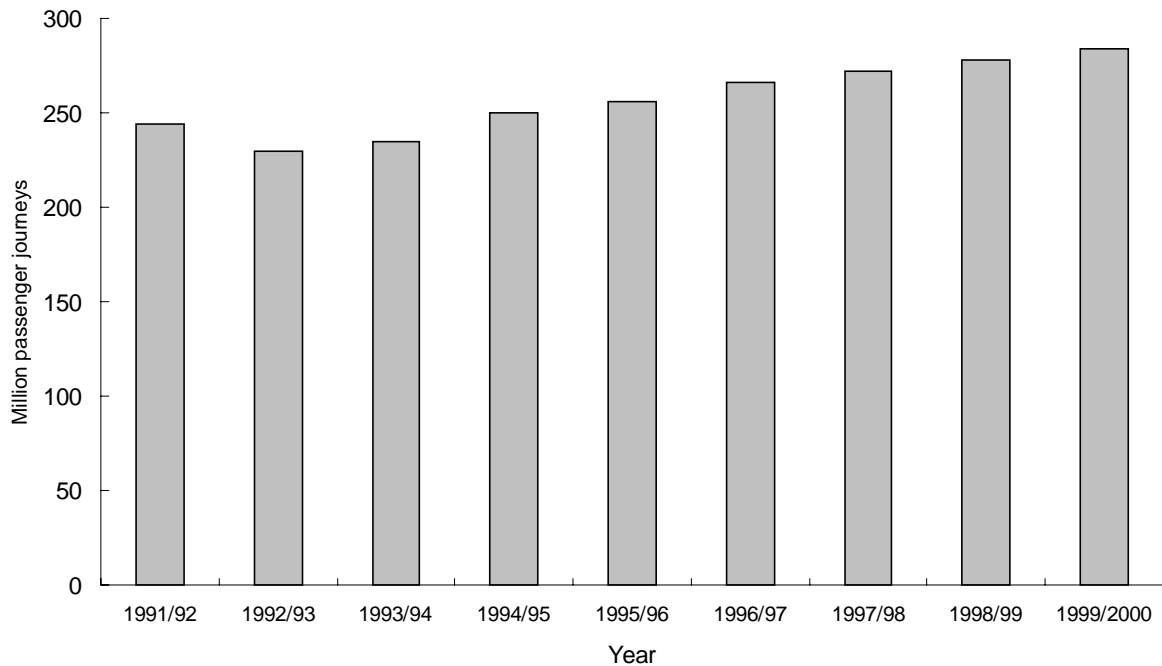
CityRail has estimated that the direct impact of their proposed fare increase will be a decrease in passenger journeys of 1.5 percent.⁵⁶ Under the Tribunal's recommendation, patronage is estimated to decrease by around 1.4 per cent or 3.2m passenger journeys. Although patronage may fall, it not true that price is the major determinant in choosing public transport. As stated by Treasury in their submission:⁵⁷

Managing road congestion and achieving better transport-related environmental outcomes are important objectives, and it is true that land use/transport initiatives can make a difference. But the idea that constraining fare levels can be instrumental in pursuing these objectives in Sydney is no longer tenable, at least in regard to rail fares, having been tested empirically and discredited.

It is expected any patronage reductions as a result of the recommended fare increases will be more than offset by the projected natural growth in passenger journeys, as shown in Figure 5.10. After falling in 1992/93, passenger journeys have grown steadily. This growth has occurred during a period where fares have been increasing slowly. During 1998/99, passenger journeys increased by around 4m, and CityRail is projecting continued growth through to the year 2000.

⁵⁶ This figure is questioned by a number of stakeholders. It is claimed that the research underpinning the figure is now dated and that the relative decline in petrol and car prices since the research was undertaken implies a far more significant elasticity effect for any given fare increase.

⁵⁷ NSW Treasury, *1999-2000 Public Passenger Transport Fares Submission*, May 1999, p 6.

Figure 5.10 CityRail passenger journeys, 1991/92 – 1999/2000

Source: CityRail.

Many residents of Sydney do not have a real choice between public and private transport, at least for part of their journey. Currently, CityRail serves the 'travel to work in the city' market well. However, with new business and employment centres establishing themselves in other areas of Sydney, it is important to supply these new (often cross regional) markets. CityRail is developing services for these new markets, for example the new Parramatta to Chatswood line.

It would appear that the most important factor encouraging increased usage of public transport is access, rather than price. The Government's publication, *Action for Transport 2010*, outlines an integrated transport plan for Sydney. A number of major initiatives affecting CityRail are outlined. These include new lines, expansion of existing services, new rolling stock and safety initiatives. Two of the new services alone, the Parramatta Rail Link (\$1,400m) and the Epping to Castle Hill Rail Link (\$350m), are forecast to provide 30 million passenger journeys a year with a consequential reduction in the use of private vehicles. In addition to the capital cost of these projects there will be ongoing operation and maintenance expenditure.

6 BASIS OF THE TRIBUNAL'S DETERMINATIONS

6.1 Master fare schedule

In its 1997/98 determination the Tribunal supported the continuation of the master fare scale approach which is based on the fare schedule for single journeys. Future fare increases are then applied to this master schedule to obtain a calculated fare. The actual fare charged is this value rounded to the nearest 20 cents. Future fare increases would be tied back to the calculated and not the rounded values. Return and off-peak fares are based on the single fare.

However, as in 1997/98 and 1998/99, continuing fare restructuring has not enabled a strict adherence to this approach. In order to minimise the impact of the removal of all but one of the anomalous fare bands whilst achieving greater uniformity in the fare multipliers certain individual fares have had to be 'adjusted'. It is anticipated that once this process is completed the master fare approach may be more strictly applied in future determinations.

6.2 Single journey tickets

To reduce the number of fare bands, some fare increases are necessary. While the Tribunal is of the view that some increase is justified, it wishes to ensure the impact on individual travellers are reasonable.

The Tribunal has determined that the price of the single journey tickets for all distance bands should increase by no more than 60 cents.

The new single journey fares are given in Table 6.1.

Table 6.1 Comparison of existing and new single journey fares

Distance up to (km)	Existing Fare (\$)	New Fare (\$)	Change (\$)
5	1.60	2.00	0.40
10	1.80	2.20	0.40
15	2.20	2.60	0.40
20	2.60	3.00	0.40
25	2.80	3.20	0.40
30	3.20	3.60	0.40
35	3.40	3.80	0.40
45	3.80	4.40	0.60
55	4.60	5.20	0.60
65	5.40	6.00	0.60
75	6.40	7.00	0.60
85	7.20	7.80	0.60
95	8.00	8.60	0.60
105	8.40	9.00	0.60
115	9.40	10.00	0.60
125	10.80	11.40	0.60
135	11.00	11.60	0.60
155	12.80	13.40	0.60
175	14.60	15.20	0.60
195	17.40	18.00	0.60
215	18.80	19.40	0.60
235	22.00	22.00	0.00
255	23.00	23.00	0.00
305	25.00	25.00	0.00
305+	27.00	27.00	0.00

The Tribunal notes that the price of return and half-fare tickets is driven by direct application of a multiplier to the single journey fares. Return fares are exactly twice the single journey fare. Half-fare tickets are half the cost of the corresponding adult fare.

6.3 Off-peak fares

The Tribunal has approved an increase in the fares for many single and return journeys. Off-peak fares are sold as return fares. Off-peak fares are available after 9:00 am weekdays and all day on weekends.

In this determination, the Tribunal has aimed at a multiplier of 1.18 times the single journey fare. CityRail had asked that the multiplier for off-peak fares be increased from 1.20 to 1.23. The Tribunal considers that the effect of this leads to inappropriately large fare increases with commensurate equity impacts. The multiplier has been reduced to 1.18 to lessen the

impact of fare increases on off-peak travellers, whom may be casual and part-time workers without the opportunity to purchase discounted multi-ride tickets or unemployed non-concessionary travellers. Off-peak fares will nevertheless increase where single fares have increased.

Table 6.2 compares the current and proposed fares, indicating the increase for each distance band.

Table 6.2 Comparison of existing and new off-peak fares.

Adult Off-peak Fares			
Distance up to (km)	Existing Fare (\$)	New Fare (\$)	Change (\$)
5	2.00	2.40	0.40
10	2.20	2.60	0.40
15	2.60	3.00	0.40
20	3.20	3.60	0.40
25	3.40	3.80	0.40
30	3.80	4.20	0.40
35	4.00	4.40	0.40
45	4.60	5.20	0.60
55	5.60	6.20	0.60
65	6.40	7.00	0.60
75	7.60	8.20	0.60
85	8.60	9.20	0.60
95	9.60	10.20	0.60
105	10.00	10.60	0.60
115	11.20	11.80	0.60
125	13.00	13.40	0.40
135	13.20	13.60	0.40
155	15.40	15.80	0.40
175	17.60	18.00	0.40
195	21.00	21.00	0.00
215	23.00	23.00	0.00
235	25.00	26.00	1.00
255	26.00	27.00	1.00
305	29.00	30.00	1.00
305+	31.00	32.00	1.00

The Tribunal has determined that the price of the off-peak should be 1.18 times the corresponding single journey fare.

6.3.1 Off-peak child fare

The off-peak child fare as shown in Table 6.3, is available for three very broad fare zones. In essence, these tickets work in the same way as pensioner concession tickets. The zones are the same. However, unlike the pensioner fare, the ticket is valid for one return journey only.

Table 6.3 Off-peak Child Fares

Zone	Coverage	Existing Fare	New Fare
1	Sydney metropolitan and Newcastle metropolitan	\$1.80	\$2.00
2	Outer metropolitan	\$2.60	\$3.00
3	All CityRail network	\$4.60	\$5.00

The Tribunal notes that the off-peak child fares bear no relationship to the equivalent adult off-peak fares. For short trips the fare is close to the adult fare, while for longer journeys the fare is substantially lower. CityRail proposed small increases in these fares.

The Tribunal has determined that the maximum price of the off-peak child fares should increase by 20 cents for zone 1 and 40c for zones 2 and 3.

6.4 Periodicals

A large proportion of all weekly travel is undertaken within the CityMet area. Therefore, for travel less than 55 km, the discount from the relevant single journey fare should be relatively consistent. In order to prevent further increases in discounts for weekly tickets, the Tribunal proposes to allow modest increases in the price of the weekly fares. However, the Tribunal notes that where bands are being rationalised slightly higher increases will occur.

The Tribunal has determined that the price of rail weeklies should increase by up to \$4.00.

Table 6.4 compares the current and proposed weekly fares. It also shows the relationship of the weekly fare to the corresponding single fare.

In 1996/97, CityRail suggested that, due to changes in patronage in distant areas, it might wish to introduce a weekly fare for distances beyond 175km. Some people already travel such distances and are required to purchase two weekly tickets. There is no maximum fare for these distances using one ticket. The Tribunal then set the maximum fare at 3.8 times the relevant single fare. To bring this in line with fares up to 175km, the Tribunal now proposes to increase this multiple to 4.1.

The Tribunal considers that if CityRail were to introduce weekly tickets for distance that do not have weekly tickets, the maximum price of these weekly tickets should be 4.1 times the relevant single journey fare.

Table 6.4 Comparison of existing and new rail weekly fares

Distance up to (km)	Existing Fare (\$)	New Fare (\$)	Change (\$)	Multiple of Single Fare
5	12.00	15.00	3.00	7.5
10	15.20	18.00	2.80	8.2
15	17.00	20.00	3.00	7.7
20	21.00	24.00	3.00	8.0
25	22.00	25.00	3.00	7.8
30	24.00	27.00	3.00	7.5
35	26.00	29.00	3.00	7.6
36.19	28.00	32.00	4.00	7.3
45	29.00	32.00	3.00	7.3
55	31.00	35.00	4.00	6.7
65	34.00	38.00	4.00	6.3
75	36.00	40.00	4.00	5.7
85	39.00	43.00	4.00	5.7
95	41.00	45.00	4.00	5.4
105	43.00	47.00	4.00	5.3
115	45.00	49.00	4.00	5.0
125	47.00	51.00	4.00	4.7
135	53.00	57.00	4.00	5.2
155	57.00	61.00	4.00	4.8
175	59.00	63.00	4.00	4.3
195	68.00	72.00	4.00	4.1

Note: A weekly fare that is 8 times the single fare offers a 20 percent discount to travellers, and weekly tickets previously only available for travel up to 195 km.

Flexipass fares are charged as a calculated multiple using a pre-defined formula. This formula has not changed other than the introduction of a term to allow for the impact of a new taxation system from 1 July 2000. Flexipass fares will only change to the extent that the weekly fare will change and adjustments in relation to the new tax system.

6.5 TravelPasses

TravelPasses provide unlimited travel over the period of issue (week, quarter or year) throughout the zones of issue and apply to rail, STA bus and ferry services. They are designed for regular users of public transport. TravelPass tickets have increased each year since the Tribunal has been setting fares. They do however provide train, bus and ferries users with very flexible and relatively cheap travel options.

The Tribunal considers a modest increase in TravelPass prices is appropriate. The overall increase is similar to that for rail weeklies. Table 6.5 shows the new TravelPass fares.

The Tribunal determines that the price of rail/bus/ferry TravelPasses should increase by a maximum of \$4.00.

Table 6.5 Comparison of existing and new TravelPass fares

TravelPass	Existing fare (\$)	New fare (\$)	Change (\$)
Red	23.00	26.00	3.00
Green	29.00	33.00	4.00
Yellow	32.00	36.00	4.00
Pink	35.00	39.00	4.00
Brown	40.00	44.00	4.00
Purple	47.00	51.00	4.00

6.6 CityHopper fares

The CityHopper ticket allows travel from the origin station to the City with unlimited travel on CityRail trains and STA buses within the city area. The ticket can be purchased during peak and off-peak periods. The price of the CityHopper ticket is the price of the appropriate return ticket, peak or off-peak, from the originating station to the City plus an add-on component. In its 1998/99 determination, the Tribunal determined that the price of the add-on should remain at \$3.40. The Tribunal sees no reason to vary this price.

The Tribunal has determined that the price of the CityHopper add-on should be \$3.40.

6.7 DayRover tickets

A DayRover ticket can be used for all day use 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. The peak ticket costs \$20.00, the off-peak ticket is \$16.00.

The Tribunal has determined that the price of DayRover tickets should be \$20.00 for the peak period ticket and \$16.00 for the off-peak.

6.8 RailRover

While last year's determination was in preparation, CityRail approached the Tribunal to introduce a RailRover ticket. The RailRover ticket would enable all day travel within the area currently defined by the Purple TravelPass. In setting the fare, CityRail has taken the cost of a 55km trip plus a 5km off-peak trip as a reference fare. The amount of travel undertaken would be greater than this. CityRail proposes a fare of \$11.00 for a ticket

purchased during the morning peak and \$7.00 off-peak. The Tribunal endorsed CityRail's proposal. The Tribunal notes, however that CityRail has not as yet introduced the fare.

The Tribunal has determined that the maximum fare for the RailRover ticket shall be \$11.00 peak and \$7.00 off-peak.

6.9 Pensioner concessions

The pensioner concession fare of \$1 provides unlimited travel within the CityMet area on the day of purchase. This fare has not increased since 1988 and is not affected by this determination.

The price of these concession tickets and the reimbursements made by Government to the authority as Community Service Obligations are matters of social policy for the Government to determine, not the Tribunal.

6.10 Olympic Park Station

CityRail is now operating a limited service to the new station at Olympic Park in Homebush Bay. However, for major events there will be a larger number of services running. In its submission, CityRail proposed that the fare to Olympic Park should be a combination of the rail distance fare to Strathfield or Lidcombe (whichever is shortest) plus an add-on. As an interim measure the Tribunal had previously approved an add-on of \$1.20 one way and \$2.40 return based on the then bus fare to Homebush bay.

In its submission, CityRail proposed an add-on equivalent to the bus fare for 1-2 sections. It is similarly proposed that the weekly add-on fare remains equivalent to a TravelTen for 1-2 sections.

The Tribunal has determined that the fare to Olympic Park Station is the distance fare from the origin station to Strathfield or Lidcombe (whichever is shortest) plus an add-on. The add-on shall remain at \$1.20 for a single journey or \$2.40 return.

6.11 Bathurst fare extension

From July 1999 CityRail fares became available from Bathurst (and intermediate points between Lithgow and Bathurst), effectively extending the westernmost limit of the CityRail area. Travel is by coach to Lithgow, where connection is made with the CityRail network.

This extension addresses an equity issue where the people of Bathurst were seen to be disadvantaged by comparison to the people of Goulburn and Scone.

Fares will be distance based with the applicable distances being:

Wallerawang	171km
Mt Lambie	182km
Meadow Flat	189km
Yetholme	201km
Raglan	233km
Kelso	238km
Bathurst	240km

Bathurst pensioners will be eligible to purchase the \$3.00 pensioner excursion ticket, under the greater CityRail conditions.

7 REQUIREMENT UNDER SECTION 16 OF THE ACT

The Tribunal is required under Section 16 of the *Independent Pricing and Regulatory Act 1992* to report on the likely annual cost to Government if fares were not increased to the maximum permitted, and SRA were to be compensated for the revenue foregone from the Consolidated Fund.

The determination is for an annual increase in total farebox revenue of about \$47.2m over that of 1998/99. The Treasury makes up the difference between farebox revenue and costs by way of a subsidy through CSO's. Should fares be set below the scheduled levels, then for each \$1 reduction in farebox revenue, payments to the SRA from the State Government would increase correspondingly.

8 COMPLIANCE

Compliance with the Tribunal's determinations is required under Section 18 of the *Independent Pricing and Regulatory Tribunal Act 1992*. Government agencies are required to include details relating to the implementation of a determination within its annual report.

The Tribunal notes compliance with the 1998/99 determination. The Tribunal will continue to monitor this requirement.

Thomas G Parry
Chairman
28 July 1999

ATTACHMENT 1 LIST OF SUBMISSIONS

Organisations and individuals that made submissions to this review of fares are listed below. Copies of these submissions can be viewed during business hours (8:45am – 5:15pm, Monday to Friday) at the Tribunal's offices. Level 2, 44 Market St, Sydney.

Organisations

- ◇ Action for Public Transport
- ◇ Australian Liquor, Hospitality and Miscellaneous Workers Union
- ◇ Better Western Sydney Committee
- ◇ Blue Mountains Commuter and Transport Users Association
- ◇ CEPU Retired Members' Association
- ◇ Campbelltown and Districts Commuter Association
- ◇ Commuter Council of NSW
- ◇ Council on the Aging
- ◇ Ettinger House Inc.
- ◇ Hegarty's Ferries
- ◇ Light Rail Association
- ◇ Lord Mayor's Office
- ◇ Macquarie University Student's Council
- ◇ Manly Council
- ◇ Matilda Cruises
- ◇ NSW Council of Social Service
- ◇ NSW Treasury
- ◇ Nature Conservation Council of NSW
- ◇ Newcastle City Council
- ◇ Newcastle and Hunter Business Chamber
- ◇ Newcastle Trades Hall Council (joint submission with Newcastle and Hunter Business Chamber)
- ◇ Parramatta City Council
- ◇ Public Service Association of NSW
- ◇ Public Transport Advisory Council of NSW
- ◇ Rail Access Corporation
- ◇ Rail, Tram and Bus Union
- ◇ Retired Teachers Association
- ◇ Smith Family, The
- ◇ United Christian Political Action
- ◇ Unity Action Group for Retirees
- ◇ University of NSW Transport Program
- ◇ UWS Macarthur, Students' Association, Cambelltown Campus
- ◇ Vaocluse Progress Association
- ◇ Western Sydney Community Forum
- ◇ Western Sydney Commuter Association
- ◇ WSROC Ltd

Individuals

- ◇ Barr, D
- ◇ Beecher, R
- ◇ Bevan, J
- ◇ Caldwell, J
- ◇ Cawte, M
- ◇ Culluau, J
- ◇ Farr, N
- ◇ Gadea, I
- ◇ Gott, K
- ◇ Hodgkinson, S
- ◇ Knowles, R
- ◇ Lambrinos, J
- ◇ Lee, A
- ◇ Lee, C
- ◇ Myers, H
- ◇ Page, J
- ◇ Parker, A
- ◇ Purza, J
- ◇ Ramadan, N
- ◇ Trinh, D
- ◇ Van den Hout, A

ATTACHMENT 2 SRA FINANCIAL PERFORMANCE

CityRail is not a separate financial reporting entity. SRA is comprised of CityRail-Stations, CountryLink, Passenger Fleet Maintenance and Operations. These four main operating divisions are supported by corporate units with responsibility for policy and planning, corporate services, employee relations, organisational development and rail development. The brand name CityRail is made up of CityRail-Stations, and particular proportions of Passenger Fleet Maintenance, Operations and the corporate units.

The table below sets out recent consolidated income statements for SRA derived from data provided in the Auditor-General's Report to Parliament.⁵⁸

Table 1: SRA income and expenditure statements

	1996/97 \$m	Proportion of total (%)	1997/98 \$m	Proportion of total (%)	Increase (%)
Income					
Passengers	411.3	26.7	434.1	27.6	5.5
Social programs ¹	507.5	32.9	495.5	31.5	-2.4
Capital and other Government contributions	413.6	26.8	422.1	26.8	2.1
Services-external	137.6	8.9	121.9	7.7	-11.4
Property, plant and equipment sale proceeds		0.0	44.6	2.8	
Other	70.7	4.6	56.8	3.6	-19.7
Total Income	1540.7	100.0	1575.0	100.0	2.2
Expenditure					
Labour	606.2	37.6	659.1	40.9	8.7
Severance payments	3.0	0.2	15.3	0.9	410.0
Rail infrastructure access fees	419.0	26.0	353.6	21.9	-15.6
Materials	61.6	3.8	74.1	4.6	20.3
Amortisation & depreciation	190.7	11.8	171.0	10.6	-10.3
Assets written off or sold	59.1	3.7	43.2	2.7	-26.9
Financing	22.8	1.4	22.0	1.4	-3.5
Contracts, services & other	250.4	15.5	275.0	17.0	9.8
Total expenditure	1612.8	100.0	1613.3	100.0	0.0
Operating deficit before abnormals	-72.1		-38.3		

1. This item measures payments from the NSW Government for non-commercial passenger services on CityRail and Countrylink. The payment reimburses State Rail for revenue foregone in providing concession fares to specified classes of passengers as well as revenue shortfalls incurred in providing certain train services at the request of Government.

The principal features highlighted by the above table are:

- passengers contribute only about 27 per cent of SRA funds
- the 5.5 per cent increase in passenger revenue recorded in 1997/98 included a 2.3 per cent increase in average fares for CityRail
- Government contributions of \$422.1m in 1997/98 comprised contributions for capital works (\$63.3m), major periodic maintenance (\$114.5m), the New Southern Railway and

⁵⁸

Source: Auditor General's Report to Parliament 1998, Vol 3, p 625.

East Hills amplification (\$166.8m), transitional liabilities arising from restructure (\$15.5m) and redundancy payments (\$50.3m)

- the social program payment subsidy (\$495.5m in 1997/98) equated to \$1.59 for each CityRail passenger (concessional and non-concessional) and \$28.40 for each Countrylink passenger (concessional and non-concessional)
- the significant increase in expenditure on labour, material and contracts and services
- the 15.6 per cent decline in charges from Rail Access Corporation for access to the rail network.

The Government has also assumed responsibility for workers' compensation claims relating to the period prior to 1 July 1996. \$29.4m was receivable from the Government for this purpose as at 30 June 1998.

As at 30 June 1998, unfunded employee entitlements liabilities included \$465.4m for superannuation, \$95m for long service leave, \$47m for annual leave and \$9.6m for pay in lieu of holidays worked. If these items are not funded through the farebox, then they will be paid from general taxation revenue.

SRA does not finance the capital and other contributions made by Government (\$422.1m in 1997/98). If SRA was a fully commercial operation then such a contribution from the owner would attract a commercial return. The absence of the requirement for such a return represents a Government subsidy that reduces the required income target.



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.:	99/112
Determination:	No 3, 1999
Government Agency:	State Rail Authority
Government monopoly services:	Railway passenger services supplied under the name "CityRail" excluding services supplied in accordance with the ticket known as the "SydneyPass".

Note:

The Government monopoly service was 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 determined by the Tribunal for the Government monopoly services:

1. All CityRail passenger rail services

The price of any type of rail ticket for a given distance band is not to 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

The price of the CityHopper ticket is the price of the appropriate return ticket, peak or off-peak, to the City, determined in accordance with the table of maximum prices in the attached Pricing Schedule, plus an add-on for unlimited bus and rail travel in the City area. The price of the add-on is \$3.40.

3. DayRover tickets

The price of the peak and off-peak DayRover tickets shall not exceed \$20 for tickets purchased during the morning peak and \$16 for tickets purchased outside the morning peak.

4. RailRover

The price of the RailRover ticket for all day travel on the CityRail CityMet network shall not exceed \$11 for tickets purchased before the end of the morning peak and \$7 for tickets purchased after the morning peak.

5. *Flexipasses*

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

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

where:

P = Fare price (before rounding)

R = Weekly ticket price for distance band

N = Number of days of validity (from 28 to 366)

x = N - 28

y = N - 90; for N > 90
0; for N ≤ 90

K = 0.12

L = 0.011

Z = an amount equal to the tax properly payable on the fare, or part of it, as a result of the Commonwealth Government's new tax system. This amount is to be calculated on a simple pro-rata basis for services provided from 1 July 2000.

6. *Olympic Park*

The fare to Olympic Park Station is the distance fare from the origin station to Strathfield or Lidcombe (whichever is shortest) plus an add-on. The add-on shall be \$1.20 for a single journey or \$2.40 return.

7. *New or additional charges*

All other prices or charges for railway passenger services provided by CityRail not referred to specifically in this Determination, shall remain at 1998/99 levels. The State Rail Authority cannot levy any new or additional charges for the Government monopoly service, other than in accordance with this Determination, or with the approval of the Tribunal in future Determinations.

Thomas G Parry
Chairman
28 July 1999

PRICING SCHEDULE

This Pricing Schedule forms part of the Determination 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 August 1999

Distance km	Single \$	Half Single \$	Return \$	Half Return \$	Weekly \$	Off-peak \$
5.00	2.00	1.00	4.00	2.00	15.00	2.40
10.00	2.20	1.10	4.40	2.20	18.00	2.60
15.00	2.60	1.30	5.20	2.60	20.00	3.00
20.00	3.00	1.50	6.00	3.00	24.00	3.60
25.00	3.20	1.60	6.40	3.20	25.00	3.80
30.00	3.60	1.80	7.20	3.60	27.00	4.20
35.00	3.80	1.90	7.60	3.80	29.00	4.40
45.00	4.40	2.20	8.80	4.40	32.00	5.20
55.00	5.20	2.60	10.40	5.20	35.00	6.20
65.00	6.00	3.00	12.00	6.00	38.00	7.00
75.00	7.00	3.50	14.00	7.00	40.00	8.20
85.00	7.80	3.90	15.60	7.80	43.00	9.20
95.00	8.60	4.30	17.20	8.60	45.00	10.20
105.00	9.00	4.50	18.00	9.00	47.00	10.60
115.00	10.00	5.00	20.00	10.00	49.00	11.80
125.00	11.40	5.70	22.80	11.40	51.00	13.40
135.00	11.60	5.80	23.20	11.60	57.00	13.60
155.00	13.40	6.70	26.80	13.40	61.00	15.80
175.00	15.20	7.60	30.40	15.20	63.00	18.00
195.00	18.00	9.00	36.00	18.00	72.00	21.00
215.00	19.40	9.70	38.80	19.40		23.00
235.00	22.00	11.00	44.00	22.00		26.00
255.00	23.00	11.50	46.00	23.00		27.00
305.00	25.00	12.50	50.00	25.00		30.00
305+	27.00	13.50	54.00	27.00		32.00

Travelpass	\$
Red	26.00
Green	33.00
Yellow	36.00
Pink	39.00
Brown	44.00
Purple	51.00

Child Off-Peak	\$
Sydney Suburban	2.00
Newcastle Suburban	2.00
Outer Metropolitan	3.00
CityRail	5.00

Notes:

- 1: Quarterly TravelPass = 11 x weekly fare + Z.
- 2: Yearly TravelPass = 40 x weekly fare + Z.
- 3: Z = an amount equal to the tax properly payable on the fare, or part of it, as a result of the Commonwealth Government's new tax system. This amount is to be calculated on a simple pro-rata basis for services provided from 1 July 2000.

STATE TRANSIT AUTHORITY OF N S W
REPORT TO THE PREMIER AND DETERMINATION

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1 INTRODUCTION

As required by Section 11(1) of the *Independent Pricing and Regulatory Tribunal Act 1992*, the Independent Pricing and Regulatory Tribunal (the Tribunal) has investigated proposals by the State Transit Authority (STA) for maximum prices to be charged from 1 August 1999 for declared passenger transport monopoly services supplied by its business units, Sydney Buses, Sydney Ferries & Newcastle Services.

The Tribunal is required to determine the maximum prices for the monopoly services. Its determination for STA's services is attached to this report.

2 THE PRICE DETERMINATION PROCESS

The Tribunal called for pricing proposals from STA. Submissions were also invited from any interested parties and the public on issues relating to the pricing of public transport services.

A public hearing was held on 7 June 1999 at the Tribunal's offices, Level 2, 44 Market Street Sydney.

Details of STA's proposals are provided within this report and a list of other submissions received is in Attachment 1.

Copies of all submissions and a transcript of the hearing can be viewed on the Tribunal's website www.ipart.nsw.gov.au and are available for inspection at the Tribunal's office.

The Tribunal members who considered this determination are:

Dr Thomas Parry, Chairman

Mr James Cox, Full-time Permanent Member

Ms Liza Carver, Part-time Permanent Member

Ms Cristina Cifuentes, Temporary Member

3 SUMMARY OF THE DETERMINATION

The Tribunal has decided to determine maximum prices for 1999/2000 only, in preference to establishing a medium term price path as requested by STA. An annual determination remains necessary due to uncertainty regarding:

- progress by STA towards achieving the realisable efficiency gains identified in a consultant's analysis of bus costs
- the need for further analysis of the potential for efficiency gains in the operation of Sydney Ferries
- a proposed restructure of the Community Service Obligation (CSO) program by Treasury to reflect the operating requirements of STA.

The main features of the determination are:

For State Transit Authority

- Weighted average fares will increase by 7.0 per cent.

STA's operations are divided into three main business units: Sydney Buses, Sydney Ferries and Newcastle Services. Sydney Buses is the largest unit generating 80.2 per cent of STA's regulated farebox revenue and hence is the focus of more extensive analysis in this determination. The Sydney Ferries and Newcastle business units are comparably smaller, generating 17.0 per cent and 2.8 per cent of STA revenue respectively.

For Sydney Buses

- *Single journey bus* fares will increase by up to 40 cents with most fares rising by 10 cents and one fare falling by 20 cents
- *Bus TravelTen* fares will increase by up to \$2.40 representing an increase capped at 24 cents per trip
- the longest distance *TravelTen* (purple) will reduce by \$6.00 when the ticket is combined with the second longest distance *TravelTen* (orange)
- all bus/ferry *TravelPasses* and the red *TravelPasses* which includes train travel will increase by \$3.00. All other *TravelPass* fares covering bus, ferry and train will increase by \$4.00, an increase of 40 cents per trip for a weekly *TravelPass* ticket used ten times.

These fares will allow STA to recover the efficient costs of operating its Sydney Buses business unit.

For Sydney ferries

- *Inner zone single ferry* fares will increase by 50 cents per journey
- Rydalmere, Parramatta single ferry, Manly JetCat and Manly fares will increase by 60 cents per journey
- all *FerryTen* tickets will increase by \$4 representing an average increase of 40 cents per trip.

These fares will generate revenue that remains significantly below the costs of running Sydney Ferries.

For Newcastle buses and ferries

- the *1 hour* time based fare will increase by 20 cents
- the *4 hour and daily* fares will increase by 20 cents and 40 cents respectively
- *TimeTen* fares will rise by \$1.00
- all *Newcastle TravelPasses* (orange, yellow and pink) will rise by \$4.00
- the *Single Stockton ferry* fare will increase by 20 cents.

These fares will generate revenue that remains significantly below the costs of running Newcastle Buses and Ferries. As a result of this determination, STA's total farebox revenue will increase by 6.8 per cent which equates to approximately \$11.8m.¹

4 SUBMISSIONS

4.1 Pricing proposals made by State Transit Authority

STA made a submission seeking price increases for the three years from 1999/2000 to 2001/02.

For 1999/2000, STA seeks increases in the average fare of 12.5 per cent for Sydney buses, 11.2 per cent for Sydney ferries, 10.2 per cent for Newcastle buses and 13.8 per cent for the Stockton Ferry². If these increases were implemented an additional 10.4 per cent in revenue or \$18.0m would be received by STA through the farebox.

Table 4.1 STA Proposed average fare increase in 1999/2000

Service	Revenue Increase (%)	Revenue Increase (\$m)	Average Fare Increase
Sydney			
Bus	10.5%	14.7	12.5%
Ferry	10.2%	2.9	11.2%
Newcastle			
Bus	8.6%	0.4	10.2%
Ferry	11.3%	0.04	13.8%
Consolidated	10.4%	\$18.0m	12.2%

Source: State Transit Authority submission p 25.

The components of STA proposal for increases to fares for Sydney Buses in 1999/2000 represent:

- the additional costs imposed over recent years, but not reflected in past fare movements, for such items as improved access for people with a disability and safety measures
- the growth in costs between 1998/99 and 1999/2000
- an initial step to adjust STA's revenue to a commercial return.

In addition, STA seeks an extra 4.0 per cent per annum in 2000/01 and 2001/02.

For Sydney Buses, STA seeks an increase in fares for single ride tickets of between 20 cents to 50 cents and a restructure of the distance bands which "will provide a fare scale that offers improved equity"³ by removing the fare spike between the 1-2 sections and the 3-9 sections. Currently customers travelling 3 sections pay more than double the 2 section fare.

STA also seeks an amalgamation of the two longest distance bands, ie sections 16-21 and sections 22-27 effectively reducing the cost of the latter ticket by 10 cents. STA suggests that

¹ The weighted average fare rise is the average increase in fares weighted by volume of sales per ticket.

² State Transit Authority, *Submission to IPART, Determination of Public Transport Fares 1999/2000*, p 29.

³ State Transit Authority, *Submission to IPART, Determination of Public Transport Fares 1999/2000*, p 30.

less than 1.0 per cent of passengers are using either of these tickets so the amalgamation will result in greater simplicity for passengers.⁴

STA submission indicated that most single fares had remained at their 1990 or 1991 levels.

4.2 Other submissions

A list of other submissions is contained in the Attachment 1 to this report. Some key issues include:

- consistency of proposed fare adjustments with the Government's stated environmental objectives⁵
- doubts over the equity of the changes to fares proposed to eliminate the 'fare spike'⁶
- absence of adequate justification for the proposed fare increases
- queries over the appropriateness of the efficiency savings identified in a report commissioned by the Tribunal⁷
- A consumer representative group, Action for Public Transport (APT), submitted a proposed fare scale with an average fare increase of approximately 7.2 per cent.

NSW Treasury proposed a 15 per cent nominal increase in weighted average fares for Sydney Buses in 1999/2000 and a real 3 per cent per year increase for the three subsequent years, plus any costs associated with the introduction of a the new taxation system by the Commonwealth.

NSW Treasury also proposed a 30 per cent weighted average fare increase in 1999/2000 for Sydney Ferries and a 10 per cent increase in Newcastle fares in 1999/2000 followed by increases over the following three years broadly in line with inflation.

⁴ State Transit Authority, *Submission to IPART, Determination of Public Transport Fares 1999/2000*, p 30.

⁵ Nature Conservation Council of NSW, *Submission to IPART, Determination of Public Transport Fares 1999/2000*, p 1.

⁶ Action for Public Transport, *Submission to IPART, Determination of Public Transport Fares 1999/2000*, p 9.

⁷ Rail, Tram and Bus Union, *Submission to IPART, Determination of Public Transport Fares 1999/2000*, p 1.

5 ISSUES CONSIDERED BY THE TRIBUNAL

Under Section 15 of the *Independent Pricing and Regulatory Tribunal Act 1992*, the Tribunal is required to consider a number of factors and indicate what regard it has had to each factor. The Tribunal's assessment of each of these factors is detailed below.

5.1 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)]*

5.1.1 Key findings of the 1998 review of STA

In its 1998 determination of STA fares, the Tribunal found:

1. STA's capital expenditure program is justified and the specification and cost of new buses are generally reasonable.⁸
2. To earn a reasonable return on its assets, STA should:
 - achieve best practice in operations through efficiency gains and productivity improvements
 - review and clarify the objectives and incentives of Government funding through the CSO program
 - match its capital investment program with an appropriate level of service quality.
3. STA's pricing CSO should be eliminated because it leads to undesirable outcomes:
 - since the pricing CSO is based on the maximum private bus fare, any rises in the maximum fare lead to automatic increases in the pricing CSO
 - since STA fares remain below the maximum private fares, any increases in service usage will automatically generate corresponding increases in the pricing CSO.
4. Following satisfactory cost reductions and elimination of the pricing CSO, the Tribunal will reconsider the case for real fare rises to finance capital expenditure or business growth. In the interim, the Tribunal will permit fare rises which are broadly in line with the CPI and will continue to correct fare anomalies to improve customer equity.

⁸ A major consultancy on STA's bus costs was jointly commissioned by the Tribunal and the NSW Department of Transport and was completed in March 1998. The consultants, Sinclair Knight Merz Group and Coopers and Lybrand concluded that the size of the program is justified (300 buses over 3 years from 1997). This view is based on the need to comply with the legislative requirement that the average fleet age should not exceed 12 years. As at March 1998, STA's fleet of 1673 buses had an average age of 11.6 years. The fleet age is rising because it includes 461 Mercedes Benz buses that are now 18 years old. The consultants also concluded that the specification and cost of the new buses (\$363,500 each) is generally reasonable and they were 'unable to identify any significant potential for savings in this area'.

5.1.2 Progress since the 1998 review

Many of the issues raised by the Tribunal have been addressed in some form in STA's submission in support of fares to apply in 1999/2000. STA has committed to making progress on the key issue of achieving efficiency gains. The removal of the fare "spike" which will be implemented during 1999/2000 is a significant step. However, STA has considerable work ahead to implement the efficiency savings and to operate the business on a fully commercial basis. Accordingly, the Tribunal has not provided STA with a return on assets, but has allowed fare increases to cover the rising costs being incurred by the business units.

5.1.3 Past financial performance

The following table provides details of STA's income and expenditure and how these have varied since 1996/97. Government contributions to STA have risen over the period as have passenger revenues and advertising income. The most significant element of the increase in expenses has been operational and maintenance costs which have increased by 12.4 per cent as the Sydney bus fleet expands.

Table 5.1 STA Income and expenditure

	97/98 \$m (actual)	Proportion of revenues & costs	98/99 \$m (estimate)	Proportion of revenues and costs
Income from external sources				
Passenger Fares, charters etc	200.1	54.0%	207.8	52.8%
Advertising	6.9	1.8%	7.5	1.9%
Other (including profit from asset sales)	2.1	0.6%	10.7	2.7%
	209.1	56.4%	226.0	57.4%
Income from government sources				
- service CSO	12.2	3.3%	14.3	3.6%
- pricing CSO	30.0	8.1%	30.8	7.8%
Concessional & free travel	119.5	32.2%	122.5	31.2%
	161.7	43.6%	167.6	42.6%
Total Income	370.8	100.0%	393.6	100.0%
Expenditure				
Operations & maintenance	107.8	28.7%	121.2	30.0%
Employee related	233.6	62.2%	244.8	60.6%
Recurring operating expenditure	341.4	90.9%	366.0	90.6%
Depreciation & amortisation	32.4	8.6%	32.8	8.2%
Costs before finance costs	373.8	99.5%	398.8	98.8%
Loan & leasing finance costs	1.7	0.5%	4.9	1.2%
Total costs	375.5	100.0%	403.7	100.0%
Operating deficit before abnormals	(4.7)		(10.1)	

Source: State Transit Authority.

Note: All figures are in nominal dollars of the year.

Over 40 per cent of STA's income comes from Government payments. This includes reimbursement for targeted concessions and free travel of \$123m in 1998/99.

Excluding the pricing CSO, STA derived revenue of \$363m in 1998/99 which was almost sufficient to cover recurring operating expenses of \$366m. Depreciation, amortisation and financing costs were broadly equivalent to the funding provided by the Government through the pricing CSO. These results were similar to 1997/98 where revenue was \$340.8m which was once again almost sufficient to cover recurring operating expenses of \$341.4m.

However, \$7.4m in net revenues for 1998/99 came from the sale of fixed assets which did not occur in the previous year. STA forecasts that further sales of fixed assets will generate significant revenues for 1999/2000, but very little thereafter.

The following table highlights the trend in total and individual expense items.

Table 5.2 STA past and projected future expenses (\$m)

	95/6	96/7	97/8	98/9	99/2000	2000/01	2001/02
	(Actual)	(Actual)	(Actual)	(Est.)	(Projections)		
Expenses							
Labour costs	205.4	223.6	233.6	244.7	256.8	272.3	286.2
Materials	49.7	54.1	53.6	59.4	63.2	64.7	67.5
Marketing	4.3	3.4	3.1	2.7	2.2	2.3	2.3
Govt Taxes & Duties other than FBT	0.0	4.3	5.4	6.8	6.6	9.0	10.8
Other (including non-core) expenses	39.2	37.7	45.7	52.4	47.8	42.0	35.3
Recurring cash operating expenditure	298.6	323.2	341.4	366.0	376.6	390.3	402.1
Depreciation/amortisation	22.4	31.7	32.4	32.8	35.8	41.6	45.5
Costs before financing expenses	321.0	354.8	373.8	398.8	412.4	431.9	447.6
Interest expense	3.3	2.5	1.7	4.9	6.0	9.0	10.8
Total costs	324.3	357.3	375.5	403.7	418.4	440.9	458.4

Source: State Transit Authority.

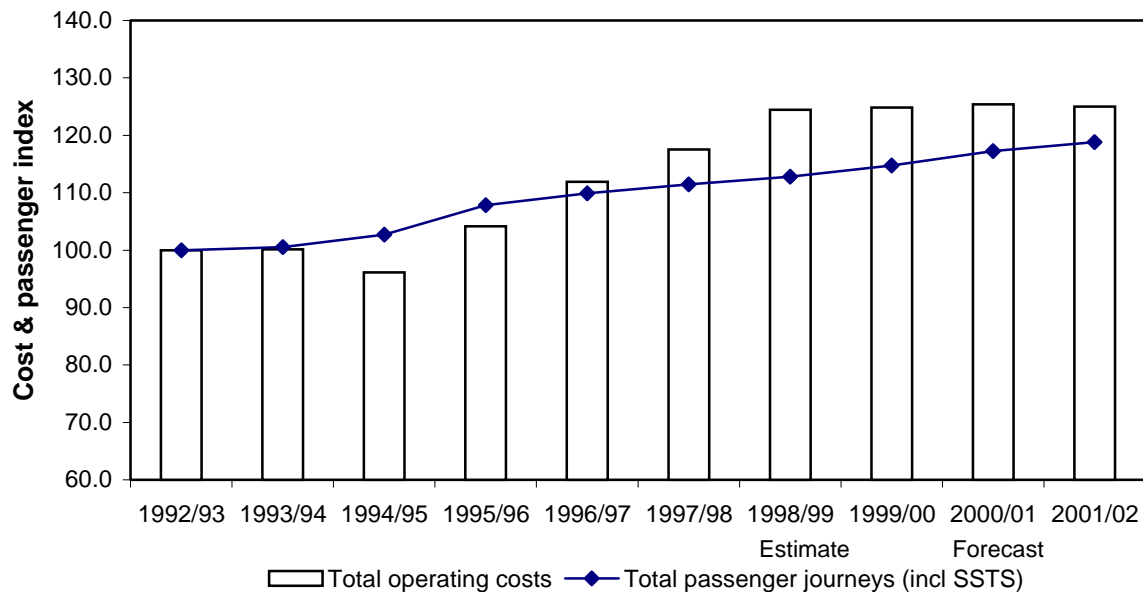
Note: All figures are in nominal dollars of the year.

Total expenses are projected to continue an upward trend as labour and material costs continue to rise. Interest expenses will also increase as STA borrows additional funds to renew its bus fleet which will include a small increase in the total fleet size.

The annual average increase in expenses over the period from 1995/96 to 1998/99 is 7.6 per cent on a compound basis.

The trend in overall real operating costs (excluding depreciation, interest and abnormal expenses) is contrasted with passenger journeys in Figure 5.1 below.

Figure 5.1 Operating costs and passenger journeys



Notes: 1. Cost index is in constant 1992/93 dollars using the GNFP Deflator.
 2. STA forecasts from 1999/2000 were provided in uninflated 1998/99 dollars.

In index form, this figure demonstrates that the growth in operating costs has outstripped the increase in journeys taken by passengers between 1994/95 and 1997/98. STA has estimated that operating costs from 1999/2000 will rise marginally in real terms and then settle around the current 1998/99 level as efficiency savings are achieved over the next 3 years.

STA continues to maintain some poorly patronised services over and above those required to satisfy its minimum service levels agreement with Government. In its submission, STA states:⁹

However, there remains a large residual amount of bus service in Sydney, excess to [minimum service levels] that is delivered, predominantly, outside peak times which is clearly non-commercial. There is no justification for these services which, in many cases, can be traced back to government directions made many years ago.

In theory State Transit should be able to discontinue services which have these characteristics. However, once a service is introduced it is extremely difficult to withdraw. In these cases it is unreasonable to expect other travellers to cross subsidise and a service level CSO should be forthcoming.

STA has identified \$12.0m as an appropriate amount for such a CSO for Sydney buses, \$14.6 for Sydney ferries and \$3.8 for Newcastle services.

The following table provides an estimate of the major costs which have increased substantially over the last three years.

⁹ State Transit Authority, *Submission to IPART, Determination of Public Transport Fares 1999/2000*, p 12.

Table 5.3 IPART's estimate of STA's cost increases

Changes caused by operating conditions and government policies	Additional costs on a per annum basis (\$m)
Legislative enhancements	6.5
Payment of tax equivalents	5.5
Depreciation from revaluation of assets	10.0
Labour and fuel	45.0
Average fleet age requirements	56.0
Traffic congestion (based on operating cost per kilometre)	32.0
Total	\$155.0

Source: State Transit Authority

Note: this table is in nominal 1998/99 dollars and compares the difference between costs in 1998/99 and the equivalent costs in 1995/96.

Some of these expenditures affect the cash flow of the period while others affect only the final profit or loss. For example, the increased depreciation resulting from the revaluation of fixed assets does not affect the cash flow of the business in the current period. However, the depreciation expense increases the net loss reported by STA.

The factors behind these increases are:

- Legislative driven enhancements to bus standards. Federal legislation requires improved accessibility for people with a disability. This has required changes to bus specifications such as the inclusion of wheelchair spaces, floors without steps and the capacity of the bus to provide level access from the kerb.
- Higher service quality. STA has introduced a number of initiatives (eg bus air conditioning, customer information services, better security for staff and passengers) to improve customer service. These costs are in addition to those in Table 5.3 above.
- Payment of tax equivalents. STA was exempt from certain taxes (eg sales tax, income tax). Under national competition policy, STA is now required to pay the same taxes as a private bus operator. The GST will also affect the taxes paid by STA from July 2000.
- Revaluation of assets to current cost. In an attempt to overcome the deficiencies of historic cost accounts, the Government required STA to revalue its assets to current costs. While this has not affected STA's cash outlays, it has increased the amount STA charges for depreciation and increased the recorded loss for 1998/99.
- Increases in transport industry specific costs have been greater than increases in general inflation. STA claims that the prices of its inputs (eg labour and fuel) have increased at a greater rate than the commonly accepted measures of general inflation. These increases are in line with the bus cost analysis undertaken by the Department of Transport.
- Average fleet age. Bus operators (both publicly and privately owned) are required to maintain the average age of their fleet at less than 12 years. The average age of STA's bus fleet is close to that level, requiring STA to undertake major capital replacement expenditure. About 8 per cent of the entire bus fleet needs to be replaced each year at an approximate cost of \$400,000 per vehicle.

- Traffic congestion. The introduction of bus priority lanes has assisted the delivery of services by reducing the impact on STA of traffic congestion on Sydney's roads. Nonetheless the average bus speed has reduced, increasing fuel costs and wear and tear on buses. STA estimated that a fall in the average bus speed from 17km to say 15km per hour would see operating costs increase by around 10 per cent.¹⁰ The actual decrease in average bus speed has been from 19km per hour in 1995/96 to 17km per hour in 1998/99.

5.1.4 Labour costs, staff levels

The following table shows the number of employees at the end of each year and the total labour costs for each year.

Table 5.4 Labour force and costs

	95/96	96/97	97/98	98/99	99/2000	2000/01	2001/02
	Actual	Actual	Actual	Estimate	Projections		
Sydney Buses	3,225	3,421	3,297	3,320	3,320	3,320	3,320
Sydney Ferries	409	417	367	376	376	376	376
Newcastle	382	385	381	378	377	377	377
Central services	85	80	260	242	243	243	243
Total	4,101	4,303	4,305	4,316	4,316	4,316	4,316
Labour costs \$m	\$192.0	\$205.1	\$201.7	\$212.7	\$209.9	\$209.9	\$207.3
Average wage \$ pa	\$46,821	\$47,666	\$46,843	\$49,293	\$48,628	\$48,627	\$48,042

Source: State Transit Authority.

Note: 1. Cost are in constant 1992/93 dollars using the GNFP Deflator.

2. STA forecasts from 1999/2000 were provided in uninflated 1998/99 dollars.

The staff reduction at Sydney Buses and Sydney Ferries between 1996/97 and 1997/98 partially accounts for the increase in staff at Central Services and is associated with a restructure. This restructure did not address the large increase of staff at Sydney Buses after 1995/96.

Taking Sydney Buses and Central Services together it can be seen that there has been an overall increase leading up to 1998/99. Newcastle have managed with approximately constant staff numbers over this same period. Wage increases contributed to the jump in costs in 1998/99.¹¹

Figure 5.2 shows the relationship between passenger journeys and operational staff costs (wages, salaries and on-costs). A downward trend in staff costs from 1992/93 to 1994/95 is followed by increases from 1994/95 to 1998/99. STA have forecast labour costs to fall slightly and then stabilise as efficiencies such as reduced overtime are implemented.

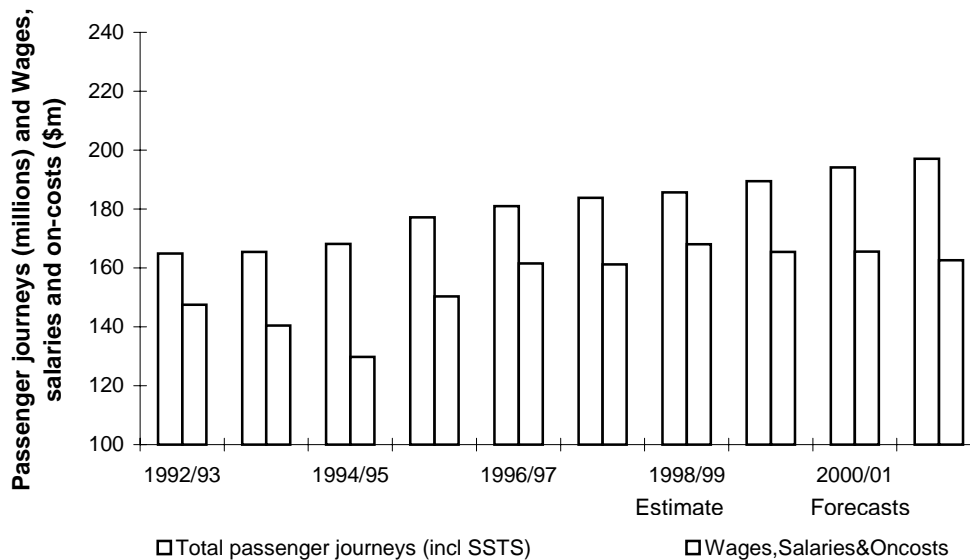
¹⁰ State Transit Authority, *Submission to IPART, 1998/99 Determination*, March 1998, p 10.

¹¹ The "average wage" data in Table 5.4 is derived from total labour costs and total staff numbers, including SES, senior officers and wages staff.

However, the Tribunal believes that it will be difficult for STA to reduce labour costs in real terms since the total number of employees is expected to remain steady.

STA forecast a steady increase in passenger journeys from 1999/2000 onwards.

Figure 5.2 Operational staff costs and passenger journeys



Source: State Transit Authority

Note: Cost are in constant 1992/93 dollars using the GNFP Deflator.

The additional demands that may be placed on STA over the Olympic Games period are not explicitly addressed in these figures.

5.1.5 Efficiency Indicators

STA have forecast labour productivity to increase after being relatively static for a number of years. The general upward movement in STA's costs is also reflected in the comparison of costs to employee numbers. The following table shows a variety of labour productivity indicators.

Table 5.5 Labour efficiency and productivity indicators

	95/96	96/97	97/98	1998/99	99/2000
	Actual	Actual	Actual	Estimate	Projections
Passengers per employee	50,586	49,042	51,915	52,159	53,083
Days absence per employee	10.6	10.2	10.5	10.0	n/a
Revenues per employee(\$'000)	\$72,819	\$72,771	\$77,715	\$78,771	\$79,721
Costs per employee(\$'000)	\$70,669	\$70,996	\$77,125	\$81,092	\$80,996
Net revenue per employee(\$'000)	\$2,150	\$1,775	\$590	\$(2,321)	\$(1,275)

Source: State Transit Authority

Notes: 1. Costs and revenues are in constant 1992/93 dollars using the GNFP Deflator.

2. STA forecasts from 1999/2000 were provided in uninflated 1998/99 dollars.

3. Projections are based on IPART forecasts of revenue.

4. Revenues include concession reimbursement and service CSOs, but not pricing CSOs.

5. Costs exclude interest and depreciation.

6. Employees exclude head office.

The days absence per employee fell marginally (down 4.8 per cent) in 1998/99, but still remains high and was previously commented on in the SKM report.

5.1.6 Cost targets and projected efficiency gains

STA have set up 7 separate task forces to implement various aspects of the report prepared by Sinclair Knight Merz and Coopers and Lybrand (later referred to as SKM report). These task forces deal with:

- bus operator utilisation
- cost of government
- service levels
- maintenance and engineering services
- administration and depot support
- awards and conditions of employment
- communications and coordination.

The report by SKM included specific details of areas in which savings could be made. While STA has conceded that the identified saving of \$24.3m is practical, it has disputed the specific areas in which SKM claim savings can be achieved.

The Tribunal is concerned that the cost savings of \$24.3m identified by SKM are not reflected in STA's projections of its costs shown in Table 5.2. Separate projections provided by STA to the Tribunal and the NSW Treasury show that STA plans to achieve \$6.5m of the projected savings in the first year with all saving to be implemented by the end of 2003/04. The following table shows the planned implementation of efficiencies by STA.

Table 5.6 Cumulative efficiency savings planned by STA (\$m)

	1999/2000	2000/01	2001/02	2002/03	2003/04
Cumulative efficiency savings	6.5	11.5	17.5	23.5	24.3

Source: State Transit Authority

Note: all figures are in uninflated dollars of 1998/99.

The introduction of a new tax system from 1 July 2000 may have an impact on input costs, particularly with the abolition of the Wholesale Sales Tax and changes to the excise on petrol and diesel and to the diesel fuel rebate scheme, and the flow on effects of these and other changes from suppliers. It will also require the net impact on STA's costs from the new taxation system to be added to fares.

For periodical tickets sold during 1999/2000 that allow for service provision after 1 July 2000, the Tribunal will allow an adjustment to prices by an amount calculated to reflect the net effect of the introduction of these taxation reforms. However, STA must establish to the satisfaction of the Tribunal that its net costs will increase due to the imposition of the GST (and associated reforms such as the abolition of wholesale sales tax). The calculation of the net impact would also be subject to independent audit and approval by the Tribunal.

5.1.7 Capital expenditure

The capital program submitted by STA to Treasury is summarised in Table 5.7.

Table 5.7 Capital expenditure program (\$'000)

	96/97	97/98	98/99	99/2000	2000/01	2001/02
Program						
Growth requirements	490	1,670	1,888	12,542	9,383	12,000
Renewal of assets	41,619	53,262	21,796	73,258	56,573	49,145
Regulatory compliance	2,113	1,133	1,188	6,450	2,610	2,652
Total	44,222	56,065	24,872	92,250	68,566	63,767
Funding						
Government contribution				12,000	10,500	10,500
Borrowings	-	49,757	4,294	71,793	46,419	50,221
Other (including interest funding)	44,222	6,308	20,578	8,457	11,647	3,076
Total	44,222	56,065	24,872	92,250	68,566	63,767

Source: State Transit Authority.

Note: All figures are in dollars of the year.

Outlays for asset renewal are largely driven by the Department of Transport's requirement that the average age of all bus fleets be less than 12 years. The current average age of STA bus fleet is 11.6 years.¹² The capital expenditure figure for 1999/2000 was revised upward in the latest Government Budget to \$92m¹³ as orders placed for new buses in 1998/99 were unfulfilled. In addition to the capital expenditure to be funded by STA, the Government is to finance new ferry expenditure of \$100m over the period to 2010.

The following table highlights the trends in the utilisation of STA assets.

Table 5.8 Asset usage indicators – Sydney Buses

Sydney Buses	95/96	96/97	97/98	98/99	99/2000	2000/01	2001/02
	Actual	Actual	Actual	Estimate	Projections		
Fleet size	1,365	1,452	1,532	1,576	1,595	1,637	1,650
Average age of Fleet	11	11.5	11.3	11.4	11.3	11.4	11.5
Total hrs/day/vehicle	6.6	6.3	6.1	6.0	6.0	6.0	6.1
Revenue hrs/day/vehicle	5.9	5.7	5.5	5.4	5.4	5.4	5.4
Total km/day/vehicle	125	125	125	125	125	125	125
Revenue km/day/vehicle	112	109	105	103	104	104	104
Ave Operating Speed	19	19	18	17	17	16	16

Source: State Transit Authority.

This table shows that only the fleet size of Sydney Buses is projected to expand, and that bus replacements are projected to maintain the average age of these fleets.

¹² Statement of Financial Performance, p 11.

¹³ NSW Treasury, *Budget 1999-2000*, State Acquisition Program Paper No. 4, p 15.

Comparison of total hours and kilometres per day with revenue hours and kilometres per day provides an insight into fleet utilisation and the amount of “dead time”. The fleet utilisation of Sydney Buses is slowly declining from 6 hours of revenue generating time per vehicle in 1995/96 to 5 hours 25 minutes in 1998/99. This has occurred because as the total number of buses has increased to meet peak period demand there has not been a commensurate increase in the level of off-peak demand.

All of the fleets operated by STA are geared to meeting peak period demand and non peak demand is insufficient to fully occupy them. Without generating off-peak demand, fleet expansion will lower the utilisation rates further (hrs/day or kms/day) rather than remaining stable for Sydney Buses as shown in the above table. This issue needs to be explored by STA as lower utilisation rates in the future will affect profitability on a per vehicle basis.

Table 5.9 Asset usage indicators – Sydney Ferries

Sydney Ferries	95/96	96/97	97/98	98/99	99/2000	2000/01	2001/02
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Estimate</i>	<i>Projections</i>		
Fleet size	27	27	27	28	28	28	28
Average age of Fleet	10	10.3	11.2	11.6	11.9	12.5	12.9
Total hrs/day/vessel	8.2	8.2	8.3	7.9	7.9	7.9	7.9
Revenue hrs/day/vessel	6.6	6.6	6.7	6.4	6.4	6.4	6.4
Total km/day/vessel	133	136	136	124	124	124	124
Revenue km/day/vessel	133	136	136	124	124	124	124

Source: State Transit Authority.

STA has commenced a vessel replacement program that will maintain the fleet size over the next few years. The average age of the ferry fleets is projected to increase.

Table 5.10 Asset usage indicators – Newcastle Services

Newcastle	95/96	96/97	97/98	98/99	99/2000	2000/01	2001/02
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Estimate</i>	<i>Projections</i>		
Fleet size	171	177	175	175	175	175	175
Ave age of Fleet - Buses	10.3	10.8	11.8	11.8	11.8	11.8	11.8
Ave age of Fleet – Ferries	10.0	11.0	12.0	13.0	14.0	15.0	16.0
Total hrs/day/vessel	6.1	6.0	6.0	5.9	5.9	5.9	5.9
Revenue hrs/day/vessel	5.5	5.4	5.4	5.3	5.3	5.3	5.3
Total km/day/vessel	162	158	156	153	153	153	153
Revenue km/day/vessel	138	134	132	130	130	130	130

Source: State Transit Authority.

The following table details components of the capital program for which passenger fares are not expected to be sufficient to contribute a positive return. Since they are constant loss makers, any investment in Sydney Ferries and Newcastle services could not be commercially justified. In addition, STA's Statement of Financial Performance states that it is required to fit access ramps for wheelchair accessibility and security cameras to new buses.¹⁴ These outlays are not expected to provide a commercial return.

Table 5.11 Non-commercial capital expenditure (\$'000)

	97/98	98/99	99/2000	2000/01	2001/02	Total
	Actual	Estimate	Projections			
Sydney Ferries	2,437	5,143	3,230	1,065	1,380	\$13,255
Newcastle Services	440	3,310	2,155	2,217	2,280	\$10,402
Access ramps	2,033	2,052	2,340	2,240	1,176	\$9,841
Security cameras	500	500	-	-	-	\$1,000
Total	5,410	11,005	7,725	5,522	4,836	\$34,498

Source: State Transit Authority

Note: All figures are in dollars of the year.

5.2 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)]*

5.2.1 Cumulative fare increases since the major review

The Tribunal's last major review of passenger transport fares was completed in 1996. Since that time, the Tribunal has made a series of annual determinations, setting fares broadly in line with inflation. The following table sets out the actual increases in STA's average weighted fare since 1996. The increases are compared with increases in the cost of living, as measured by the Sydney CPI. This table uses 1995/96 as a base year.

Table 5.12 Real fare increases

Increase since 1995/96	96/97	97/98	98/99
Cumulative increase in weighted average fare	+3.5	+5.8	+8.2
Actual cumulative increase in Sydney CPI	+1.3	+1.4	+3.0

Source: ABS Consumer Price Index 6401.0 Sydney average March to March CPI.

Note: the March to March CPI is used due to the timing of Tribunal determinations, which are usually released around the middle of the year.

This table shows that STA's weighted average fares have increased by 5.2 percentage points ahead of the Sydney CPI over the last three years.

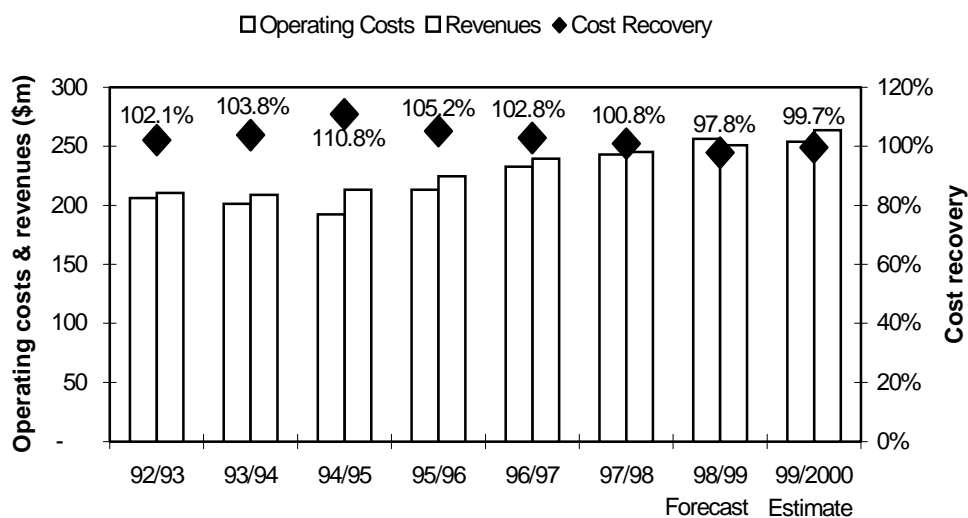
¹⁴ Statement of Financial Performance, Appendix C, p 2.

5.2.2 Segment profitabilities

The following three graphs illustrate the levels of cost recovery of the three STA business units. Revenues shown include reimbursement for free and concessional travel, but do not include service or pricing CSOs.¹⁵ Costs are total costs, including head office charges, but not including interest or depreciation. With the exception of pensioner excursion travel, this revenue definition is most comparable to private bus operators.

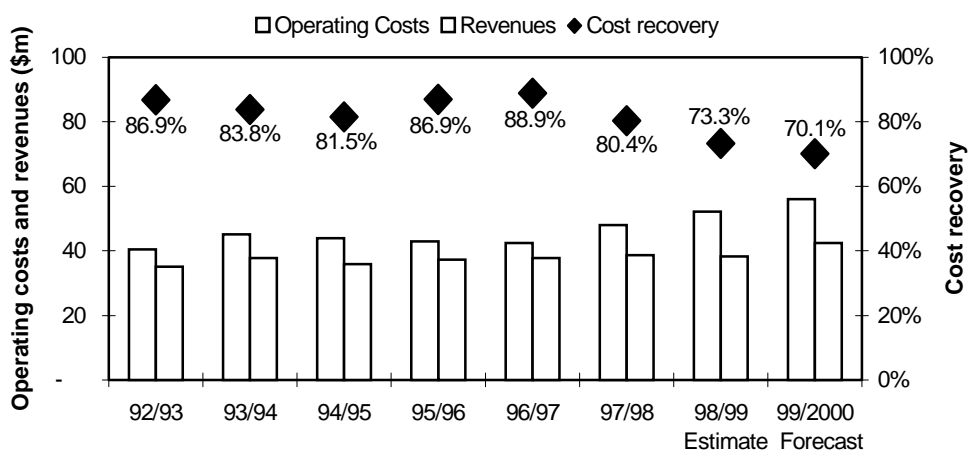
Both revenues and costs of Sydney Buses have been increasing over recent years. However, costs have generally risen at a faster rate than revenues, resulting in falling cost recovery levels. Newcastle operations have stabilised in terms of costs and revenues.

Figure 5.3 Cost recovery of Sydney Buses (1998/99)



Source: State Transit Authority.
 Notes: Costs and revenues are in constant 1992/93 dollars using the GNFP Deflator.

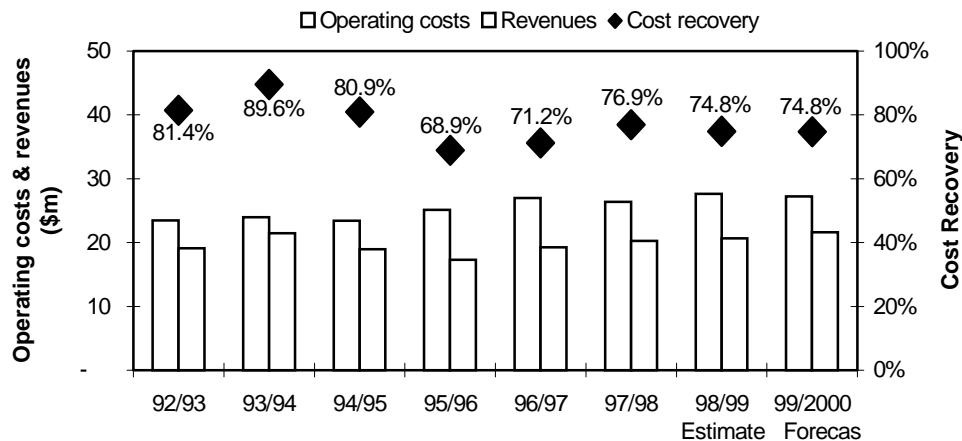
Figure 5.4 Cost recovery of Sydney Ferries



Source: State Transit Authority.
 Notes: Costs and revenues are in constant 1992/93 dollars using the GNFP Deflator.

¹⁵ A service CSO is provided by the Government to STA for the operation of some non-commercial services which are not able to cover their costs. A pricing CSO is provided by the government for the difference in the maximum fares set for private bus operators and the actual fares set by IPART.

Figure 5.5 Cost recovery of Newcastle Operations



Source: State Transit Authority.

Notes: Costs and revenues are in constant 1992/93 dollars using the GNFP Deflator.

5.2.3 Cost of capital

In determining the revenue requirement of STA, the Tribunal needs to consider all of the costs faced by the business including an appropriate cost of capital. In a competitive market the cost of capital could be assessed by examining the rates of returns earned by other bus or ferry companies operating in the same environment. However, most of the services provided by STA are in specific Sydney and Newcastle metropolitan regions where there are few, if any, competitors.

A study undertaken by Price Waterhouse Corporate Finance for the NSW Treasury in 1996 estimated a cost of capital for STA. The method used to estimate a cost of capital is contained in Attachment 2.

STA has provided the Tribunal with an estimate of the additional revenue required for 1999/2000 to earn a rate of return.

The difficulties with the return on capital proposed by STA include:

- a nominal rate of return has been applied to a partially revalued asset base (most property, plant and equipment was revalued in 1996 to an estimate of market value)
- market inputs used in the rate of return estimation have changed significantly over the last 3 years.

As noted in Section 5.1.7, STA has some work to achieve the \$24.3m of efficiency gains identified in the SKM report and to reach a position where the business units are operating on a fully commercial basis. In a competitive market, only businesses operating on a commercial basis are able to consistently earn a return on assets.

The Tribunal will consider allowing a rate of return for STA when cost savings are further advanced.

5.2.4 Funding requirements

Sydney Buses

The following table shows the basis for the Tribunal's determination of a revenue requirement for Sydney Buses based on the projected efficient costs of the business unit and all of the issues considered in this report.

Table 5.13 Revenue requirement – Sydney Buses

	96/97	97/98	98/99	99/2000
IPART regulated farebox	128.0	134.1	139.3	147.1
Other farebox and advertising revenue	34.8	33.3	34.4	34.9
Free/concessional reimbursement	90.2	96.0	99.2	104.8
Total revenue without pricing CSO	253.0	263.5	272.9	286.8
Total expenses	267.9	282.8	300.3	309.8
Efficiencies implemented	0.0	0.0	0.0	(6.5)
Efficient expenses	267.9	282.8	300.3	303.3
Efficient surplus/(deficit) before CSO funding	(14.9)	(19.3)	(27.4)	(16.5)
Pricing CSO	20.3	24.3	25.2	16.8
Efficient surplus/(deficit)	5.4	5.0	(2.2)	0.3

Income

For 1999/2000, the projected IPART regulated farebox revenue of \$147.1 represents a 5.6 per cent increase on the previous years revenue. Other farebox revenue is expected to be \$27.4m which represents income received from the pensioner excursion fares and other services provided by STA in competitive markets such as the Airport Express. Advertising revenue at just under \$7.0m is forecast to be slightly higher than the previous year.

The forecast free and concessional travel reimbursements from Government also represent a 5.6 per cent increase on the previous years revenue.

Expenditure

The forecast expenses for 1999/2000 include an amount of \$5.6m which represents an increase of 4 per cent on the 1998/99 cost base. The forecast also includes an amount of \$3.9m to cover the safety and wheelchair accessibility requirements as outlined in the submission by STA.¹⁶

The table has included \$6.5m in cost savings which STA has undertaken to implement based on the \$24.3m of efficiency savings identified by the SKM report. None of these identified efficiencies were achieved during the current 1998/99 year and the end result for Sydney Buses was a \$2.0m deficit after the pricing CSO of \$25.2m. STA have forecast that all efficiency savings will have been implemented by the end of 2003/04 thereby restoring Sydney Buses to a full commercial operation.

¹⁶ State Transit Authority, *Submission to IPART, Determination of Public Transport Fares 1999/2000*, p 22.

Sydney Ferries

There has not been a study on the efficient costs for Sydney Ferries. However, Sydney Ferries requires significant increases in revenues to cover its costs and the Tribunal has considered the 12.7 per cent increase in revenue as set out in the following table as a reasonable step towards full cost recovery.

Table 5.13 Revenue requirement – Sydney Ferries

	96/97	97/98	98/99	99/2000
IPART regulated farebox	25.80	27.12	27.89	31.43
Other farebox and advertising revenue	5.27	5.29	5.53	5.82
Free/conc reimbursement	8.03	8.92	8.07	8.95
Total revenue without CSO	39.11	41.33	41.49	46.20
Total expenses	55.72	60.42	65.22	68.98
Surplus/(deficit) before CSO funding	(16.61)	(19.09)	(23.73)	(22.78)
CSO	14.12	14.66	16.28	18.89
Surplus/(deficit)	(2.49)	(4.43)	(7.45)	(3.89)

Sydney Ferries require a more significant increase to cover the current shortfall of \$7.45m after CSO funding. The Tribunal considers that the fare increases required to achieve full cost recovery cannot be achieved in the short term.

Newcastle services

For Newcastle services there is a considerable gap between the cost of running the business and revenues received. The revenue increase of 8.1 per cent for 1999/2000 provides for an improvement in the net financial performance of Newcastle Services.

Table 5.15 Revenue requirement – Newcastle Buses & Ferries

	96/97	97/98	98/99	99/2000
IPART regulated farebox	5.05	5.13	4.97	5.25
Other farebox and advertising revenue	2.06	2.12	2.02	2.03
Free/concessional reimbursement	13.24	14.51	15.29	16.22
Total revenue without CSO	20.35	21.75	22.28	23.50
Total expenses	31.01	30.75	32.33	32.18
Surplus/(deficit) before CSO funding	(10.66)	(9.00)	(10.04)	(8.68)
CSO	4.64	3.18	3.54	5.09
Surplus/(deficit)	(6.02)	(5.82)	(6.50)	(3.59)

Table 5.15 illustrates that efficient cost recovery on Newcastle services is unobtainable within any foreseeable period.

Consolidated State Transit Authority

For this determination the Tribunal has considered a range of financial indicators to assess the reasonableness of the revenue requirement. Table 5.16 sets out these key financial indicators which summarises STA's past performance and management's expectations of future operations. A description of these indicators can be found in Attachment 3.

Table 5.16 Key Financial Indicators

	95/96	96/97	97/98	98/99	99/2000	2000/01	2001/02
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Est.</i>	<i>Projections</i>		
EBIT/Funds employed (per cent)	0.9%	0.9%	-0.8%	-1.4%	0.3%	1.1%	1.8%
EBIT/Total Revenue (per cent)	1.1%	1.0%	-0.8%	-1.3%	0.3%	1.1%	1.8%
Pre-tax interest coverage (times)	1.1	1.4	-1.8	-1.1	0.2	0.5	0.8
Total debt/Total capital (gearing)	57.3%	57.1%	58.8%	59.7%	68.6%	72.1%	71.5%
Internal financing coverage (internal funding) (times)	0.7	0.7	0.5	0.6	0.3	0.5	0.6
Funds flow net debt pay back (times)	7.7	6.1	8.0	9.8	8.9	8.4	7.7

Source: Financial indicators have been calculated from financial statements and projections provided by STA. Refer to Attachment 3 for financial indicator formulae and descriptions.

Note: 1. Revenue is from all sources including Government CSOs.

The EBIT/Funds employed indicator shows STA's return on assets which is expected to become positive in 1999/2000 after the losses that were made in 1997/98 and 1998/99. Likewise, the EBIT/Total Revenue reveals a similar trend with STA expecting to extract additional profits out of every dollar of the revenue received.

The pre-tax interest coverage indicator provides one perspective on how well the business will be able to meet its interest payment obligations on debt. The actual ability of a business to meet interest payments depends on the net cash flow from operations. Whilst STA expects a return to profit before interest costs of \$1.3m in 1999/2000, the level of expected profits will be insufficient to fully cover interest payments of \$6.0m. Therefore net profit (ie profit after interest costs) will remain negative and this situation is expected for the next few years.

Expected higher interest payments are a result of the vigorous capital renewal program being funded by debt. STA's total debt to total capital (assets), commonly referred to as gearing, increases significantly from an average of 58.2 per cent over the past few years to 72.1 per cent in 2000/01 to fund this capital renewal program.

The internal financing coverage shows the ability of the business to generate retained profits to use for capital expenditure. As the ratio is less than one, STA does not generate enough from operating profit to cover its current capital expenditure requirements. However, the position is expected to improve once the current significant capital expenditure program tapers off.

The funds flow net debt pay back indicator estimates how many years it will take to payback all debt from cash flow. This currently stands at a high of 9.8 years but is expected to decline as operating results improve thereby reducing losses over the next two years.

5.3 Standards and Consumer protection

- * *standards of quality, reliability and safety of the services concerned [S15(1)(l)]*
- * *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)]*

Table 5.17 shows various service indices for each of STA's business units. From 1997/98, the definition of passenger injuries included all reported incidents. Prior to then, the definition only included incidents which required follow up action. Even with the limited data available on passenger injuries it would appear that the level is higher in 1998/99 given that the total number of buses in service rose from 1,532 to 1,576.

Table 5.17 Service Standards

Sydney Buses	95/96	96/97	97/98	98/99
	Actual	Actual	Actual	Actual
Passenger injuries	135	75	366	400
Average bus vehicle age	11.0	11.5	11.3	11.4
Bus service reliability	98.0%	97.5%	97.2%	97.1%
No. of trips cancelled	0.33%	0.25%	0.25%	0.24%
Customer satisfaction	72%	73%	72%	Not available

Sydney Ferries	95/96	96/97	97/98	98/99
	Actual	Actual	Actual	Actual
Passenger injuries	n/a	46	45	40
Average vessel Age	10.0	10.3	11.2	11.6
Service reliability	99.1%	99.5%	99.4%	99.0%
Customer satisfaction	71%	70%	71%	Not available

Newcastle	95/96	96/97	97/98	98/99
	Actual	Actual	Actual	Actual
Passenger injuries	149	144	140	n/a
Average Bus Vehicle Age	10.3	10.8	11.8	12.8
Average Ferry Age	10	11	12	13
Service reliability	99.9%	99.9%	99.9%	99.9%
No. of trips cancelled	174	90	60	60
Customer satisfaction	84%	84%	Not available	Not available

Many service standards are imposed on bus operators through government policies and legislation. For example, the *Disability Discrimination Act 1992* (Commonwealth) requires all transport services to provide appropriate access for people with a disability.

Regulations under the Commonwealth Act exist in draft form, but are not yet effective. The draft regulations provide for a 20 year timetable for compliance. The Tribunal believes these regulations will be ratified within the next 12 months. However, STA has proceeded to adopt a plan to replace existing non-complying services with the appropriate accessibility requirements.

Under the Department of Transport service contracts, all bus operators are also required to implement the following safety and service related features:

- surveillance cameras
- flashing headlights and indicators
- safety doors
- minimum bus age requirements.

Private bus operators have been provided with increased fares in August 1998 to pay for a safety package which includes surveillance cameras, flashing headlights and 40km signs for the rear of the bus. The Tribunal considers it appropriate for STA to be treated on the same basis and has taken the additional costs for providing these features into account when determining the revenue requirement for STA.

5.3.1 Customer service standards

In order for businesses to attract and retain customers they need to maintain a high level of customer service. Currently minimum service standards are set in accordance with the *Passenger Transport Act 1990* for STA in a five year commercial contract with the Department of Transport (DoT). These contracts have applied to public and private bus operators since about 1992 and are based on the average service standards across the industry.

Under its contract, STA reports quarterly to the DoT on a range of performance related matters. The information presented includes:

- usage of targeted concession tickets, measured by passenger numbers and farebox revenue
- operational performance statistics such as bus kilometres and passenger journeys
- service reliability and number of trips cancelled
- occurrence of safety incidents, eg. collisions, breakdowns, etc
- passenger security statistics, eg. assaults, theft, etc
- results from customer satisfaction surveys.

The DoT is currently developing a new performance assessment regime which is aimed at incorporating industry best practice into the minimum service standards. The new regime is intended to link service performance with the renewal of the exclusive right to operate a particular route or in a particular area.

The Tribunal supports the development of a performance assessment regime which provides for a customer service contract between the service provider and their customers. Many private and public sector businesses have implemented these types of contracts which clarify a customer's rights and responsibilities and can include penalties for business if they fail to deliver the expected level of service.

It is important that service providers such as STA conduct regular customer surveys to understand how passengers rate their services and to identify where improvements can be made. This information could be made public in the form of a regular performance reporting under the performance assessment regime.

The DoT has indicated it intends to consult with the Tribunal and other stakeholders in developing the performance assessment regime.

5.4 Environment

- * *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)]*

Ecologically sustainable development (ESD) is described in Part 3 of the *Protection of the Environment Administration Act 1991* as requiring the "effective integration of economic and environmental considerations" and the implementation of "improved valuation and pricing of environmental resources."

There are costs imposed on the community from most forms of urban transport. In terms of road transport, these social costs include congestion, air pollution and noise pollution. For bus and ferry travel, the costs also include air pollution, noise pollution and congestion in the case of buses. The important issue is the combination of transport modes which minimises these social costs.

The use of bus and ferry services generate environmental benefits through a reduction in car use. In particular, gas fuelled buses use a very clean source of energy which dramatically reduces the amount of pollutants entering the atmosphere. There are still considerable, but difficult to quantify, gains to society in promoting ferry and bus usage.

The Tribunal has previously noted that Sydney's urban form and uneven access to transport limits the attraction of public transport.¹⁷ Bus services are a mode of transport which operate on flexible routes which can be altered to meet the changing needs of passengers over time. For example, new routes can be created to service growing residential areas and provide a link to established railway stations.

An increase in bus and ferry fares will have an impact on the levels of patronage for these services. Utilising STA's fare model, the following table shows the patronage and corresponding revenue reductions that would occur for various fare increases.

¹⁷ IPART, *Inquiry into the Pricing of Public Passenger Transport Services – Final Report*, October 1996, p 56.

Table 5.11 Sensitivity of patronage and revenue to fare increases

Increase in Average Weighted Fares	Increase in Revenue	Increase in Revenue	Patronage Reduction	Patronage Reduction
%	%	\$m	%	000'pj
3	4	5	0.2	267
5	6	8	0.6	700
9	8	11	1.8	2,000

Note: the impact of changes in the average weighted fare on revenue and patronage will depend on exactly which fares have been altered. For example, it is possible to generate an 8 per cent increase in the average weighted fare in various ways, depending on how different fares are changed. These specific fare changes then flow onto changes in revenue and patronage.

Under the Tribunal's recommendation, patronage is estimated to decrease by around 0.6 per cent or 700,000 passenger journeys. However, STA expects natural growth in passenger numbers of around 2 per cent which has been the long term average for STA. An additional 0.5 per cent is anticipated on normal route services from the Olympics.¹⁸ The Treasury submission made the following comments on price increases and environmental considerations:¹⁹

Managing road congestion and achieving better transport-related environmental outcomes are important objectives, and it is true that land use/transport initiatives can make a difference. But the idea that constraining fare levels can be instrumental in pursuing these objectives in Sydney is no longer tenable, at least in regard to rail fares, having been tested empirically and discredited.

Ticket prices are only one of a number of factors influencing a decision to use public transport. The Tribunal considers that Government policy initiatives such as Clean Air 2010 should be used as a basis for increasing patronage for public transport services.

¹⁸ State Transit Authority, *Submission to IPART, Determination of Public Transport Fares 1999/2000*, p 15.

¹⁹ NSW Treasury, *Submission to IPART, Determination of Public Transport Fares 1999/2000*, p 6.

6 BASIS OF THE TRIBUNAL'S DETERMINATIONS

6.1 Overview

The Tribunal seeks to balance the often conflicting interests of transport operators, travellers, taxpayers and the public interest. Following consideration of all the submissions provided, the Tribunal has determined a set of particular fares. The new maximum fares for STA are listed in the Pricing Schedule attached to this report and most changes will apply from 1 August 1999.

This determination includes the proposals by the STA to restructure the Sydney Buses fare scale such that the longest two fare bands will be amalgamated and the "fare spike" will be removed from the shortest fare bands. The STA will amalgamate the two longest fare bands from 1 August 1999 but anticipates the restructure to remove the fare spike will occur on or before January 2000.

6.2 Single ride bus tickets

The existing 3-9 section ticket will be restructured into two separate bands. A new ticket for 3-5 sections will be created, reducing the existing equivalent fare from \$2.50 to \$2.30. The new 6-9 sections ticket will be priced at \$2.90 which is a rise of 40 cents.

The implementation of these changes will take some time as ticketing systems will need to be altered and an education campaign will be required to inform the travelling public and drivers. STA estimates that the new fare scale will be introduced from January 2000.

The Tribunal has determined single ride bus fares should increase from 1 August 1999 as follows:

Table 6.1 Comparison of current and proposed single fares

Bus single section	Current fare (\$)	New fare from August 1999 (\$)	New fare from January 2000 (\$)	Final Change (\$)
1-2 Section	1.20	1.30	1.30	0.10
3-5 Section	2.50	2.50	2.30	(0.20)
6-9 Section	2.50	2.50	2.90	0.40
10-15 Section	3.30	3.40	3.40	0.10
16-21 Section	4.00	4.00	4.00	0.00
22-27 Section	4.60	4.00	4.00	(0.60)

Note: New fare structure is estimated to be implemented in January 2000 or as soon as practical.

6.3 TravelTens

The red TravelTen ticket will be restructured into two fare bands from approximately January 2000. The Tribunal has set the 3-5 section TravelTen ticket at \$16.00 which maintains the discount at about 30.0 per cent. The TravelTen ticket for 6-9 sections has a more significant discount of 28.6 per cent. However, the Tribunal has limited the increase on this ticket to \$2.40. This ticket price represents an excessive discount which the Tribunal will seek to reduce in future years.

The high discounts on some TravelTen tickets have a negative impact on the cost recovery position of STA. The Tribunal and STA agree that TravelTen discounts should be between 15 and 20 per cent or between 8.0 and 8.5 times the price of a single fare.²⁰

The discount for the green TravelTen ticket covering 10-15 sections is within the Tribunal's preferred range, as are the orange and purple TravelTens.

As shown in Table 6.1 after these increases are implemented the fare for the shorter distance journeys will continue to offer a high level of discount.

Table 6.2 Comparison of current and proposed TravelTen fares and discounts

Bus TravelTen	Current fare (\$)	New fare from August 1999 (\$)	New fare from January 2000 (\$)	Change (\$)	Single fare (\$)	Discount (%)	
						Current	New
Blue: 1-2 Section	8.80	9.50	9.50	0.70	1.30	26.7	26.9
Red: 3-5 Section ^a	17.60	17.60	16.00	(1.60)	2.30	29.6	30.4
Red: 6-9 Section ^a	17.60	17.60	20.00	2.40	2.90	29.6	31.0
Green: 10-15 Section	26.40	27.00	27.00	0.60	3.40	20.0	20.6
Orange: 16-21 Section	34.00	34.00	34.00	0.00	4.00	15.0	15.0
Purple: 22-27 Section ^b	40.00	34.00	34.00	(6.00)	4.00	15.0	15.0

Notes: a) When the fare restructure occurs there will be a new colour assigned to either the 3-5 Section or 6-9 Section fare.
b) After the amalgamation of the Sections 16 – 27 the purple TravelTens will no longer be sold.

6.4 TravelPasses

STA utilise total value of travel (TVT) studies to measure the average value of travel consumed by TravelPass customers and the subsequent average discounts. TVT has also been utilised to improve the accuracy of revenue sharing for TravelPasses between STA and SRA. The TVT study assessed discount levels by valuing TravelPass travel at the next-best single mode ticket price. The TVT results illustrate that most customers are gaining good value from TravelPass products.

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

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

Table 6.3 Analysis of average TravelPass usage and discounts

TravelPass	Price 1998/99 (\$)	STA's est of average TVT consumed (\$)	Effective Ave discount 1998/99 (%)	Price to achieve a 20% discount (\$)
Bus & Ferry				
Blue	20.00	39.90	50.1	31.90
Orange	26.00	47.95	54.2	38.40
2 Zone	20.00	34.64	57.7	27.70
Pittwater	37.00	47.25	78.3	37.80
Bus, Ferry & Train				
Red	23.00	38.87	59.2	31.10
Green	29.00	47.21	61.4	37.80
Yellow	32.00	50.83	63.0	40.70
Pink	35.00	53.69	65.2	43.00
Brown	40.00	61.93	64.6	49.50
Purple	47.00	72.14	65.2	57.70

Source: STA submission to the Tribunal March 1999. Estimated discount based on purchasing single fare tickets.

The TVT analysis illustrates that high average discounts prevail on all TravelPasses which provides justification for modest fare rises. The Tribunal considers that a \$3.00 to \$4.00 increase in all TravelPasses is affordable and will assist in reducing the high discount. The TVT analysis illustrates that all TravelPasses will continue to represent excellent value.

The Tribunal has determined that the new maximum fares are as follows.

Table 6.4 Comparison of current and proposed TravelPass fares

	Current fare (\$)	New fare - 1998/99 (\$)	Change (\$)
TravelPass - Bus and Ferry			
Blue	20.00	23.00	3.00
Orange	26.00	29.00	3.00
Two-zone	20.00	23.00	3.00
Pittwater	37.00	40.00	3.00
TravelPass - Bus, Ferry and Rail			
Red	23.00	26.00	3.00
Green	29.00	33.00	4.00
Yellow	32.00	36.00	4.00
Pink	35.00	39.00	4.00
Brown	40.00	44.00	4.00
Purple	47.00	51.00	4.00

The blue, orange, two-zone and Pittwater TravelPasses provide travel only on STA bus and ferry services, whereas the remaining red through to purple TravelPasses provide for travel on CityRail services as well.

6.5 BusTripper tickets

The BusTripper is an all-day (unlimited) bus ticket for the Sydney area. BusTripper are ideal for people who make numerous bus trips over one day. Utilisation of the BusTripper is low with 1 in every 1,700 journeys being undertaken using a BusTripper. STA sells an average of 76 BusTripper tickets per day which accounted for 0.13 per cent of Sydney Buses farebox revenue in 1997/98.

The BusTripper is also effectively a Sydney version of the all-day Newcastle time based ticket at a 30 per cent higher price. The higher price for the Sydney BusTripper is justified by the larger service area available to Sydney customers.

STA report that the average TVT of the BusTripper in 1998/99 was \$9.70 which represents a discount of 19.6 per cent, conforming to the Tribunal's preferred range of discounts. The Tribunal's analysis has found that the ticket price should rise to \$8.30 based on the determination of single fare increases as outlined in Section 6.2.

The Tribunal has determined that this price should increase to \$8.30.

6.6 Single journey ferry tickets

Individual ferry fares will increase by 50 cents for inner zones and 60 cents for the outer harbour and Parramatta services.

In 1996/97 Inner Harbour fares were split into 2 Zones to improve the relationship between fares and distance travelled. Zone 1 covers journeys up to 10km. Zone 2 applies to journeys over 10km, ie currently only Meadowbank services (13.8km). Whilst the equity benefits of the restructure have merit, Zone 2 currently accounts for less than 1 per cent of Sydney Ferries patronage and a far larger restructure is necessary to promote real equity benefits.

Further reform to the inner harbour zonal system is desirable as currently customers travelling from Neutral Bay (2.5km) pay the same fare as those travelling from Watson's Bay (7km). The Tribunal encourages further restructuring of ferry fares to improve equity, patronage and cost recovery.

The Tribunal has proposed an increase in ferry fares by more than that proposed by STA so that greater progress can be made towards operating these services on a full cost recovery basis.

The Tribunal has determined the increases in single journey ferry fares as detailed in Table 6.5.

Table 6.5 Comparison of current and proposed single journey ferry fares

	Current fare (\$)	New fare (\$)	Change (\$)
Inner Zone 1	3.20	3.70	0.50
Inner Zone 2	3.40	3.90	0.50
Manly & Rydalmere	4.00	4.60	0.60
Parramatta	5.00	5.60	0.60
Manly JetCat	5.20	5.80	0.60

6.7 FerryTen tickets

Table 6.6 illustrates that FerryTen tickets offer excellent discounts. The Tribunal has previously stated an intention to progressively reduce all ten ticket discounts to between 15 and 20 per cent. When single ferry fares rise by 40 cents a rise of at least \$4.00 in the FerryTen fare is required to make small progress on reducing discount levels.

The Tribunal has increased all FerryTen tickets by \$4 which represents an average of 40 cents per trip. Single cash fares have been increase between 50 and 60 cents which has made some progress in reducing the significant discounts.

The increases for FerryTens and the JetCat Ten and the impact on discount levels is shown in Table 6.6.

Table 6.6 Comparison of current and proposed FerryTen fares

	Current fare (\$)	New fare (\$)	Change (\$)	Discount from single Current (%)	New (%)
Inner Zone 1	19.00	23.00	4.00	40.6	37.8
Inner Zone 2	21.00	25.00	4.00	38.2	35.9
Manly & Rydalmere	30.00	34.00	4.00	25.0	26.1
Manly JetCat	44.00	48.00	4.00	15.4	30.4
Parramatta	35.00	39.00	4.00	30.0	26.1

6.8 DayRover and DayPass

The *DayRover* is a product which provides unlimited train, bus and ferry travel across all regular services within the Purple TravelPass area. The *DayRover* is essentially a 1 day Purple TravelPass. Concessions are not offered on the *DayRover*, however, it is available at an off-peak discount (20 per cent).

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. The *DayPass* fare has remained frozen at \$12.00 since its introduction in July 1994. STA has not sought any fare rise for the *DayRover* or the *DayPass*. STA report that the average TVT *DayPass* is approximately \$14.60 which represents a discount of 17.8 per cent and hence no fare rise is warranted. TVT information on the *DayRover* has not yet been provided.

The Tribunal has determined that fares for the DayRover and DayPass remain unchanged.

6.9 Newcastle bus and ferry services

A time based fare structure was successfully introduced for Newcastle bus services in January 1997.

STA has sought to increase Newcastle time-based fare levels. Single time 1 hour and 4 hour fares will increase by 20 cents and the single daily fare will rise by 40 cents. The TimeTen ticket will rise by \$1.00.

The single fare on the Stockton Ferry will increase by 20 cents and bus and ferry TravelPasses will rise by \$3.00 or \$4.00.

Table 6.7 Comparison of current and proposed Newcastle bus and ferry services

	Current fare (\$)	New fare (\$)	Change (\$)
Bus services			
1 Hour	2.00	2.20	0.20
4 Hour	4.00	4.20	0.20
Daily	6.00	6.40	0.40
TimeTen (1 Hour)	17.00	18.00	1.00
Stockton Ferry services			
Single	1.40	1.60	0.20
Daily	6.00	6.40	0.40

The Tribunal has determined that time based fares for STA Newcastle bus services will increase as shown in Table 6.7.

6.10 School term pass

The School student transport scheme (SSTS) provides free travel to and from school for eligible students. SSTS is received by 61 per cent of the 1,070,600 NSW student population and cost the Government \$368m in 1998/99.²¹ The main eligibility criteria for free travel is that students live over 2km (in radial distance) from their school.

Students residing within 2km of their school are able to purchase a school term pass for STA travel, as a cheaper alternative than using a concession single fare or concession Blue TravelTen. The School Term Pass provides one terms' 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. For 1999/2000 STA has sought to increase the price of the term pass by 6.5 per cent or \$2.00 from \$31.00 to \$33.00.²²

²¹ NSW Budget 1999/2000, Paper No 2 Budget Statement, Section 7.4, pp 7-38.

²² State Transit Authority, *Submission to IPART, Determination of Public Transport Fares 1999/2000*, p 32.

As 61 per cent of student receive free travel under SSTS and most of the remainder use alternate modes for travel to school (walk, bicycle etc.) demand for the School Term Pass is very low. In 1997/98 approximately 1,340 school children utilised a School Term Pass or 1 in every 830 NSW school students (approximately 0.12 per cent).

STA has provided information illustrating that children using the school term pass consume an average of \$60 worth of concession priced travel equating to a large discount of 48 per cent in 1998/99.²³ The Tribunal is aware that school students often do not dip passes when entering buses after school. STA's estimated of \$60 worth of travel being consumed appears to be based on 10 weeks per school term, assumes return bus travel on all 50 days and it also assumes no absenteeism or alternate modes of travel.

These assumptions would over state the value of travel. Hence it is likely that the average value of travel consumed is between \$50 and \$55 or a discount of between 42 per cent and 47 per cent.

The Tribunal has elected to increase the price by \$2.00 to \$33.00. This fare rise is modest given the duration of the pass and equates to a rise of less than 5 cents per school day. This fare rise will reduce the average discount to 45 per cent.

The Tribunal has determined that the price of the school term pass will increase to \$33.00.

6.11 CityHopper

The CityHopper ticket allows travel from the origin station to the City with unlimited travel on CityRail trains and STA buses within the city area. The ticket can be purchased during peak and off-peak periods. The price of the CityHopper ticket is the price of the appropriate return ticket, peak or off-peak, from the originating station to the City, plus an add-on component. The current price of the add-on is \$3.40. Neither STA or CityRail has sought to increase the CityHopper. The Tribunal sees no reason to vary this price.

The Tribunal has determined that the price of the CityHopper add-on will remain unchanged at \$3.40.

6.12 Sports Special return bus ticket

The Sports Special is a return bus ticket available for travel from Central Station when sporting and other events (eg concerts) are held in the Moore Park area or Randwick Racecourse. On certain occasions 'special sports services' also commence from Circular Quay and Wynyard. All normal STA tickets such as TravelPasses and Pensioner Excursion tickets are not valid for use on special sporting services.

The return component of this ticket assists in faster boarding, reduces fare evasion and helps to disperse large crowds faster at the conclusion of events. The need for a separate price for these services arises as the sporting services are over and above regular services. Additionally sporting services are normally provided on weekends when penalty rates are paid to drivers which increases the cost of provision. STA also takes a significant business risk if event patronage is low due to inclement weather.

²³ State Transit Authority, *Submission to IPART, Determination of Public Transport Fares 1999/2000*, p 32.

STA has not sought any increase in the fare for the special sporting return bus ticket. The current fare is \$3.80 for adults with a half price fare available for concession holders (\$1.90). The adult fare was last increased by 40 cents in July 1996.

The Tribunal has determined that the price of the special sporting return bus ticket will remain unchanged at \$3.80.

7 REQUIREMENT UNDER SECTION 16 OF THE ACT

The Tribunal is required under Section 16 of the Act to assess and report on the likely annual cost to the Consolidated Fund if the price were not increased to the maximum permitted.

The determination for STA will result in an increase in revenue approximately \$7.8m above 1998/99 levels. Should fares be set below the scheduled levels, then for each \$1 reduction in farebox revenue, the Government will need to subsidise STA by an equal amount.

7.1 Compliance

Compliance with the Tribunal determinations is required under Section 18 of the *Independent Pricing and Regulatory Tribunal Act 1992*. Government agencies are required to include details relating to the implementation of a determination within its annual report. Additionally, STA is precluded from introducing any new fares or tickets for regular schedule passengers services without the approval of the Tribunal.

The Tribunal notes full compliance with the 1997/98 determination which was reported within STA's annual report.²⁴ Additionally, STA provided a report on demonstrating full compliance with the Tribunal's 1998/99 Determination within its submission to the 1999/2000 Determination.²⁵ The Tribunal will continue to closely monitor compliance with its Determinations.

Thomas G Parry
Chairman
28 July 1999

²⁴ State Transit Authority Annual Report 1997/98, p 72.

²⁵ State Transit Authority, *Submission to IPART, Determination of Public Transport Fares 1999/2000*, p 33.

ATTACHMENT 1 LIST OF SUBMISSIONS

Organisations and individuals who made submissions to this review of fares are listed below. Copies of these submissions can be viewed during business hours (8:45am – 5:15pm, Monday to Friday) at the Tribunal's offices. Level 2, 44 Market St, Sydney.

Organisations

- ◇ Action for Public Transport
- ◇ Australian Liquor, Hospitality and Miscellaneous Workers Union
- ◇ Better Western Sydney Committee
- ◇ Blue Mountains Commuter and Transport Users Association
- ◇ CEPU Retired Members' Association
- ◇ Campbelltown and Districts Commuter Association
- ◇ Commuter Council of NSW
- ◇ Council on the Aging
- ◇ Ettinger House Inc.
- ◇ Hegarty's Ferries
- ◇ Light Rail Association
- ◇ Lord Mayor's Office
- ◇ Macquarie University Student's Council
- ◇ Manly Council
- ◇ Matilda Cruises
- ◇ NSW Council of Social Service
- ◇ NSW Treasury
- ◇ Nature Conservation Council of NSW
- ◇ Newcastle City Council
- ◇ Newcastle and Hunter Business Chamber
- ◇ Newcastle Trades Hall Council (joint submission with Newcastle and Hunter Business Chamber)
- ◇ Parramatta City Council
- ◇ Public Service Association of NSW
- ◇ Public Transport Advisory Council of NSW
- ◇ Rail Access Corporation
- ◇ Rail, Tram and Bus Union
- ◇ Retired Teachers Association
- ◇ Smith Family, The
- ◇ United Christian Political Action
- ◇ Unity Action Group for Retirees
- ◇ University of NSW Transport Program
- ◇ UWS Macarthur, Students' Association, Campbelltown Campus
- ◇ Vacluse Progress Association
- ◇ Western Sydney Community Forum
- ◇ Western Sydney Commuter Association

◇ WSROC Ltd

Individuals

- ◇ Barr, D
- ◇ Beecher, R
- ◇ Bevan, J
- ◇ Caldwell, J
- ◇ Cawte, M
- ◇ Culluau, J
- ◇ Farr, N
- ◇ Gadea, I
- ◇ Gott, K
- ◇ Hodgkinson, S
- ◇ Knowles, R
- ◇ Lambrinos, J
- ◇ Lee, A
- ◇ Lee, C
- ◇ Myers, H
- ◇ Page, J
- ◇ Parker, A
- ◇ Purza, J
- ◇ Ramadan, N
- ◇ Trinh, D
- ◇ Van den Hout, A

ATTACHMENT 2 ESTIMATING A COST OF CAPITAL

The cost of capital can be split into the cost of debt and the cost of equity. For simplicity, in the case of STA, an estimate of the cost of debt can be readily determined from the finance charges payable on loans and leases.

A widely accepted method for estimating the cost of equity is the capital asset pricing model (CAPM). The basis of the CAPM is the relationship between risk and return. Over the long term, evidence indicates that there is a linear and positive relationship between risk and return. The essential elements in establishing a required return on equity for a specific company are:

- the estimation of the risk free rate
- the estimation of the risk premium for the sharemarket as a whole
- a businesses risk relative to the sharemarket's risk as a whole.

The CAPM is theoretically simple and has widespread support from finance practitioners in both the private and public sectors of the economy. However, the CAPM has several faults and problems with controversy surrounding how to estimate most of the parameters in the formula.

Once a return on equity is decided upon, the overall cost of capital of a business is the weighted proportion of the relative amount of debt and equity used to finance the business. This is commonly known as the weighted average cost of capital (WACC). The nominal post tax WACC is calculated using the following formula²⁶:

$$\text{WACC} = R_e * \frac{(1 - T)}{1 - T(1 - \gamma)} * \frac{E}{(E + D)} + R_d * (1 - T) * \frac{D}{(E + D)}$$

R_e	=	required rate of return on equity after company tax
R_d	=	pre tax average cost of debt
D	=	market value of debt
E	=	market value of equity
T	=	corporate tax rate
γ	=	franking credit utilisation

²⁶ This formula was developed by Officer (1994), *The Cost of Capital of a company under an imputation tax system*, Journal of Accounting and Finance, 34. This formula is widely accepted as a tool of business valuation.

ATTACHMENT 3 FINANCIAL INDICATOR FORMULAE

Financial indicator	Formula	Description
Funds Flow Net Debt Pay Back	$(\text{Total Debt} - \text{Cash}) / (\text{Net Profit after Tax} + \text{Depreciation} \& \text{Amortisation})$	How many years will it take to payback total debt
Internal Financing Ratio (Internal Funding)	$(\text{Net Profit after Tax} + \text{Depreciation} \& \text{Amortisation} - \text{Dividends}) / \text{Capex}$	Funds retained as a proportion of capital expenditure
Pre-tax Interest Coverage	$\text{Profit before Interest and Tax} / \text{Interest Expenses}$	How many times profit before tax covers interest payments
Total Debt / Total Capital (Gearing)	$\text{Total Debt} / (\text{Total Debt} + \text{Total equity})$	Proportion of debt to equity capital
EBIT / Total Revenue	$\text{Profit before Interest and Tax} / \text{Total Revenue}$	Ratio of profit realised per total revenue
EBIT / Funds Employed	$\text{Profit before Interest and Tax} / (\text{Total debt} + \text{total equity})$	Return on funds employed
EBIT	Profit before Interest and Tax	Earnings before interest and tax
EBITD	Profit before Interest and Tax + Depreciation & Amortisation	Earnings before interest, tax and depreciation



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.:	99/111
Determination:	No 4, 1999
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">i. services supplied in accordance with the ticket known as the "Sydney Pass",ii. the bus service known as "Airport Express",iii. 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.

Note:

The Government monopoly service was 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 determined by the Tribunal for Government monopoly service

1. All State Transit Authority "Sydney Buses" services

The price of any type of State Transit Authority "Sydney Buses" ticket is not to exceed the price of that type of ticket as set out in the attached Price Schedule, Table 1.

2. CityHopper

The price of the CityHopper ticket is the appropriate return ticket, peak or off-peak, to the City plus an add-on for unlimited bus and rail travel in the city area. The price of the add-on is \$3.40.

3. Sports special return bus ticket

The price of the sports special return bus ticket is not to exceed \$3.80.

4. School term pass

The price of the school term pass is not to exceed \$33.00 per school term.

5. All State Transit Authority ferry services

The price of any type of State Transit Authority ferry ticket is not to exceed the price of that type of ticket as set out in the attached Price Schedule, Table 2.

6. Newcastle Services

The price of State Transit Authority Newcastle bus services is not to exceed of the fares detailed in the attached Price Schedule, Table 3.

7. New or additional fares and charges

All other fares and charges for scheduled passenger transport services provided by the State Transit Authority, shall remain at 1998/99 levels. The State Transit Authority cannot levy any new or additional charges for the Government monopoly services, other than in accordance with this Determination, or with the approval of the Tribunal in future Determinations.

Thomas G Parry
Chairman
28 July 1999

PRICING SCHEDULE

This Pricing Schedule forms part of the Determination 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 August 1999

BUS FARES	\$ Maximum Price
Single ride fares	
1-2 Sections	1.30
3-9 Sections ¹	2.50
10-15 Sections	3.40
16-27 Sections	4.00
TravelTen	
Blue: 1-2 Sections	9.50
Red: 3-9 Sections ²	17.60
Green: 10-15 Sections	27.00
Orange: 16-27 Sections	34.00
TravelPass - Bus and Ferry	
Blue	23.00
Orange	29.00
2 Zone	23.00
Pittwater	40.00
TravelPass^{3,4,5} Bus, Ferry and Rail	
Red	26.00
Green	33.00
Yellow	36.00
Pink	39.00
Brown	44.00
Purple	51.00
Bus Tripper	8.30
DayPass (Bus and Ferry Daily)	12.00

Notes:

- The STA intend to restructure fares such that the 3-9 section band will be split into a 3-5 section band and a 6-9 section band. From such time as STA inform the Tribunal that the fare restructure has been completed fares for these single ride tickets will be:
3-5 sections - \$2.30
6-9 sections - \$2.90
- The STA intend to restructure fares such that the 3-9 section red TravelTen tickets will be split into a 3-5 section band and a 6-9 section band. From such time as STA inform the Tribunal that the fare restructure has been completed fares for these TravelTen tickets will be:
3-5 section - \$16.00
6-9 section - \$20.00
- Quarterly TravelPass = 11 x weekly fare + Z.
- Yearly TravelPass = 40 x weekly fare + Z.
- Z = an amount equal to the tax properly payable on the fare, or part of it, as a result of the Commonwealth Government's new tax system. This amount is to be calculated on a simple pro-rata basis for services provided from 1 July 2000.

Table 2 Maximum prices for STA ferry services from 1 August 1999

FERRY FARES	\$ Maximum Price
Single	
Inner Harbour Zone 1	3.70
Inner Harbour Zone 2	3.90
Manly / Rydalmere	4.60
Manly Jetcat	5.80
Parramatta	5.60
Stockton	1.60
Stockton ferry (daily ticket)	6.40
FerryTen	
Inner Harbour Zone 1	23.00
Inner Harbour Zone 2	25.00
Manly / Rydalmere	34.00
Manly Jetcat	48.00
Parramatta	39.00

Table 3 Maximum STA Newcastle Bus Fares from 1 August 1999

NEWCASTLE FARES	
Time	Maximum Price (\$)
1 Hour	2.20
4 Hours	4.20
TimeTen 1 Hour	18.00
All day	6.40
TravelPass^{1,2,3}	
Orange	29.00
Yellow	36.00
Pink	39.00

Notes:

1. Quarterly TravelPass = 11 x weekly fare + Z
2. Yearly TravelPass = 40 x weekly fare + Z
3. Z = an amount equal to the tax properly payable on the fare, or part of it, as a result of the Commonwealth Government's new tax system. This amount is to be calculated on a simple pro-rata basis for services provided from 1 July 2000.