

# **Review of maximum fares for private ferry services and the Stockton ferry service for 2014**

Regulated passenger ferry services run by private operators and the Newcastle (Stockton) ferry service operated by Newcastle Buses and Ferries

**Transport — Draft Report**  
October 2013



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## Invitation for submissions

IPART invites written comment on this document and encourages all interested parties to provide submissions addressing the matters discussed.

**Submissions are due by 22 November 2013.**

We would prefer to receive them electronically via our online submission form <[www.ipart.nsw.gov.au/Home/Consumer\\_Information/Lodge\\_a\\_submission](http://www.ipart.nsw.gov.au/Home/Consumer_Information/Lodge_a_submission)>.

You can also send comments by mail to:

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Independent Pricing and Regulatory Tribunal

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Late submissions may not be accepted at the discretion of the Tribunal. Our normal practice is to make submissions publicly available on our website <[www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au)> as soon as possible after the closing date for submissions. If you wish to view copies of submissions but do not have access to the website, you can make alternative arrangements by telephoning one of the staff members listed on the previous page.

We may choose not to publish a submission—for example, if it contains confidential or commercially sensitive information. If your submission contains information that you do not wish to be publicly disclosed, please indicate this clearly at the time of making the submission. IPART will then make every effort to protect that information, but it could be disclosed under the *Government Information (Public Access) Act 2009* (NSW) or the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW), or where otherwise required by law.

If you would like further information on making a submission, IPART's submission policy is available on our website.



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# 1 Introduction and executive summary

The Independent Pricing and Regulatory Tribunal of New South Wales (IPART) is reviewing the maximum fares for:

- ▼ The 7 private ferry operators who operate regular passenger ferry services<sup>1</sup> under contract to Transport for NSW (TfNSW). Each operator serves a distinct route or routes in the Sydney, Central Coast and North Coast areas of NSW.
- ▼ The Stockton ferry, which is operated by Newcastle Buses and Ferries, a division of the State Transit Authority.

This draft report sets out our draft recommendations on private ferry fares<sup>2</sup> and our draft determination on the Stockton ferry fare<sup>3</sup>, and the reasons for them.

## 1.1 Draft changes to maximum fares

Our draft recommendation is that maximum fares for slow private ferry services should increase by 2.4% and maximum fares for fast private ferry services should increase by 2.3%.<sup>4</sup>

Our draft decision is that the maximum fare for the Stockton ferry should increase by 2.4%.

The change in fares applies to the master fare schedule set during the last annual fare review. We then round the fares to the nearest 10 cents. Table 1.1 shows the draft recommended maximum fares for private ferries, as shown in the 'Draft maximum fare from December 2013 (rounded)' column, and Table 1.2 shows the draft determination for the Stockton ferry fare.

We understand that Transport for NSW's decision on fares for private ferry services will take effect in December 2013. The fares that we determine for the Stockton ferry will take effect from 5 January 2014.

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<sup>1</sup> As defined in the *Passenger Transport Act 1990*.

<sup>2</sup> Pursuant to section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992* (IPART Act).

<sup>3</sup> Pursuant to section 11 of the IPART Act.

<sup>4</sup> 'Slow ferry services' travel at an average speed of less than 10 knots and 'fast ferry services' travel at an average speed of 18 to 20 knots.

We have also decided to retain the limited mid-year review of fuel costs for fast ferry services in 2014, and extend the review to fuel costs for slow ferry services. If the mid-year review indicates that fuel costs have increased or decreased by more than 10% in the 6 months after our final fare decision is made, we will recommend an adjustment to the maximum fares.

**Table 1.1 Comparison of current maximum ferry fares and the draft recommended maximum ferry fares from December 2013**

Operator	Current maximum fare (rounded)	Draft maximum fare from December 2013 (rounded)	Difference between current maximum fare and draft maximum fare from December 2013
Central Coast Ferries	\$7.30 <sup>a</sup>	\$7.50	\$0.20
Church Point Ferry Service	\$7.40	\$7.60	\$0.20
Clarence River Ferries	\$7.20	\$7.30	\$0.10
Cronulla and National Park Ferry Service	\$6.30	\$6.40	\$0.10
Brooklyn Ferry Service	\$6.30	\$6.40	\$0.10
Matilda Cruises (Circular Quay to Darling Harbour)	\$7.30 <sup>a</sup>	\$7.40	\$0.10
Matilda Cruises (Circular Quay to Lane Cove)	\$7.30 <sup>a</sup>	\$7.40	\$0.10
Palm Beach Ferry Service (Palm Beach to the Basin)	\$7.50	\$7.70	\$0.20
Palm Beach Ferry Service (Palm Beach to Ettalong)	\$10.90	\$11.20	\$0.30

<sup>a</sup> These services do not currently charge the maximum fare.

**Note:** Current maximum fares are the fares recommended and implemented as part of the 2012 annual fare review. The difference between current maximum fare and draft maximum fare from December 2013 may differ from the percentage change to the master fare because the draft maximum fare is rounded to the nearest 10 cents, while the master fare schedule and indices applied in the model remains unrounded.

**Table 1.2 Comparison of current Stockton ferry fares and the draft determined fare from January 2014**

Operator	Current maximum fare (rounded)	Draft maximum fare from January 2014 (rounded)	Difference between current maximum fare and draft maximum fare from January 2014
Newcastle Buses and Ferries (owned by the State Transit Authority)	\$2.50	\$2.60	\$0.10

## 1.2 Overview of our role and approach

Each year the Government asks us to **recommend** maximum fares to TfNSW for the private ferry operators.<sup>5</sup> TfNSW considers our recommendations and then makes a decision about maximum fares for these services. Operators may charge less than the recommended maximum fare if they wish.

We also **determine** the maximum fare for the Stockton Ferry, which is operated by Newcastle Buses and Ferries, and is a declared “government monopoly service” under the *Independent Pricing and Regulatory Tribunal Act 1992* (IPART Act).<sup>6</sup> Newcastle Buses and Ferries may charge less than the determined maximum fare with the permission of the NSW Treasurer.

We are not reviewing the discount applied to concession tickets or the cost or availability of the Pensioner Excursion Ticket.

### What has been our approach to private ferry and Stockton ferry fares to date?

In 2008, we undertook a review of costs of providing private ferry services and established 2 cost indices to estimate how the cost of providing regular private ferry services and the Stockton ferry in NSW changes from year to year: the Slow Ferry Cost Index (SFCI) for ferries operating at an average speed of less than 10 knots (including the Stockton Ferry) and the Fast Ferry Cost Index (FFCI) for ferries operating at an average speed of 18 to 20 knots.

### This year we reviewed the composition and weightings of the 2 ferry cost indices

As the cost indices were last reviewed 5 years ago, this year we considered whether the cost indices are the most appropriate form of price regulation for private ferries and the Stockton ferry, and whether they need to be updated or replaced.

We released an issues paper in August which identified the following issues for consultation:

- ▼ The performance of the 2 industry-specific indices to date, and in particular whether there is a continued need for separate indices for fast and slow ferries.
- ▼ The benefits of moving to a simpler fare-setting methodology.

<sup>5</sup> The Government usually gives us terms of reference each year under s9 of the IPART Act; however, in 2012 they gave us terms of reference covering annual reviews in 2012 and 2013.

<sup>6</sup> For declared government monopoly services under the IPART Act we have independent powers to initiate reviews and determine, not just recommend, prices. Hence, we have power to determine the Stockton ferry fare under s11 of the IPART Act.

- ▼ How to balance affordability for customers and the maintenance of financial viability for ferry operators.
- ▼ Whether to freeze maximum fares for operators currently charging below the maximum.

We engaged consultants from the Centre for International Economics (the CIE) to survey ferry operators to obtain information about their costs. We have used that information to help inform our draft decisions about the best form of price regulation for private ferries and the Stockton ferry. The CIE's report is available on our website.

We held a public hearing on 15 October and sought feedback from stakeholders on the CIE's findings and our consideration of those findings. A transcript of the public hearing is available on our website.

### **The CIE's analysis of ferry cost indices recommended a simpler approach**

The CIE's analysis showed that a simpler cost index consisting of fuel and all other costs produced results similar to the existing indices with multiple cost items.

The CIE's survey also showed that private ferry operators' reported costs have increased at a greater rate than estimated by the ferry cost indices over the past 5 years.

The CIE's analysis of cost recovery from fares (based on reported costs and revenues) showed that slow ferry operators on average were not recovering all costs, including a reasonable return on capital, from fares, while fast ferry operators on average were recovering all costs, including a reasonable return on capital, from fares.

### **Feedback from stakeholders**

We received 7 submissions from stakeholders. Stakeholders were generally supportive of the existing methodology but operators stressed that financial viability issues continued to concern them at current fare levels. Customer groups stated their concerns in relation to affordability, particularly where ferry services provide commuter services to water-access-only residential areas.

At the public hearing, operators again stressed the industry's financial viability issues, and pointed out the variation in business models and operating arrangements between the different operators. They considered it important that the impact of change to fuel costs be reflected in an index approach.

Consumer stakeholders at the public hearing emphasised the essential nature of some of the ferry services, including those that serve water access-only communities and others which are a significantly shorter route than the road alternative.

### 1.3 Overview of our draft decision on methodology

Our draft decision is to maintain 2 indices, one for fast ferries and one for slow ferries including the Stockton ferry, to reflect the difference in cost structure of the 2 types of service.

However, we propose to simplify the 2 indices so that each consists only of two components, fuel costs (inflated by FUELtrac data) and all other costs (inflated by CPI), with weightings determined by the CIE's cost study. The CIE's analysis has shown that this approach gives similar results to the SFCI and FFCI as currently composed.

The CIE's survey of costs raised other issues, including whether or not current fare levels reflect passengers' fair share of efficient costs. However, we have insufficient information about ferry operators' efficient costs and the extent of any external benefits of ferry services to reach a conclusion at this time.

As we are already planning a comprehensive review of the external benefits of all modes of public transport,<sup>7</sup> our draft decision is to consider the external benefits of private ferries and the Stockton ferry in that broader review.

Our draft decision is also to look more closely at efficient costs of a sample of ferry operators as part of next year's private ferry and Stockton ferry review.

### 1.4 The process for finalising the review

We are seeking written submissions on this draft report. Submissions are due by 22 November. Late submissions may not be accepted. More information on making a submission can be found on p iii of this draft report.

We will take submissions into account and develop our final recommendations and determination. We will submit our final report to Transport for NSW in mid-December.

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<sup>7</sup> See IPART, *Maximum fares for metropolitan and outer metropolitan bus services from January 2014 – Draft Report*, September 2013, p 36.

## **1.5 How this report is structured**

This report explains our draft recommendations for maximum private ferry fares and our draft determination of the maximum Stockton ferry fare in detail.

Chapter 2 explains our role in regulating private ferry and Stockton ferry fares and our approach to this year's review.

Chapter 3 sets out our draft recommendations on private ferry fares and our draft determination of the Stockton ferry fare.

Chapter 4 examines the impact of our decisions on stakeholders and other factors we considered.

## 2 IPART's role and approach

IPART makes recommendations to Transport for NSW on the maximum fares to be charged for regular private ferry services. Our role is limited to providing recommendations; the Director-General of Transport for NSW will decide the date on which these changes, if accepted, will take effect. We also determine the fare for the Stockton ferry operated by Newcastle Buses and Ferries.

IPART determines or recommends maximum fares only. Private ferry operators are free to set fares below the maximum. Newcastle Buses and Ferries can also charge less than the maximum Stockton ferry fare that we determine with permission from the NSW Treasurer.

This year we undertook a review of our form of regulation for private ferry fares and the Stockton ferry fare.

This chapter provides an overview of the factors we consider when undertaking the reviews and the approach we took to the reviews this year. The chapter also discusses the findings of our cost consultant, the CIE, and the issues we considered before we made a draft decision to use a consistent and simplified index approach for both fast and slow ferry operators, and a draft decision to further consider some of the issues raised in our next review.

### 2.1 Factors we consider when undertaking the reviews

We review private ferry fares under terms of reference from the Premier (see Appendix A). The terms of reference specify the factors that we must consider when making recommendations to Transport for NSW. We also had regard to the list of factors we are required to consider under section 15 of the IPART Act in making our draft recommendations for private ferry fares (see Appendix B).

IPART also determines the maximum fare Newcastle Buses and Ferries can charge for its Stockton ferry service. In making the determination we had regard to the list of factors we are required to consider under section 15 of the IPART Act (see Appendix B).

As was the case in last year's review, we decided to combine the Stockton ferry and private ferry reviews in a single review process.

The ferry services covered by this review are listed in Table 2.1.

**Table 2.1 Ferry services covered by this review and their current maximum fares**

Operator	Routes	Current maximum fare	Current fare charged
Central Coast Ferries	Woy Woy to Empire Bay	\$7.30	\$7.00
Church Point Ferry Service	Scotland Island and western foreshore of Pittwater	\$7.40	\$7.40
Clarence River Ferries	Iluka to Yamba	\$7.20	\$7.20
Cronulla and National Park Ferry Service	Cronulla to Bundeena	\$6.30	\$6.30
Brooklyn Ferry Service	Brooklyn to Dangar Island	\$6.30	\$6.30
Matilda Cruises	Circular Quay to Darling Harbour (fast ferry)	\$7.30	\$6.50
	Circular Quay to Lane Cove (fast ferry)	\$7.30	\$5.70
Palm Beach Ferry Service	Palm Beach to Mackerel Beach and the Basin	\$7.50	\$7.50
	Palm Beach to Ettalong and Wagstaffe (fast ferry)	\$10.90	\$10.90
Newcastle Buses and Ferries (owned by the State Transit Authority)	Newcastle to Stockton	\$2.50	\$2.50

## 2.2 Our review process this year

We undertook a review of our approach to regulating private ferry fares and the Stockton ferry fare.

We engaged consultants from the Centre for International Economics (the CIE) to survey ferry operators to obtain information about their costs. The CIE's report is available on our website.

We released an issues paper in August which identified the following issues for consultation:

- ▼ The performance of the 2 industry-specific indices to date, and in particular whether there is a continued need for separate indices for fast and slow ferries.
- ▼ The benefits of moving to a simpler fare-setting methodology.
- ▼ How to balance affordability for customers and the maintenance of financial viability for ferry operators.



- ▼ Whether to freeze maximum fares for operators currently charging below the maximum.

We received 7 submissions on the issues paper. All submissions are listed in Appendix C, and are available on our website.

Stakeholders were generally supportive of the existing methodology<sup>8</sup> but operators stressed that financial viability issues continued to concern them at current fare levels.<sup>9</sup> Customer stakeholders stated their concerns in relation to affordability, particularly where ferry services provide commuter services to water-access-only residential areas.<sup>10</sup>

We held a public hearing on 15 October 2013. Attendees are listed in Appendix C. A transcript of the public hearing is available on our website.

At the public hearing, operators again stressed the industry's financial viability issues:

Private ferry operators are generally operating businesses on the smell of an oily rag.<sup>11</sup>

As you may or may not be aware, one of the private ferry services did go bankrupt last year, so I would just ask that people are mindful of that.<sup>12</sup>

and pointed out the variation in business models and operating arrangements between the different operators:

Although everyone always loves to put us all together, [we] are actually quite different... To try to have a one-solution-fits-all can be a bit difficult.<sup>13</sup>

They considered it important that the impact of change to fuel costs be reflected in an index approach.<sup>14</sup>

Consumer stakeholders at the public hearing emphasised the essential nature of some of the ferry services, including those that serve water access-only communities and others which are a significantly shorter route than the road alternative.<sup>15</sup> They sympathised with the financial viability concerns of the industry and supported continuing Government subsidies for them.<sup>16</sup> Some

<sup>8</sup> Dangar Island League submission, 18 September 2013; Brooklyn Ferry Service submission, 20 September 2013, p 2; Church Point Ferry Service submission, 1 October 2013, p 3.

<sup>9</sup> Brooklyn Ferry Service submission, 20 September 2013, p 2; Church Point Ferry Service submission, 1 October 2013, p 1.

<sup>10</sup> Dangar Island League submission, 18 September 2013; Rick Banyard submission, 19 September 2013, p 2; Save our Rail NSW Inc submission, 26 September 2013, p 1.

<sup>11</sup> Anthony Haworth, Commercial Vessel Association, Public Hearing Transcript, p 15.

<sup>12</sup> Penny Gleen, Church Point Ferry Service, Public Hearing Transcript, p 20.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.

<sup>15</sup> Rick Banyard, Public Hearing Transcript, p 11.

<sup>16</sup> Graeme Taylor, Action for Public Transport, Public Hearing Transcript, p 10; Rick Banyard, Public Hearing Transcript, p 17.

concerns were expressed about whether the Stockton ferry's operations were conducted efficiently, both from a cost and revenue perspective.<sup>17</sup>

### 2.3 The approach to calculating fare changes established in 2008

In 2008, we reviewed private ferry costs in detail. We established 2 cost indices to assess how the cost of providing regulated private ferry services in NSW changes from year to year. The Slow Ferry Cost Index (SFCI) measures the changes, in percentage terms, for ferries operating at an average speed of less than 10 knots and the Fast Ferry Cost Index (FFCI) is for ferries operating at an average speed of 18 to 20 knots.

The FFCI has been used to measure changes in costs for the Palm Beach – Ettalong service and the 2 Sydney Harbour services operated by Matilda Cruises. The SFCI has been used for all other services. The use of separate indices reflects the different cost structures of 'fast' and 'slow' ferry services, as they were measured in 2008.

The FFCI and SFCI are industry-specific cost indices that include a basket of ferry operators' cost items. Each item in the basket has a weighting based on the proportion of an average operator's total costs that it represents.

At the start of each review since 2008, we established the relative weighting for each cost item in the ferry cost indices. Each year, the individual cost items were inflated to reflect changes in the cost of that item in the past year. The inflators were selected on the basis that they provided the best available information on tracking changes in the cost item between price reviews. We generally use a relevant benchmark or index that is independent, public and verifiable as inflators. Table 2.2 shows the cost items and inflators in the SFCI and FFCI as established in 2008.

**Table 2.2 Cost items and inflators for the SFCI and FFCI established in 2008**

Cost item	Inflator
Labour	WPI
Fuel	FUELtrac fuel data
Insurance	CPI - Insurance
Interest	NAB base rate business loan
Repairs and maintenance	CPI
Ferry depreciation/amortisation	CPI
Berthing/mooring fees	CPI
All other	CPI

**Source:** IPART private ferry review reports.

<sup>17</sup> Rick Banyard, Public Hearing Transcript, pp 10-12, p 17.

We established the change in each inflator over the review period, then multiplied the relevant cost weight by this value to calculate the contribution of any change in the cost item, to estimate the overall change in the cost of providing ferry services since the last review.

## 2.4 The findings from the CIE's cost consultancy

The CIE surveyed the private ferry operators and sought information on their costs and revenue. The CIE then used the data to examine:

- ▼ whether the cost weights applied in the SFCI and the FFCI reflect the actual costs borne by operators over the past 5 years
- ▼ whether historical changes in the cost indices have matched actual changes in costs better than other approaches, for example, the CPI
- ▼ the treatment of capital costs in the indices.

### 2.4.1 Findings on cost weights: wide variation between current index weights and weights based on operator data

The CIE found that there was a wide variation between the cost weights in the indices and the average cost weights calculated based on the data from the ferry operators. The greatest variances between the existing and reported cost weightings were for labour, repairs and maintenance, ferry depreciation and amortisation and 'all other' cost items.

The CIE report also found that there are wide variations between the cost structures of each ferry operator, and from year to year, for each private ferry operators. The magnitude of these variations in cost depend on the size of the ferry operation, the age of its ferry fleet, and specific business decisions taken by operators regarding capital expenditure and structure in each reporting period. For example:

- ▼ Repairs and maintenance are a large and highly variable cost item for both slow (12.1%) and fast (18.7%) ferry cost structure. The proportion of actual expenditure on repairs reported is more than double than the estimated weights under SFCI (6.8%) and FFCI (7.9%).
- ▼ Ferry depreciation and amortisation cost weights under FFCI (11.3%) and SFCI (3.9%) were not reflective of the actual cost structure of fast ferry (5.6%) and slow ferry (9.3%) services. Because the sample size is so small, this particular cost item can be easily skewed when an operator makes a large capital investment in one reporting period which also can impact on cost weights in subsequent periods.

- ▼ Certain cost items such as repairs and maintenance, interest costs and fuel fluctuate widely from year to year. Given the unpredictable nature of these costs, it would be difficult to adjust cost weights that reflect the actual costs incurred by each ferry operators from year to year.

#### **2.4.2 Findings on the performance of individual inflators: most are not a good match to historical changes in costs**

The CIE examined the performance of the inflators relative to historical cost data and found:

- ▼ *labour inflator* – there is little to no clear relationship between the labour inflator (ABS's wage price index) and the historical labour cost of operators and there is substantial variation in operators' labour costs. Neither the WPI, nor the CPI as an alternative inflator, closely estimated the historical labour cost to regulated ferry operators.
- ▼ *fuel inflator* – despite a lot of variation in operators' actual fuel costs the fuel inflator (based on data from FUELtrac about average monthly diesel prices) does capture industry trends.
- ▼ *insurance and interest inflators* – the insurance and interest inflators are not particularly specific to the cost of insurance and interest borne by regulated ferry operators. Applying the CPI is likely to achieve a similar result and is relatively simpler to implement.

The CIE recommended that IPART consider using a simpler approach to review annual maximum fares for regulated ferry services, and examined the performance of a CPI-only or a CPI and fuel index.

#### **2.4.3 Findings on the treatment of capital in the index: 2 alternative proposals**

The CIE noted that the SFCI and FFCI include two capital cost items: interest payments, and depreciation and amortisation. Capital cost should cover depreciation, a return on equity, a return on debt (interest) and taxation (if not accounted for in returns). Currently, the cost indices do not include a return on equity. The CIE proposed 2 alternative measures of capital that do incorporate a return on equity:

- ▼ Capital measure A, based on stated book value and depreciation.
- ▼ Capital measure B, based on the replacement cost of capital at half the economic life.

The CIE then reweighted the indices based on the 2 alternative measures of capital. Table 2.3 shows the results of the reweighting.

**Table 2.3 Adjusted SFCI and FFCI weightings using different capital cost item options**

Cost item	Adjusted SFCI weightings (%)		Adjusted FFCI weightings (%)	
	Capital Measure A	Capital Measure B	Capital Measure A	Capital Measure B
Labour	41.0	45.7	36.9	33.2
Fuel	10.1	11.3	16.9	15.2
Insurance	4.1	4.6	3.0	2.7
Repairs and maintenance	10.3	11.4	16.5	14.8
Berthing/mooring	1.2	1.3	3.8	3.4
All other operating	6.4	7.2	6.2	5.6
Capital	27.0	18.6	16.8	25.2

**Note:** Capital measure A is based on stated book value and depreciation. Capital measure B is based on the replacement cost of capital at half the economic life.

**Source:** The CIE, *Final Report: Private ferries cost consultancy*, October 2013, p 6.

## 2.5 Our analysis of and response to the CIE's findings

We consider that the CIE findings show that:

- ▼ A simpler approach gives a very similar result to the more complex SFCI and FFCI. In the interests of a proportionate, cost-effective approach to regulation, a simpler approach to indexing is warranted.
- ▼ However, neither a simple nor more complex index approach is a good match to reported costs, so a further adjustment to fares may be warranted.

We have considered both these issues in developing a proposed method of indexing fares for this year using 2 simpler indices, and proposing a more detailed examination of efficient costs and external benefits in 2014. We will continue to undertake a mid-year fuel review for fast ferry fares, and extend it to slow ferry fares.

We also considered, but decided against for this year, alternative approaches, including:

- ▼ A single index with combined weights for fast and slow ferries.
- ▼ Maintaining 2 indices with multiple industry-specific cost items and reweighting them according to the findings of the CIE's cost survey.
- ▼ Adjusting fare levels to better reflect passengers' fair share of efficient costs.
- ▼ A light-handed approach whereby maximum fares for slow ferries increase to a level that allows operators to fully recover all reported costs from fares.

This section describes our proposed fare methodology and briefly outlines the alternative options we considered.

The next chapter describes the outcomes of applying the proposed fare methodology to current maximum fares.

### 2.5.1 Our proposed methodology: 2 simpler cost indices

We consider that the results of the CIE's cost analysis support switching to a simpler fare-setting index of fuel and all other costs for each of the indices. 'All other costs' includes a capital measure based on replacement value and economic life of ferries. No productivity adjustment is required to the simpler indices.

Indexation based on industry-specific cost changes was supported by stakeholders, including the Dangar Island League and Brooklyn Ferry Service.<sup>18</sup>

#### Two simpler cost indices

The simpler indices are derived from the weights in Table 2.3, in the 'Capital Measure B' columns, by retaining the weighting for fuel and adding together the weightings for all other costs. The resultant cost items, inflators and weights are shown in Table 2.4.

**Table 2.4 Proposed ferry cost indices and cost weights**

Cost item	Slow ferry weighting (%)	Fast ferry weighting (%)	Inflator
Fuel	11.3	15.2	FUELtrac data
All other costs	88.7	84.8	CPI

**Source:** The CIE, *Final Draft Report: Private ferries cost consultancy*, October 2013, p 7.

The weightings for fuel in the proposed indices diverge from the weightings in the current FFCI and SFCI – 11.3% for slow ferries compared to 8.8% if the existing SFCI was just rolled forward with its 2012 weightings and inflators, and 15.2% for fast ferries compared to 20% if the existing FFCI was just rolled forward with its 2012 weightings and inflators.<sup>19</sup>

The difference in weighting for fuel for slow ferries is largely due to the difference in reported fuel costs for slow ferry operators compared to the costs implied by the SFCI since 2008.

<sup>18</sup> Dangar Island League submission, 18 September 2013, Brooklyn Ferry Service submission, 18 September 2013.

<sup>19</sup> The CIE, *Private ferries cost consultancy – final report*, October 2013, p 11, Table 2.1 shows the SFCI and FFCI with their current compositions rolled forward to 2013.

The difference in weighting for fuel for fast ferries is largely due to the different treatment of capital costs in the proposed index. Using the existing composition of the FFCI and the reported costs from fast ferry operators, the capital component of the index would only be weighted at 5.6% (while fuel would be weighted at 19.2%, very close to the 20% 'rolled forward' figure).<sup>20</sup> When Capital Measure B is included, the capital component is weighted at 23.8% for fast ferries and the weightings of the other cost items are reduced.

We consider that the weighting for fuel in the fast ferry index is still high enough to warrant a mid-year fuel review and adjustment of fares up or down if fuel prices have changed by more than 10% up or down in the 6 months since our final decision on fares.

We also consider that the weighting for fuel in the slow ferry index is now high enough to warrant extending the mid-year fuel review to slow ferry fares.

#### Why did we choose Capital Measure B for the indices?

As discussed in section 2.4.3, the CIE proposed to treat the capital component cost item as a single item calculated as depreciation and return on the estimated capital stock of each ferry service. The CIE proposed 2 alternative ways of calculating the item:

- ▼ Capital measure A – capital is set equal to the book value of ferry operators. The return on capital is set at 7% (pre-tax, real) based on appropriate WACC parameters. Depreciation is as provided by operators.
- ▼ Capital measure B – capital is based on half the replacement cost of ferries indicated by operators. This reflects that on average ferries should be halfway through their depreciation. The level of depreciation is based on the economic life information provided by ferry operators.

We considered the CIE's options for an alternative approach to capital and have preferred Option B. Option A, which involves using book value, is less appropriate given the range of ages of ferries used by private ferry operators.

#### No productivity adjustment is required to the simplified SFCI and FFCI results

A productivity adjustment is not required to be made to the simplified indices, unlike in our previous approach where we applied an appropriate long term measure of economy-wide productivity improvement to each cost index. Switching to CPI indexation for most cost components removes the need to make adjustments for productivity gains as the CPI incorporates a measure of economy-wide productivity gains.

<sup>20</sup> The CIE, *Private ferries cost consultancy – final report*, October 2013, p 12, Table 2.2, final column shows the FFCI weights based on cost survey results – the capital components are interest and ferry depreciation/amortisation.

### 2.5.2 Other options considered

Before deciding on the simplified SFCI and FFCI approach, we considered other options for an approach to setting fares.

#### A single index for fast and slow ferries

We considered moving to using one index with combined weights for all ferry routes, but on balance decided to retain 2 indices to recognise the difference in cost structures between fast and slow ferry routes.

The CIE looked at the performance of the FFCI and the SFCI over time as measures of different structures of fast and slow ferry businesses.<sup>21</sup> Although outcomes for the separate indices have been quite similar, depending on movements in fuel prices they may diverge over time.

#### Reweighting the existing SFCI and FFCI without simplifying

We also considered using the CIE's cost findings to simply reweight the existing indices. However, we decided that a simpler approach gave similar results and that a more complex approach was not warranted.

#### Adjusting fare levels outside the indexing results

Indexing approaches to setting prices are based on measuring the change in costs from year to year. The CIE's analysis showed that the SFCI and FFCI had not been a close match to changes in reported costs. However, the extent to which this is a concern for fare outcomes depends on whether fares were at the right level to begin with.<sup>22</sup>

The CIE's analysis of cost recovery levels suggested that fare levels may be too low for (at least some) **slow** ferry operators to fully recover their costs, including an appropriate profit margin. We consider there is other evidence supporting this conclusion:

- ▼ The ferry industry has made submissions to us over the years regarding their financial viability concerns, and a study undertaken by consultants Indec in 2009<sup>23</sup> showed that 4 out of 6 slow private ferry operators were not financially viable.
- ▼ In 2010, Transport for NSW commenced paying supplementary viability payments to some slow ferry operators.

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<sup>21</sup> The CIE, *Final Report: Private ferries cost consultancy*, October 2013, p 13.

<sup>22</sup> As noted by Brooklyn Ferry Service in its submission, 18 September 2013.

<sup>23</sup> The study was jointly commissioned by the Commercial Vessel Association and Transport for NSW and is referred to in submissions to the current review from the Church Point Ferry Service (24 September 2013) and the Brooklyn Ferry Service (18 September 2013).



The CIE's analysis of cost recovery levels for **fast** ferry operators suggested that they do fully recover their costs, including an appropriate profit margin. Again, this analysis is supported by other evidence:

- ▼ The 2009 Indec study showed that fast private ferry operators were financially viable.
- ▼ Fast ferry operators do not receive supplementary viability payments from Transport for NSW.

Some stakeholder feedback also supported adjustments to fares or, alternatively, a change to the structure of the industry to enhance financial viability. For example, Action for Public Transport suggested in a submission and at the public hearing that 'operators should receive a set fee for each service with all passenger revenue going directly to Transport for NSW.' Save Our Rail NSW submitted that the economic and social benefits of the Stockton ferry warranted continue government subsidy with 'fares kept at a reasonable level for affordability'.<sup>24</sup>

We considered how we might address these issues and concluded that for the current review we have insufficient information about ferry operators' efficient costs and about the extent of external benefits from ferry services to draw firm conclusions about the current level of fares. However, we intend to do further work in both these areas in 2014. Section 2.6 discusses these proposals in further details.

### A light-handed approach

We have previously questioned whether the benefits of regulating private ferry fares outweigh the costs, especially given some of these services compete with other modes of transport (such as commuter dinghies and public bus services) or other operators (such as water taxis, Sydney ferries or tourist cruise operators). Even where there are few obvious direct competitors, we have previously noted that a degree of self-regulation is likely to exist in the small communities that some of the operators serve, or from the threat of competition from unregulated services.

As a result, we considered taking a 'light-handed' approach by raising maximum fares to allow slow ferry operators to fully recover all reported costs from fares.

However, we would have to be satisfied that no market power existed, because if an operator did have market power they could exploit their monopoly position, spend what they liked and pass the cost on to passengers.

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<sup>24</sup> Save our Rail NSW Inc submission, 26 September 2013, p 2.

In the case of the 2 operators who do not currently charge the maximum fare, it is clear that competitive pressures from other Harbour ferry services set a ceiling for its fares rather than its regulated maximum fares. However, in other cases a more detailed assessment of their market position would be required before we could take a light-handed approach.

## 2.6 Further work proposed to be undertaken in 2014

After considering the CIE's analysis of cost recovery levels, we noted that there was some evidence for considering an adjustment to fare levels. The method for undertaking an adjustment could be along the same lines as the 'building block' approach we take to most public transport fare reviews.

However, we do not have sufficient information about ferry operators' efficient costs or the external benefits of ferry services to apply a building block approach in this review.

This section explains the building block approach and our plans for further work on positive externalities and efficient costs in 2014 that would be required to support such an approach for private ferries and the Stockton ferry.

### Approach we take to most public transport fare reviews

The 'building block' methodology which we apply to our reviews of fares for trains, metropolitan and outer metropolitan buses, and Sydney ferries considers levels of as well as changes to fares.

We start by assessing the efficient costs of the business, and determining the level of positive externalities it generates. We consider that the Government, on behalf of the wider community, should pay for the value of the externalities, while passengers pay for the share of efficient costs that is left over. Any inefficient costs are a matter for the owner (the Government in the case of public transport) to either eliminate or subsidise.

### Applying a building block approach to private ferries and the Stockton ferry

We cannot apply a building block approach to private ferries and the Stockton ferry without two crucial pieces of information: efficient costs of the businesses and the value of any externalities. We do not currently have either of these pieces of information, and we would normally consider that the cost of obtaining them would be likely to outweigh the benefits in such a small industry.

We have already proposed to consider the external benefits of all modes of public transport simultaneously in a project to be undertaken next year separately from any of the mode-specific reviews. We will consider private ferry and Stockton ferry externalities, if possible, as part of this review, although obtaining sufficient data may prove difficult. This approach was suggested by Action for Public Transport at the public hearing.<sup>25</sup>

We will also work to get a better understanding of efficient costs of private ferries and the Stockton ferry.

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<sup>25</sup> Public Hearing Transcript, p 14.

### 3 Draft recommendations for maximum fares and draft determination for the Stockton ferry

As set out in Chapter 2, our draft decision is to retain separate indices for fast and slow ferries, but to simplify the components.

The draft recommended increase is 2.3% for fast ferry maximum fares and 2.4% for slow ferry maximum fares. The slow ferry increase also applies to the draft determination for the Stockton ferry.

The sections below provide an overview of our draft recommendations on changes to maximum fares for private ferry services and draft determination of the maximum fare for the Stockton ferry service.

#### 3.1 Our draft recommendations for fares for private ferry services

We calculated the draft recommended maximum fare change for private ferry services by:

- ▼ constructing 2 simplified indices, consisting of fuel and all other costs, and using updated average cost weights for slow and fast ferries respectively, to estimate the change in costs during the past year
- ▼ applying the resulting percentage change to the current 'master fare' for the relevant ferry service<sup>26</sup>
- ▼ rounding the resulting fare to the nearest 10 cents.

The draft index results are 2.3% for the simplified fast ferry cost index and 2.4% for simplified slow ferry cost index.<sup>27</sup>

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<sup>26</sup> The master fare is the unrounded fare as calculated in our December 2012 review (see Table 1.1).

<sup>27</sup> The indices for the final report will use updated data for CPI and fuel prices and may differ from the draft indices.

### 3.1.1 Simplified fast ferry and slow ferry cost indices

We constructed 2 indices for fast and slow ferry operators respectively, based on the CIE's assessment of cost weights for fuel and 'all other items' across all operators, using the CIE's Capital Measure B. We differentiate cost weights between fast and slow ferry operators to reflect differences in their cost structures.

Table 3.1 shows the index results for the draft report (inflation values may change slightly for the final report as additional data will be available for the CPI and fuel costs).

**Table 3.1 Proposed ferry cost indices**

Cost item	Slow ferry weighting (%)	Fast ferry weighting (%)	Inflator	Inflator value
Fuel	11.3	15.2	FUELtrac data	0.8%
All other costs	88.7	84.8	CPI	2.5%
<b>Index result</b>	<b>2.4%</b>	<b>2.3%</b>		

**Sources:** FUELtrac data for monthly average diesel prices for the 11 months to August 2013, compared to FUELtrac data for 12 months to September 2012 with adjustment for excise rebate reduction; CPI Sydney all groups, 4 quarters to June 2013 compared to 4 quarters to June 2012.

### 3.1.2 Draft recommendations for private ferry fares

The draft recommended increase in maximum fares for fast ferries is 2.3% (before fares are rounded) and for slow ferries is 2.4% (before fares are rounded).

In relation to private ferries, our draft recommendation is that TfNSW change maximum private ferry fares to the amount shown in the *Recommended max fare from Dec 2013 (rounded)* column in Table 3.2 below.

## 3.2 Our draft determination for the Stockton ferry fare

We applied the same methodology as for slow ferry private operators (an increase of 2.4%) to the Stockton ferry master fare as determined in December 2012 and then rounded to the nearest 10 cents.

Table 3.3 sets out the resulting draft fare for the Stockton ferry service from 1 January 2014.

**Table 3.2 Draft recommended maximum fares for private ferry services from December 2013**

Route	Dec 2012 max master fare (unrounded)	Current max fare (rounded)	Dec 2013 max master fare (unrounded)	Recommended max fare from Dec 2013 (rounded)	Difference between current max fare (rounded) and recommended max fare (rounded) from Dec 2013	
	\$	\$	\$	\$	\$	%
Woy Woy – Empire Bay	7.30	7.30 <sup>a</sup>	7.47	7.50	0.20	2.7%
Scotland Island and western foreshore of Pittwater	7.45	7.40	7.62	7.60	0.20	2.7%
Iluka – Yamba	7.18	7.20	7.35	7.30	0.10	1.4%
Cronulla – Bundeena	6.30	6.30	6.44	6.40	0.10	1.6%
Brooklyn – Dangar Island	6.30	6.30	6.44	6.40	0.10	1.6%
Circular Quay – Darling Harbour (ff)	7.27	7.30 <sup>a</sup>	7.44	7.40	0.10	1.4%
Circular Quay – Lane Cove (ff)	7.27	7.30 <sup>a</sup>	7.44	7.40	0.10	1.4%
Palm Beach – Mackerel and the Basin	7.51	7.50	7.68	7.70	0.20	2.7%
Palm Beach – Ettalong Wagstaffe (ff)	10.92	10.90	11.17	11.20	0.30	2.8%

<sup>a</sup> These services do not currently charge the maximum fare.

**Note:** Current maximum fares are the fares recommended and implemented as part of the 2012 annual fare review. ff denotes fast ferry. The percentage change to the maximum fare differs from the percentage change to the master fare because the maximum fare is rounded while the master fare schedule remains unrounded.

**Table 3.3 Draft determined fare for Newcastle (Stockton) ferry service from January 2014**

Route	January 2013 master fare (unrounded)	Current fare (rounded) <sup>a</sup>	Draft January 2014 master fare (unrounded)	Draft 2014 fare (rounded)	Difference between current fare (rounded) and draft 2014 fare (rounded)	
	\$	\$	\$	\$	\$	%
Queens Wharf Newcastle – Stockton Wharf	2.53	2.50	2.58	2.60	0.10	4.0

**Note:** The current maximum fare is the fare determined as part of the 2012 annual fare review and implemented from January 2013.

**Source:** IPART internal analysis and fare calculation.

## 4 Other factors we considered

We are required by our terms of reference and by section 15 of the IPART Act to consider a range of matters related to the effect of our pricing recommendations and decisions on stakeholders. Our views on the likely implications of our draft recommended and determined changes to the ferry fares for 4 key stakeholder groups – private ferry operators, passengers, the environment and Government – are outlined in this chapter.

We are also required to consider the relativities between private ferry fares and those of government-provided ferry services, and standards of service and patronage. Our analysis of these issues is also provided in this chapter.

### 4.1 Implications for private ferry operators

Our recommendations are based on the estimated change in costs experienced by private ferry operators over the past year. This means the current level of cost recovery should remain fairly stable.

As we have previously noted, the current level of cost recovery from fares may be lower than is desirable for some slow ferry operators, although without firm evidence on efficient costs and externalities we cannot reach definitive conclusions. We will consider these issues further in 2014.

We note that 5 out of 6 slow ferry operators receive supplementary viability payments from Transport from NSW, so our fare recommendations are not the only factor in their financial viability.

### 4.2 Implications for passengers

In our view, the draft recommended and determined maximum fares will have a minimal impact on passengers.

The draft recommended increase in maximum fares for regulated slow private ferries is either 10 cents or 20 cents per trip; this represents a percentage increase of between 1.4% and 2.7% (after rounding). Stockton ferry would increase by 10 cents per trip, which equates to 4% increase from the current fare (after rounding).

The percentage increases are either comparable to or lower than we have recommended in recent years; the absolute increases are also small.

### 4.3 Implications for the environment

The impact of the draft recommended and determined fares on the environment in terms of pollution and congestion is likely to be minimal, given that ferry travel accounts for a small proportion of passenger trips.

### 4.4 Implications for Government funding

The draft recommended and determined fare changes will affect the Government through increased payments for fully subsidised student travel under the School Student Transport Scheme (SSTS), and half-fare and Pensioner Excursion Ticket (PET) concessions.

Generally, the Government provides operators with:

- ▼ a payment based on the **maximum** child fare for an eligible school student presumed by Transport for NSW to have travelled under the SSTS. Operators do not record patronage figures for SSTS passengers
- ▼ a top-up to the full adult fare charged by the operator for concession passengers reported to have travelled by the ferry operator
- ▼ in some cases, a top-up to the full adult fare charged by the operator for pensioners travelling on a Pensioner Excursion Ticket, reported to have travelled by the ferry operator.<sup>28</sup>

As these payments are related to the level of fares charged by ferry operators and/or the maximum fare that they can charge, our draft recommendations and determination will increase the amount of funding required per student or concession passenger trip.

We note that most slow ferry operators already receive supplementary viability payments from the Government. As we have not considered these payments in our calculation of fares they will not be directly affected by our fare recommendations. However, we note that our intention to get a better understanding of ferry operators' efficient costs in 2014 could potentially lead to a recommendation that fares be re-levelled. To the extent that our recommended or determined fares reduce financial viability concerns, this should place downward pressure on the NSW Budget by reducing the need for financial viability payments.

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<sup>28</sup> Only some private ferry services have been deemed eligible by Transport for NSW to provide Pensioner Excursion Tickets to eligible pensioners for \$2.50. Information provided by Transport for NSW.



#### 4.5 Relativities with Sydney Ferries' services

Most private ferry operators do not provide services on Sydney Harbour, and so do not offer comparable services to those provided by Sydney Ferries. However, both Sydney Ferries and Matilda Cruises run services between Circular Quay and Darling Harbour. The Sydney Ferries single fare is \$5.80<sup>29</sup> and the maximum Matilda Cruises fare from December 2012 is \$7.30 (the fare currently charged by Matilda Cruises is \$6.50<sup>30</sup>). We consider this relativity is appropriate due to the differences between the services:

- ▼ The Sydney Ferries trip to Darling Harbour is via Milsons Point, McMahons Point and Balmain East and is scheduled to take 23 minutes. The Matilda service is via Luna Park and takes 15 minutes.
- ▼ The Matilda service uses fast ferries whereas the Sydney Ferries trip uses slow ferries.

Sydney Ferries' fares changed in January 2013, when the Government increased fares by an average of 3.3%. This resulted in an increase of between 2.9% and 4.8% for MyFerry single, return and TravelTen tickets.<sup>31</sup>

The current Stockton Ferry fare (\$2.50) is considerably lower than the minimum Sydney Ferries fare (\$5.80), but given the relative distances involved, the comparative magnitude of the fares is acceptable.

#### 4.6 Service standards

We collect and publish data on patronage and service standards for information only – it does not affect fare outcomes. For this review, we have received data for the 12 months to June 2013 from Transport for NSW.

Patronage data is manually collected by operators and subject to some inconsistencies in the reporting of some categories of passengers between years. Figure 4.1 below shows the breakdown of patronage on private ferries for the 12 months to June 2013 according to passenger type. It illustrates the relativities between numbers of adult full fare-paying passenger trips, and subsidised trips (ie, passengers paying concession/half-fares or using PETs and patronage counted under the SSTs).

<sup>29</sup> See <http://www.131500.com.au/tickets/fares>.

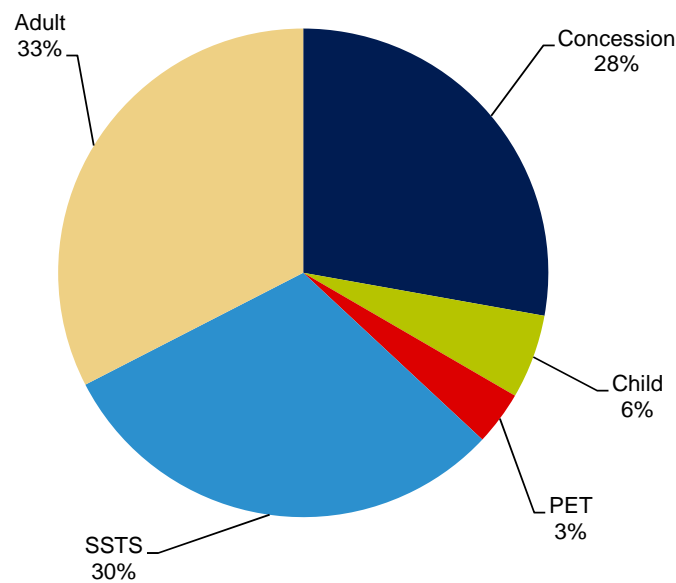
<sup>30</sup> See <http://www.matilda.com.au/dir076/matilda.nsf/Pages/Ferry+Services~City+Loop+-+Luna+Park> (accessed 17 October 2013).

<sup>31</sup> See IPART, *Fares for CityRail, Sydney Ferries and Metropolitan Bus Services from January 2013 – Compliance Statement*, December 2012, p 5.

#### | 4 Other factors we considered

In 2013, the proportion of adult full fare ferry trips increased by 3% to 33% compared with the 6 months to December 2011, which was the data set we received for last year's review. The percentage of concession and PET passengers has fallen slightly to 28% and 3% respectively; while the proportion of Child and SSTS passengers increased only marginally.

**Figure 4.1**      **Reported patronage on private ferries (%) July 2012 – June 2013**



**Data source:** Transport for NSW, 1 October 2013.

Ferry operators also provide Transport for NSW with information on late and cancelled services and the number of safety incidents experienced. For the 12 months to June 2013, the private ferry industry reported 30 incidences of late services and 16 cancelled services, predominantly due to bad weather and mechanical issues. Four safety incidents were recorded concerning Darling Harbour ferry service. This information is summarised in Table 4.1. The information for the 12 months to June 2012, 2011 and 2010, which we received as part of the last 4 reviews, is also summarised in Table 3.4.

**Table 4.1 Summary of KPI data for year ending 30 June**

Route Year ending 30 June	Late				Cancelled				Safety			
	2013	2012	2011	2010	2013	2012 <sup>a</sup>	2011	2010	2013	2012 <sup>a</sup>	2011	2010
Woy Woy – Empire Bay	0	0	0	Unsure	0	0	0	1	0	0	0	0
Scotland Island and western foreshore of Pittwater	7	1	5	4	2	0	0	0	0	1	0	0
Iluka – Yamba	0	0	0	0	0	0	0	0	0	0	0	0
Cronulla – Bundeena	1	0	1	0	7	1	4	4	0	0	0	0
Brooklyn – Dangar Island	0	3	2	1	0	3	4	1	0	1	1	0
Circular – Darling Harbour (ff)	13	10		0	1	0		0	4	3		0
Circular Quay – Lane Cove (ff)	4	9	37 <sup>a</sup>	0	0	0	0	0	0	1	0	0
Palm Beach – Mackerel and the Basin	0	0	0	0	0	0	0	0	0	0	0	1
Palm Beach – Ettalong Wagstaff (ff)	5	0	0	0	6	0	0	3	0	0	0	0
Stockton Ferry <sup>b</sup>	-	-	2	-	-	-	0	-	-	-	0	-

<sup>a</sup> All vessels fitted with wet exhaust systems.

<sup>b</sup> Stockton Ferry only provided information for 2011.

**Note:** ff denotes fast ferry.

**Source:** Transport for NSW, 1 October 2013, 23 October 2012, 6 and 11 October 2011, 19 October 2010.





## **Appendices**



## A Terms of Reference

### INDEPENDENT PRICING AND REGULATORY TRIBUNAL ACT 1992 PRIVATE FERRY INDUSTRY FARE REVIEW

I, Barry O'Farrell, Premier, pursuant to Section 9(2) of the *Independent Pricing and Regulatory Tribunal Act 1992*, approve the Independent Pricing and Regulatory Tribunal (IPART) entering into arrangements with Transport for NSW for two years to 3 August 2014 to provide services to Transport for NSW that are within its area of expertise. The services to be provided by IPART are the conduct of an investigation into, and the preparation of a report concerning, maximum fares for regular private ferry services under the *Passenger Transport Act 1990*.

In providing these services, IPART should consider:

- i) the cost of providing the services concerned and the need for greater efficiency in the supply of services so as to reduce costs for the benefit of customers;
- ii) relativities with Sydney Ferries' services, including in terms of service, efficiency, cost and ticketing products;
- iii) the protection of customers from abuses of monopoly power in terms of prices, pricing policies, and standards of service;
- iv) the need to maintain ecologically sustainable development;
- v) the impact on customers of the recommendations;
- vi) standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise and any suggested or actual changes to those standards); and
- vii) the effect of any pricing recommendation on the level of Government funding provided to private operators under commercial contracts.

The services to be provided by IPART will include a public consultation process through which IPART will invite submissions from the private ferry operators and other stakeholder groups including user groups.

The services are to be provided through the provision of one or more reports to Transport for NSW, as agreed between Transport for NSW and IPART.



The Hon Barry O'Farrell MP  
Premier  
Minister for Western Sydney

Dated at Sydney... 11 October 2012

## B Requirements of the IPART Act for the Stockton ferry determination and private ferries recommendation

Section 15 of the IPART Act 1992 details the matters to be considered by the Tribunal when making a determination or recommendation under the Act. The section is reproduced in full below.

(15) Matters to be considered by Tribunal under this Act

- (1) In making determinations and recommendations under this Act, the Tribunal is to have regard to the following matters (in addition to any other matters the Tribunal considers relevant):
  - (a) the cost of providing the services concerned,
  - (b) the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services,
  - (c) the appropriate rate of return on public sector assets, including appropriate payment of dividends to the Government for the benefit of the people of New South Wales,
  - (d) the effect on general price inflation over the medium term,
  - (e) the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers,
  - (f) the need to maintain ecologically sustainable development (within the meaning of section 6 of the *Protection of the Environment Administration Act 1991*) by appropriate pricing policies that take account of all the feasible options available to protect the environment,
  - (g) 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,
  - (h) 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,
  - (i) the need to promote competition in the supply of the services concerned,
  - (j) considerations of demand management (including levels of demand) and least cost planning,



- (k) the social impact of the determinations and recommendations,
- (l) standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise).

## C List of submissions and public hearing attendees

Table C.1 provides details of the submissions received on the issues paper.

**Table C.1 List of submissions received**

<b>Submitter</b>	<b>Date received</b>
Action for Public Transport (NSW)	20 September 2013
Brooklyn Ferry Service Pty Ltd	20 September 2013
Church Point Ferry Services	1 October 2013
The Dangar Island League Inc	18 September 2013
Individual (Mr Rick Banyard)	19 September 2013
Individual (Mr C. Kubany)	28 August 2013
Save Our Rail NSW Inc.	26 September 2013

Table C.2 lists the people who attended the public hearing on 15 October 2013.

**Table C.2 List of attendees at public hearing**

<b>Organisation</b>	<b>Representative</b>
Action for Public Transport (NSW)	Mr Allan Miles Mr Graeme Taylor
Church Point Ferry Services	Ms Penny Gleen
Commercial Vessel Association	Mr Anthony Haworth
Individual	Mr Paul Trevaskis
Individual	Mr Rick Banyard
NSW Council on Social Services	Ms Rhiannon Cook
Transport for NSW	Mr Anthony Wing