

CITYRAIL AND STA BUSES AND FERRIES

PUBLIC TRANSPORT FARES

from 1 July 2002

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

CITYRAIL AND STA BUSES AND FERRIES

PUBLIC TRANSPORT FARES

from 1 July 2002

Determinations 2 and 3, 2002

24 June 2002

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The Tribunal members for this review are:

**Dr Thomas G Parry, Chairman
Mr James Cox, Full Time Member
Ms Cristina Cifuentes, Part Time Member**

Inquiries regarding this review should be directed to:

***Nicholas Hague ☎ (02) 9290 8494
Matthew Shirlaw ☎ (02) 9290 8418
Sheridan Rapmund ☎ (02) 9290 8430***

Independent Pricing and Regulatory Tribunal of New South Wales

Level 2, 44 Market Street, Sydney NSW 2000

☎ 02 9290 8400 Fax 02 9290 2061

www.ipart.nsw.gov.au

All correspondence to: PO Box Q290, QVB Post Office NSW 1230

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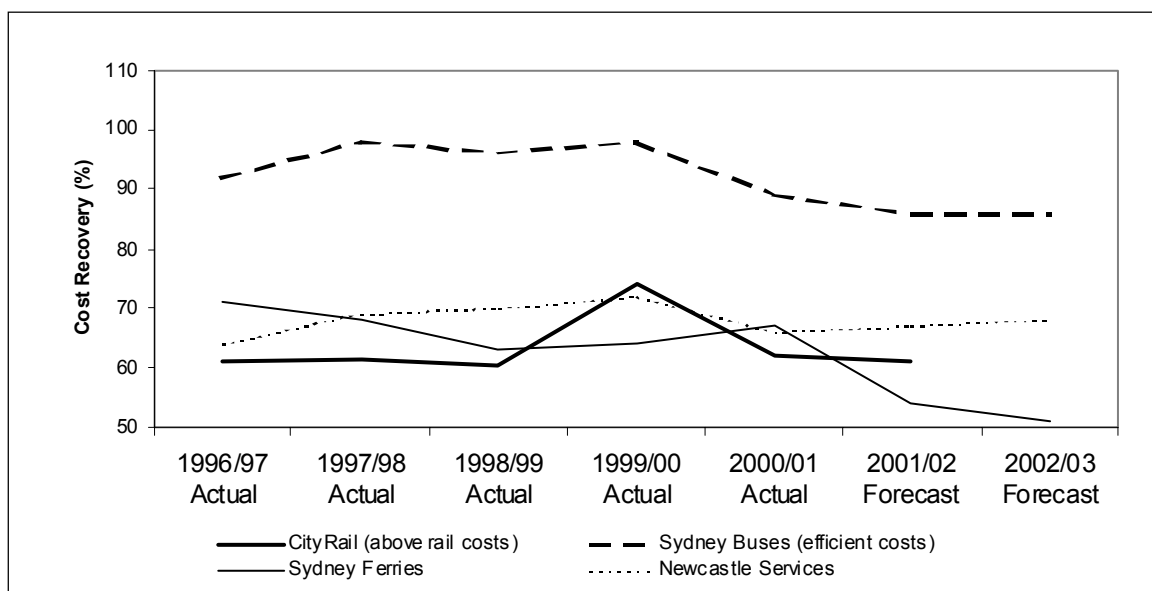
EXECUTIVE SUMMARY

The Tribunal has determined that passenger fares for CityRail will increase by a weighted average of 2.0 per cent in 2002/03, consistent with State Rail Authority's (SRA's) submission to the Tribunal.¹ State Transit Authority (STA) fares will increase by a weighted average of 1.91 per cent. This will consist of an increase of 1.93 per cent for Sydney Buses, 2.0 per cent for Sydney Ferries and 0.46 per cent for Newcastle Services in 2002/03. These increases are consistent with STA's submission to the Tribunal. In determining passenger fare increases for all services, the Tribunal has considered, amongst other matters, cost increases, and the cost recovery position and service quality outcomes of each of the business units.

The figure below shows the recovery of operating costs through fares. In general, cost recovery has tended to fall in recent years. It indicates that Sydney Buses is closest to recovering its operating costs.

CityRail's cost recovery improved in 1999/00, however recent cost increases have seen cost recovery fall to 62 per cent in 2000/01. Cost recovery is expected to be 61 per cent in 2001/02. Sydney Buses' cost recovery fell sharply from 98 per cent in 1999/2000 to 89 per cent in 2000/01, and is forecast to fall to 86 per cent in 2001/02 and 2002/03. Sydney Ferries' cost recovery is forecast to fall considerably through 2001/02 and 2002/03. In part this reflects significant increases in maintenance costs in these years. Its cost recovery is expected to be 51 per cent in 2002/03. Newcastle Services' cost recovery, having fallen in 2000/01, is forecast to increase gradually through to 2002/03. Cost recovery is expected to rise to 68 per cent in 2002/03.²

Operating cost recovery, 1996/97 – 2002/03



Note: SRA has not provided figures for CityRail beyond 2001/02.

¹ Although the SRA submission proposes an increase of 2.0 per cent, the exact increase is actually 1.96 per cent.

² Cost recovery figures are measured as farebox revenue over the operating cost base. For each of the operators, the cost base is taken to include depreciation and interest. For CityRail, the figure excludes access fees. For Sydney Buses, the cost base excludes previously identified efficiency savings. Efficiency studies have not been conducted by IPART for CityRail, Sydney Ferries or Newcastle Services.

The new CityRail fares will increase SRA's farebox revenue by \$8.4m in 2002/03, while the new fares for Sydney Buses, Sydney Ferries and Newcastle Services will increase STA's farebox revenue by \$3.9m.

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

For CityRail

Cash Fares

- the majority of *adult single* fares will increase by 40 cents or less
- *return* fares will be set at twice the corresponding single fare
- *half* fares will be set at half the corresponding adult fare
- *adult off-peak (return)* fares will be set at 1.19 times the equivalent adult single fare, subject to rounding
- *child off-peak* fares will remain unchanged.

Periodical fares

- *rail weekly* fares will increase by up to 3.6 per cent (or an increase of up to \$2.00)
- the majority of *weekly TravelPass* fares will increase by either \$1.00 or \$2.00, the equivalent of 10 and 20 cents per trip for a ticket used 10 times
- the brown TravelPass will be removed from sale, in effect being amalgamated with the purple TravelPass. The result is a fare decrease of 10.3 per cent for purple TravelPass users. Purchasers of the previous brown TravelPass, who will now travel on a purple TravelPass, will experience a fare increase of \$2.00 and increased travel entitlements
- *28-day and upwards periodical rail* fares (Flexipass) will increase by an amount corresponding to the increase in weekly tickets for that distance band.

For Sydney Buses

- *adult single journey bus* fares will increase by up to 3.03 per cent (equivalent to an increase of 10 cents per journey)
- *adult TravelTen* bus fares will increase by between 30 and 80 cents, equivalent to between 3 and 8 cents per journey
- the majority of *adult weekly TravelPasses* will increase by between \$1.00 and \$2.00, equivalent to between 10 and 20 cents per journey for a ticket used 10 times. Purple TravelPasses will decrease in price by 10.3 per cent or \$6.00
- *half* fares will be set at half the corresponding adult fare, rounded down to the nearest 10 cents.

For Sydney Ferries

- *adult inner zone single ferry fares will increase by 10 cents per journey*
- *Rydalmere, Manly and Parramatta adult single ferry fares will increase by 10 cents per journey*
- *Manly JetCat/SuperCat adult single fares will increase by 10 cents per journey and by \$1.10 for a FerryTen ticket*
- *adult FerryTen tickets on other services will increase by between 20 and 50 cents, an average of 2 to 5 cents per journey for a ticket used 10 times*
- *half fares will be set at half the corresponding adult fare, rounded down to the nearest 10 cents.*

For Newcastle Buses and Ferries

- *adult one-hour single time based fares will remain unchanged*
- *adult four-hour time based fares and adult daily single fares will increase by 10 and 20 cents respectively*
- *adult TimeTen fares will rise by 40 cents*
- *adult orange, yellow and pink Newcastle TravelPasses will increase by \$1.00*
- *adult single Stockton ferry fares will remain unchanged*
- *half fares will be set at half the corresponding adult fare, rounded down to the nearest 10 cents, except for the four-hour time based fare which will be rounded up.*

The Tribunal wishes to bring to the attention of Government some key concerns of stakeholders relating to transport policy that go beyond this determination. These are:

- the inequitable concession policy that differentiates between the users of government owned and private owned transport (buses and ferries)
- the absence of an effective integrated ticketing system
- the delay in the introduction of an effective performance assessment regime for both Government owned and private owned bus and ferry services
- delays in the introduction of enhanced rail services, eg new CityRail timetable, Millennium trains, changes to capital works programs (Parramatta – Chatswood rail link)
- the absence of further development over the last 12 months in the CityRail customer service commitment and continuing absence of a customer charter for STA services
- the continuing drift of passengers from public transport to private motor vehicles
- the increase in cost of public transport services and the extent of taxpayer funding.

1 INTRODUCTION

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

As part of the review process, the Tribunal received separate submissions from SRA and STA. In their submissions, both agencies sought an average increase in fares of 2.0 per cent.³

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

Under this determination:

- **CityRail fares are to increase by a weighted average of 2.0 per cent**
- **Sydney Buses fares are to increase by a weighted average of 1.93 per cent**
- **Sydney Ferries fares are to increase by a weighted average of 2.0 per cent**
- **Newcastle Services fares are to increase by a weighted average of 0.46 per cent.**

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

³ Lower fare increases for Newcastle Services kept the overall STA fare increase to 1.91 per cent.

2 COST RECOVERY

The cost recovery level of each public transport service provider is one of the key issues the Tribunal examined in making this determination. All four service providers experienced cost increases between 1999/00 and 2001/02 which has limited the improvements in cost recovery levels.⁴ Despite these cost increases both SRA and STA proposed weighted average fare increases of 2 per cent or less. Consistent with these proposals and after considering other issues, the Tribunal has determined the following:

- For CityRail, average fares will increase by 2.0 per cent. SRA did not provide forecast data for 2002/03 and consideration of the extent of cost recovery was limited to historical data.
- For Sydney Buses, average fares will increase by 1.93 per cent. This will enable Sydney Buses to recover 86 per cent of its efficient costs in 2002/03, the same level as in 2001/02.
- For Sydney Ferries, average fares will increase by 2.0 per cent, resulting in cost recovery levels falling from 54 per cent in 2001/02 to 51 per cent in 2002/03.
- For Newcastle Services, average fares will increase by 0.46 per cent, enabling it to increase cost recovery from 67 per cent in 2001/02 to 68 per cent in 2002/03.

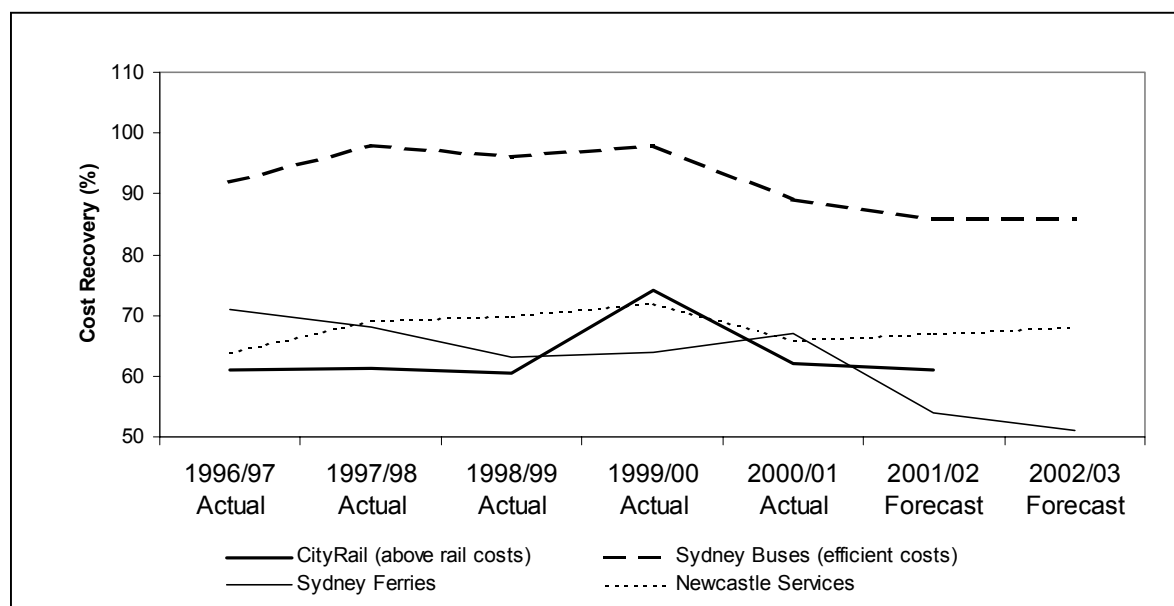
2.1 Current levels of cost recovery

The following figure shows the cost recovery levels of each of the public transport providers since 1996/97. The cost base for each operator is taken to include depreciation and interest costs. For CityRail it excludes access fees.⁵ For Sydney Buses the cost base excludes a number of previously identified efficiency savings. Efficiency studies for CityRail and Newcastle Services have not been conducted. STA has informed the Tribunal that an efficiency study on Sydney Ferries is currently at a draft stage.

⁴ STA and SRA argue that the cost increases are largely associated with service improvements.

⁵ Since 1996/97, the Rail Access Corporation (RAC) has charged CityRail an annual access fee for control and maintenance of below rail infrastructure. The responsibilities of RAC have since been absorbed by the Rail Infrastructure Corporation.

Figure 2.1 Operating cost recovery, 1996/97 – 2002/03



Cost recovery for CityRail, Sydney Buses and Sydney Ferries has deteriorated in recent years, and this trend is forecast to continue. Newcastle Services has demonstrated moderate improvement in cost recovery levels.

2.2 CityRail

In 2001/02, the Tribunal allowed CityRail fares to be adjusted by 3.3 per cent. At the time of the last determination, it was projected that recovery of CityRail above rail costs would improve to 67 per cent for 2001/02. Costs increasing faster than previously expected have meant that cost recovery for that period is now forecast to be only 61 per cent.⁶

In 2002/03, the Tribunal has determined that average fares charged by CityRail should increase by 2.0 per cent, in line with SRA's submission. In the absence of forecast data from SRA for 2002/03, the Tribunal has analysed financial outcomes in the light of historical results. Adequate forecast data will be required by the Tribunal wherever requested fare increases exceed the increase in the CPI.

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

⁶ At the time of last year's determination, CityRail forecast above rail costs for 2001/02 of \$1232.0m. CityRail are now forecasting above rail costs of \$1282.5 m for 2001/02.

Table 2.1 Recovery of CityRail's above rail costs 1996/97 – 2002/03

Operating Segment	Cost recovery of above rail costs(%)						
	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
CityMet	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast
North	75	72	71	86	72	72	na
West	75	70	70	84	71	70	na
South	62	61	60	73	62	62	na
Illawarra	87	83	78	98	83	83	na
Total CityMet	72	70	68	83	70	69	na
Outer Suburban	34	37	38	45	37	37	na
Regional	51	26	25	33	24	26	na
Total CityRail	62	61	61	74	62	61	na

Notes:

1. Revenues include revenue from the farebox, concessions, other rail entities and other non government sources.
2. Total above rail costs include the total costs of CityRail shown in Table A2.1 in Attachment 2, less CityRail's annual access fee.
3. SRA did not provide forecast information for 2002/03.

2.3 Sydney Buses

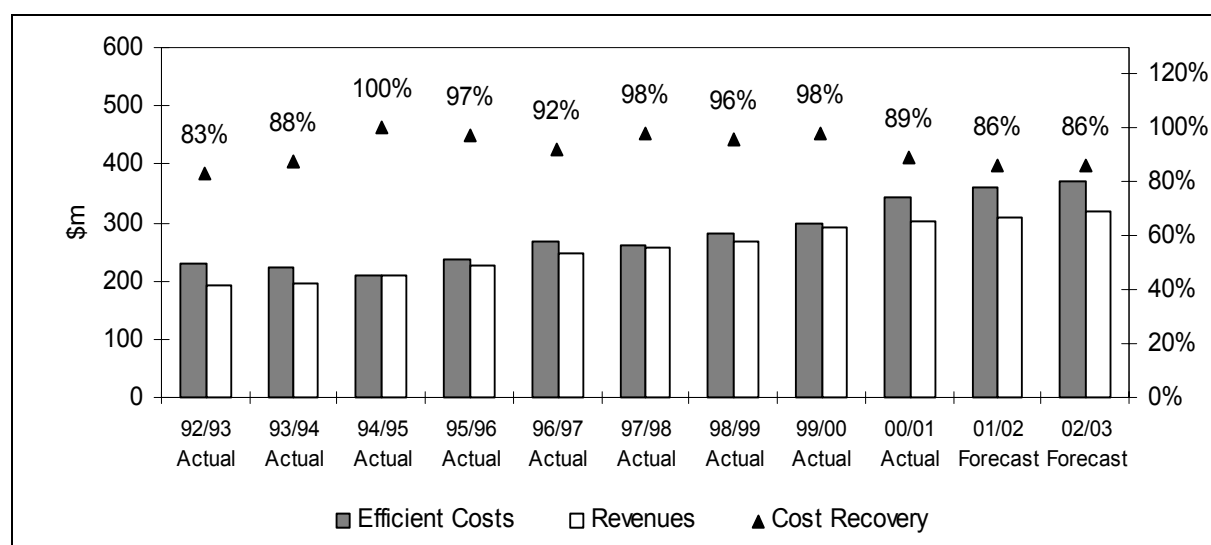
The Tribunal has increased maximum fares in 2002/03 in line with the 1.93 per cent average fare increase requested by Sydney Buses. This follows the 4.8 per cent average fare increase awarded in 2001/02 in order to improve Sydney Buses' recovery of estimated efficient costs and to reflect ongoing service improvements through the purchase of new buses. The Tribunal has calculated cost recovery by updating and deducting the efficiency gains identified in 1997 from the cost base (which includes depreciation and interest).⁷ The 1.93 per cent fare rise will increase Sydney Buses' fare revenue by \$3.2m.

Figure 2.2 shows that cost recovery will decline significantly between 2000/01 and 2001/02, as cost increases have outweighed increases in revenues. Cost recovery is then forecast to remain constant in 2002/03, well below 1999/00 levels.

Large cost increases incurred in the 2000/01 financial year have been sustained in the 2001/02 and 2002/03 years. One of the factors driving Sydney Buses' costs is fleet size. For example, in 1995/96 Sydney Buses operated a fleet of around 1,365 buses. In 2001/02, this has grown to 1,750, or by around 28 per cent. Further, buses purchased have also increased in cost, from around \$250,000 in 1995 to around \$430,000 today. This in part reflects a move to low floor buses.

⁷ The Tribunal had previously engaged consultants Sinclair Knight Mertz, in association with Coopers and Lybrand, to determine the efficient operating cost level for Sydney Buses. The consultants advised that Sydney Buses could save \$20.4m per annum over 3 years.

Figure 2.2 Sydney Buses' recovery of efficient costs



The Tribunal supports the establishment of an efficient cost base which could be considered in making fare determinations. However, for recent years it is difficult to ascertain clearly the trend in costs and patronage levels given the one off effects of the Olympics, the introduction of new cross regional services and busline purchases. This could be clouded further by the STA's participation in the Transitway Project. Clear ring fencing between regulated costs and those associated with such projects will be necessary as the importance of such ventures to Sydney Buses increases.

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

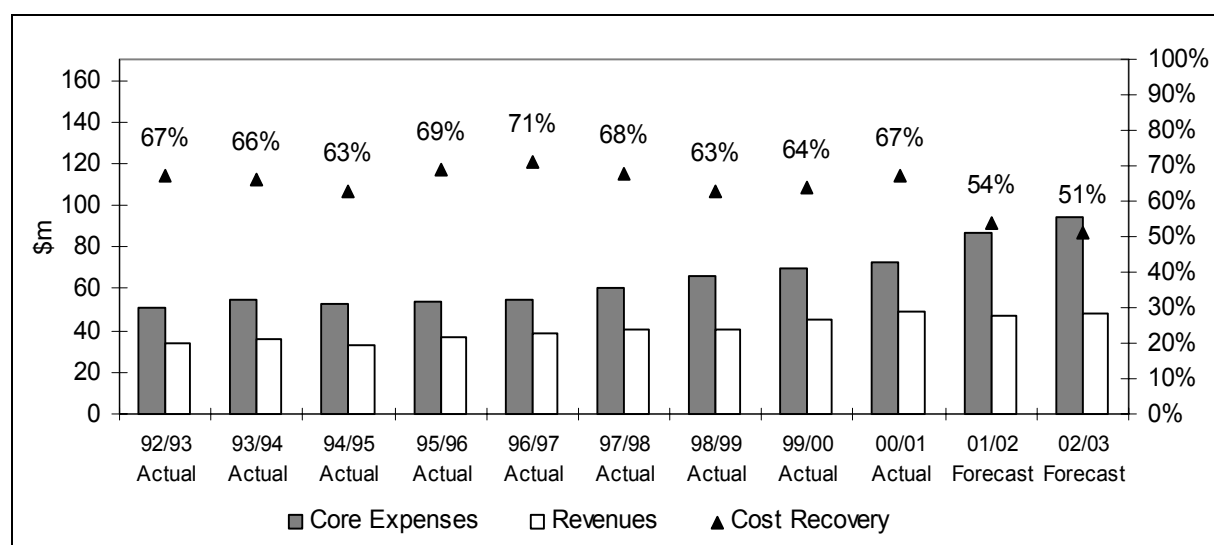
Clarification of these matters will assist the Tribunal in future determinations.

2.4 Sydney Ferries

In its last determination the Tribunal granted Sydney Ferries a fare increase of 5.0 per cent to enhance cost recovery. For 2002/03, the Tribunal has determined an average fare increase of 2.0 per cent for Sydney Ferries, as requested by the STA. This will reduce Sydney Ferries' level of cost recovery to 51 per cent as indicated in Figure 2.3.

In previous determinations, the Tribunal indicated that future fare increases for Sydney Ferries would be dependent on STA establishing and achieving efficient cost targets. STA has engaged consultants to review Sydney Ferries' cost efficiency, and the Tribunal awaits a final report on the findings of the review.

Figure 2.3 Sydney Ferries' cost recovery



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

Costs increased substantially in 2001/02 and 2002/03. This is largely the result of increased maintenance expenditure. The additional maintenance work was undertaken in response to a number of factors including retention of the JetCats on the Manly run and in response to review and recommendations by the Waterways Authority.

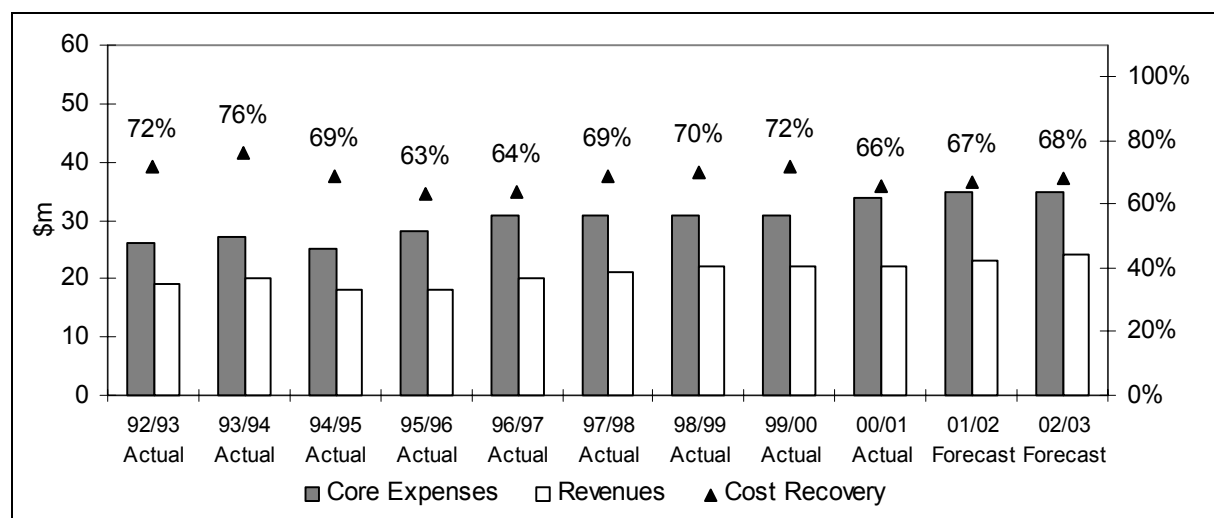
The Tribunal projects that the 2.0 per cent rise in average fares will increase Sydney Ferries' passenger revenue by \$635,000, with cost recovery declining to 51 per cent in 2002/03. Sydney Ferries' cost recovery has deteriorated significantly since 2000/01.

2.5 Newcastle Services

In its last determination the Tribunal granted Newcastle Services a fare increase of 3.7 per cent. For 2002/03, the Tribunal has determined an average fare increase of 0.46 per cent in accordance with the request made by STA. The Tribunal projects that this increase will result in Newcastle Services' cost recovery level improving to 68 per cent as indicated in Figure 2.4. The 0.46 per cent increase in average fares will increase Newcastle Services' fare revenue by \$21,300.

In the figure, 'core expenses' reflects Newcastle Services total operating expenses, including depreciation and interest. STA have recently embarked on a Better Buses program in the Newcastle service area, with the aim of consolidating services. This program is forecast to result in a containment of costs in future years, enabling cost recovery levels to improve.

Figure 2.4 Newcastle Services' cost recovery



2.6 Trends in revenues, fares and core operating costs

To supplement the Tribunal's analysis of cost recovery, the Tribunal has considered factors that lie within the cost recovery analysis. Specifically, it has considered trends in passenger farebox revenue⁸, fares and core operating costs. An additional factor, variations in passenger journeys, has been considered where relevant. The information expressed in the following figures represent **real** changes, as opposed to nominal changes (ie figures have been adjusted to exclude general movements in inflation).

Due to organisational changes within the transport agencies, the period of analysis varies between CityRail and STA. The CityRail analysis covers the period 1997/98 to 2001/02. The period of analysis for STA's business units covers 1992/93 to 2001/02.

2.6.1 CityRail

The following figure shows real movements in passenger farebox revenue, Tribunal determined fares and core operating expenditure (excluding interest and depreciation) for CityRail.⁹ Each of the series is indexed to 100 in 1997/98.

The Tribunal's major review on public transport set a medium term price objective for CityRail of 15 per cent real between 1996/97 and 1999/2000.¹⁰ Further, the Tribunal's report recommended that CityRail reduce its above rail costs in real terms by 2.5 per cent per annum. Although not fully illustrated in the figure, the four fare determinations made by the Tribunal applying through 1996/97 to 1999/2000, delivered a real average weighted fare increase for CityRail of over 20 per cent.

⁸ Excludes government reimbursements for free and concession travel.

⁹ Core operating expenditure includes all operating expenses as in Table A2.1, plus access fees and severance payments. It excludes interest and depreciation.

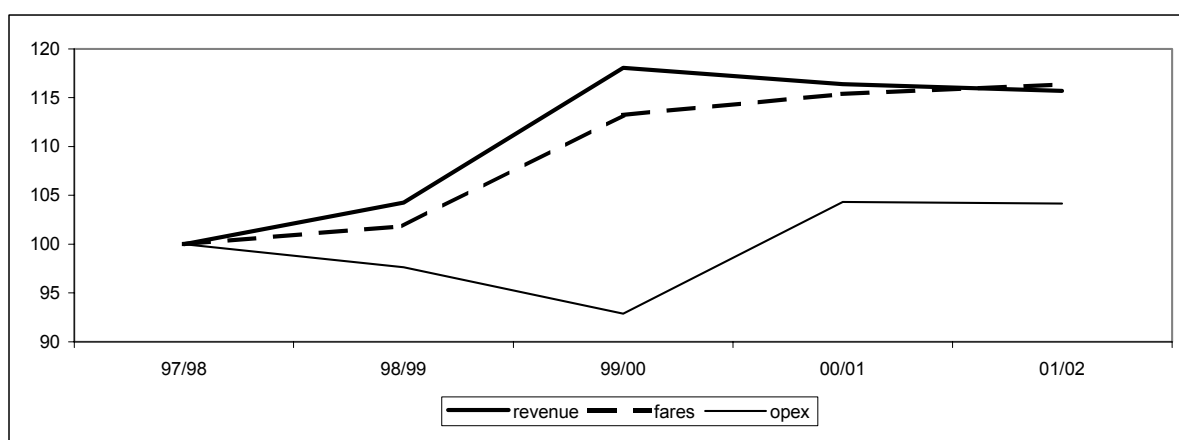
¹⁰ IPART, *Inquiry into the pricing of public passenger transport services*, Final report, October 1996, p 5.

As the figure shows, revenues and fares have increased to a similar extent. Each have risen by 16 per cent for the period covered in the figure. Since real revenues and fares move in a similar fashion, variations in CityRail’s cost recovery have largely come about through changes in cost levels.

Costs, after improving into 1999/2000, rose sharply in the following year. This is reflected in Figure 2.1 as improved cost recovery in 1999/00, before cost recovery deteriorated in 2000/01 and 2001/02.

Although the Tribunal has been able to increase CityRail fares in a reasonable fashion, cost increases experienced by CityRail have resulted in no improvements to overall cost recovery.

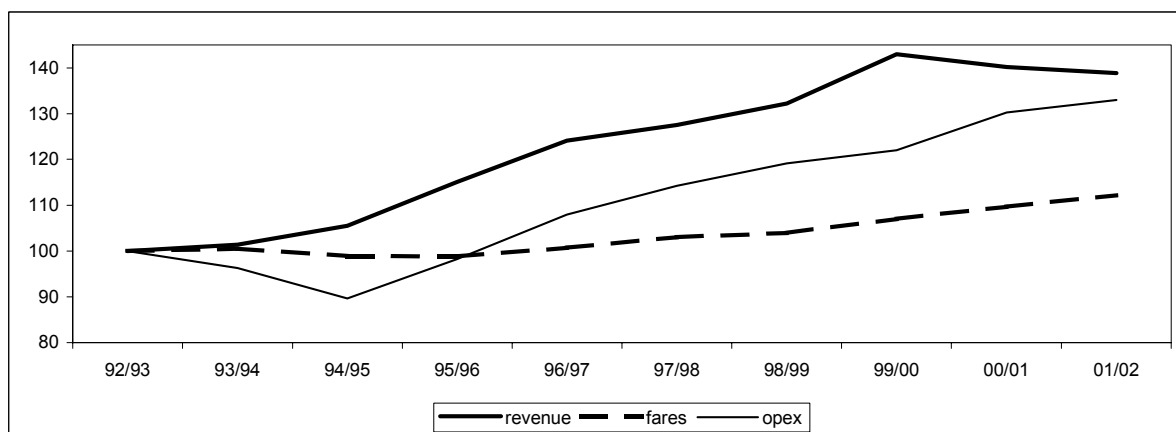
Figure 2.5 CityRail revenue, fare and opex trends



2.6.2 Sydney Buses

The following figure shows real movements in passenger farebox revenue, Tribunal determined fares and core operating expenditure (excluding interest and depreciation) for Sydney Buses.¹¹ Each of the series is indexed to 100 in 1992/93.

Figure 2.6 Sydney Buses revenue, fare and opex trends



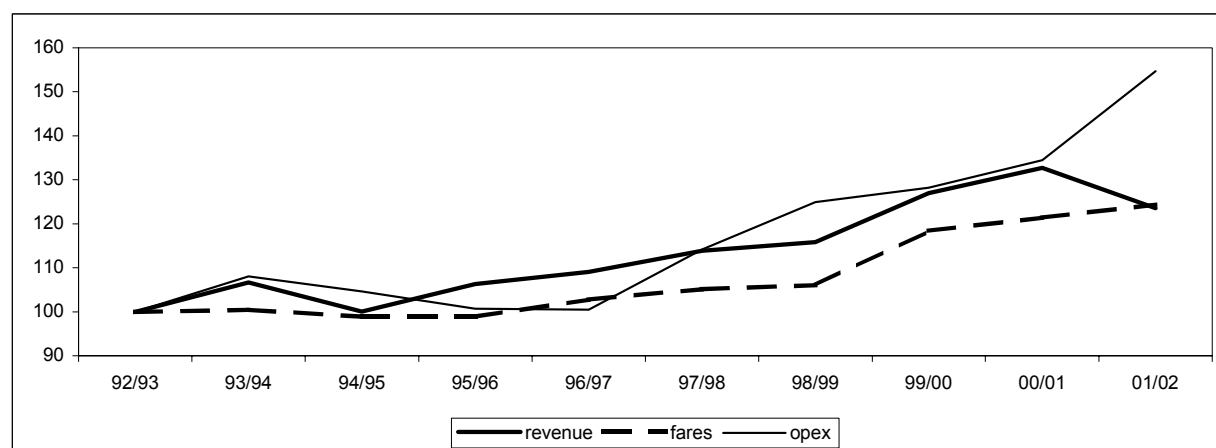
Fares increases for Sydney Buses have been relatively modest compared to CityRail. This reflects a number of factors as discussed in previous Tribunal determinations, including the relative cost recovery position of each of the agencies and a cost efficiency study undertaken for Sydney Buses.

For the period covered in the figure, real fares increased by around 12 per cent. Until recently the effect of these increases, coupled with revenue and costs moving in a similar pattern, were sufficient to have Sydney Buses recovering over 90 per cent of its efficient costs. Real revenue falls over recent years coupled with a sharp increase in costs in 2000/01, has seen cost recovery for Sydney Buses fall significantly.

2.6.3 Sydney Ferries

As for Sydney Buses, the following figure shows real movements in passenger farebox revenue, Tribunal determined fares and core operating expenditure (excluding interest and depreciation) for Sydney Ferries. Each of the series is indexed to 100 in 1992/93.

Figure 2.7 Sydney Ferries revenue, fare and opex trends



The Tribunal has granted higher real fare increases for Sydney Ferries compared to Sydney Buses. This in part has reflected a desire to improve the cost recovery position of Sydney Ferries. Real fares for Sydney Ferries increased by around 24 per cent between 1992/93 and 2001/02.

Despite these fare increases, cost recovery for Sydney Ferries has trended downwards over recent years (see Figure 2.1). A reason for this outcome is clearly shown in Figure 2.7. Since 1996/97, Sydney Ferries' costs have increased at a greater rate than revenues, and increased significantly in 2001/02. Further, revenues fell sharply in 2001/02.

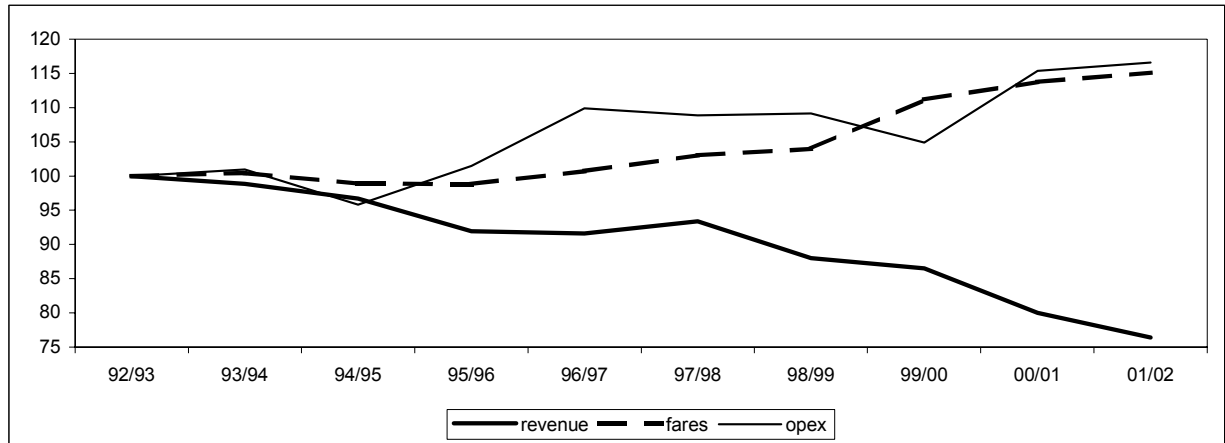
2.6.4 Newcastle Services

Figure 2.8 shows real movements in passenger farebox revenue, Tribunal determined fares and core operating expenditure (excluding interest and depreciation) for Newcastle Services. Each of the series is indexed to 100 in 1992/93.

¹¹ For each of Sydney Buses, Sydney Ferries and Newcastle Services, core operating expenditure includes all recurrent operating expenditure, but excludes interest and depreciation.

For Newcastle Services, Tribunal determined fares and costs have moved to a similar extent between 1992/93 and 2001/02, by 15 and 17 per cent respectively. On the other hand, passenger revenues have fallen significantly as a result of declining patronage and Newcastle Services' customer mix, ie a large proportion of concession travellers.

Figure 2.8 Newcastle Services revenue, fare and opex trends



3 SOCIAL IMPACTS AND ENVIRONMENTAL ISSUES

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

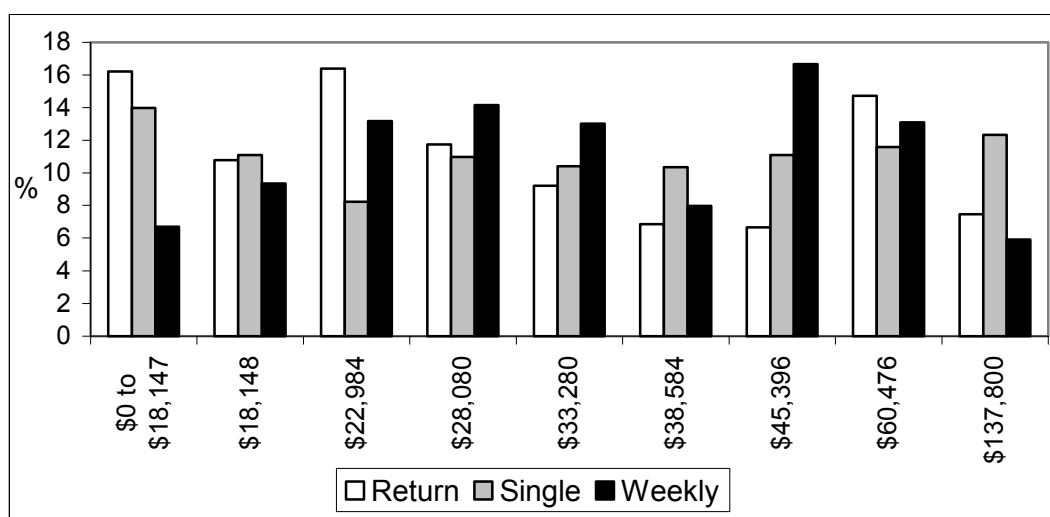
3.1 Assessing social impacts

Public transport passengers are a diverse group. They include full time and part time workers commuting to work, students travelling to places of education and others who use public transport for recreation or shopping. In assessing the social impacts of fare increases the Tribunal is concerned whether the size of the increase will adversely affect particular groups of passengers. Some of the issues the Tribunal considered during this determination process are discussed in this section.

STA and SRA offer a range of ticket types and products. Commuter oriented products provide for frequent users and include periodic rail tickets and TravelTen bus tickets as well as TravelPasses that can encompass use of trains, buses and ferries. These tickets offer substantial discounts to regular commuters. These discounts offer significant benefits in providing incentives for regular public transport use and for reducing the costs associated with issuing tickets.

Figure 3.1 shows the individual income profiles of rail passengers using return, single or weekly tickets. Commuters in the middle to high income groups tend to use the discounted weekly tickets whereas lower income groups are more heavily represented in single ticket purchases. Some issues relating to the social impacts of these fare structures and the level of discounts available to different users were raised during this review.

Figure 3.1 Income profile of users of different rail tickets



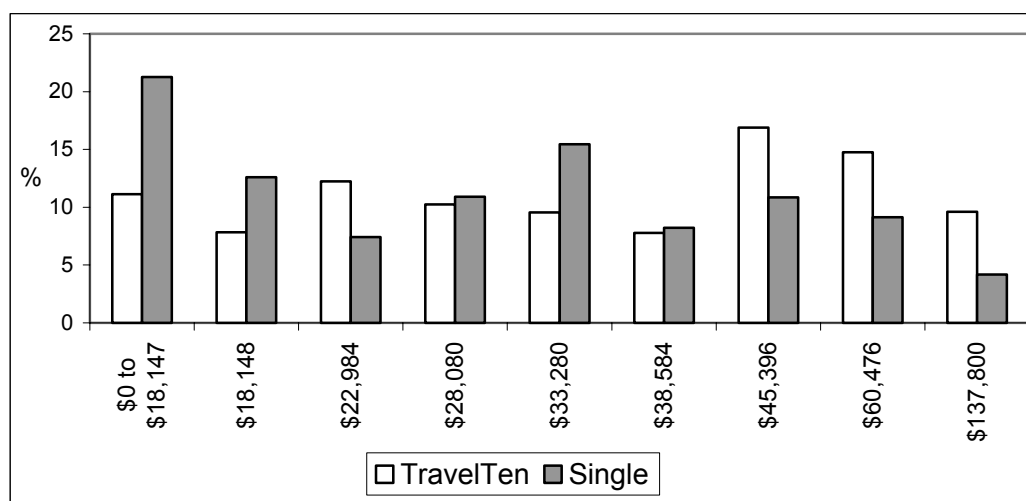
Note:

1. The figure only includes full time and part time workers who pay the full fare. The lowest income groups have been consolidated due to the small sample sizes. The survey does not distinguish between peak and off-peak tickets, therefore, the single and return tickets include both peak and off-peak travel.
2. The individual income figures represent the average of an income ranges specified in the survey.

Source: Transport Data Centre, Household Travel Survey 1999.

STA considers that skewing fare increases towards commuter-oriented products such as the TravelTen and TravelPass tickets is consistent with minimising the social impact of fare increases since lower income earners are more likely to purchase single fares.¹² The income profile of users of different STA bus tickets shown in Figure 3.2 supports this. However, the overall price increase this year does not allow much scope for reducing the size of the discounts on commuter-oriented products. The Tribunal will continue to consider the appropriate balance between the level of discount on commuter-oriented products and the affordability of single tickets in the future.

Figure 3.2 Income profile of users of different STA bus tickets



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

Source: Transport Data Centre, Household Travel Survey 1999.

Although STA has skewed its fare increases on the commuter market, it is concerned at the increase in market share of cash single ride tickets from 20 to 24 per cent.¹³ This is not optimal from an operational perspective because of the increased boarding time of passengers as bus drivers issue tickets. Relative price decreases for single tickets could encourage more passengers to purchase single tickets on board. The Tribunal supports an investigation by STA of alternative ticket types that would not present a prohibitive up front cost to lower income groups. In last year's review the Tribunal noted proposals for TravelTwo and TravelSix tickets. These may allow some discount to passengers with the additional advantage of reducing the purchase of on board single cash fares.

The distribution of price increases across CityRail fares was another issue raised. Some stakeholders were concerned that SRA's proposal to restrict fare increases to journeys of greater than 20km will result in only those commuters who travel long distances bearing price increases. SRA claims that since minimum increases in single fares are restricted to 20 cents, increasing fares for journeys less than 20km would result in fare increases for these passengers that significantly exceed the forecast increase in the CPI.¹⁴ It also argues that single fares in the shorter distance band have increased relatively more than fares in the

¹² State Transit Authority submission, March 2002, p 6.

¹³ State Transit Authority submission, March 2002, p 7.

¹⁴ The Commonwealth Treasury has forecast a national CPI of 2.75 per cent for 2002/03. See Commonwealth Government, *Budget 2002-03 Overview*, p 21.

longer distance bands since the mid-1990s.¹⁵ SRA believes this justifies its proposed distribution of fares across the distance bands. The Tribunal has accepted SRA's proposal for this determination. Importantly, the Tribunal notes that the fare increases are consistent with application of SRA's master fare schedule.

SRA acknowledges that multiride/TravelTen type products are desirable but has not offered them previously since most CityRail stations do not have the automatic gates required to record the trips made by each ticket. The availability of these types of tickets could benefit less frequent travellers including casual or part time workers as there are no time restrictions on their use. SRA is examining the feasibility of introducing a TravelTen type product for trips within the inner-city zone since stations in this zone do have automatic gates. These tickets could be extended to other zones following implementation of the Integrated Ticketing System.¹⁶ The Tribunal supports this proposal.

SRA offers a 40 per cent discount on adult off-peak fares. It proposes to maintain this level of discount and not to increase child off-peak fares. The Tribunal supports this proposal since passengers using the off-peak fares are less likely to be full-time workers and more likely to be in lower income groups.

Generally, stakeholders were not concerned at the weighted average 2 per cent increases proposed by STA and SRA, though issues about the distribution of the rises and impacts resulting from ticketing structures were raised. This determination will result in real price decreases for many public transport passengers. The Tribunal believes that since the overall price increases proposed this year are less than the forecast increase in the CPI, they will have minimal social impacts.

3.2 Environmental issues

Increasing the use of public transport relative to private vehicles can have a range of environmental benefits. These include reduced greenhouse emissions and air pollution, less congestion on roads, reduced traffic noise and increased amenity.

The Tribunal first considered the extent to which its pricing determinations affected travel patterns in its major transport review in 1996. The Tribunal commissioned the Institute of Transport Studies to estimate the extent to which existing users of private or public transport respond to changes in public transport fares by altering their travel patterns. The main finding of the study was that price plays a relatively minor role in determining the choice of a particular mode of transport. This finding is supported by more recent information published by the Transport Data Centre. Only 22 per cent of train passengers and 18 per cent of bus users nominate price as a reason for choosing these transport modes.¹⁷

An independent study by the Centre for International Economics (CIE) on subsidies and the social costs and benefits of public transport was completed as part of the 2001/02 determination. This and other research suggests that the most effective way to move towards an ecologically sustainable transport sector is to implement user charges that account for external costs for all modes of transport, particularly road transport. The

¹⁵ State Rail Authority submission, March 2002, p 46.

¹⁶ State Rail Authority submission, March 2002, pp 50-51.

¹⁷ Transport Data Centre, *Train Users in Sydney*, Issues Paper 2000/01 and *Bus Users in Sydney*, Issues Paper 2000/01.

analysis indicates that subsidising public transport fares is a less effective means of improving environmental performance in the transport sector than:¹⁸

- pricing externalities for private vehicles and
- improving accessibility, frequency and convenience of public transport services.

The report claims that international studies indicate public transport subsidies on their own are unlikely to deliver the full benefits of more direct methods of implementing road user charges such as increased CBD parking charges.¹⁹

A recent report commissioned by the EPA estimated the external costs of road transport and reported a \$20 billion per annum financial subsidy to the sector Australia-wide, excluding the cost of greenhouse gas emissions.²⁰ The report recommended a number of changes that could be implemented in order to remove the subsidy on road transport. These include vehicle taxes and charges, changes to fringe benefits tax and increased parking fees. The report did not consider public transport in detail but stated that the development of public transport systems is largely a question of urban planning and public investment rather than one of economic incentives to individual consumers.

SRA provided estimates of some of the external benefits of rail transport in its submission and argued that these should be reflected in rail pricing since the full external costs of road use are not reflected in road use pricing. That is, there should be some subsidy to rail transport in recognition of the external benefits it provides and the costs of road transport that aren't met by road users. Other stakeholders suggested that both SRA and STA should be required to conduct a more detailed assessment of the external benefits of the services that they provide. The Tribunal recognises the complexity of assessing external benefits but supports increased analysis and assessment of these issues by both SRA and STA in the future.

At the public hearing both STA and SRA indicated that growth in passenger numbers had softened and considered that this could be partly attributed to increased affordability of car travel especially after recent tax changes.²¹ Both agencies thought it was important to minimise price increases at this time in an attempt to regain lost patronage. The Tribunal is concerned about this trend and the implications for ecologically sustainable development but remains uncertain of the factors that have contributed to it. Trends in passenger numbers should be carefully monitored over the coming year.

The Tribunal also considers that improved service levels in public transport are an important factor in encouraging increased patronage, and therefore increased environmental benefits. Service standards are discussed in Chapter 4.

¹⁸ Centre for International Economics, *Subsidies and the social costs and benefits of public transport*, prepared for the Independent Pricing and Regulatory Tribunal of NSW, February 2001.

¹⁹ Centre for International Economics, *Subsidies and the social costs and benefits of public transport*, prepared for the Independent Pricing and Regulatory Tribunal of NSW, February 2001.

²⁰ Hamilton, C., Denniss, R., Turton, H., *Taxes and Charges for Environmental Protection*, The Australia Institute, Discussion Paper Number 46, March 2002.

²¹ Independent Pricing and Regulatory Tribunal, *Public Transport Hearing*, 10 May 2002, Transcript p 6 and p 22.

The Tribunal is required to consider a range of factors in making its determination. In regard to public transport fares and environmental consequences, it is widely acknowledged that demand for urban public transport is inelastic. Since modest fare increases have a minimal impact on patronage, the Tribunal considers that addressing externalities of the private transport sector through lower public transport fares is inappropriate. The Tribunal believes that this determination will not have a significantly adverse environmental impact especially since many passengers will benefit from real price decreases.

During last year's determination, the Tribunal commissioned an independent study by the Centre for International Economics (CIE) on subsidies and the social costs and benefits of public transport.²² The study indicated that changes in public transport fare levels are unlikely to have a major impact on patronage levels, and that a range of factors are considered by the traveller when determining travel mode. The study states:²³

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

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

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

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

Notwithstanding the substantial difficulties in estimating externalities, the CIE study indicates that in considering appropriate pricing for alternate transport modes, the best way to deal with a distortion is to use an instrument that bears most directly on the incentive that needs to be changed. In the case of private transport use, congestion tends to dominate other traditional external costs. As such, road user charges would be a first best approach to correcting excessive use of private transport.²⁴ The study then notes that:²⁵

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

²² Centre for International Economics, *Subsidies and the social costs and benefits of public transport*, March 2001. Available from the Tribunal's website, www.ipart.nsw.gov.au.

²³ Op cit, pp 38 and 43.

²⁴ Anecdotal evidence reported in the Daily Telegraph (13 June 2001, p 3) supports the case that car users are responsive to changes in toll charges and petrol prices.

²⁵ Op cit, pp 40 and 51.

The international attempts to *model* the likely impacts of road use charging have in a number of instances included public transport subsidies as a complementary or alternative instrument for modifying road use to more efficient levels. These studies point to significant potential gains where road user charges are part of a larger policy package... Public transport subsidies on their own seem capable of delivering only a fraction of the benefits of these more direct methods, particularly when the social costs (efficiency losses) of tax funding of subsidies is taken into account.

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

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

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

4 SERVICE STANDARDS

Service standards are one of a range of factors the Tribunal is required to consider under section 15 of its Act when setting prices.²⁶ In recent years service levels have been a focus of the Tribunal's determinations of transport fares, particularly for CityRail. Incidents involving Sydney Ferries, and the level of services provided on particular routes, have increased attention on the standard of service provided by STA.

In previous determinations stakeholders have been concerned with the quality of services offered by SRA and in particular the cleanliness of CityRail trains. Historically, stakeholders have also raised concern as to the on-time running performance of both CityRail and STA bus and ferry services.

The key issues raised in stakeholder submissions during the 2002/03 review are largely in line with those raised in previous determinations, with a number of stakeholders suggesting that CityRail services do not meet community expectations in terms of service quality.

The Blue Mountains Commuter & Transport User Association noted that it regularly received negative feedback from members as to the condition of CityRail trains and problems with SRA services. It notes that there are problems in relation to train presentation, air conditioning in carriages, unclean toilets, graffiti and rubbish on trains and at stations and inaudible PA announcements on trains.

The Tribunal has reviewed the service quality performance of each agency. The information generally indicates an improvement in CityRail's performance in terms of on-time running. The data also show that Sydney Buses on-time running performance has continued to exceed its benchmark and that there has been a slight improvement in Sydney Ferries' performance overall. The Tribunal notes that Newcastle Services performance in terms of on-time running has been particularly poor in recent years.

The Tribunal notes that service performance has improved in some areas and that the agencies appear committed to improving service standards. The Tribunal has considered the service quality outcomes in this fare determination.

4.1 Introducing a passenger charter

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

SRA introduced its customer service commitment during last year's determination. This followed a period of consultation with customers. Although stakeholders were supportive of the release of a charter, they believed the consultation process was generally poor and the document required further improvements. Transport NSW has already prepared a draft PAR and has sought comment on this document. The Department has not indicated when this regime will be implemented.

²⁶ See attachment 2 for a review of matters considered under section 15 of the IPART Act in setting CityRail fares for 2001/02. See attachment 3 for a review of matters considered under section 15 of the IPART Act in setting State Transit Authority fares for 2001/02.

4.1.1 CityRail's progress

At the 2001/02 determination the Tribunal noted that SRA tabled an amended customer charter entitled *CityRail's Customer Service Commitment* at the public hearing. It covers a range of issues including the area of operations for CityRail services, the types of services and tickets provided, customer information contacts and avenues for feedback and performance targets.

The customer service commitment proposed two performance indicators: on-time running and service reliability (ie proportion of services operated).

In response to criticism from a number of key stakeholders, the Tribunal assessed that while the *CityRail Customer Service Commitment* did not address all the concerns raised in submissions, it was an appropriate starting point and should be considered as an evolving document.

There is a degree of stakeholder concern that the document has not been updated since the 2001/02 determination. The Council of Social Service of New South Wales (NCOSS) stated:²⁷

The SRA submission provides no evidence that the Customer Service Commitment released by SRA in July 2001 has been further developed in consultation with key stakeholders. There is also no indication that the document has been subject to any process of evaluation regarding either its effectiveness or CityRail's performance against it.

The Tribunal continues to view CityRail's customer service commitment as an evolving document and expects feedback from SRA during next year's determination on progress in further developing the service commitment.

4.1.2 State Transit's progress

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

In Transport NSW's September 1998 discussion paper, it was envisaged that the PAR would be implemented from July 1999. Feedback on the discussion paper contributed to the Department's decision to significantly revise its approach to the PAR. A second discussion paper was released in October 2000, and submissions received in December 2000.²⁸

In its submission to the Tribunal, STA notes that it is currently involved in a number of issues which are directly related to achieving improvements in service quality and service standards. In particular, STA notes that it is currently working with Transport NSW in a joint venture with other transport agencies on the development of a generic service charter.²⁹

²⁷ NCOSS submission, April 2002, p 3.

²⁸ The discussion paper and submissions can be viewed in the 'what's new' section of Transport NSW' website, www.transport.nsw.gov.au.

²⁹ State Transit Authority submission, March 2002, p 25.

Stakeholders were concerned that STA has not developed a customer service charter. Action For Public Transport (APT) state that in light of CityRail's successful implementation of a basic customer charter, STA or its separate bus and ferry divisions should be required to do the same.³⁰

APT also states that the Tribunal should not accept the explanation that buses (and ferries) do not run on exclusive right-of-way and therefore are affected by factors beyond the operator's control as a reason for not implementing a customer service commitment.

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

4.2 CityRail's service standards in 2001/02

The SRA operates CityRail services subject to a range of quality and reliability standards codified in its community service obligation (CSO) funding contract with the NSW Government. The contract specifies minimum and target performance levels. The Tribunal receives some of this information annually as part of the fare determination process.

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

While the key performance standards that will be monitored have not yet been established, they will broadly include:³¹

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

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

4.2.1 Customer satisfaction

SRA has not published results of customer satisfaction surveys over the past year. Nevertheless, SRA states that it is committed to providing reliable and punctual train services and that CityRail's performance is closely monitored and reported each week on the CityRail website.³² Much of SRA's discussion on CityRail's performance is devoted to on-time running and measures to improve services.

³⁰ Action for Public Transport submission, p 3.

³¹ *Transport Administration Amendment (Rail Management) Bill 2000*, Schedule 4: Amendment of *Transport Administration Act 1988* and other Acts relating to Rail Regulator. See Part 2B, Division 3.

³² State Rail Authority submission, March 2002, p 25.

The Tribunal received a number of submissions from individuals and community groups expressing their concern at the level of service offered by CityRail. The key areas of concern are similar to those raised last year and include:

- late running, missing stops at both peak and off-peak times
- air conditioning temperature variable, not set at the appropriate temperature
- the poor condition of train carriages
- cleanliness on trains and at stations in terms of both rubbish and graffiti
- unfavourable odours in and around toilets and
- inaudible PA announcements on trains.

On the whole, individual submissions indicate a level of dissatisfaction with service quality, particularly given that service quality was of a much higher standard during the Olympic period in 2000. While SRA has made changes, submissions suggest that these changes are yet to be reflected in improved customer satisfaction generally.

The Tribunal further notes that some initiatives to improve service quality have been delayed by the SRA and/or the Government. These include construction of the Chatswood rail line, introduction of a new CityRail timetable in April 2002 and the introduction of the new Millennium trains.

4.2.2 On-time running

CityRail's customer service commitment details two specific performance indicators for 2001/02. These are:³³

- at least 99 per cent of peak services to run, and
- at least 92 per cent of suburban peak services to arrive within three minutes of their scheduled arrival time, (five minutes for intercity services).

In its submission to the Tribunal, SRA devoted a substantial amount of resources to emphasising the importance of recent improvements in its performance in terms of on-time running. SRA notes that, historically, CityRail has performed poorly in terms of on-time running and that the annual target of 92 per cent of suburban peak services to arrive within three minutes of their scheduled arrival time has only been met on three occasions in the history of SRA.

Overall, on-time running in the morning peak has improved since the last determination. For 2000/01, on-time running in the morning peak was recorded at 90.3 per cent. This compares with 86.2 per cent during 1999/00. However, SRA note that as at the end of January 2002, 92.7 per cent of peak services arrived within three minutes (five minutes for Intercity services) of the scheduled arrival time.³⁴ The Tribunal notes that more recent information on SRA's website indicates that on-time running was recorded at 95.1 per cent for April 2002, and 92.8 per cent for May 2002.

³³ State Rail Authority submission, March 2002, p 25.

³⁴ State Rail Authority submission, March 2002, p 25.

It is encouraging to note that the preliminary data provided by the SRA in its submission and more recent information indicate an improvement in CityRail's on-time running performance.

On-time running performance receives considerable attention, and the NSW Government has moved to improve what it perceives to be problems with the system. In last year's determination the Tribunal noted that the Government had allocated more maintenance funding and additional funds for capital works. SRA's submission and the Tribunal's determination last year note capital works improvements including:³⁵

- \$91m funding for infrastructure for 2000/01
- \$30m to accelerate the completion of two extra tracks to relieve congestion on the East Hills line for 2000/01, with completion to Kingsgrove by September 2001
- \$27m to expedite the construction of an extra track to Quakers Hill to improve services on the Richmond line by 2002
- \$114m over four years to accelerate the maintenance and refurbishment of CityRail trains
- \$14m to increase regular training for drivers and guards for 2000/01
- \$61m for upgrading CityRail stations.

SRA notes that it faces considerable difficulties with regard to meeting its target for on-time running and in a major initiative to overcome these problems SRA detailed in its submission an intention to allocate a significant amount of resources to the development of an amended CityRail timetable. The amended timetable, which was scheduled to commence from 21 April 2002, was suggested as a measure to significantly improve CityRail's on-time running performance and also improve customer satisfaction.

However, in early April 2002, SRA's plans for a new timetable were postponed after a shortfall in available drivers was discovered. The Minister for Transport suggests that it is important that the new timetable is implemented, however, it should remain on hold until the necessary resources can be guaranteed.

The Tribunal considers that on-time running is an important indicator of service standards. However, it should not be the sole focus when service standards are considered. It is sensible to have a range of indicators with which to assess performance. An organisation forced to focus on a single indicator may have perverse operational incentives forced upon it.

SRA have previously supported this opinion, suggesting that with a sole focus on on-time running performance, services may be cancelled and stops skipped in an effort to have trains arrive on-time. In addition, the Tribunal considers that any focus on on-time running performance should not jeopardise the safe operation of the rail system.

The Tribunal notes that there has been some improvement in on-time running over the last year. However, it will continue to consider not only on-time running performance but other performance indicators such as reliability (ie proportion of scheduled services run) and missed stops, and the views of other stakeholders.

³⁵ State Rail Authority submission, March 2002, p 35.

4.3 State Transit's service standards in 2001/02

STA's performance statistics show that service standards have been maintained on average across each of its businesses, except for Newcastle Services where on-time running performance has deteriorated over recent years.

Table 4.1 STA service standards

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02 ¹
Sydney Buses						
On-time running	97.5%	97.2%	97.1%	97.4%	96.1%	97.0%
Trips cancelled	0.28%	0.37%	0.52%	0.44%	0.47%	0.44%
Customer satisfaction	73%	72%	na	na	70.0%	na
Sydney Ferries						
On-time running	99.5%	98.6%	98.4%	99.5%	99.4%	99.5%
Trips cancelled	na	na	na	na	0.70%	0.50%
Customer satisfaction	70.0%	71.0%	na	86.0%	84.0%	na
Newcastle						
On-time running	98.8%	99.2%	97.9%	95.1%	95.5%	95.5%
Trips cancelled	na	0.02%	0.02%	0.07%	0.07%	0.06%
Customer satisfaction	84.1%	na	na	na	na	na

Note:

1. Figures for 2001/02 are projections by STA.

The Tribunal recognises that the operational statistics quoted above are aggregates and can mask problems in particular areas or for particular timeframes. For example, they do not highlight the service problems Sydney Ferries experienced during the early months of 2001. Further, some of the statistics presented are not relevant from a customer perspective: on-time running is measured at the point where the bus leaves the depot to begin its route. It therefore may not reflect whether the bus arrives on-time at a particular point along the route.

On-time running for buses will be affected by general traffic flows, which STA cannot control. It may therefore be inappropriate to measure on-time running on a similar basis to CityRail. However, it may be reasonable to measure on-time running at the beginning of each route, ie do timetabled services actually begin their run on-time. The Tribunal also notes that on-time running for buses is measured by the Victorian authorities.³⁶

4.3.1 Sydney Buses

The main performance statistics provided by STA include on-time running, trips cancelled and overall customer satisfaction. Under its service contract with Transport NSW, STA currently collects information on a range of service quality issues including: bus reliability, customer complaints mechanisms, bus maintenance and cleanliness levels, proximity to bus routes and hours of operation on different days of the week.

³⁶ Victoria's *Track Record* publication publishes on time performance for Metro buses. On-time performance is measured at the end of the journey. On-time is defined as not more than two minutes early or five minutes late at their destination.

In terms of on-time running, data provided by STA indicate that there has been no significant change in Sydney Buses' performance over the last five years. Although performance has deteriorated slightly in terms of trips cancelled, it is noted that only a small percentage of trips are actually cancelled. Performance is expected to improve slightly in 2001/02.

Bus maintenance is a factor that will influence the reliability of Sydney Buses' services. In this regard, the Audit Office of NSW has recently released a report on STA.³⁷ The report noted that STA has developed fleet management plans and maintenance standards that meet its regulatory and contractual obligations, and which are consistent with vehicle manufacturers' standards and best practice.

However, the Audit Office found that some STA bus maintenance practices were inconsistent with its own standards, stating that this has contributed to the current situation where defects are missed, buses repeatedly fail in service and there are significant increases in the backlog of repairs. Further, the Audit Office report states that STA fails to take account of opportunities to redesign or reduce services where they exceed contract requirements and are difficult to justify on a commercial basis. It notes that 69 per cent of STA's bus routes are unprofitable.

In response to the Audit Office report, John Stott, Chief Executive of STA states that for April 2002, failures of buses in service (which are inevitable even in the best-maintained fleet) were at a five year low, and the fact that a large proportion of the bus fleet has work programmed is not a fundamental indicator of an under-maintained fleet but is the direct result of STA's demanding inspection program. Further, STA considers the view of reducing unprofitable services to be naïve given the important role that public transport plays in the economic, social and environmental well-being of the community. It is further stated that fleet size and the route network are driven by community need and government's expectations, not by 'the most efficient and effective outcome for STA'.

The Audit Office's findings are consistent with the performance statistics of Sydney Buses, as discussed above. The Office also comments that data on the performance of bus services is not always accurate or reliable, and published data was found to be incomplete, inaccurate and potentially misleading.

The Tribunal is aware of such performance measurement issues. It is considered that a properly introduced PAR could address these problems. As noted above, there has been some work towards a PAR for buses, and STA is currently working with Transport NSW and other transport providers in developing a service charter. In this regard, the Tribunal notes that the definition and collection of performance measures is important. As an example, the Tribunal has previously raised concerns in regard to the definition of on-time running for Sydney Buses. As on-time running is measured at the point where the bus leaves the depot to begin its route, there is a question as to its relevance to passengers. The Tribunal stated last year that it is reasonable to measure on-time running at the beginning of each route.

³⁷ The Audit Office of NSW, *State Transit Authority – Department of Transport: Bus maintenance and bus contracts*, Performance audit report, May 2002.

STA's submission outlined a range of service enhancement initiatives, including:³⁸

- the 'Better Buses' program: which encompasses studying community needs and aims to develop an innovative and effective network that meets the needs of the majority of people
- bus priority network: a substantial bus priority network has been developed, including dedicated bus lanes, transit lanes and bus priority traffic signals
- fleet development strategies: new buses will be purchased as required, featuring low floors, air conditioning and extra railing and hand grips to add to customer accessibility and comfort.

In previous determinations there has been a significant number of submissions from individuals raising concerns about service quality. Key concerns included on-time running performance, skipped stops when buses were full and overcrowding, particularly on Northern beaches services running along Military Road. During this determination the Tribunal has received only a small number of submissions, perhaps due to the relatively low fare increase proposed. Within these submissions, service quality has not been a significant issue compared to previous years.

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

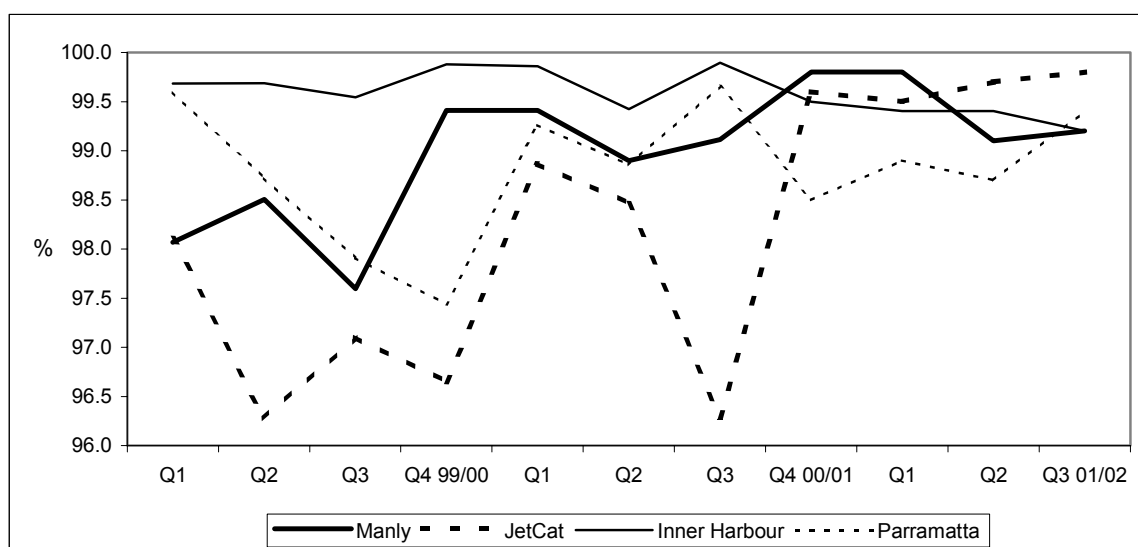
4.3.2 Sydney Ferries

In terms of on-time running, the STA data shows that there has been a slight increase in Sydney Ferries' performance over the last five years and that a relatively high percentage of its services operate to timetable.

STA data on trips cancelled is only available for 2000/01 and 2001/02. It shows that only a small proportion of trips were cancelled during 2000/01. The forecast data suggests that the number of ferry services cancelled in 2001/02 is likely to decline.

The following figure provides a break down of the service reliability for ferry services operated by Sydney Ferries.

³⁸ State Transit Authority submission, March 2002, pp 21-25.

Figure 4.1 Service reliability (% of scheduled trips completed)

On the whole Sydney Ferries' have a high level of reliability (ie there are a small number of services cancelled). The performance of the Manly ferry has improved since early 2000. Over the last 12 months, over 99 per cent of scheduled services have been operated. JetCat services have improved considerably since problems in early 2001. Reliability on Inner Harbour services has been consistently high over recent years. The reliability of the Parramatta services declined throughout 1999/00, but has since recovered.

Overall, although the figures do show some variability, the reliability of Sydney Ferries' services has improved slightly over the last year and is generally high.

STA also conducts surveys in order to determine the level of customer satisfaction with Sydney Ferries services. The survey data indicates that during 2000/01 a larger proportion of Sydney Ferries customers were satisfied with the level of service that they received than those customers who use Sydney Buses' services.

4.3.3 Newcastle Services

Newcastle Services' bus and ferry services do not face the same level of traffic as Sydney Buses and Sydney Ferries. In theory this should make it much easier to meet targets for on time running. It has also been noted in previous determinations that the operating environment of Newcastle Services is less complex.

However, the data provided by STA on Newcastle Services on time running indicates an overall declining trend. On time running performance in Newcastle has been particularly poor with almost 5.0 per cent of services not operating according to timetable. Moreover, the forecast data also shows there is unlikely to be any significant improvement in on time running in the coming period.

In terms of trips cancelled, the data show a more positive result with only a very small percentage of Newcastle bus and ferry services cancelled during the period.

5 MAXIMUM FARES FOR 2002/03

Weighted average fares in 2002/03 will rise by 2.0 per cent for CityRail, 1.93 per cent for Sydney Buses, 2.0 per cent for Sydney Ferries and 0.46 per cent for Newcastle Services. The increase granted to each agency is consistent with the relevant submissions. In making this determination the Tribunal has considered a range of factors, including service quality and cost recovery.

5.1 CityRail fares

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

In previous determinations, fares for the 25 – 65 km band have been held slightly below the level calculated by the master fare schedule. It was considered that the scale of increase required in one year to reach the master fare schedule was too high.

In this determination, the fare increases are limited to trips greater than 20 km. This will assist in correcting the fare anomaly discussed above.

5.1.1 CityRail's single journey tickets

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

Table 5.1 Increases in CityRail single journey fares

Distance up to (km)	2001/02 fare (\$)	2002/03 fare (\$)	Change (\$)
5	2.20	2.20	0.00
10	2.60	2.60	0.00
15	2.80	2.80	0.00
20	3.40	3.40	0.00
25	3.60	3.80	0.20
30	4.00	4.20	0.20
35	4.20	4.40	0.20
45	5.00	5.20	0.20
55	5.80	6.00	0.20
65	6.40	6.60	0.20
75	7.80	8.00	0.20
85	8.60	8.80	0.20
95	9.60	9.80	0.20
105	10.00	10.20	0.20
115	11.20	11.40	0.20
125	12.40	12.80	0.40
135	12.60	13.00	0.40
155	14.60	15.00	0.40
175	16.60	17.00	0.40
195	19.80	21.00	1.20
215	21.00	22.00	1.00
235	24.00	25.00	1.00
255	25.00	26.00	1.00
305	27.00	28.00	1.00
305+	29.00	30.00	1.00

5.1.2 CityRail off-peak fares

Off-peak fares are sold as return fares only, available from 9:00 am weekdays, all day on weekends and on public holidays. Off-peak return fares are generally set at 1.19 times the single journey fare, subject to rounding. Table 5.2 compares the current and proposed fares, indicating the increase for each distance band.

Table 5.2 Increases in CityRail off-peak return fares

Distance up to (km)	2001/02 fare (\$)	2002/03 fare (\$)	Change (\$)
5	2.60	2.60	0.00
10	3.00	3.00	0.00
15	3.40	3.40	0.00
20	4.00	4.00	0.00
25	4.20	4.40	0.20
30	4.80	5.00	0.20
35	5.00	5.20	0.20
45	6.00	6.20	0.20
55	7.00	7.20	0.20
65	7.60	7.80	0.20
75	9.20	9.60	0.40
85	10.20	10.40	0.20
95	11.40	11.60	0.20
105	11.80	12.20	0.40
115	13.40	13.60	0.20
125	14.80	15.20	0.40
135	15.00	15.40	0.40
155	17.40	17.80	0.40
175	19.80	20.00	0.20
195	24.00	25.00	1.00
215	25.00	26.00	1.00
235	29.00	30.00	1.00
255	30.00	31.00	1.00
305	32.00	33.00	1.00
305+	35.00	36.00	1.00

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

Table 5.3 CityRail off-peak child fares

Zone	Coverage	2001/02 fare (\$)	2002/03 fare (\$)	Change (\$)
1	Sydney suburban and Newcastle suburban areas	2.30	2.30	0.00
2	Outer suburban areas	3.40	3.40	0.00
3	All CityRail network	5.60	5.60	0.00

5.1.3 CityRail periodicals

During last year's determination the Tribunal supported SRA's introduction of weekly tickets for distances greater than 195 km. Table 5.4 compares the 2001/02 and 2002/03 CityRail weekly fares.

Table 5.4 Increases in CityRail weekly fares

Distance up to (km)	2001/02 fare (\$)	2002/03 fare (\$)	Change (\$)
5	17.00	17.00	0.00
10	20.00	20.00	0.00
15	23.00	23.00	0.00
20	26.00	26.00	0.00
25	28.00	29.00	1.00
30	30.00	31.00	1.00
35	31.00	32.00	1.00
45	35.00	36.00	1.00
55	38.00	39.00	1.00
65	42.00	43.00	1.00
75	45.00	46.00	1.00
85	48.00	49.00	1.00
95	50.00	51.00	1.00
105	52.00	53.00	1.00
115	54.00	55.00	1.00
125	57.00	58.00	1.00
135	62.00	63.00	1.00
155	67.00	69.00	2.00
175	71.00	73.00	2.00
195	79.00	81.00	2.00
215	81.00	83.00	2.00
235	93.00	95.00	2.00
255	97.00	99.00	2.00
305	105.00	107.00	2.00
315+	113.00	115.00	2.00

Flexipass tickets, for travel over periods of 28 days to 366 days, are calculated using a formula set out in the CityRail Pricing Schedule attached to this report.

5.1.4 CityRail other

The CityHopper ticket had previously provided a day's unlimited train and bus travel within the CBD zone bounded by North Sydney, Kings Cross and Redfern. During last year's determination STA indicated that it no longer wished to participate in this ticket due to its low sales. SRA proposed to price the ticket at \$2.00 as an add-on³⁹, and if purchased in the CityHopper area at \$6.40 in the peak and \$4.60 in the off-peak. Child fares were to be calculated at half the adult fare. The Tribunal considered SRA's proposal to be reasonable.

In this determination, CityHopper fares are to remain at current levels.

³⁹ The price of the CityHopper ticket, when purchased outside the CBD zone (ie CityHopper area), is the price of the appropriate return ticket, peak or off-peak, from the originating station to the City plus an add-on component.

5.2 State Transit Authority fares

During last year's determination STA proposed the introduction of a master fare schedule to ensure that future rounding does not significantly alter the fare structure.⁴⁰ STA has again used its master fare schedule in applying fare increases.

In previous determinations STA has stated that the level of discount attached to TravelTen and TravelPass tickets have been too high relative to cash single fares and that there is a need to reduce the level of discount. In applying fare changes under its proposal, STA has attempted to focus fare increases on tickets used by commuters, which tend to be multiride tickets rather than cash fares.

Notwithstanding these fare adjustments, STA is mindful of any shift towards cash single tickets. STA is trying to discourage the use of the cash single fare because it slows boarding on bus services, resulting in slower operating speeds and higher operating costs. More cash on board the buses also poses a greater security risk for drivers.

5.2.1 Sydney Buses

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

Table 5.5 Increases in Sydney Buses' single fares

Bus single section	2001/02 fare (\$)	2002/03 fare (\$)	Change (\$)
1-2 Section	1.50	1.50	0.00
3-5 Section	2.60	2.60	0.00
6-9 Section	3.30	3.40	0.10
10-15 Section	3.80	3.90	0.10
16+ Section	4.60	4.70	0.10

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

⁴⁰ State Transit Authority submission, 2 March 2001, p 19.

Table 5.6 Increases in Sydney Buses' TravelTen fares

Bus TravelTen	2001/02 fare (\$)	2002/03 fare (\$)	Change (\$)	Discount from single fare (%)	
				2001/02	2002/03
Blue: 1-2 Section	11.00	11.30	0.30	26.7	24.7
Brown: 3-5 Section	18.40	18.90	0.50	29.2	27.3
Red: 6-9 Section	23.00	23.50	0.50	30.3	30.9
Green: 10-15 Section	31.00	31.70	0.70	18.4	18.7
Orange: 16+ Section	39.00	39.80	0.80	15.2	15.3

The Tribunal has increased Sydney Buses' BusTripper⁴¹ ticket to \$9.70, its School Term Pass⁴² to \$38.00, and its Sports Special⁴³ to \$4.40 or \$2.20 for a half fare.

5.2.2 Sydney Ferries

Sydney Ferries' single journey fares for 2002/03 are presented in Table 5.7.

Table 5.7 Increases in Sydney Ferries' single journey ferry fares

	2001/02 fare (\$)	2002/03 fare (\$)	Change (\$)
Inner Zone 1	4.20	4.30	0.10
Inner Zone 2	4.40	4.50	0.10
Manly & Rydalmere	5.30	5.40	0.10
Manly JetCat	6.60	6.70	0.10
Parramatta	6.30	6.40	0.10

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

⁴¹ The BusTripper is an all-day (unlimited) bus ticket for the Sydney area, ideal for people who make numerous bus trips over one day. Utilisation is low, with 1 in every 1,700 journeys being undertaken using a BusTripper. STA sell an average of 76 BusTripper tickets per day.

⁴² The School student transport scheme provides free travel to and from school for eligible students. The main eligibility criteria for free travel is that students live over 2km (in radial distance) from their school. The School Term Pass provides one term's bus transport to students who are ineligible for free travel due mainly to their proximity (less than 2km) to the school they attend. The school term is generally ten weeks in duration and hence the pass provides travel for up to 100 bus journeys.

⁴³ The Sports Special is a return bus ticket available for travel from Central Station (or occasionally Circular Quay or Wynyard) when sporting and other events (eg concerts) are held in the Moore Park area or Randwick Racecourse.

Table 5.8 Increases in Sydney Ferries' FerryTen fares

	2001/02 fare (\$)	2002/03 fare (\$)	Change (\$)	Discount from single fare (%)	
				2001/02	2002/03
Inner Zone 1	26.30	26.50	0.20	37.4	38.4
Inner Zone 2	28.80	29.10	0.30	34.5	35.3
Manly & Rydalmere	38.80	39.30	0.50	26.8	27.2
Manly JetCat	54.70	55.80	1.10	17.1	16.7
Parramatta	44.60	45.10	0.50	29.2	29.5

5.2.3 Newcastle Services

A time-based fare structure was successfully introduced for Newcastle bus services in January 1997. Newcastle bus and ferry fares for 2002/03 are presented in Table 5.9.

Table 5.9 Increases in Newcastle Services' bus and ferry fares

	2001/02 fare (\$)	2002/03 fare (\$)	Change (\$)
Bus services			
1 Hour	2.50	2.50	0.00
4 Hour	4.80	4.90	0.10
Daily	7.40	7.60	0.20
TimeTen (1 Hour)	20.60	21.00	0.40
Stockton Ferry services			
Single	1.80	1.80	0.00
Daily	7.40	7.60	0.20

5.3 Integrated CityRail and STA fares

5.3.1 TravelPass tickets

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

Table 5.10 Increases in weekly TravelPass fares

	2001/02 fare (\$)	2002/03 fares (\$)	Change (\$)
TravelPass – Bus and Ferry			
Blue	26.00	27.00	1.00
Orange	33.00	34.00	1.00
Two-zone	26.00	27.00	1.00
Pittwater	46.00	47.00	1.00
TravelPass – Bus, Ferry and Rail			
Red	29.00	30.00	1.00
Green	37.00	38.00	1.00
Yellow	41.00	42.00	1.00
Pink	44.00	45.00	1.00
Brown ¹	50.00	52.00	2.00 ²
Purple ¹	58.00	52.00	-6.00

1. Under this determination the brown and purple TravelPasses are to be amalgamated, with the brown TravelPass being removed from sale. Purchasers of the replaced brown TravelPass will now be able to travel within the boundaries of the purple TravelPass.
2. This increase essentially represents the increase in the price of the brown TravelPass which in effect has been extended to match the coverage of the Purple TravelPass.

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

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

Table 5.11 Analysis of average TravelPass usage and discounts

TravelPass	2002/03 fare (\$)	Average TVT (\$)	Effective Ave discount (%)	Price to achieve a 20% discount (\$)
Bus & Ferry				
Blue	27.00	48.30	44.1	38.64
Orange	34.00	55.26	38.5	44.21
2 Zone	27.00	43.48	37.9	34.79
Pittwater	47.00	65.24	28.0	52.19
Red	30.00	45.05	33.4	36.04
Green	38.00	53.70	29.2	42.96
Yellow	42.00	58.23	27.9	46.59
Pink	45.00	60.22	25.3	48.17
Brown	52.00	71.03	26.8	56.83
Purple	52.00	82.61	37.1	66.09

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

5.3.2 Other integrated tickets

Introduced last year, the DayTripper ticket allows for travel on rail, bus and ferry services in the Sydney metropolitan area at a cost of \$13. In this determination, it has been proposed to increase the adult fare to \$13.40. The Tribunal considers this increase to be reasonable.

The Moore Park Link ticket provides combined rail and bus travel from Central station to the Moore Park site. The majority of these ticket holders travel directly to the Moore Park site for sporting and other special events. The price of a Moore Park Link ticket is calculated as the combined price of the rail ticket to Central and the sports special bus ticket (\$4.40 adult and \$2.20 concession – an increase of 10 cents for each ticket). The ticket provides the convenience of purchasing a single ticket for the combined journey.

The current method for calculating an adult weekly fare to Olympic Park is to calculate the corresponding weekly fare to Strathfield or Lidcombe (whichever is closer to the origin station) and add \$11.00. SRA proposed in its submission to replace this with a simplified method based on the distance from the origin station to Olympic Park or vice versa.⁴⁴ SRA also notes that this approach:

- will significantly lower weekly fares to Olympic Park thereby supporting rail patronage to an area that will increase in significance as a commercial centre
- will reduce existing fare anomalies which arise because Olympic Park lies within the Green TravelPass zone.

SRA notes that this proposal only applies to weekly and other periodical tickets.⁴⁵ The Tribunal supports the new fare calculation method for these Olympic Park tickets, and notes that it will take approximately one month to implement.

SRA also has a Bondi Link ticket which offers a combined rail and STA bus service to Bondi Beach. The ticket is offered as a single or return ticket. The maximum fare is the appropriate rail ticket to Bondi Junction plus an add-on component for the bus service to Bondi Beach. The price of the add-on is the price of a 1-2 section bus ticket which is \$1.50 (\$0.70 concession) for a single journey and \$3.00 (\$1.40 concession) for a return journey.⁴⁶

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

⁴⁴ SRA submission, March 2002, p 48.

⁴⁵ The cost of day tickets, ie single and return tickets, is the combined price of the rail fare either to Lidcombe or Strathfield stations, whichever is the shortest, plus an add-on component from these stations to Olympic Park.

⁴⁶ The add-on for adult tickets for the Olympic Park ticket is based on the price of a 1-2 section STA bus fare, rounded down to the nearest 20 cent multiple.

5.4 Examples of new fares

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

Table 5.12 Examples of CityRail 2002/03 fares

Station	Single fare to city		Weekly fare to city		TravelPass		
	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	
Redfern	2.20	2.20	17.00	17.00	29.00	30.00	Red
Edgecliff	2.20	2.20	17.00	17.00	29.00	30.00	Red
Strathfield	2.80	2.80	23.00	23.00	37.00	38.00	Green
Hurstville	3.40	3.40	26.00	26.00	41.00	42.00	Yellow
Parramatta	4.00	4.20	30.00	31.00	41.00	42.00	Yellow
Hornsby	4.00	4.20	30.00	31.00	44.00	45.00	Pink
Blacktown	5.00	5.20	35.00	36.00	50.00	52.00	Purple ¹
Campbelltown	5.80	6.00	38.00	39.00	50.00	52.00	Purple ¹
Gosford	7.80	8.00	45.00	46.00			
Wollongong	9.60	9.80	50.00	51.00			
Katoomba	11.20	11.40	54.00	55.00			
Newcastle	16.60	17.00	71.00	73.00			

Notes:

1. The fare of \$50.00 in 2001/02 represents the brown TravelPass. The \$52.00 fare in 2002/03 represents the purple TravelPass, as the brown TravelPass is to be removed from sale. Purchasers of the old brown TravelPass will pay \$2.00 more for the purple TravelPass, but will enjoy an increased area within which they are able to travel.

Table 5.13 Examples of 2002/03 rail, bus and ferry fares to the City

	Rail		Bus		Ferry		
	Single	Weekly	Single	TravelTen	Single	TravelTen	
Redfern	2.20	17.00	1.50 ¹	11.30 ¹	Inner zone 1	4.30	26.50
Bondi Jn	2.60	20.00	2.60	18.90	Inner zone 2	4.50	29.10
Strathfield	2.80	23.00	3.40	23.50	Manly/Rydalmere	5.40	39.30
20 km	3.40	26.00	3.90	31.70	Manly JetCat	6.70	55.80
40 km	5.20	36.00	4.70	39.80	Parramatta	6.40	45.10

1. Assumes travel to Town Hall.

ATTACHMENT 1 THE PRICE DETERMINATION PROCESS

As required by section 11(1) of the *Independent Pricing and Regulatory Tribunal Act 1992*, the Tribunal has investigated proposals by SRA and STA for maximum prices to be charged from 1 July 2002 for declared passenger transport monopoly services.⁴⁷

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

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

On 20 December 2001, the Tribunal wrote to SRA and STA asking them to make public submissions by 22 February 2002. The Tribunal invited submissions from other stakeholders by advertising the review on its webpage, and in the Sydney Morning Herald, Daily Telegraph, Illawarra Mercury and the Newcastle Herald. Submissions were to reach the Tribunal by 22 March 2002.

SRA and STA did not make written submissions until 22 March 2002. To allow interested stakeholders sufficient time to respond, the Tribunal extended the time for submissions from the public to 30 April.

The public hearing was held on 10 May 2002 at the Tribunal's offices, Level 2, 44 Market Street Sydney. A copy of the agenda and transcript from the public hearing along with copies of all submissions can be obtained from the Tribunal's webpage. The Tribunal received a total of 19 submissions from 5 individuals and the following organisations:

- Action for Public Transport (x 2)
- Blue Mountains Commuter and Transport Users Association
- Combined Pensioners and Superannuants Association
- Commuter Council
- Council of Social Service of New South Wales
- Eden Marine Technology High School P&C Association
- Public Interest Advocacy Centre
- Save Our Bus Committee
- State Rail Authority of NSW
- State Transit Authority of NSW

⁴⁷ Independent Pricing and Regulatory Tribunal (Passenger Transport Services) Order 1998, made on 24 February 1998 and published in Gazette no. 38 dated 27 February 1998, p 1015.

- Transit Planners Pty Ltd
- University of Wollongong
- Vaocluse Progress Association.

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

ATTACHMENT 2 SECTION 15 OF THE IPART ACT – CITYRAIL

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

Costs and efficiency

- * *the cost of providing the services concerned [s15(1)(a)]*
- * *the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers [s15(1)(e)]*
- * *the impact on pricing policies of any arrangements that the government agency concerned has entered into for the exercise of its functions by some other person or body [s15(1)(h)]*
- * *the need to promote competition in the supply of the services concerned [s15(1)(i)]*

Figure A2.1 provides a breakdown of CityRail's costs since 1997/98. Table A2.1 summarises SRA's current estimates of the full costs and revenues of CityRail services since 1996/97. Before payment of the Government's subsidy and concession reimbursements, CityRail's revenue covers only half of its recurrent expenditure (defined as above rail recurrent operating expenditure plus access fees).

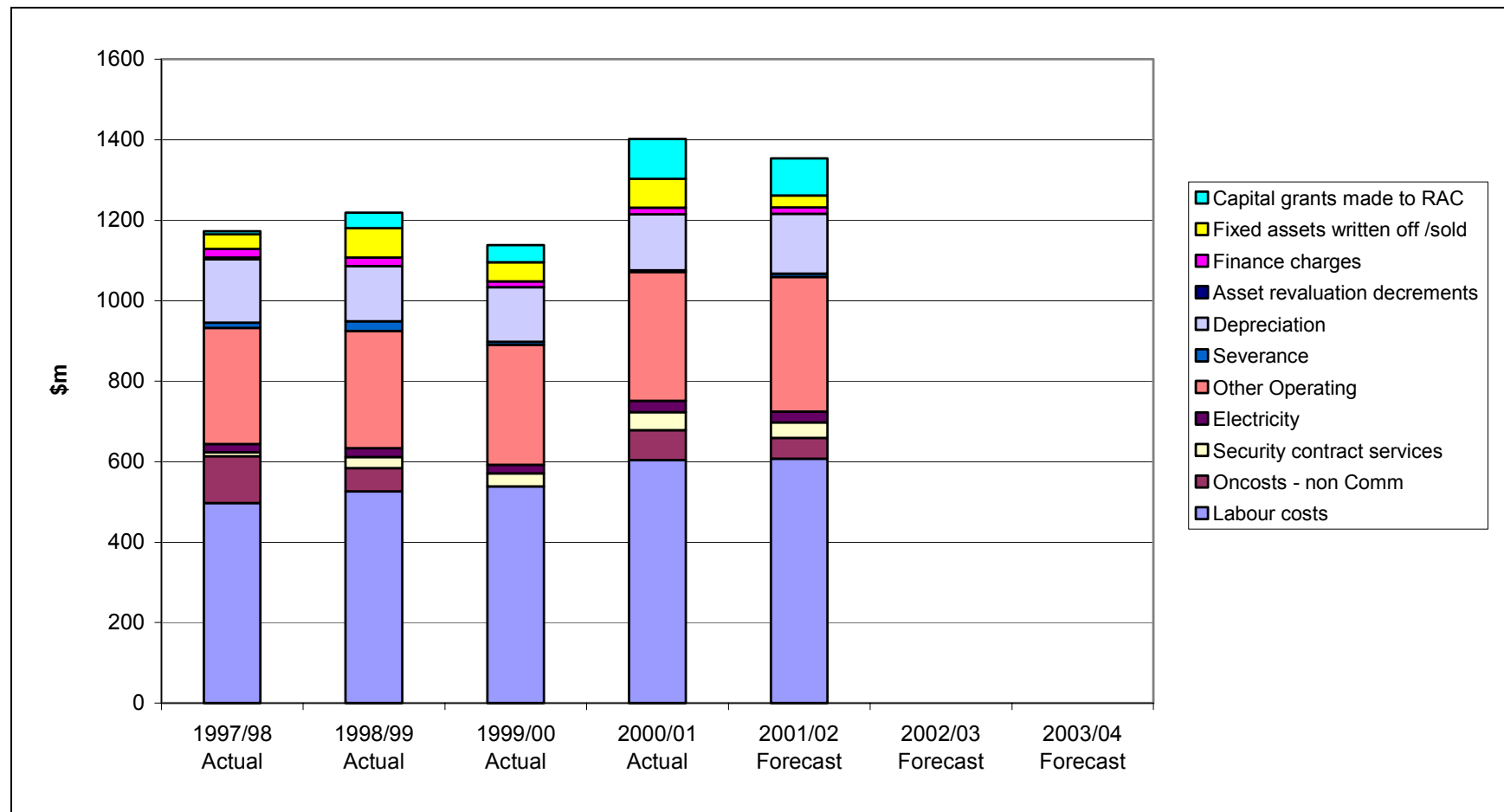
The cost of CityRail services is forecast to remain fairly constant from 2000/01 to 2001/02, although farebox revenue is forecast to decline. This may be the result of the one-off Olympic effect inflating 2000/01 patronage levels, as 2001/02 patronage is still well above historical figures.

Access charges paid by CityRail to the Rail Infrastructure Corporation (RIC) are forecast to increase significantly from 2000/01 to 2001/02, in contrast to the moderate increases recorded in the past. This is on top of the capital grants made to RIC which are forecast to remain at relatively high 2000/01 levels.

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

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

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



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

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

	96/97 Actual	97/98 Actual	98/99 Actual	99/00 Actual	00/01 Actual	01/02 Forecast	02/03 Forecast
Operating revenue							
Farebox revenue	348.5	370.3	391.1	453.4	483.8	468.7	
Revenue from other rail organisations	137.3	121.8	102.3	81.7	82.7	81.2	
Other income	60.6	44.3	48.0	72.0	65.0	65.5	
Non operating revenue							
Finance revenue	-	7.8	8.3	6.8	6.2	6.2	
Asset sale proceeds	-	2.0	4.4	21.2	0.3	0.3	
Total revenue before Govt subsidy	546.4	546.2	554.1	635.1	638.0	621.9	
Concession revenue from Govt	111.0	133.5	143.3	152.6	165.5	163.3	
Revenue before general subsidy	657.4	679.7	697.4	787.7	803.5	785.2	
Operating expenses							
Labour costs (incl oncosts)	560.1	613.1	584.0	538.2	678.0	658.7	
Security contract services	-	9.5	28.0	32.6	44.8	39.3	
Electricity	32.8	21.0	21.1	21.7	28.4	26.4	
Major periodic maintenance of assets	59.0	103.2	97.0	92.3	99.4	148.3	
Other operating	212.7	185.2	194.8	205.6	220.6	186.2	
Transfer charge/allocation to Clink¹	(57.5)	(65.0)	(66.7)	(57.5)	(62.2)	(71.2)	
Above rail recurrent operating	807.1	867.0	858.2	832.9	1009	987.7	
Access fees²	345.0	320.6	303.5	322.0	334.9	375.7	
Recurrent operating	1,152.1	1,187.6	1,161.7	1,154.9	1,343.9	1,363.4	
Non-recurrent operating expenses							
Severance	2.2	13.5	24.1	7.4	4.5	8.4	
Non-cash							
Depreciation	176.3	157.7	137.0	135.8	138.5	149.1	
Asset revaluation decrements	-	3.6	-	-	-	-	
Non operating expenses							
Finance charges	22.9	21.9	21.2	14.5	17.0	15.0	
Fixed assets written off /sold	51.3	36.8	72.9	47.9	71.3	30.3	
Capital grants made to RAC	-	7.3	38.7	42.4	99.2	92.0	
Total costs CityRail	1,404.8	1,428.4	1,455.5	1,402.9	1,674.4	1,658.2	
Surplus/(shortfall) before Govt funding	(747.4)	(748.6)	(758.2)	(615.3)	(870.9)	(873.0)	
Government subsidy	731.8	724.7	739.5	706.0	912.2	868.5	
Surplus/(shortfall) after Govt funding	(15.6)	(23.9)	(18.6)	90.7	41.3	(4.5)	

Source: State Rail Authority financial information return.

Note:

1. CityRail business units charge Countrylink for rollingstock maintenance, fuel and use of CityRail stations. The transfer charge includes a proportion of CityRail's corporate and labour-related costs.
2. Since 1996/97, the Rail Access Corporation has charged CityRail an annual fee for control and maintenance of below rail infrastructure. An additional access fee of \$40m was paid to the Rail Infrastructure Corporation in 2001/02 for additional track maintenance to improve system reliability.

Financial viability

- * *the appropriate rate of return on public sector assets, including appropriate payment of dividends to the Government for the benefit of the people of NSW [s15(1)(c)]*
- * *the impact on pricing policies of borrowing, capital and dividend requirements of the government agency concerned and, in particular, the impact of any need to renew or increase relevant assets [s15(1)(g)]*

In 2001/02 farebox revenue will contribute \$468.7m of the \$1,658.2m cost of CityRail services. The contribution of farebox revenue in 2002/03 cannot be determined due to the unwillingness of SRA to provide the necessary forecast information. SRA makes large operating losses each year and does not make a return on its assets, nor pay a financial dividend to Government. Indicating it places at least this value on CityRail services, the Government continues to fund this operating loss and make large capital investments in CityRail services. The level of maximum fares has little or no impact on SRA's ability to renew or increase its assets.

Consumer protection

- * *the protection of consumers from abuses of monopoly power in terms of price, pricing policies and standard of services [s15(1)(b)]*
- * *the effect on general price inflation over the medium term [s15(1)(d)]*
- * *the social impacts of the determinations and recommendations [s15(1)(k)]*
- * *standards of quality, reliability and safety of the services concerned [s15(1)(l)]*

The Tribunal sets maximum prices to restrict CityRail from using its monopoly power to charge prices above what the Tribunal considers is a reasonable, maximum contribution by passengers to the cost of CityRail services.

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

The Tribunal has considered the social impacts of the determination, using data from the Household Travel Survey. The survey results provide a further picture of public transport users, although it does not provide a conclusive answer of the capacity of users to pay higher fares. The Tribunal is also cautious of drawing too many detailed conclusions from the survey results due to the small sample sizes and the difficulties associated with income based surveys.⁴⁸ However, on the whole the Tribunal does not believe that the fare increases in this determination will have a significant social impact. Further discussion is provided in chapter 3 on the issue of social impacts.

CityRail service standards during 2001/02 are considered in detail in chapter 4.

⁴⁸ For example, personal income does not necessarily reflect a person's capacity to pay higher fares - a low income person may live in a high income household. Household income, on the other hand, does not necessarily reflect capacity to pay due to the effect of household size - a two person household has a different capacity to pay higher fares than a four person household, despite the same level of income.

In its last determination, the Tribunal cited expenditures to illustrate the extent of service improvements since 1996. This information has been updated and is presented below.

Table A2.1 CityRail expenditure on service improvements since 1996¹

	Cost (\$m)	Comments
Cumberland line	60.0	Construction cost, opened on 3 Nov 1996. The Cumberland line provides a direct link from Campbelltown and Liverpool to Parramatta with trains every half hour.
Olympic Park station and line	95.0	Opened 8 March 1998. Has the capacity to move significant crowd volumes to and from major sporting, social and cultural events held at Olympic Park.
Olympic Park sprint - Lidcombe	12.5	Introduced 27 April 1999. The shuttle from Lidcombe to Olympic Park assists with crowd management.
Airport Line and stations	900.0	Opened 21 May 2000. Five new stations have been added to the network, with the additional ease of access to domestic and international airports.
Security guards	27.8	This is a recurrent expense and represents the contract expenditure in 2001/02. It includes security guards patrolling all trains after 7.00pm and some services from 2.00pm on weekdays and Contract security guards on stations where a safety risk has been identified.
Security program ²	104.2	Security program for car parks and stations implemented from 1 July 1998, and includes video surveillance cameras, high intensity lighting and 24 hour monitoring from a local area control room. The program is to be completed during 2001/02.
Station upgrades – Easy Access ²	119.6	Implementation of Easy Access program, eg initiatives including provision of lifts, tactile tiles and other aids, to a number of stations. Ongoing program – 51 stations completed by June 2002.
Other station upgrades ²	146.5	Includes major station upgrading, gap reduction, reconstruction of platforms and other upgrading works. This is an ongoing program.
Tangara cars	12.2	Purchase of 5 Tangara cars offering a higher level of passenger comfort.
Passenger information network installation ²	26.6	New wayfinding signage at key stations and improvements to customer information systems including plasma screens and an upgrade to digital voice announcement.
Fleet refurbishment ²	67.6	General refurbishment to maintain current safety standards.

Table A2.1 CityRail expenditure on service improvements since 1996 (continued)¹

	Cost (\$m)	Comments
East Hills amplification	90.0	Construction of additional track to relieve congestion – completed August 2001.
Richmond Line amplification	28.5	Amplification of electrified network from Marayong to Quakers Hill, to be completed by August 2002.
Kiama electrification	42.0	Extension of electrified network from Dapto to Kiama – completed November 2001.
Central turnback	11.2	Extension of electrified network at Central, to be completed by December 2002.
Revesby turnback	12.7	Extension of electrified network at Revesby, to be completed by 2003/04.
Train simulation project	20.4	Two new virtual reality centres and an upgrade of existing train simulators.
Millennium train	232.5	Initial order for the delivery of 81 cars to be completed by 2003.
Outer suburban cars	134.8	Order for the delivery of 40 outer suburban cars, to be completed by December 2005.
Glenfield – Campbelltown signal headways	11.8	Additional signals to assist with on time running at Campbelltown, to be completed by April 2003.
Diesel rail cars – Hunter Valley	89.0	Initial order for the delivery of 14 rail cars to replace current rollingstock, to be completed by June 2005.

Source: Information supplied by State Rail Authority, 2002.

Notes:

1. All figures unless specified are the life-to-date expenditure on projects.
2. covers expenditure from 1997/98 to 2001/02 using year-end forecasts from January 2002.

Environmental issues

- * *the need to maintain ecologically sustainable development by appropriate pricing policies that take account of all the feasible options available to protect the environment [s15(1)(f)]*
- * *considerations of demand management and least cost planning [s15(1)(j)]*

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

During the course of last year's determination, the Tribunal conducted additional research into these issues. The Tribunal has again considered environmental issues, as discussed in chapter 3.

Other issues

The Tribunal is required under Section 16 of the *Independent Pricing and Regulatory Tribunal Act, 1992* to report on the likely annual cost to the Government if fares were not increased to the maximum permitted, and the SRA were compensated from the Consolidated Fund for the revenue foregone. This determination will increase CityRail farebox revenue by \$8.4 million in 2002/03.

ATTACHMENT 3 SECTION 15 OF THE IPART ACT – STA

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

Costs and efficiency

- * *the cost of providing the services concerned [s15(1)(a)]*
- * *the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers [s15(1)(e)]*
- * *the impact on pricing policies of any arrangements that the government agency concerned has entered into for the exercise of its functions by some other person or body [s15(1)(h)]*
- * *the need to promote competition in the supply of the services concerned [s15(1)(i)]*

Sydney Buses' costs

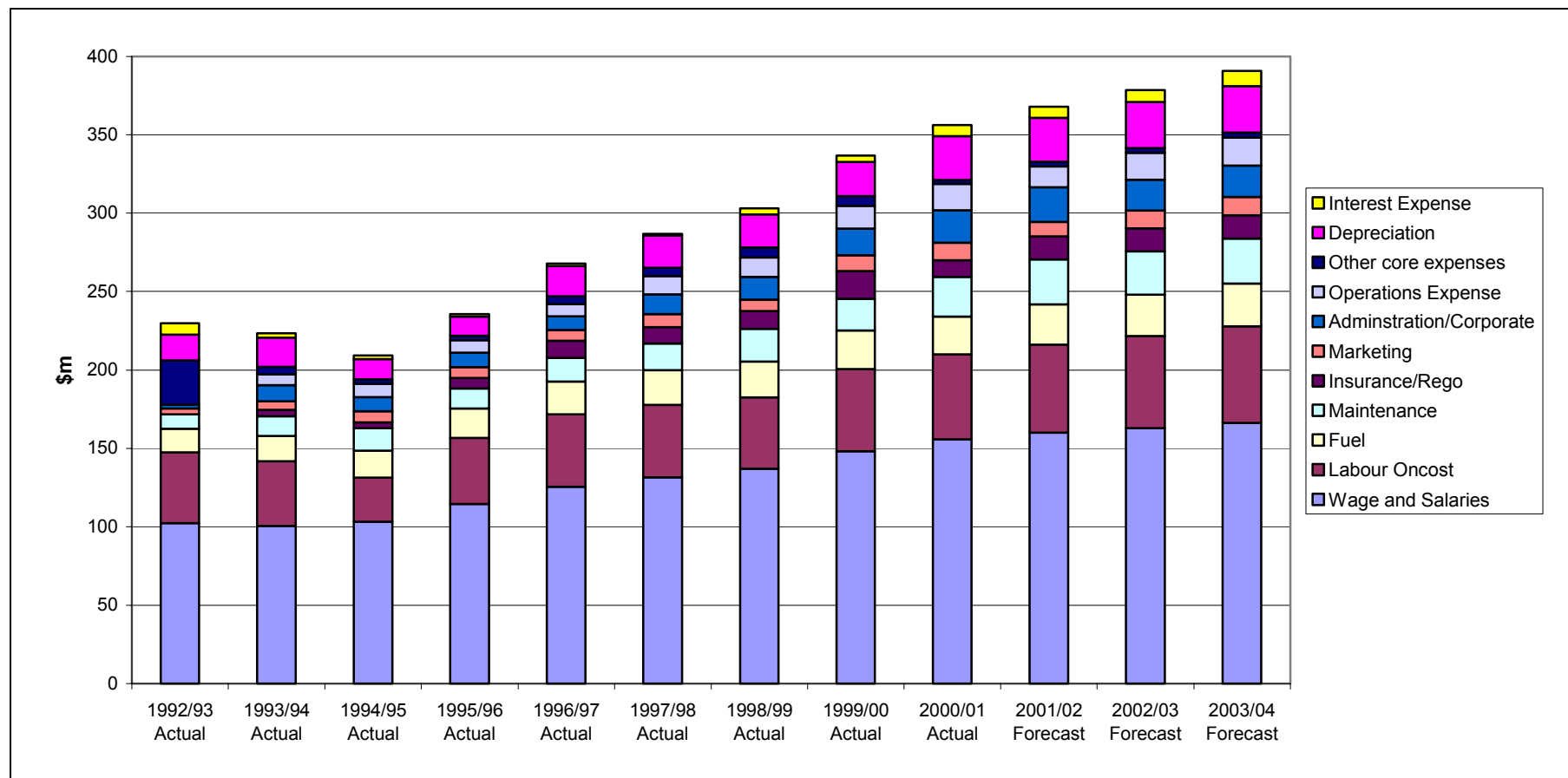
Sydney Buses' costs have increased significantly over the past few years resulting in lower levels of cost recovery. STA projects that Sydney Buses' costs will continue to increase in 2002/03. The movement in Sydney Buses' costs is shown in Figure A3.1 and Table A3.1.

As indicated, Sydney Buses' total expenses in 2001/02 are expected to increase by 3.3 per cent compared to 2000/01. While this increase is not large, cost recovery over the corresponding period has declined from 89 per cent to 86 per cent. The modest fare increase sought by STA will at best maintain cost recovery at current levels.

The increase in total expenses between 2000/01 and 2001/02 partly reflects:

- a 3 per cent increase in labour costs. Labour costs constitute approximately 60 per cent of Sydney Buses' costs before financing expenses. This increase is significantly lower than increases in labour costs in previous years
- a 24.7 per cent increase in other operating expenses. This is largely attributable to increases in insurance costs.

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



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

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

	2000/01 Actual	2001/02 Forecast	Increase %	2002/03 Forecast	Increase %
EXPENSES					
Labour costs	209.9	216.1	3.0	221.7	2.6
Fuel	24.0	25.6	6.7	26.3	2.7
Marketing & administration	27.4	27.0	(1.5)	26.6	(1.5)
Operations & maintenance	42.2	42.4	0.5	44.9	5.9
Other operating expenses	17.4	21.7	24.7	22.0	1.4
Recurring operating expenditure	320.9	332.8	3.7	341.5	2.6
Depreciation	28.1	27.9	(0.7)	29.3	5.0
Cost before financing expenses	349.0	360.7	3.4	370.8	2.8
Interest	7.1	7.1	0.0	7.6	7.0
TOTAL EXPENSES	356.1	367.8	3.3	378.4	2.9

Source: STA financial information return.

Notes:

1. 2002/03 data is in 2001/02 dollars.
2. All other figures are in dollars of the day.
3. Totals may not add up due to rounding.

Sydney Ferries' costs

Sydney Ferries' costs have increased significantly over the past few years, and STA projects that Sydney Ferries' costs will continue to increase in 2002/03. This is indicated in Figure A3.2.

Further, as indicated in Table A3.2, Sydney Ferries' total expenses in 2001/02 are expected to increase by 18.9 per cent compared to 2000/01. This increase comprises a number of substantial movements in costs. These costs include:

- 7.9 per cent increase in labour costs
- 30.6 per cent increase in marketing and administration costs
- 38.3 per cent increase in operations and maintenance costs.

STA states that the increase in administration and maintenance costs is the result of the implementation of the recommendations from the NSW Waterways Authority following its review of Sydney Ferries' operations.

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

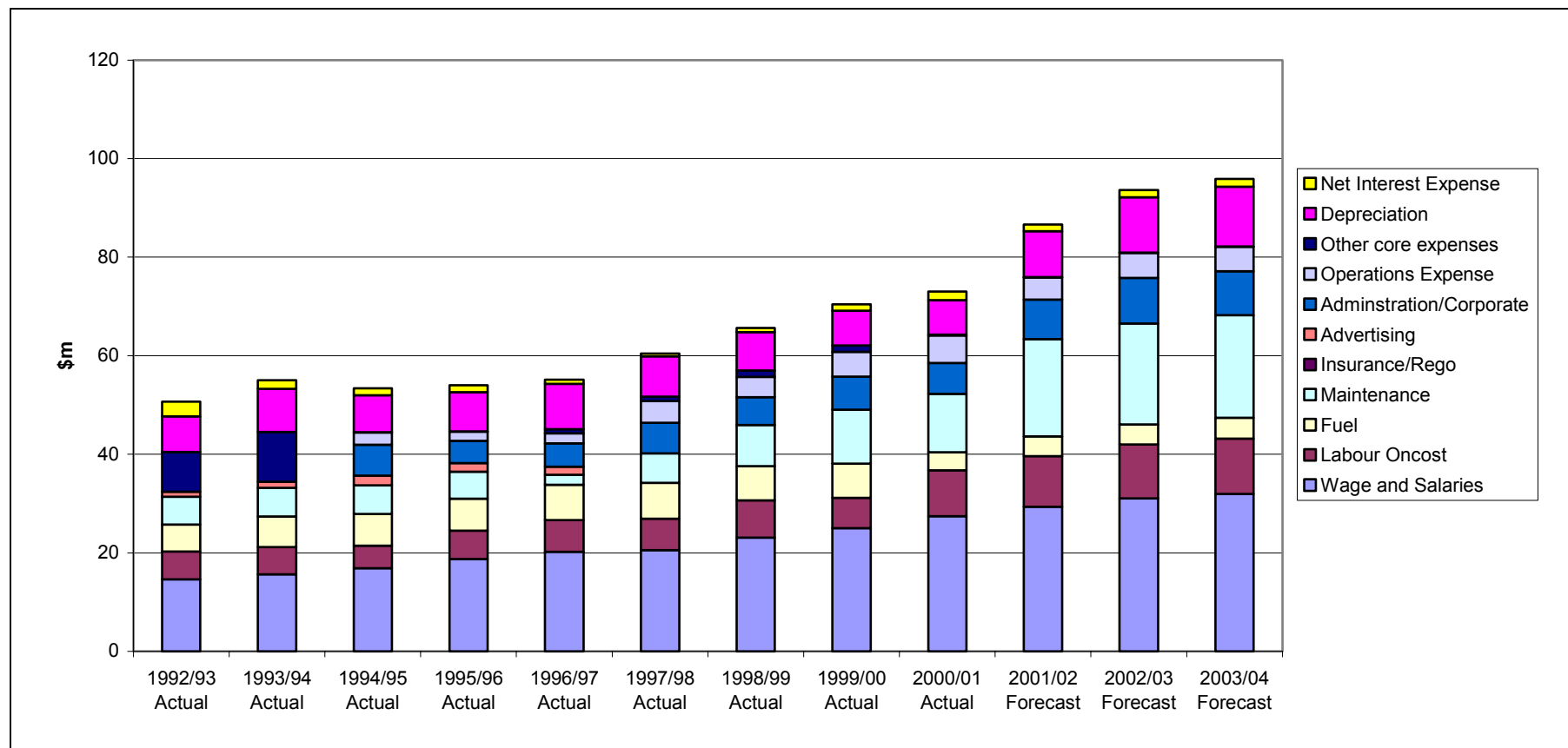
	2000/01 Actual	2001/02 Forecast	Increase %	2002/03 Forecast	Increase %
EXPENSES					
Labour costs	36.7	39.6	7.9	42.0	6.1
Fuel	3.7	4.0	8.1	4.1	2.5
Marketing & administration	6.2	8.1	30.6	9.2	13.6
Operations & maintenance	17.5	24.2	38.3	45.6	5.8
Other operating expenses	0.0	0.0	0.0	0.0	0.0
Recurring operating expenses	64.1	75.9	18.4	80.9	6.6
Depreciation	7.0	9.3	32.1	11.2	20.4
Costs before financing expenses	71.1	85.2	19.8	92.1	8.1
Interest	1.7	1.4	(18.1)	1.5	7.8
TOTAL EXPENSES	72.8	86.6	18.9	93.6	8.1

Source: STA financial information return.

Notes:

1. 2002/03 data is in 2001/02 dollars.
2. All other figures are in dollars of the day.
3. Totals may not add up due to rounding.

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



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

Newcastle Services' costs

STA projects that Newcastle Services' costs will decline marginally from 2001/02 to 2002/03, after several years of cost increases to 2001/02. This is a result of the rationalisation of services undertaken in Newcastle by STA. This, despite falling patronage, has resulted in a moderate improvement in cost recovery levels. The cost breakdown of Newcastle Services is shown in Figure A3.3.

Further, as indicated in Table A3.3, Newcastle Services' recurrent operating expenses in 2001/02 are expected to increase by 4.4 per cent compared to 2000/01. This increase reflects the following:

- A 17.4 per cent increase in operations and maintenance expense. This item is expected to revert to close to previous levels in 2002/03.
- A 15.0 per cent increase in marketing and administration expense. This item is also expected to return to previous levels in 2002/03.

It is likely that the aforementioned cost increases are a result of the 'Better Buses' program implemented by STA in the Newcastle service area in the 2001/02 financial year. This program is expected to lower operating costs in subsequent years as a result of the rationalisation of services that has been undertaken.

A further trend evident in Newcastle Services' cost base is the containment of labour costs. In previous years these costs have increased substantially, but are forecast to remain constant to 2001/02 and decline to 2002/03. This factor is a significant contributor to the improvement in cost recovery achieved by Newcastle Services.

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

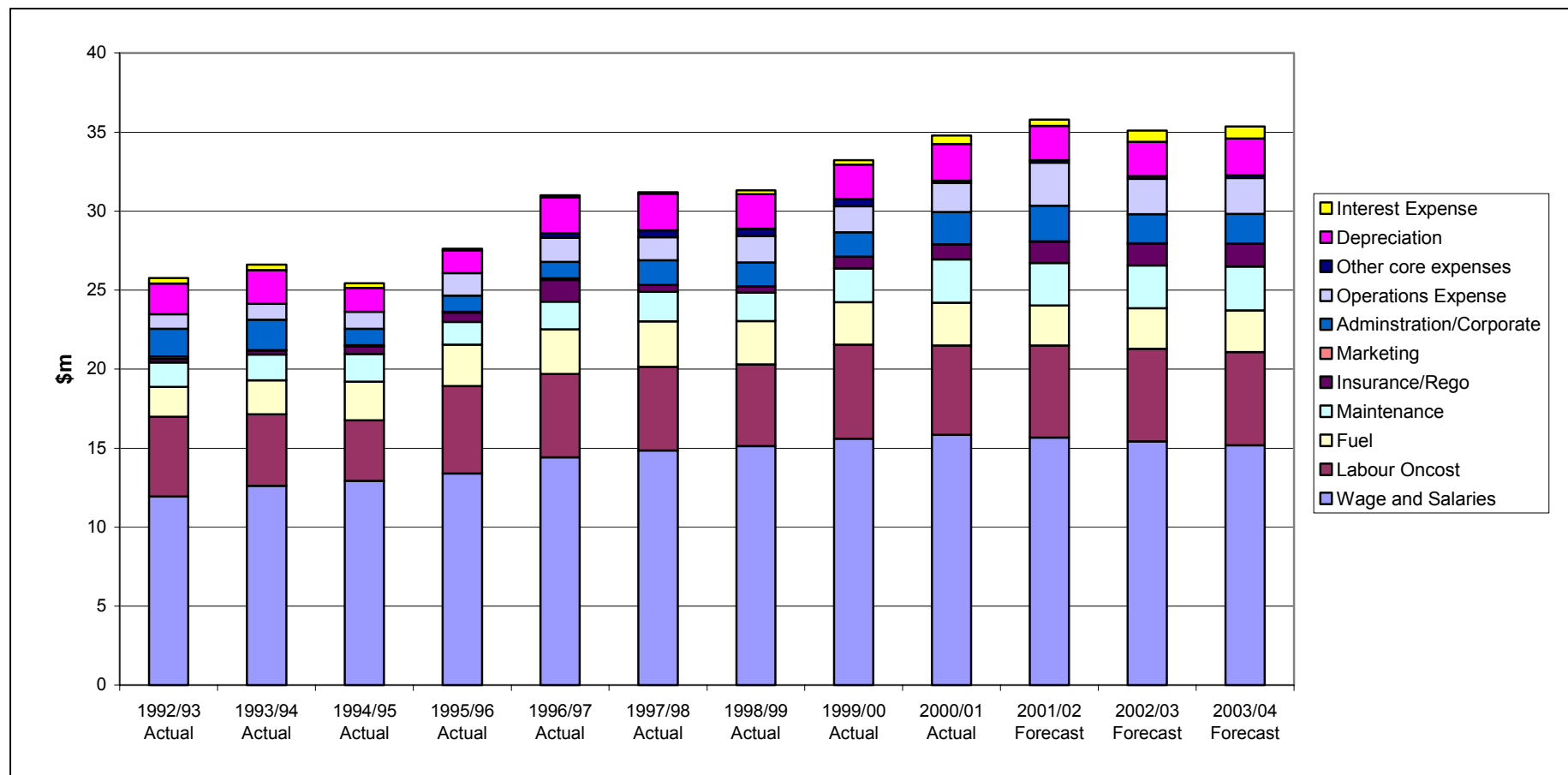
	2000/01 Actual	2001/02 Forecast	Increase %	2002/03 Forecast	Increase %
EXPENSES					
Labour Costs	21.5	21.5	0.0	21.3	(0.9)
Fuel	2.7	2.5	(7.4)	2.6	4.0
Marketing & administration	2.0	2.3	15.0	1.9	(17.4)
Operations & maintenance	4.6	5.4	17.4	4.9	(9.3)
Other operating expenses	1.1	1.5	36.4	1.6	6.7
Recurrent operating expenses	31.9	33.2	4.4	32.3	(2.7)
Depreciation	2.3	2.2	(4.3)	2.2	0.0
Cost before financing expenses	34.2	35.4	3.5	34.5	(2.5)
Interest	0.5	0.4	(20.0)	0.7	62.5
TOTAL EXPENSES	34.7	35.8	3.2	35.2	(1.8)

Source: STA financial information return.

Note:

1. 2002/03 data is in 2001/02 dollars.
2. All other figures are in dollars of the day.
3. Totals may not add up due to rounding.

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



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

Financial viability

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

Sydney Buses

In 2001/02 farebox revenue will contribute \$191.8m of the \$367.9m costs of Sydney Buses' services. The Government will provide 42.9 per cent of Sydney Buses' revenue in 2001/02, up from 41.0 per cent in 1999/00 and 41.7 per cent in 2000/01. Part of this increase is due to the reintroduction of the Service CSO that had previously been phased out. With this additional contribution from Government, Sydney Buses' is expected to make an operating profit of \$1.2m in 2001/02 compared to a loss of \$2.4m in 2000/01, as indicated in Table A3.4. Sydney Buses' financial performance has declined significantly from 1999/00, when a profit of \$15.5m was recorded. However, it should be noted that a write-back to employee provisions of \$21.5m in that year contributed to this result.

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

	1999/00 Actual	Proportion %	2000/01 Actual	Proportion %	2001/02 Forecast	Proportion %
REVENUE						
Passenger revenue	187.2	56.6	189.0	54.0	191.8	52.0
Revenue from Government						
- Concession contract	105.9	32.0	113.2	32.3	117.7	31.9
- Service CSO	0.0	0.0	0.0	0.0	9.8	2.7
- Pricing CSO	29.5	8.9	32.9	9.4	30.7	8.3
Total	135.4	41.0	146.1	41.7	158.2	42.9
Other Revenue	8.1	2.4	15.1	4.3	18.9	5.1
TOTAL REVENUE	330.7	100.0	350.2	100.0	368.9	100.0
EXPENSES						
Total operating expenses	289.4	91.8	318.1	90.0	332.9	90.5
Depreciation	22.0	7.0	28.1	8.0	27.9	7.6
Interest	4.0	1.3	7.1	2.0	7.1	1.9
TOTAL EXPENSES	315.3	100.0	353.3	100.0	367.9	100.0
Profit before tax and abnormals	15.5		-2.4		1.2	

Source: STA financial information return.

Note:

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

Sydney Ferries

In 2001/02 farebox revenue will contribute \$38.4m of the \$86.7m costs of Sydney Ferries' services. Sydney Ferries makes an operating loss each year and does not make a return on its assets, nor pay a financial dividend to the Government.

The Government will contribute 42.3 per cent of Sydney Ferries' revenues in 2001/02, up from 39.9 per cent in 2000/01. Despite this contribution, Sydney Ferries' is expected to make an operating loss of \$18.8m in 2001/02 compared to a loss of \$5.8m in 2000/01, as indicated in Table A3.5.

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

	1999/00 Actual	Proportion %	2000/01 Actual	Proportion %	2001/02 Forecast	Proportion %
REVENUE						
Passenger revenue	37.4	60.1	40.2	59.4	38.4	56.8
Revenue from Government						
- Concession contract	7.9	12.7	8.4	12.4	8.5	12.6
- Service CSO	15.3	24.6	15.8	23.3	16.5	24.4
- Pricing CSO	1.3	2.1	2.8	4.1	3.6	5.3
Total	24.5	39.4	27.0	39.9	28.6	42.3
Other revenue	0.3	0.5	0.5	0.7	0.6	0.9
TOTAL REVENUE	62.2	100.0	67.7	100.0	67.6	100.0
EXPENSES						
Total operating expenses	59.7	87.8	64.5	87.8	76.0	87.7
Depreciation	7.0	10.3	7.0	9.5	9.3	10.7
Interest	1.3	1.9	2.0	2.7	1.4	1.6
TOTAL EXPENSES	68.0	100.0	73.5	100.0	86.7	100.0
Profit before tax and abnormals	-5.8		-5.8		-18.8	

Source: STA financial information return.

Note:

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

Newcastle Services

In 2001/02 farebox revenue will contribute \$6.1m of the \$35.8m costs of Newcastle Services. Newcastle Services makes an operating loss each year and does not make a return on its assets, nor pay a financial dividend to the Government.

The Government will contribute 73.4 per cent of Newcastle Services' revenues in 2001/02, down from 76.3 per cent in 2000/01 despite declining passenger revenue. This is due to the fivefold increase in other revenue in 2001/02, predominantly rent and advertising income.

Newcastle Services' is expected to make an operating loss of \$5.4m in 2001/02 compared to losses of \$7.6m in 00/01 and \$4.1m in 99/00.

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

	1999/00 Actual	Proportion %	2000/01 Actual	Proportion %	2001/02 Forecast	Proportion %
REVENUE						
Passenger revenue	6.6	25.1	6.3	23.3	6.1	20.1
Revenue from Government						
- Concession contract	15.6	59.3	16.1	59.6	17.2	56.6
- Service CSO	3.0	11.4	3.5	13.0	3.8	12.5
- Pricing CSO	1.1	4.2	1.0	3.7	1.3	4.3
Total	19.7	74.9	20.6	76.3	22.3	73.4
Other Revenue	0.0	0.0	0.1	0.4	2.0	6.6
TOTAL REVENUE	26.3	100.0	27.0	100.0	30.4	100.0
EXPENSES						
Total operating expenses	28.3	92.3	32.1	92.0	33.2	92.7
Depreciation	2.1	6.8	2.3	6.6	2.2	6.1
Interest	0.3	0.9	0.5	1.4	0.4	1.1
TOTAL EXPENSES	30.7	100.0	34.9	100.0	35.8	100.0
Profit before tax and abnormal	-4.1		-7.6		-5.4	

Source: STA financial information return.

Note:

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

Consumer protection

- * *the protection of consumers from abuses of monopoly power in terms of price, pricing policies and standard of services [s15(1)(b)]*
- * *the effect on general price inflation over the medium term [s15(1)(d)]*
- * *the social impacts of the determinations and recommendations [s15(1)(k)]*
- * *standards of quality, reliability and safety of the services concerned [s15(1)(l)]*

The Tribunal sets maximum prices to restrict STA from using its monopoly power to charge prices above what the Tribunal considers is a reasonable, maximum contribution by passengers to the cost of STA's bus and ferry services. STA's service standards during 2001/02 are considered in detail in chapter 4.

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

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

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

- studying community's needs and developing an innovative and effective network that meets the needs the majority of people through the better buses program
- introduction of the 131 500 customer service transport information service
- development of the bus priority network throughout Sydney incorporating 49 kilometres of dedicated bus lane, 109 kilometres of Transit Lanes and over 60 "B" priority traffic signals
- fleet development strategies, purchase of new heavy duty urban buses featuring lowered floors, air conditioning and additional rail and hand grips.

Environmental issues

- * *the need to maintain ecologically sustainable development by appropriate pricing policies that take account of all the feasible options available to protect the environment [s15(1)(f)]*
- * *considerations of demand management and least cost planning [s15(1)(j)]*

As part of last year's determination, the Tribunal conducted additional research on environmental and social costs and benefits of public transport issues. Further consideration of these issues has been given this year. It is noted that changes in fare levels generally have a minimal impact on patronage. The decision to use public transport is influenced by a range of factors apart from price including service quality, accessibility, frequency and timeliness.

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

Other issues

The Tribunal is required under Section 16 of the *Independent Pricing and Regulatory Tribunal Act, 1992* to report on the likely annual cost to the Government if fares were not increased to the maximum permitted, and the STA were compensated from the Consolidated Fund for the revenue foregone. This determination will increase the STA's farebox revenue by \$3.9m in 2002/03.



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.:	01/485
Determination:	No 2, 2002
Government Agency:	State Rail Authority
Government monopoly services:	Railway passenger services (within the meaning of the <i>Passenger Transport Act, 1990</i>) supplied under the name "CityRail" by the State Rail Authority, excluding services supplied in accordance with the ticket known as the "SydneyPass".

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

The following are the maximum prices (to commence from 1 July 2002) determined by the Tribunal for the Government monopoly services set out above.

1. All standard CityRail passenger rail services

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

2. CityHopper tickets

The price of a CityHopper ticket, when purchased outside the CityHopper area, must not exceed the price of the appropriate standard return ticket (peak or off-peak) to the City plus an additional sum of \$2.00 for one day's unlimited rail travel in the City area. If purchased within the CityHopper area the fare will be \$6.40 in the peak and \$4.60 in the off-peak.

3. DayTripper tickets

The price of a DayTripper ticket must not exceed \$13.40.

4. Moore Park Link tickets

The price of a Moore Park Link ticket must not exceed the combined price of the rail ticket to Central (as outlined in Table 1) and the sports special bus ticket of \$4.40 for an adult ticket and \$2.20 for a concession.

5. Flexipass tickets

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

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

where:

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

6. Olympic Park tickets

For day tickets, ie single or return tickets, the price of a ticket to Olympic Park Station must not exceed the price of the appropriate rail ticket for the distance from the station of origin to Strathfield or Lidcombe (whichever is shortest) plus an additional sum of \$1.50 for an adult single journey (\$0.70 concession), or \$3.00 for an adult return journey (\$1.40 concession).

For weekly and other periodical tickets, the price will be based on the distance from the origin station to Olympic Park Station.

7. Bondi Link ticket

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

8. New or additional charges

All other prices or charges for railway passenger services provided by CityRail not specifically referred to in this Determination must remain at 2001/02 levels. The State Rail Authority must not levy any new or additional charges for the Government monopoly services supplied under the name "CityRail", other than in accordance with this Determination or with the approval of the Tribunal pursuant to any future Determination.

Thomas G Parry
Chairman
24 June 2002

CITYRAIL PRICING SCHEDULE

This Pricing Schedule forms part of Determination No. 2 of 2002 made by the Tribunal under section 11(1) of the *Independent Pricing and Regulatory Tribunal Act, 1992*.

Maximum prices for CityRail railway passenger services from 1 July 2002

Distance Km	Single \$	Half Single \$	Return \$	Half Return \$	Weekly \$	Off-peak \$
5.00	2.20	1.10	4.40	2.20	17.00	2.60
10.00	2.60	1.30	5.20	2.60	20.00	3.00
15.00	2.80	1.40	5.60	2.80	23.00	3.40
20.00	3.40	1.70	6.80	3.40	26.00	4.00
25.00	3.80	1.90	7.60	3.80	29.00	4.40
30.00	4.20	2.10	8.40	4.20	31.00	5.00
35.00	4.40	2.20	8.80	4.40	32.00	5.20
45.00	5.20	2.60	10.40	5.20	36.00	6.20
55.00	6.00	3.00	12.00	6.00	39.00	7.20
65.00	6.60	3.30	13.20	6.60	43.00	7.80
75.00	8.00	4.00	16.00	8.00	46.00	9.60
85.00	8.80	4.40	17.60	8.80	49.00	10.40
95.00	9.80	4.90	19.60	9.80	51.00	11.60
105.00	10.20	5.10	20.40	10.20	53.00	12.20
115.00	11.40	5.70	22.80	11.40	55.00	13.60
125.00	12.80	6.40	25.60	12.80	58.00	15.20
135.00	13.00	6.50	26.00	13.00	63.00	15.40
155.00	15.00	7.50	30.00	15.00	69.00	17.80
175.00	17.00	8.50	34.00	17.00	73.00	20.00
195.00	21.00	10.50	42.00	21.00	81.00	25.00
215.00	22.00	11.00	44.00	22.00	83.00	26.00
235.00	25.00	12.50	50.00	25.00	95.00	30.00
255.00	26.00	13.00	52.00	26.00	99.00	31.00
305.00	28.00	14.00	56.00	28.00	107.00	33.00
305+	30.00	15.00	60.00	30.00	115.00	36.00

TravelPass	\$	Child Off-Peak	\$
Red	30.00	Sydney Suburban	2.30
Green	38.00	Newcastle Suburban	2.30
Yellow	42.00	Outer Metropolitan	3.40
Pink	45.00	CityRail	5.60
Purple	52.00		

Notes:

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



INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES

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

- Reference No.:** 01/484
- Determination:** No 3, 2002
- Government agency:** State Transit Authority
- Government monopoly services:** Regular passenger services (within the meaning of the *Passenger Transport Act, 1990*) supplied by the State Transit Authority, excluding the following:
- a) services supplied in relation to the ticket known as the "SydneyPass",
 - b) the bus service known as the "Airport Express",
 - c) the bus service known as the "Sydney Explorer", the bus service known as the "Bondi & Bay Explorer" and any other similar bus services operating in any other areas,
 - d) ferry cruises operated by STA.

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

The following are the maximum prices (to commence from 1 July 2002) determined by the Tribunal for the Government monopoly services set out above

1. All standard State Transit Authority Sydney Buses services

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

2. Sports special return bus tickets

The price of a sports special return bus ticket must not exceed \$4.40 for an adult ticket and \$2.20 for a concession.

3. Moore Park Link tickets

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

4. School term pass

The price of a school term pass must not exceed \$38.00 per school term.

5. All State Transit Authority ferry services

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

6. Newcastle bus services

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

7. New or additional charges

All other prices or charges for scheduled passenger transport services provided by the State Transit Authority must remain at 2001/02 levels. The State Transit Authority must not levy any new or additional charges for the Government monopoly services supplied by the State Transit Authority other than in accordance with this Determination, or with the approval of the Tribunal pursuant to any future Determination.

Thomas G Parry
Chairman
24 June 2002

STATE TRANSIT AUTHORITY PRICING SCHEDULE

This Pricing Schedule forms part of Determination No. 3 of 2002 made by the Tribunal under section 11(1) of the *Independent Pricing and Regulatory Tribunal Act, 1992*.

Table 1 Maximum prices for STA Sydney Buses services from 1 July 2002

SYDNEY BUSES FARES	Adult (\$)	Concession (\$)
Single ride fares		
1-2 Sections	1.50	0.70
3-5 Sections	2.60	1.30
6-9 Sections	3.40	1.60
10-15 Sections	3.90	1.90
16+ Sections	4.70	2.30
TravelTen		
Blue: 1-2 Sections	11.30	5.60
Brown: 3-5 Sections	18.90	9.40
Red: 6-9 Sections	23.50	11.70
Green: 10-15 Sections	31.70	15.80
Orange: 16+ Sections	39.80	19.90
TravelPass – Bus and Ferry		
Blue	27.00	13.50
Orange	34.00	17.00
2 Zone	27.00	13.50
Pittwater	47.00	23.50
TravelPass^{1,2} Bus, Ferry and Rail		
Red	30.00	15.00
Green	38.00	19.00
Yellow	42.00	21.00
Pink	45.00	22.50
Purple	52.00	26.00
BusTripper	9.70	4.80
DayTripper (Bus/ferry/rail daily)	13.40	6.70

Notes:

1. Quarterly TravelPass = 11 x weekly fare.
2. Yearly TravelPass = 40 x weekly fare.
3. All half fare concessions have been rounded down to the nearest 10 cents.

Table 2 Maximum prices for STA ferry services from 1 July 2002

FERRY FARES	Adult (\$)	Concession (\$)
Single		
Inner Harbour Zone 1	4.30	2.10
Inner Harbour Zone 2	4.50	2.20
Manly / Rydalmere	5.40	2.70
Manly JetCat	6.70	na
Parramatta	6.40	3.20
Stockton	1.80	0.90
Stockton ferry (daily ticket)	7.60	3.80
FerryTen		
Inner Harbour Zone 1	26.50	13.20
Inner Harbour Zone 2	29.10	14.50
Manly / Rydalmere	39.30	19.60
Manly JetCat	55.80	na
Parramatta	45.10	22.50

Notes:

1. All half fare concessions have been rounded down to the nearest 10 cents.

Table 3 Maximum prices for STA Newcastle bus services from 1 July 2002

NEWCASTLE FARES	Adult (\$)	Concession (\$)
Time		
1 Hour	2.50	1.20
4 Hours	4.90	2.50
TimeTen 1 Hour	21.00	10.50
All day	7.60	3.80
TravelPass^{1,2}		
Orange	34.00	17.00
Yellow	42.00	21.00
Pink	45.00	22.50

Notes:

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