

INDEPENDENT PRICING AND REGULATORY TRIBUNAL

PUBLIC HEARINGS INTO PUBLIC TRANSPORT

Tribunal Members

**Mr James Cox - Acting Chairman
Ms Cristina Cifuentes**

**Held at Meeting Room 2, Level 2
44 Market Street, Sydney NSW 2000**

On Friday, 10 May 2002, at 10.05am

1 MR COX: Welcome everyone to our public hearing on
2 public transport fares. I must first of all point
3 out that this is a hearing into fares for the SRA
4 and the STA. It is a chance for the tribunal to
5 listen to people who make submissions to us and to
6 ask for further information and clarification on
7 those submissions.

8
9 I must apologise for Tom Parry's absence. He
10 is overseas today but obviously he will be taking
11 part in the decision-making processes of the
12 tribunal following on from this hearing and our
13 consideration of the submissions.

14
15 To explain the process this morning, we are
16 going to have some presentations from the two
17 authorities, the State Transit Authority and
18 CityRail. Then we will get some presentations from
19 a number of groups and individuals who made
20 submissions to us. Then towards the end of the
21 morning we will give CityRail and the State Transit
22 Authority a chance to respond to points that have
23 been raised this morning. We hope to conclude about
24 1 o'clock.

25
26 The first stage is submissions from the State
27 Transit Authority and I would ask John Stott to
28 speak to his submission briefly and then we will
29 follow that with questions and discussion.

30
31 STATE TRANSIT AUTHORITY

32
33 MR STOTT: Thank you, Chairman. Firstly I should
34 introduce my colleagues: Mr Reg Ryan, our financial
35 controller, and Mr Lyall Kennedy, our chief service
36 planner and network designer.

37
38 As you know, State Transit operates three
39 businesses, that is Sydney Buses, Sydney Ferries and
40 Newcastle Bus and Ferry Services. When you go to
41 our submission you will note that there are
42 arguments in respect of all three. They are quite
43 significant different businesses, Sydney Buses being
44 the major part of State Transit, Newcastle being a
45 regional structure and Sydney ferries being a high
46 capital very localised service on the harbour.

47
48 Over the last two years we have been working
49 towards developing a clearer charter in State
50 Transit. We have identified areas that we believe
51 encapsulate the main objectives of the organisation.
52 As shown on the next slide, they are reliability,
53 convenience, efficiency, courtesy, comfort, safety
54 and security. They are the key things in our
55 corporate plan, which will be published in about six
56 weeks from now.

57
58 We will be showing in that corporate plan a

1 number of performance indicators which we think will
2 give some indication of how we expect to be
3 travelling against those particular objective areas.

4
5 We believe that overall in most of those areas
6 we are performing well but we acknowledge that there
7 is always more that one can do and we acknowledge
8 particularly that we have to work hard consistently
9 at the customer service area, an area that whenever
10 you lift the bar with your performance your clients
11 expect a little more again, so we will continue to
12 do work there. We think we have done a lot in the
13 efficiency and reliability areas too.

14
15 In the past few years while we have been making
16 submissions to the tribunal we believe that we have
17 come a long way to achieving efficient cost in our
18 bus services. We have had lengthy debate about some
19 of these issues but we are now at the point where we
20 have essentially restructured our workforce. We
21 have dealt with all of those non driving shifts,
22 rationalised our administration, notably
23 centralising our payroll and accounts systems.

24
25 We have one remaining initiative to go into
26 place - that will be in place in the next three
27 months - and that is a restructuring of our bus
28 inspectors and the upgrading of our revenue
29 protection service. That is essentially agreed with
30 our unions as part of the present enterprise
31 agreement round, so that will soon happen.

32
33 In fact, we are now at a point where we have
34 been working for two years on an improved procedures
35 manual and business documentation system and I am
36 confident that by the end of this year we will have
37 been certified to ISO 9,000 for the whole of our bus
38 operations. Likewise in our ferry system, we are
39 probably a little behind that but certainly clearly
40 within view now is that we will have ISO
41 certification in the ferry system and be certified
42 to an international safety management system there
43 too.

44
45 Maybe I should just step back a little.
46 Efficient cost services is always a moving target.
47 There are always different views on what it means
48 but we believe that we have basically achieved the
49 agenda we set out to achieve when we first took on
50 that challenge from the tribunal in about 1998.
51 Because of that, we have now moved on and we are now
52 looking at the ISO 9001 of our network rather than
53 the efficiency of our internal processes.

54
55 Many people would be aware of our better buses
56 program which has now been in process for the last
57 two years or so. It started in the north-west of
58 Sydney where we consolidated the northern and

1 western bus lines with our own services. I am
2 really pleased to say that in the two years since we
3 consolidated those services our patronage in that
4 part of the world has increased by 60 per cent and
5 there has been a bottom line improvement of \$1.5m up
6 there. Whilst it is still essentially a breakeven
7 business, that is a really big improvement.

8
9 That is really down to redesigning the network,
10 putting the buses where people want them to be, or
11 where most people want them to be, and we have also
12 launched our better buses program in Newcastle as of
13 March this year. That is proving something more of
14 a challenge and that is largely because that is a
15 system that has been entrenched for over 10 years
16 without major change to the network. Although we
17 are satisfied that the services are now much better
18 aligned with where the majority of bus users want to
19 go, clearly there are some people who were
20 accustomed to the back street services and who are
21 now finding some inconvenience, but we have worked
22 through all of that and it was interesting to read
23 earlier this week that the member for Newcastle
24 spoke to the press saying that he thought that we
25 had put in place a system that would deliver what
26 Newcastle really needed. We have built that service
27 with a view to the future.

28
29 It is far too early at this stage to say
30 whether there is any impact on patronage but there
31 is certainly no loss in patronage at this stage. By
32 realigning the services - and one has to accept that
33 Newcastle was overserved in some areas - we
34 believe that we will have much better financial
35 performance up there.

36
37 Very shortly now we will be launching our
38 better buses program in the eastern suburbs. Much
39 of that is essentially ready to go. There are a
40 few minor adjustments to be made to driver rosters
41 and the like but we are confident that by the end of
42 June that service will be in place and we think that
43 that will work a lot better, new services and
44 realignments, as you would expect given that in many
45 areas of the Eastern suburbs and inner city there
46 are very dramatic demographic changes happening at
47 the moment. We are pleased with that. We will
48 continue to roll out the better buses program.

49
50 The next area we will look at will be the
51 peninsula and then after that the south-western
52 suburbs. You will appreciate that these are very
53 lengthy planning processes. They require extensive
54 consultation and in the Eastern suburbs we had 3,600
55 individual responses. We have ploughed through all
56 of those and we think the key to success in this
57 area is to go through that consultation, listen to
58 people, to what they have to say, and try and adjust

1 the system to suit majority need. We are certainly
2 getting good results there.

3
4 In respect of our ferry services, clearly we
5 have not yet reached efficient cost. We have
6 pursued a study over the last two years to try to
7 identify what that might mean in the ferries
8 environment. That particular work has really been
9 overtaken by the major review of waterways that was
10 conducted by government through the Waterways
11 Authority last year.

12
13 I guess I would have to say in respect of
14 ferries that the ferries management team has tried
15 valiantly for many, many years to run ferries at
16 best cost. Clearly that has meant that it has
17 impacted on our ability to meet a good many of the
18 requirements that are out there for efficiency and
19 effectiveness and safety. It is my view that the
20 present review is actually going to increase the
21 efficient cost of running the ferry system.

22
23 It is clear now that the ferry system will be
24 implementing an international safety management
25 code, implementing an ISO 9000 code. Very extensive
26 training requirements have to be introduced. For
27 instance, all of our high-speed ferry masters have
28 now been through the high-speed refresher course at
29 the Australian Maritime College in Launceston and
30 that will be a rolling refresher program.

31
32 We are about to now start launching our
33 low-speed ferry masters into the same sort of
34 program, so I think we will carry a very much higher
35 training load and I really don't see at this stage a
36 lot of scope for reducing the cost of the ferry
37 service. I think it is probably at about the best
38 cost with what we have to do and very clearly there
39 are significant safety challenges that there we have
40 to meet. We are not prepared to take any chances in
41 that area.

42
43 There are a number of other things happening in
44 State Transit at the moment besides the issues I
45 have talked about. One is that we have decided to
46 revisit the issue of our capital structure. You may
47 recall that, remind me, Reg, about 1995 we carried
48 out a capital structure study to essentially look at
49 our debt carrying capacity. That wasn't a terribly
50 conclusive exercise but given that we have now come
51 a long way on clarifying cost structures we believe
52 it is an appropriate time to go back and revisit the
53 capital structure at State Transit. That is a
54 process that is about to take off.

55
56 That being the case, it's rather difficult at
57 this stage to say that our balance sheet is a
58 perfect representation of our business. I think it

1 will take some three or four months before we come
2 back to that, so there is an uncertainty at this
3 stage about our debt carrying capacity and about our
4 total asset disposition. That will take some months
5 to sort out.
6
7 Secondly, it seems to me quite clear now that
8 there has been some softening in patronage across
9 our system. Talking to other bus operators, I think
10 they are suffering a similar decline, not so much a
11 decline in total numbers as a decline in growth. It
12 is not clear why that is happening. There are a lot
13 of theories around.
14
15 The best guess we have at the moment is that
16 since the Commonwealth introduced its new tax
17 package it has made motoring a whole lot accessible
18 for a lot more people. That is causing us some
19 concern. We have suggested to the Director-General
20 of the Department of Transport that jointly with
21 Transport New South Wales and StateRail we should do
22 some investigation of this area. At this stage,
23 given that environment, I would be reluctant to
24 really consider aggressive fare rises given that we
25 need to protect our present patronage and try to win
26 back some of those people who may have suddenly
27 found it cheaper through lower taxes to get into a
28 car.
29
30 I guess at this stage we feel that some form of
31 modest fare pause might be appropriate in this
32 environment.
33
34 Essentially our proposal this year is that we
35 have looked at essentially a basket of fares across
36 the whole of State Transit of roughly 2 per cent.
37 We have spread that in different ways. Newcastle,
38 as you are aware, has a unique fare structure, it is
39 time-based and relies on nice round figures, so we
40 are not really suggesting any significant change
41 there. It comes out at about point 46 per cent
42 because of the impact of things like TravelPass
43 which you adjust in other areas and self-feeds into
44 Newcastle. Sydney Buses is 1.93 and Sydney Ferries
45 is 2.3.
46
47 Finally I would just like to say that we
48 thought it was refreshing last year to see the
49 tribunal examine private bus fares as well. We
50 would be supportive of having our fares considered
51 by you at the same time as you are considering the
52 private sector because we believe there are a lot of
53 similarities between elements of our network and
54 elements of their network and we think the time is
55 approaching when we should be looking at bus fares
56 across the whole of the Sydney region. That does
57 not mean that they are always the same across the
58 Sydney region but that is an issue we should look

1 at.
2
3 That is all I want to say. We will be happy to
4 take any questions.
5
6 MR COX: Thank you very much for your submission and for
7 your presentation this morning. As you say, for
8 this year you are thinking of a fairly modest fare
9 change and as I understand it from your submission
10 the main component of that change is the increase in
11 the price of the discount in periodical tickets,
12 TravelPasses and so on.
13
14 I guess in thinking about that, we have looked
15 at that over a number of years and you propose that
16 an increase might be justifiable on equity grounds.
17 You are also suggesting in your submission that
18 there is a worry about the shift from cash fares. I
19 wonder how you think that issue ought to be
20 resolved? Have we gone too far perhaps in terms of
21 reducing discounts and should there be a rebalancing
22 over the next few years?
23
24 MR STOTT: We think on the one hand we may be seeing
25 rather more casual passengers than we have seen in
26 the past. We think that is an influence. It
27 surprises me that people prefer to pay cash given
28 that there are still some very substantial
29 discounts. Even as a result of the rises we are
30 talking about here, the discounts are still very
31 attractive. That does not seem to be what is
32 driving passengers' preferences. I would like
33 personally to know a lot more about that. There is
34 a need for a good deal of research to be done.
35
36 I think in the long term the issue will be
37 resolved by a move to smart card ticketing one way
38 or another. Clearly most cities around the world
39 are looking at smart card systems. In a smart card
40 system on our buses I would be looking at the smart
41 card fare being essentially what is now the
42 TravelTen fare and I think we would then see a
43 pretty strong movement back into smart card. To go
44 to another city and try those fare systems, it is
45 very, very impressive how convenient the whole
46 system becomes.
47
48 I was in a city just recently where in a week I
49 don't think I asked anybody how much the fare was, I
50 just tapped it, you know the fare scale roughly and
51 it works very well for you.
52
53 There is a long-term issue here but clearly
54 people are finding cash fares affordable. That is
55 not a desirable outcome for us in a number of ways.
56 I would prefer to see cash out of the system. It is
57 expensive to count, it is expensive to carry and it
58 brings along with it a security risk.

1
2 MR COX: If I can move on to another area, I note in
3 your submission that you argue we should be moving
4 towards a system of trying to agree between us an
5 efficient fare. I don't think that was emphasised
6 in your presentation this morning and I think some
7 things you said about that may suggest that we are
8 not yet ready to do that. Is that your
9 understanding as well? What should we be doing over
10 the next year to firm up on that?
11
12 MR STOTT: The efficient fare issue, whether one ever
13 charges a full cost recovery fare is a matter for
14 government on the tribunal's advice. In terms of
15 establishing things like concession reimbursements
16 and pricing CSOs and those sorts of things, I think
17 it is important that all parties have a clear
18 understanding of what the cost base is that we are
19 discussing so at the end of the day what is not
20 recovered from the farebox clearly has to be
21 recovered from concessions or CSOs or it will
22 significantly add to the debt. That is not a
23 suitable outcome.
24
25 The reason I have not gone into it is that, as
26 I have reflected on this it is more an issue that
27 needs to be discussed within government because it
28 seems to me that it is not a matter that is a
29 burning issue on the street, so to speak.
30
31 MR COX: Certainly not.
32
33 MR STOTT: But what I am looking for in the long run is
34 for all the parties, which is basically Treasury,
35 Transport New South Wales and the tribunal and so
36 forth, to acknowledge that this is a genuine cost
37 structure, it is the best cost possible of running
38 the system and in one way or another it has to be
39 recovered. Clearly there are issues of
40 affordability in setting fares. As I say, that is
41 not something on which State Transit would claim any
42 expertise but equally clearly if we don't wish to
43 have a growing debt burden which ultimately
44 transfers to the community in some way, we need to
45 come to grips with that.
46
47 I guess we are taking a pause in vigorously
48 arguing that process, but still we would like to see
49 at some stage the tribunal say, "Well, from our
50 perspective this does appear to be a fair cost to
51 run the system".
52
53 MR COX: I would like to clarify your expectations. I
54 understand last year you were very disappointed. It
55 seems to me you are now saying you would not like it
56 to be done this year but perhaps sometime in the
57 future. I want to clarify what is your expectation
58 so we will not find ourselves disappointed with each

1 other.
2
3 MR STOTT: Sure. It would be inappropriate to set in
4 concrete what we regard as a notional cost recovery
5 fare when we still have to complete the capital
6 structure study. That is going to take some months
7 and I think it will put us in a position where we
8 could come to you next year and say we have done all
9 of the efficient cost reforms that have been
10 suggested to us, we have accomplished the bulk of
11 the better buses programs so we are ready to roll
12 into stage two of that, and that is the time I think
13 to say, "here are the numbers, it would be really
14 nice if you would confirm that in your opinion that
15 is a fair cost to run the business".
16
17 MR COX: Very much on the backburner at the present
18 time?
19
20 MR STOTT: Certainly on the backburner.
21
22 MR COX: You talked about a 1998 efficient cost study
23 and you say quite rightly that you have achieved in
24 your view all that is reasonably achievable that was
25 thrown up in that study. We can't ask you to do
26 more than achieve what is reasonably achievable. Do
27 you think there is scope for repeating that study at
28 some stage and when would be an appropriate time to
29 think about that?
30
31 MR STOTT: We need to look at so-called efficient cost
32 for Sydney Ferries first. We need to do that once
33 we have got the bulk of the waterways reforms in
34 place and stabilised. That should be the first
35 thing because we need to give both government and
36 the community some assurance that the cost of the
37 ferry system is an appropriate one. Then I think it
38 would be reasonable to come back to look at the bus
39 network and in looking at the bus network to take on
40 board that efficient cost just doesn't include
41 screwing down the costs in the system, it also
42 includes looking at whether the services have been
43 appropriately targeted and whether they are going
44 into the right place.
45
46 As I found yesterday, there is one bus service
47 with two trips morning and two trips evening and it
48 carries two people per day. I don't regard that as
49 an efficient cost. Yet, the bus meets all
50 benchmarks of efficiency on the cost side. I think
51 there's got to be some examination of those issues
52 as part of the process.
53
54 I think the community should have some
55 assurance that it is getting appropriate services at
56 an appropriate cost and frankly, rather than
57 focusing just straight out on efficiency which I
58 think has sort of a pejorative sense about it today,

1 I would prefer to talk about value for money. Is
2 the community getting value from what it's putting
3 into the public transport network?

4
5 MS CIFUENTES: Just following up on that question, have
6 you conducted any studies at all on what consumers
7 regard as value for money or their willingness to
8 pay?

9
10 MR STOTT: Through the better buses program we've looked
11 at what they want in terms of travel lines; where
12 they want to go. I have to say that we haven't done
13 any in depth work on affordability. As I said
14 earlier, we don't claim any great expertise in that
15 area.

16
17 MS CIFUENTES: More than affordability is the
18 willingness to pay. You might get consumers saying,
19 for example, "Yes, we would love to have
20 air-conditioned buses, clean buses, et cetera,
21 in-line entertainment even, but we're not willing to
22 pay for it", which is a different issue to
23 affordability.

24
25 MR STOTT: We tabled a report last year to the Tribunal
26 and this was in the ferries area where we went out
27 and we asked people, "What would you like? What
28 would you pay for?" We got some interesting
29 results there but we haven't done that across the
30 whole of the bus network. Frankly, I would prefer
31 to see that done in some coordinated way with other
32 operators and with the regulator, because I think it
33 is bigger than a single operator.

34
35 MR COX: The final area I would like to discuss is the
36 increases in costs we have had over a number of
37 years now. The figures suggest that in the
38 mid-1990s it cost about \$200 million a year, plus a
39 little bit, to run your system. That is now about
40 \$350 million and seems to be increasing.

41
42 It is a worry to us and I'm sure it is a worry
43 to you. This is telling us something about what is
44 required to ride a bus system in a place like
45 Sydney. What are the fundamental drivers? Is that
46 something that can be halted? Otherwise, it seems
47 to me that whatever we do in terms of fares, at some
48 stage you're going to find yourself in a pretty
49 difficult financial position.

50
51 MR STOTT: It is pretty easy to track down. Firstly, in
52 that period the bus fleet has increased by more than
53 20 per cent and the size of the fleet is driven
54 purely and simply by the morning peak; but the fact
55 that the bus fleet has grown 20 per cent doesn't
56 necessarily mean that you've got a full 20 per cent
57 patronage in the morning peak; you increase with
58 your demand.

1
2 We have also moved to lower floor buses, which
3 is a mandatory requirement under the Disability
4 Discrimination Act. That has had a significant cost
5 impact. It is interesting to note that as a result
6 of that initiative alone buses have grown. They
7 used to be 10.7 metres long and now they're
8 12.5 metres long. They carry exactly the same
9 number of passengers.

10
11 All that has happened is that by lowering the
12 floor we've had the wheel arches intrude. It has
13 the same number of spaces. The cost per unit for a
14 bus has increased. In 1995 you would have been
15 looking at about \$250,000 for a downtown city bus;
16 today you're looking at something around \$430,000 or
17 \$440,000.

18
19 I was speaking just yesterday to a private
20 sector operator who is buying buses right now,
21 absolutely basic buses, and he has been quoted I
22 think \$390,000.

23
24 There are big increases in capital expenditure
25 there. There is some growth in wages. With the
26 increase in the fleet comes an increase in wages. A
27 rough rule of thumb is if you buy one extra bus
28 you're looking for 1.8 extra drivers. That was the
29 figure we worked through the other day.

30
31 In my view we have been very successful over
32 that period in moderating our wage costs, to the
33 point where this year I think there's been a general
34 recognition that there was a need for some catch up
35 on the part of our staff. By and large, wages
36 settlements from 1995 through to 2000 were
37 fractionally below the community averages.

38
39 There has been some variability in fuel costs.
40 We have managed to contain that well by adopting a
41 very successful hedging policy for fuel. Although
42 we carry the cost premium on our buses due to the
43 fact that we're moving across to natural gas, the
44 evidence is now in and it shows pretty clearly that
45 the running cost of a bus on gas is 8 per cent
46 lower.

47
48 We are saving around about 30 cents for every
49 kilometre we travel and that's about an 8 per cent
50 reduction. If you consider that we're travelling
51 about half a million kilometres a day, it becomes a
52 very significant saving. Then of course you've got
53 all the ancillary stuff about air-conditioning and
54 so forth.

55
56 The cost of operating transport systems is
57 rising. I think the community is getting a good
58 quality system. I wouldn't like to prune back from

1 where we are, but very clearly that then brings
2 government and the community to a position where
3 there is a need for a debate about do you need to
4 fully cost recover all that, or is the contribution
5 of the public transport system to overall land use
6 in a city like Sydney worthwhile in providing some
7 sort of support.

8
9 You are talking both public and private.

10 Clearly, public transport is going to ensure that
11 Sydney achieves some sort of sustainability in the
12 long term and I think that requires some costings.
13 I don't believe bus passengers and train passengers
14 should be paying to improve life for a whole lot of
15 other people in various parts of Sydney.

16
17 MR COX: Can I ask a similar question about ferries?
18 You mentioned some of the cost increases that are in
19 the pipeline on the ferry side. It also seems to me
20 that costs have risen quite rapidly in recent years
21 and will continue to do so. I would like to
22 understand the underlying cost drivers for ferries.

23
24 MR STOTT: The key drivers in the ferry division are
25 like those in the organisation of the staffing
26 structure and training. Essentially, quality
27 systems are going to be very significant components
28 of our costs from now on. We have very high
29 maintenance costs and our accounts this year will
30 show a significant increase in expenditure on
31 maintenance.

32
33 Our low speed ferries, the Freshwater class to
34 Manly, the Lady class, the First Fleeters, I think
35 their average age is about 15 years old. They're
36 coming up for refits. We've done extensive refits
37 of the Freshwaters, which was with the financial
38 support of the Government. There is still a lot
39 more to be done there.

40
41 Working on ships is an extremely expensive
42 proposition. Coupled with that is the fact that the
43 patronage is not a high growth area. By and large,
44 you draw ferry passengers from areas close to the
45 wharf; people don't enjoy switching boats. For
46 instance, of the people who come to Manly by bus
47 only about 10 per cent actually transfer to the
48 ferry. That is about 3 or 4 per cent of the actual
49 ferry load. Most people arrive at the wharf by some
50 other means.

51
52 I anticipate that we're going to continue to
53 have very high maintenance costs. We're going to
54 continue to have very high staff training and
55 compliance costs. Costs of compliance with OH&S,
56 with safety requirements and with onshore and
57 offshore emergency procedures are going to continue
58 to increase.

1
2 I think one thing that the dreadful weather we
3 had in 2001 showed us is you have to be ready for
4 that at any time and you cannot scrimp on
5 preparedness. I have never done the calculation but
6 off the top of my head if you looked at staff per
7 passenger in Sydney buses, you would find it is
8 about a quarter of what it is in Sydney Ferries.

9
10 I don't see Sydney Ferries being a mass transit
11 system in the long run. Manly certainly is. Manly
12 has a deep seaway. It has the ability to carry big
13 ships. Parramatta River is a constricted waterway;
14 there is a limit on how much traffic you can put
15 down it. There is a limit on what capacity you can
16 put into the system. The cost per passenger on the
17 Parramatta River will continue to be high. Manly is
18 a service that I think can in the long run approach
19 bus effectiveness and efficiency levels.

20
21 MS CIFUENTES: It strikes me that the picture that we
22 are being presented is one of limited scope for
23 efficiency gains in buses and particularly in
24 ferries, given the recent study. Perhaps declining
25 efficiency gains result in some loss in patronage,
26 whether it's peak or across the board. There have
27 been fairly significant cost increases - I think
28 it's about an 18 per cent forecast for the ferries
29 and around about 3 per cent for the buses - and
30 against that a 2 per cent requested fare increase.
31 That clearly has some implications for levels of
32 service, service delivery, or the financial
33 decisions of the organisation. Can you comment a
34 little on those factors and the sustainability of
35 that type of scenario?

36
37 MR STOTT: Yes. Firstly, I believe there's too much
38 uncertainty in the environment right now to really
39 go looking for a more aggressive fare rise. We
40 really need to get that capital structure out of the
41 way. We really need to get the ferry reforms under
42 way.

43
44 Secondly, the State Budget will be down in a
45 couple of weeks, so clearly all of our budgeting has
46 already been done within State Transit. We've
47 advised government about our CSO requirements,
48 we've advised government of our capital expenditure
49 program and we've budgeted on the assumption that
50 there will be a 2 per cent fare rise.

51
52 I don't believe in 12 months that our financial
53 situation is going to deteriorate. We are going to
54 work very, very hard to ensure that our debt doesn't
55 rise and we're presently carrying about \$150 million
56 worth of debt. On a straight out commercial basis
57 our debt equity ratio is about right for an
58 organisation such as we are.

1
2 We believe that we can accommodate it. We
3 could not accommodate a zero fare rise without
4 having to look for some source of income from
5 elsewhere. The other thing is that I think we have
6 to, hand in hand with the other operators, start
7 looking at how we can aggressively attract people
8 back into the system, people who have made a choice
9 not to ride with us but to ride with somebody else
10 and I think that's a challenge for the whole of the
11 government system. It is not something that an
12 individual operator can go with.
13
14 To some extent, transit passengers are
15 resistant to traditional marketing methods, they're
16 fairly resistant to advertising and so forth, so
17 they have to be shown that there are advantages. If
18 I may digress - and I know I'm not answering your
19 question directly - there is some very interesting
20 work going on now in Europe and it's been tried out
21 in Perth whereby you do individualised marketing,
22 where you track people down one on one and you show
23 them how you can improve their day by putting them
24 into the public transport system.
25
26 That is resulting in very, very significant
27 growth. In South Perth it has seen a 67 per cent
28 growth into the public transport system, albeit at a
29 cost. I think that's the sort of thing that will
30 have to happen here.
31
32 MS CIFUENTES: If I understood your cost recovery
33 situation correctly, your financial position is not
34 expected to deteriorate significantly, or are you
35 more in a holding pattern until some of these
36 uncertainties are resolved?
37
38 MR STOTT: I would answer "yes" to both. We are in a
39 holding pattern and we don't believe that we're
40 going to have any dramatic deterioration in this
41 current year. We have some investments to make this
42 year. We have new buses coming along for Newcastle,
43 so we'll be investing in those and we'll take the
44 last deliveries of our present round of Sydney
45 buses. There is some more expenditure to make in
46 the ferry system and of course we also have to get
47 ourselves running on the Liverpool-Parramatta
48 transit way.
49
50 I might just say we've taken great care with
51 the transit way to structure it outside
52 Sydney Buses, so that its accounts will be visible,
53 they will be transparent and we'll be running it
54 through a subsidiary.
55
56 MS CIFUENTES: They'll completely separate.
57
58 MR STOTT: Absolutely, having a separate enterprise

1 agreement with the staff on the transit link. I
2 don't see that's going to have any impact whatever
3 on the overall running of State Transit.
4
5 MS CIFUENTES: Will that acquisition have any impact on
6 the average age of the bus fleet?
7
8 MR STOTT: No. It's about 15 buses to start off with in
9 a fleet of almost 2000. In the normal ebb and flow
10 of our business it is not uncommon to see the fleet
11 rise or fall 10 buses per month as we take
12 deliveries and attend to disposals. We tend to
13 adjust our fleet according to need.
14
15 MS CIFUENTES: What about service delivery? There's
16 almost an implied treatment that service delivery
17 standards will not suffer as a result of this fairly
18 modest increase.
19
20 MR STOTT: Right now across the network we are running
21 punctuality, reliability, at 95-96 per cent in the
22 bus area. We are running it in the middle 99s in
23 the ferry area. Those systems are pretty much
24 institutionalised. We do better in the bus system
25 with better traffic priority. The thing that stalls
26 us in the bus system are the day-to-day glitches you
27 get around the Sydney traffic system. We'd do a lot
28 better with more priority.
29
30 Likewise with bus standards, it is an issue we
31 could argue about, but I think Sydney's buses
32 present pretty well. We take a lot of trouble with
33 our cleaning and our washing. We are actually
34 saying in our corporate plan this year that we
35 intend to crank that one up a bit. We'll be putting
36 a bit more structure into the way we do that.
37
38 In the ferries area we're now in the final
39 stages of producing some presentation plans which
40 are looking very promising and I think some of our
41 ferries could bear a bit more cleaning between
42 trips. The deal is that our crews go around and
43 pick up the cans and newspapers between trips. I
44 think we can do a bit more there and we'll be
45 working on that this coming year.
46
47 There is certainly no way I would want to be
48 having any of those standards decline; I want to see
49 them improved. The other thing I should say,
50 though, is that factored into our budget next year
51 are some quite reasonable bottom line improvements
52 coming out of the better buses program. By better
53 aligning the services with the travel lines for
54 people, we expect that that's going to be quite
55 helpful for us. As I say, in the north-west in two
56 years additional patronage has brought us another
57 \$1.5 million and that's quite substantial.
58

1 MS CIFUENTES: That service is now at break even
2 point --
3
4 MR STOTT: Close.
5
6 MS CIFUENTES: -- close to break even with a
7 60 per cent increase in patronage. How much of an
8 increase in patronage would you need to get it to
9 break even and hopefully beyond and is that
10 possible?
11
12 MR STOTT: It is hard to say. The reason for that is
13 that the cost of operation varies across the city.
14 The lowest cost of operation we have in
15 State Transit is in Newcastle. We lose a lot of
16 money in Newcastle. The reason for that is that we
17 can operate at quite high speed. We operate at
18 26 kilometres an hour average in Newcastle; down
19 here in Sydney we operate at about 13. You can be
20 carrying full loads and meeting needs well but not
21 making money because you're running so slow and
22 that's chewing up time and you've got breaks in the
23 service between trips.
24
25 We live with the fact that across the whole of
26 Sydney we get a reasonable outcome. Sydney Buses
27 will probably lose a little money this year but not
28 a lot. Essentially, Sydney Buses is close to cost
29 recovery, taking into account concession
30 reimbursements, pricing CSOs, all of which work to a
31 formula.
32
33 We are paid according to who we carry. If we
34 carry one passenger for \$1.50 and the private sector
35 rate is \$1.60, the government gives us the 10 cents.
36 That is the formula we can expect to see. I think
37 in the long run, with better buses and costs and the
38 reimbursement structure that we have, we can expect
39 to see Sydney Buses into the long term essentially
40 paying for itself on the basis of reimbursements.
41
42 I don't believe that we would have a similar
43 situation with ferries with very high standard
44 costs. For instance, the cost of access to wharves
45 and repair of wharves, there are very high access
46 charges for Manly, for instance, and they are fixed
47 costs that have to be borne. I wouldn't be so
48 brave, I think, as to say I can see the day when
49 Sydney Ferries will have cost recovery.
50
51 MS CIFUENTES: With respect to bus lanes, it seems that
52 everyone but the buses use bus lanes. How effective
53 are they?
54
55 MR STOTT: Bus lanes are very good for us. I don't
56 entirely agree that buses don't use bus lanes. What
57 you're pointing at is a very interesting issue and
58 that is that if you're driving an express bus in a

1 bus lane and the all stops bus do, what do you do?
2 Do you stop behind him or go around? The interests
3 of the passengers are best served by going around.
4
5 What else I found notable was that regrettably
6 there was a stoppage a few weeks ago as part of an
7 EPO negotiation and everybody said didn't the
8 traffic run so much better without the buses. My
9 observation was that the great mass of motorists
10 didn't use the bus lanes. They'd been conditioned
11 not to drive on the red bitumen and yet, the traffic
12 flowed faster.
13
14 I went to the RTA and asked why that was. Was
15 it because my buses were off the road? They said
16 no, it was because the clearway hours were extended
17 and a lot of people took the opportunity to travel a
18 little earlier or a little later on the clearway and
19 that took the heat out of the system.
20
21 Misuse of busways is of concern to us; that is,
22 inappropriate use by car drivers and the like. The
23 great majority of car drivers I think are
24 responsible. There are a few people who don't seem
25 to have any respect for anything. I think we'll see
26 in the coming years some improvement in compliance
27 on busways. The RTA is helping us by trialling some
28 bus lane cameras in Oxford Street and in
29 Clarence Street. The results of that study are
30 looking very promising and I think you can expect to
31 see a roll out of bus lane cameras.
32
33 MS CIFUENTES: How do your forecast rising costs
34 compare with those of the private buses?
35
36 MR STOTT: I don't know. What I do know is that I'm
37 confronted by the same cost increases for fuel, for
38 bus purchase, for tyres and I do believe that I buy
39 my fuel a darned sight better than most of the
40 private sector do. On the other hand, I know what
41 my labour costs will be for the next two years. It
42 is around 4.5 per cent per annum, rounding up to
43 10 per cent over the full length. I don't know
44 what's happened with the TWU at this stage.
45
46 MR COX: Thank you very much for your excellent
47 presentation.
48
49
50
51
52
53
54
55
56
57
58

3 MR COX: We now have a presentation from the State Rail
4 Authority. I might ask the representatives to come
5 forward, sit at the table and introduce themselves.

7 MR LACY: Good morning, Tribunal, ladies and gentlemen,
8 my name is Howard Lacy and I have recently been
9 appointed Chief Executive of State Rail. This is my
10 first opportunity to come and talk to the Tribunal
11 and also to the assembled guests.

13 Sitting beside me is Peter Scarlett, our
14 executive director of finance, Dick Day, our general
15 manager of rail development - he is essentially the
16 rail network planner - and Balbir Bhall who is one
17 of our executives with some responsibility for fares
18 and ticketing. They are here to assist me in case
19 you fire questions at me that perhaps get a bit
20 tricky.

22 What I would like to talk about today is simply
23 an outline of our submissions to the Tribunal
24 largely around our 2 per cent average fare increase,
25 which is a modest increase. You heard from State
26 Transit very similar sorts of arguments as well. We
27 are seeing some reduction in our passenger numbers
28 this year, which is of concern. In particular,
29 that's reflected in some specific lines and I may
30 reflect on that a little bit later.

32 Certainly, pushing up prices very steeply at
33 this point in time could potentially reduce our
34 patronage further, which is very similar to
35 State Transit. One of our objectives is to increase
36 or gain back that lost revenue.

38 We have had a year of focusing very much on
39 service delivery. Our service commitments, given
40 last year's service charter, have been extremely
41 successfully delivered. We've made significant
42 progress. We've made significant investments in
43 safety, reliability, passenger comfort and capacity.

45 I think it would be fair to say that our
46 business is quite different from that of the transit
47 authority. Ours is very much a capital intensive
48 business. It requires a significant capital
49 investment to make improvements in service delivery
50 and quality of service.

52 Our business is very much essentially a long
53 haul bulk transit type of activity. We're very good
54 at moving large numbers of people very quickly over
55 considerable distances and that really is the sort
56 of service we're looking to aim at.

58 The marketplace of course is different. There

1 are two distinct markets. One is the CBD office
2 commuters and the other one is the leisure and
3 recreational users, the off peak users. We are
4 investing so as to try to service both of those
5 markets equally. I want to go on to talk a little
6 bit about what we've done in our service
7 commitments.

9 State Rail has been spending the last year
10 working on trying to deliver improved services,
11 improved reliability of service and improved
12 infrastructure to increase the safety and
13 reliability of the system, but also in our fleet and
14 station areas we have been trying to improve the
15 amenity of the service that we provide.

17 In terms of our on-time running, for the first
18 time in several years we've actually been able to
19 exceed in the year to date our on-time running
20 figures. Our target is 92 per cent for peak
21 services. We are running in the year to date at
22 92.7 per cent. Our target for the number of
23 services we provide is 99 per cent and we are at
24 99.5 per cent.

26 We have made significant investments in safety
27 and safety training. That is reflected largely in
28 some of the cost increases you see in our budget
29 this year. Certainly we have had a very good
30 summer. Traditionally summer is a tough time for us
31 because of lightening strikes and major storms.
32 This year we have had a very good summer, the
33 weather has been kind to us, but also the
34 reliability of the infrastructure, the investments
35 already made, are starting to give us an improvement
36 in the reliability of the infrastructure which
37 obviously underpins the service delivery capability
38 of the organisation, in a sense more reliable
39 services, less major disruptions.

41 We have invested significantly in passenger
42 safety and security, safety from the viewpoint of
43 the operating railway and the safety of passengers
44 on trains and actually on the stations, but also in
45 terms of their physical security, the increased
46 presence of our security guards, particularly after
47 7pm, the installation of CCTV systems, high
48 intensity lighting and together with that increased
49 passenger information. Our customer information has
50 been improved during the year with a new complaints
51 handling processes, improvements to our 131 500
52 transport line with additional facilities added to
53 that service so that people can check service
54 disruptions without necessarily going to an
55 operator, we have installed additional LED passenger
56 information displays and indeed additional plasma
57 screens, the revolving screens that people see
58 inside our sites.

1
2 The stations: we have spent \$60m-odd on
3 improving stations to date, a total of 51 easy
4 access points have been put in place, with a
5 significant number to go, but a reasonably intensive
6 program of lifts, ramps, things of that nature for
7 easy access. We have had canopy extensions to
8 provide all weather coverage, what we call our
9 long-line PA, our ability to make announcements at
10 stations from remote locations so that if the
11 station happens to be unmanned we can still provide
12 coverage through CCTV announcements. This year
13 particularly we have put a lot of effort into our
14 lifts and escalators to improve their reliability
15 and to decrease the response time in case of a
16 fault. This year we have had 98.5 per cent
17 reliability on those facilities.
18
19 In terms of infrastructure, if we look at some
20 of the significant investments that have been made,
21 electrification of Dapto to Kiama, opening of the
22 East Hills quad duplication and significant
23 investments in the Richmond line leading to some
24 duplication. We have also spent a considerable
25 amount of money on maintaining our trains this year,
26 particularly internal cleaning and also in looking
27 at the delivery of the new Millennium train.
28
29 One of the things I think goes unnoticed in
30 StateRail is that we also provide services to a very
31 large number of major events. In particular this
32 year we have invested in a number of large events,
33 26 in fact, things like the State of Origin, new
34 years eve, the Royal Easter Show, major programs of
35 public transport that StateRail provides as far as
36 its ongoing service.
37
38 I have included just for reference the easy
39 access stations that have been upgraded this year.
40 That program continues with investments in 2002 and
41 2003 on the stations sparkle program, canopy
42 extensions, platform gap reduction and platform
43 reconstruction and resurfacing.
44
45 Over the coming year we will see the delivery
46 of a significant number of new trains. The
47 Millennium train which is being commissioned at
48 present, 81 of those have been ordered with an
49 option for a further 120 carriages over the next
50 three years. They are a significant improvement in
51 the quality of the rolling stock for Sydney. They
52 are a more comfortable ride, quieter ride, closed
53 circuit TV as a security system within each car,
54 online trip information, digital voice announcements
55 on board the train rather than on the stations,
56 airconditioning, reversible seats and wider stairs,
57 safer doors and provisions specifically for disabled
58 seating.

1
2 In terms of major infrastructure investments in
3 02/03, building of a number of turn-backs which
4 increase the capacity of the network and therefore
5 allow us to run more trains and get more efficient
6 service, particularly on the Illawarra line,
7 completion of the Richmond duplication out to
8 Quakers Hill, commencement of planning and
9 duplication of the Cronulla line and also
10 significant investments in signalling upgrades and
11 replacement of many of the junctions which are often
12 where the unreliability comes into the daily
13 operations.
14
15 We are investing in a new rail management
16 centre which will be the hub of our operations,
17 including our train control and our passenger
18 information. Station operations and our security
19 systems with all be located in a single facility
20 very similar to the sorts of things that the RTA and
21 other large organisations now use. Investment in
22 simulators for improve training, virtual reality for
23 training of station staff, also new driver training
24 facilities to increase the sophistication of our
25 driver training.
26
27 We will be investing in realtime information
28 systems, particularly for the operational staff in
29 what is known as the "dark territories". These are
30 areas of the rail network where the signalling
31 systems operate automatically and there is no
32 visibility of the trains as they traverse through
33 those sections. We want to be able to see the
34 trains to know where they are and to be able to
35 track their performance and identify any conflicts.
36 Also we have expanded our safety management training
37 arrangements.
38
39 As you can see, a lot of what StateRail is
40 doing at the moment is actually improving its
41 underlying service delivery capability, improving
42 the systems that it uses to provide that service and
43 I think that is a significant issue for StateRail in
44 terms of being able to continue to deliver the high
45 level of service that we are now able to provide.
46
47 In the future we have orders out for 41 outer
48 suburban cars with options for up to 120, mainly for
49 the South Coast and Central Coast commuters and also
50 Hunter rail cars to increase the level of service
51 that we provide in Hunter areas.
52
53 In summary, a 2 per cent increase, less than
54 the projected inflation rate, some structural
55 changes to the type of fares we offer, particularly
56 combining the purple and brown travel passes, some
57 changes to the way we ticket through Olympic Park to
58 try to improve the cost effectiveness particularly

1 for people that take up employment in that area, no
2 increase in journeys of 20 kilometres or less,
3 particularly targeted at trying to draw people back
4 to the rail network in the inner distances, modest
5 increases out to about 115 kilometres, 40 cents for
6 single journeys out to 175, some increase in
7 off-peak fares ranging between 20 cents and \$1,
8 weekly fares, no more than \$2 on the most distant of
9 our weekly fares.

10
11 So, in summary, 2 per cent will give us about
12 \$8.4m in additional revenue. There are significant
13 investments still going on. They need to be
14 financed. The Government is committing funds to
15 allow us to make those investments. We continue to
16 look forward to building and developing our levels
17 of service to the community. Thank you.

18
19 MR COX: Thank you very much. You mentioned in your
20 presentation and in submissions that fare increases
21 are for the longer journeys only. I wonder if you
22 can tell us more about what went into that decision,
23 particularly about what has happened in the past?

24
25 MR LACY: We have looked closely at over quite a long
26 period, about six years, what the percentage
27 increases have been in fares. It was evident that
28 in the shorter distances the fares proportionately
29 have gone up more than in the longer distances. We
30 also looked very closely at the markets that we were
31 competing against, the short haul bus services,
32 people using their private vehicles for short
33 distances. We are talking about places out to
34 Marrickville and beyond that, Canterbury, so they
35 are quite important journeys in the function of a
36 city.

37
38 What we wanted to do was get our pricing back
39 into some parity with the competing journeys,
40 particularly the car journeys. We want to be able
41 to bring more people back to the public transport
42 system by reducing the disparity between short haul
43 pricing and other forms of transport.

44
45 MR COX: A number of years ago we did have a thing
46 called a master fare schedule and the idea was that
47 while you could track fare increases, they are bound
48 to fluctuate from year to year, so you could make
49 sure there was at least a degree of proportionality
50 for fare increases being received by people
51 travelling different distances. Does that still
52 exist somewhere in the recesses of State Rail and,
53 if so, how have accumulative increases in recent
54 years compared?

55
56 MR LACY: That process is used in terms of looking at how
57 we are going to structure our fares. We work
58 obviously on a fare structure that has built into it

1 the idea of a flag fall and there is the cents per
2 kilometre approach. It is a very simple model.
3 What is clear is that the further you go out the
4 cheaper the service becomes, so that there is I
5 guess a disparity between longer haul journeys and
6 the more medium to short distance pricing.

7
8 I don't think that is unreasonable in the sort
9 of city that we are building. That is probably
10 something that the community would support. We have
11 worked this year to make very, very minor
12 adjustments to that to try to reduce that disparity
13 just by a very small amount. That is why you are
14 seeing the restructures that we have at the moment.

15
16 MR COX: You are proposing to remove the purple
17 TravelPass, as I understand it. Am I correct in
18 thinking that no-one would be disadvantaged by doing
19 that?

20
21 MR LACY: There are a very small number of people. In
22 fact, the purple TravelPass is the most extensive of
23 the travel passes so that those that currently use
24 it will get a slight reduction in the fare
25 structure. There are about 300 passengers a year
26 who use those passes so in effect it is a very small
27 proportion of the business and there won't be any
28 disadvantage.

29
30 MS CIFUENTES: That is for the people currently buying
31 the purple passes. What about the people currently
32 buying the brown passes, they will experience a
33 small price increase?

34
35 MR LACY: They will experience a small price increase in
36 the course of all other increases.

37
38 MS CIFUENTES: Around the same level of 2 per cent?

39
40 MR LACY: Yes.

41
42 MS CIFUENTES: Just to follow up on that issue of the
43 brown and purple, was that driven by a cost recovery
44 issue or just efficiency? It is only 300 people, a
45 very small group.

46
47 MR LACY: What we are trying to do is rationalise some of
48 our fare structures. It is a complex arrangement of
49 fares. We are trying to simplify the fare schedule
50 to try to reduce the range of products we are
51 offering to try to get it down to something more
52 manageable. I think we have got too many fare
53 options out there and it is hard to publicise them.
54 A lot of them are not used extensively. As a
55 consequence, we are trying to simplify the process
56 to make it an easier system to use. In particular
57 in preparation for integrated ticketing, we wish to
58 have a much more simplified fare structure.

1
2 MR COX: So we can look forward to further proposals in
3 future years about that?
4
5 MR LACY: That is something the tribunal has previously
6 commented upon, to simplify and restructure the
7 fares to make it easier to understand and make it
8 easier for people to use the system.
9
10 MS CIFUENTES: Do you undertake customer impact analysis
11 when you do something like that?
12
13 MR LACY: We carry out fairly rudimentary impact
14 analysis. In this case we looked at the number of
15 passengers that are going to use the fares. As we
16 get into the more substantial reviews of our fare
17 structures we will go to more sophisticated forms of
18 review. We are not at that point at the moment but
19 over the next few years we will start to investigate
20 simplifying the fare structure.
21
22 MS CIFUENTES: Will those studies or that analysis take
23 into account affordability factors?
24
25 MR LACY: Potentially. I think at this stage we have not
26 really sat down and looked at how we are going to do
27 this. As you can imagine, the fare structures are
28 heavily subsidised at present by government. We are
29 at about 30 per cent cost recovery, so in a sense
30 the community is already subsidising many of the
31 fares we offer. Part of our long-term plan would be
32 to look at the overall structure of fares, all
33 levels, how we might go about looking to have cost
34 recovery, whether, as John Stott pointed out, it is
35 probably unlikely that we will ever see cost
36 recovery as that is probably a community decision
37 and a decision for government to take.
38
39 We need to look at the options that might be
40 available. I think at that stage we will start to
41 think about some of those broader issues.
42
43 MR COX: You are right in pointing out you are asking
44 for a very modest fare increase this year. In the
45 past representatives of StateRail have argued for
46 more substantial fare increases. Really there is a
47 need to finance service improvements and to improve
48 the financial viability of the organisation. If we
49 do agree to give you a fare increase of about 2 per
50 cent, are there likely to be adverse effects on
51 things such as service delivery and other areas of
52 the organisation?
53
54 MR LACY: The organisation has invested significantly
55 over the next few years through Government support
56 in improving the service of the underlying service
57 capacity of the organisation, that is now complete,
58 the infrastructure, stations, and also through the

1 skills of our employees.
2
3 Part of what John has talked about is cost
4 efficiencies. We are looking at cost efficiencies
5 in the organisation. We have focused very largely
6 at the moment on improving service with modest cost
7 efficiencies, restructuring the organisation and
8 shifting the workforce from back office functions to
9 front line service delivery. We have made
10 structural changes in shared service arrangements
11 and looking at contracting and procurement
12 activities, significant cost elements.
13
14 In terms of service delivery, in the next few
15 years there will not be an impact. Over the long
16 term we would need to start looking at the structure
17 of the business, we will need to look at the fare
18 structures we have in place and we will need to
19 start to look far more aggressively at efficient
20 cost and what that might be for this organisation.
21
22 MR COX: In your presentation you quite rightly
23 emphasised a lot of the service improvements that
24 you are making or plan to make. I guess something
25 that is of interest to us is to get some better
26 understanding of the flow of dollars in the service
27 improvements, that the customers are achieving what?
28 That is something to take on board for the future,
29 what that means in customer dollars.
30
31 I am a frequent traveller by train. My family
32 travel by train, I speak to colleagues about the
33 rail service, I think rail fares are a thing we talk
34 about a lot in the office. I am not sure that the
35 general travelling public perhaps appreciate the
36 improvements that have been offered. I wonder why
37 this is and what you might want to do more about
38 persuading people that they are getting a higher
39 quality service than they believe.
40
41 MR LACY: I think you are right, there are many years of
42 history and people form perceptions. Those
43 perceptions run deep. I think what we are certainly
44 looking at as an organisation over the next few
45 years is how we market ourselves to the community,
46 how we promote the successes that we have made.
47
48 The Olympics was a great circuit-breaker in
49 that process by really demonstrating to people that
50 the organisation was capable of delivering. What we
51 have done since the Olympics is to continue to
52 perform that high level and clearly during the
53 Olympic process there was a very high visibility of
54 staff and so the direct customer interface was very
55 high. We have seen it ease back, but we have
56 continued to shift people into front line service
57 roles.
58

1 There are some significant cultural
2 improvements that the organisation is making. We
3 have seen significant improvement in our customer
4 service, our direct face-to-face customer service.
5 There are still things that we would wish to do.
6 Our employees would want to support us in doing
7 that, I think. So we will work to build the direct
8 customer service where people experience those, if
9 you like, the moments of truth with our employees
10 and with the organisation. They are areas of focus
11 in the next couple of years. They will be
12 reflected in our corporate plan later this year.
13

14 I think also we will need to start celebrating
15 some of the successes we actually have. And it is
16 difficult, the organisation often stands up on a
17 pedestal only to fall over. We clearly don't want
18 to do that. That tends to reinforce the negative
19 view of the organisation. We believe we have got a
20 good product, that we are striving to improve it,
21 and we certainly are interested in working with the
22 various constituent groups to look at how we might
23 do that. That is something that we would like to do
24 over the next year, so I think we will see as we get
25 the consistency and reliability of performance that
26 people's attitudes will start to change.
27

28 The other thing is that we tend to interface
29 with many of our customers at times when they are
30 probably not at their best - early in the morning or
31 on their way home from work - so as a consequence it
32 probably reflects some of their attitude towards the
33 journey as well. We try to make it as pleasant and
34 efficient as we can.
35

36 MR COX: Finally from me, like State Transit but not to
37 the same extent, your costs seem to be rising
38 through time due to the basic causes. Is that
39 something that will continue and continue?
40

41 MR LACY: The cost base of the business is growing.
42 Significant drivers for us are our staffing costs.
43 We will hold the organisation at around 9,000 over
44 the next year or so. We are not targeting our staff
45 as a cost reduction exercise. What we are trying to
46 do is improve the quality of the service delivery
47 that we give, to shift people from unproductive
48 activities into more productive service oriented
49 activities.
50

51 We have significant increases in electricity
52 this year and many of our other fixed costs are
53 going up, including our access charges. I think we
54 will still see for a number of years yet increases
55 in costs. As efficiencies come from investing in
56 new rolling stock, investing in new infrastructure,
57 new signalling technology, they will offer
58 opportunities for us to reduce our pricing costs so

1 we will be in a position then to look at those.

2
3 MS CIFUENTES: You just mentioned that your access costs
4 are rising and it was close to \$100m forecast this
5 year. What has underpinned that increase in
6 payments to RAC and do you expect that to continue?
7

8 MR LACY: There is a significant investment being made in
9 that infrastructure by the Rail Infrastructure
10 Corporation and as a consequence their costs are
11 rising. As a consequence of that our costs rise
12 accordingly. There has also been in our case the
13 introduction of improved services, particularly the
14 electrification down to Kiama and beyond. The
15 opening of the quad out at East Hills is a new
16 service that we are buying from and that has
17 increased our underlying costs.
18

19 We will see I think over the next few years an
20 increase in access charges and then we will see, the
21 efficiencies that have been made in the systems,
22 investments, starting to flow through into abilities
23 to contain maintenance costs particularly which will
24 reflect back on the access charges, so I guess we
25 are over the longer term looking to stabilise that
26 and to progressively reduce some of those charges.
27

2 MS CIFUENTES: Looking perhaps at the customer charter
29 which last year was certainly an issue at the
30 forefront of the hearing, would you like to comment
31 on what progress you have made on that customer
32 charter and in particular the consultative methods
33 that you are going through?
34

35 MR LACY: The charter itself has been I guess a pivotal
36 document for StateRail. It is a document or a
37 concept that really grew over the last few years and
38 one which I think we have embraced fairly fully. As
39 you have seen in the presentation, we really have
40 tried to deliver against all of the commitments that
41 are in there, and largely we are. The commitments
42 as they are written at the moment I guess reflect a
43 couple of things, priority for service, on time
44 running and reliability and a strong underlying
45 belief that we need to invest in significant
46 improvements in infrastructure and trains and
47 stations which really drive the underlying
48 performance that we can deliver.
49

50 Our charter reflects that philosophy, that
51 these are commitments we have given to upgrade
52 things, to improve things, which are all part of our
53 service delivery approach.
54

55 This year I think we are in the process of
56 finalising a draft of the charter, it is in the same
57 form as we have seen this year, but we are looking
58 at what options we have got for consultation and how

1 that might happen. That is something we will decide
2 over the next few years as to how that might occur.
3 We would certainly like feedback on the way in which
4 the service is improving and we are looking at
5 mechanisms to allow that to happen.
6
7 MS CIFUENTES: Are you still conducting customer
8 satisfaction surveys?
9
10 MR LACY: We do some survey work and we draw from
a range
11 of other information that is picked up through
12 government, the Transport Data Centre and other
13 areas, where we trawl a lot of data through that
14 process. So we are seeing improvements I guess in
15 an overall perception of the business that we are
16 in. As I said earlier, we want to build on that and
17 to continue to promote the business and some of its
18 successes. You will see a ramping up of our
19 marketing and advertising and promotional activity
20 in the next 18 months or so.
21
22 MS CIFUENTES: Just one last question, a restructuring
23 of off-peak and the weekly fare structures is
24 usually a feature of SRA submissions or has been in
25 the past. This time you haven't taken that
26 opportunity. Is there any particular reason and
27 what effect would that have on the pricing
28 structures going forward?
29
30 MR LACY: We have been concerned this year, as I said,
31 about the reduction in our patronage and in
32 particular what we want to do is protect some of our
33 core business opportunities. In particular the
34 weekly regular commuter traveller is a significant
35 core part of our revenue base so we wanted to make
36 sure that we didn't substantially change the
37 patronage levels by being too clever in changing the
38 structure of the fares too rapidly.
39
40 The other area we are trying to grow is in the
41 off-peak fares so we have continued to support the
42 significant discounts that those fares attract and
43 we believe that is an important part of trying to
44 grow that business.
45
46 MS CIFUENTES: That trend is likely to continue then?
47
48 MR LACY: Again, we look very much on a yearly basis.
49 This is the first year for probably five or six
50 years that we have seen a reduction in our
51 patronage. This is not something that is
52 unprecedented in our history. Our patronage tends
53 to track very closely CBD employment and economic
54 circumstances and I think one of the graphs in the
55 submission illustrates that we respond fairly
56 quickly to changes in economic circumstances.
57
58 Clearly whilst the pundits talk about the

1 Australian economy recovering, CBD employment
2 potentially is lagging behind in terms of that
3 recovery. We are hoping that through the next 12
4 months or so we will see substantial recovery back
5 in that market and the history that we have
6 indicates that generally our patronage recovers
7 fairly quickly after we come out of an economic
8 cycle, so in that sense what we are trying to do is
9 to not be too reactive to individual stimuli and
10 what we are trying to do is encourage people to
11 continue to use the service to mitigate any further
12 loss of patronage but also position ourselves to
13 attract people back as soon as that recovery is
14 available.
15
16 We will look more closely over the next 12
17 months as to whether that strategy has worked and
18 whether or not we need to adjust the fare structures
19 to attract particular segments of the market to the
20 rail system. Clearly the introduction of some of
21 the road transport opportunities for people in
22 Sydney has potentially had some impact on our
23 patronage and we need to look more closely at how
24 that might be adjusted in terms of the services we
25 offer, the timetabling and also perhaps the fare
26 structures in trying to attract people back.
27
28 MR COX: Thank you very much for your presentation
and
29 for answering our questions.
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2
3 MR COX: We will now have a presentation from Action for
4 Public Transport, if you would like to come forward
5 and introduce yourselves.

6
7 MR COX: I must apologise. Unlike CityRail, we're not
8 being very good in term of on-time running, for
9 which I do apologise. Would you introduce yourself
10 when you are ready, Allan.

11
12 MR MILES: My name Allan Miles and I represent Action
13 for Public Transport. We don't have quite the same
14 budget as State Transit and CityRail, so our
15 presentation is in black and white and there is only
16 me.

17
18 This overhead is a general description of our
19 organisation. That one is our general policy on
20 fare levels; it hasn't changed for many years. This
21 year Action for Public Transport put in two
22 submissions to this inquiry. One was very early, as
23 soon as the inquiry was announced, so that we could
24 get some of our ideas into the system and get a
25 response from CityRail and State Rail on our ideas.

26
27 That was successful to the extent that those
28 ideas were considered. It was unsuccessful to the
29 extent that most of them were rejected but
30 nevertheless, the ideas got into the system. I
31 promise not to raise them again in this forum.

32
33 That is just a list of the items that were
34 raised there. If anyone wants a copy of this later
35 I can send it to them. With respect to external
36 benefits, we believe that the benefits of public
37 transport should be identified and evaluated in the
38 pricing structure. CityRail has made some attempt
39 to do it but State Transit's submission completely
40 ignores external benefits, which is a pity.

41
42 There was a very large document done last year
43 which was commissioned by IPART. We hope someone
44 has made some use of it. Our general policy on fare
45 increases is that increases should not exceed the
46 rate of inflation and that increases should be
47 applied to a master fare schedule and then rounded
48 our.

49
50 With respect to CityRail increases, the net
51 revenue increase of 2 per cent per passenger is
52 acceptable but we believe that the Travelpass
53 increases are not desirable. I will have to depart
54 from my prepared speech to say that after I had made
55 my initial written submission I read a very good
56 submission from David Caldwell who persuaded me to
57 change some of the items I'd made in there.

58

1 My general point is that the single fares
2 should be increased. I am speaking mainly about
3 single bus fare increase. The Travelpasses and
4 Traveltens should be frozen as far as possible.
5 Again, what Mr Lacy has said about the short
6 distance rail fares answers my question.

7
8 This might sound a bit Irish but it appeared
9 from CityRail's submission that there was an
10 arbitrary decision to keep down the cost of the
11 short distance fares. I assumed that there should
12 have been a 2 per cent increase and it should have
13 been rounded and then kept below it. That is why I
14 said the press would jump on the fact that short
15 distance commuters escape fare rises because that
16 wasn't deliberate. Mr Lacy says that was
17 deliberate. I am happy with that, if that's the
18 policy. I didn't want it to appear to be something
19 that it wasn't. If Mr Lacy says it was a deliberate
20 decision to keep the low distance fares low, then
21 I'm happy with that.

22
23 With respect to the State Transit increase,
24 again they have an average increase of about
25 2 per cent. Over the longer term there have been
26 excessive increases in the multi-ride tickets; that
27 is, the Traveltens and the weekly Travelpasses. We
28 won't get too much into it. You can see in the
29 right-hand column of the bottom table that that is
30 the discount, if the new fares are applied as
31 requested, that will be offered.

32
33 On the low ones it's roughly 25 per cent, which
34 I assume is the one where the problem with the cash
35 fares arises. Again, this table might be a bit hard
36 to digest. You can see the cash fares have
37 increased by 25 to 30 per cent. The middle one, 3
38 to 5, is an aberration because of that spike that
39 was removed. You can compare with it with the
40 Traveltens and the Travelpasses and see how much
41 they've increased over the last seven or eight
42 years. We think that is unacceptable. That is why
43 our general thrust today is to limit or freeze the
44 increases in the multi-rides.

45
46 Again, the cash fares seem to be a very
47 important element in all this. State Transit has
48 said the cash fare proportion rose sub-optimally
49 from an operational perspective. In ST's language,
50 we think that means it is no good. State Transit
51 seems to be doing very little about it. The
52 Traveltens are a very good way of avoiding cash
53 fares. They are not just for one person.
54 Traveltens are available for multiple people getting
55 on together but that fact is not very widely
56 advertised. We would like to see that advertised
57 more.

58

1 I was interested in Mr Lacy's comment that
2 transit passengers don't respond to advertising.
3 Maybe advertising is not the way but the Travelten
4 ticket itself doesn't say on it that it is
5 transferable and we believe it should be. That
6 would be another small help.

7
8 Has State Transit identified just where these
9 cash fares are coming from? Is it a particular
10 point or a particular routes? David Caldwell said
11 on the tourist runs to Bondi Beach there are a high
12 number of people who use cash fares and thus slow
13 down the regular commuters. I have noticed that
14 people travelling up and down George Street at
15 lunchtime, who probably use a weekly train ticket
16 from somewhere, often use cash fares and slow down
17 the general run of the buses.

18
19 This is more of the same. Cash fares slow down
20 the journey. They belong to an era when conductors
21 were on all services. The Metro Ten ticket, which
22 you might remember was the first Travelten, when
23 that was introduced the discount was to a range of
24 46 per cent, which was quite good. Since then that
25 has been eroded but we feel that the erosion should
26 cease and that the cash fares should be made a
27 penalty.

28
29 One suggestion is that the cash fare should be
30 doubled. This slide shows what those fares should
31 be. The first one, 1/10th of the Travelten is \$1.10
32 and if you charge double that would be \$2.20, which
33 might be a bit steep above the existing cash fare of
34 \$1.50. As you get to the higher 10 sections the
35 doubling of the Travelten fare gets a bit
36 outrageous.

37
38 I have come up with an alternative on the next
39 slide which scales it down so that the 100 per cent
40 applies to the shorter term journey and then 80, 60,
41 40 and 20 per cent, so that those increases are not
42 all that outrageous. We are again emphasising the
43 fact that we think the cash fare should be
44 increased.

45
46 I was interested to hear John Stott say that
47 cost doesn't seem to be a problem with people who
48 pay cash fares: they just dive into their pocket
49 and pull out \$7 to pay for two people to go for a
50 couple of stops up the street. The actual price of
51 a cash fare ticket is not necessarily an impediment
52 to increasing the cost.

53
54 The people following me, Robb and Tim, will
55 probably have something to say about this. Most of
56 their constituents are on some sort of concession
57 rate. We must recognise that we're not talking
58 about single trips so much as a journey from point A

1 to point B which might involve two buses or a bus
2 and a train and that's where the Travelpass comes in
3 and it is quite a useful instrument.

4
5 Travelpass makes feasible multiple services
6 which would otherwise be cost prohibitive: in other
7 words, if you had to pay for every trip.
8 State Transit and CityRail from time to time do what
9 they call TVT studies to determine how many people
10 use Travelpasses. I assume they can do that through
11 a computer. They can probably track where I've been
12 on my Travelpass every day. They calculate the
13 total cost of that travel, admittedly using the
14 cheapest possible ticket for that route: in other
15 words, the Travelten rather than the cash fare.

16
17 As you can see from that and from previous
18 slides, the Travelpass price has increased at a rate
19 two or three times greater than inflation and twice
20 the rate of the cash bus fare and we again believe
21 that's not acceptable. If public transport is to be
22 an attractive transport option the number of
23 non-radial journeys must be equitably catered for.
24 The cost of Travelpasses must at the very least be
25 frozen for a number of years.

26
27 I bring pensioner excursions up every year.
28 Again, we think it is time the daily pensioner
29 excursion ticket was increased. Pensions have gone
30 up 71 per cent since it was last increased. The
31 ticket went up by 70-odd per cent but that's still
32 only an average of 5 per cent a year. We recognise
33 it would make no difference to State Transit or
34 CityRail because they'd get the same money through
35 the government subsidy, but it would mean the
36 government wouldn't have to pay so much subsidy.
37 There is the thorny issue there of extending it into
38 the private bus area. How that would happen is a
39 matter for the next inquiry into private fares.

40
41 State Transit mentioned asset replacement in
42 their submission, that it should be partly funded
43 from fares. I would ask do they not have a regular
44 process of funded depreciation to replace assets?
45 If part of the fare rise were granted for asset
46 replacement, what guarantee would we have that
47 Michael Egan wouldn't pinch it and use it for
48 something else before they needed new buses? Is
49 there no regular process of funding?

50
51 With respect to integrated ticketing, State Transit
52 says that smartcards might provide State Transit
53 with the opportunity to adopt innovative fares;
54 that's good. However, I am not happy with the idea
55 of stopping any innovation until the smartcards come
56 because the way State Transit's submission was
57 worded it appears that they want to allow technology
58 to run the business rather than just use technology

1 for tickets.
2
3 If there are major reforms why can't they be
4 done now? We have had coordinated tickets for
5 100 years in some cases. We don't have to wait for
6 a computer. State Transit also mentions
7 post-smartcard objectives. I was wondering are they
8 different from current objectives and if so, why?
9
10 The last one, the company that has been awarded
11 the contract has both legal and financial problems,
12 we're not sure of that. On the subject of
13 smartcards, that's the Hong Kong smartcard and so is
14 that. It is still on Hong Kong time. (Indicates)
15
16 Again on smartcards and cash fares,
17 State Transit has said that the proportion of cash
18 fare customers is increasing. We wonder whether
19 smartcards will in fact reduce this problem or make
20 it worse: in other words, if someone won't buy a
21 Travelten now are they going to buy a smartcard?
22 Actually, a smartcard will cost more because it has
23 probably got a \$5 or \$10 deposit weighed into the
24 cost as well.
25
26 Could I mention a few minor points? Night ride
27 bus fares seem to have escaped the scrutiny of IPART
28 over the years. I don't think there is a problem
29 with them but I would like a conscious decision made
30 as to where they fit into the scheme of things just
31 in case next year somebody decides to up the price
32 by 100 per cent, just so we know what to do about
33 it.
34
35 With respect to yearly tickets by salary
36 deduction, many large companies and the company I
37 used to work for for 37 years used to buy our weekly
38 tickets and we would pay for them out of salary
39 reduction. That is still being done. CityRail used
40 to have an office that encouraged companies to do
41 that and assisted them with the paperwork.
42
43 I understand that that CityRail office has now
44 been closed down. It sounds like false economy to
45 us, so we'd like to know if not necessarily CityRail
46 but someone, State Transit or whatever, could reopen
47 the shop for us and republicise the fact that
48 companies can make this available to their
49 employees.
50
51 As you can see, the cost of a Penrith to
52 Central yearly is \$1,680. Whilst that is a big
53 saving, it is a big lump out of someone's pocket
54 first up. If the company is willing to bear the
55 cost then that could be a useful option for the
56 traveller.
57
58 I noticed that the inquiry into private fares,

1 which is running concurrently, has attracted
2 submissions not necessarily from all these people
3 but some of them but they are noticeably absent from
4 this inquiry. That is all I wish to say. Thank
5 you.
6
7 MR COX: Thank you very much. I have a couple of
8 clarification points. The concession fares are set
9 by the Government and not by us, so they're not an
10 outcome.
11
12 MR MILES: I know but I always put it in the system.
13
14 MR COX: With respect to the night ride fares, to the
15 best of my knowledge we've never asked for
16 submissions on those.
17
18 MR MILES: I think that is a gap in the system; someone
19 should either say they are in or they're not in.
20
21 MR COX: You seemed to have no difficulty with what the
22 State Rail Authority is proposing - is that fair?
23
24 MR MILES: That is correct.
25
26 MR COX: On the State Transit Authority side the main
27 issue seems to be these periodical and cash tickets.
28 We haven't consciously tried to reduce those
29 discounts over a number of years --
30
31 MR MILES: I have probably aided and abetted that.
32
33 MR COX: -- I think partly by feeling they are very
34 large discounts, partly thinking that the people who
35 travel on them are the regular, reasonably high
36 income commuters who can afford to pay more. That
37 is the history. You probably understand that as
38 well as anyone. Do you think you may have gone a
39 bit too far?
40
41 MR MILES: I thought you might notice my change of tack.
42 Yes, we think it has in fact gone too far. Cash
43 fares are becoming a problem with actual bus
44 running; it's sub-optimal from an operational
45 viewpoint. Something needs to be done to stop that
46 trend as it's gone from 20 to 24 per cent and we
47 don't know how much further it might go.
48
49 MR COX: Are you concerned that there might be a loss of
50 patronage if there were large increases in the cash
51 fares for short term journeys or is that something
52 we can be relaxed about?
53
54 MR MILES: I would be relaxed about it but it wouldn't
55 be a large drop. As John Stott said, the people who
56 pay cash fares seem to have a lot of small change in
57 their pockets anyway; they don't worry about it.
58

1 MR COX: Some may, some may not, yes.
2
3 MS CIFUENTES: Just to follow up on that, it is a
4 fairly different approach that you're proposing of
5 holding the discount, the multiple rights
6 Travelpasses, holding them constant and setting the
7 cash fares from those instead. My question about
8 that is how likely are people to give up buying the
9 Travelten with these sorts of price increases?
10
11 From the submissions made by STA it seems to me
12 that patronage and those ticket sales have gone up
13 despite those fairly large price increases over the
14 last couple of years. Do you think that there is
15 some point at which people who would normally buy a
16 Travelten would say, "That's it. Enough. I'm going
17 back to cash fares."
18
19 MR MILES: No, I don't think so. A blue Travelten is
20 \$11 and a brown one is \$17 or something. I think
21 people are happy to pay that. I don't think an
22 increase from \$17 to \$19 would deter anybody from
23 buying one because of the convenience of having it
24 in your pocket, plus the understood saving on it.
25 Does that answer your question?
26
27 MS CIFUENTES: Yes, I think it does. I think it
28 suggests to me that there is still some scope for
29 reducing that discount on the Traveltens and the
30 Travelpasses --
31
32 MR MILES: Indeed, there is some scope but I don't think
33 it is the right way to go.
34
35 MS CIFUENTES: -- without necessarily affecting sales
36 figures.
37
38 MR MILES: Yes, but I wouldn't like to see it happen.
39
40 MR COX: You and David Caldwell raised a very
41 interesting point on Travelpasses, which I must say
42 is new to me and it's good to get something that is
43 new. As I understand it, what tends to happen when
44 people work out these travel value figures is let's
45 suppose that this trip by Travelpass was done by
46 paying the single fares and hooking the discount to
47 that.
48
49 The argument seems to be perhaps that's an
50 inappropriate comparison because there's a lot of
51 waiting time or inconvenience between different
52 sorts of travel modes and that ought to be reflected
53 in these calculations. Have I got that right?
54
55 MR MILES: Yes. Would you mind if David answered that?
56
57 MR COX: Yes, if David would like to have a go, just go
58 and join Allan.

1
2 MR CALDWELL: Certainly. Firstly, could I thank you for
3 the opportunity to make some remarks in this
4 respect. You have to realise, as I say in my
5 submission, that in the transport structure and
6 especially the buses the travel fares reflect the
7 cash fares that were paid in the tram system. At a
8 time when transport in Sydney was centralised many
9 people wanted to come into the Sydney CBD; it was
10 the focal point. The heavy rail network was built
11 around it. All our radial routes are based around
12 the Sydney CBD.
13
14 Today's transport patterns no longer reflect
15 the 1920s concept of everyone going into the CBD and
16 everyone going out, although we still have one of
17 the most defined peaks in the OECD in terms of
18 transportation.
19
20 There is an increasing number of dispersed
21 journeys. You have to cater for people who don't
22 want to go into the CBD and out of the CBD. For
23 example, to cite my personal example, I go to the
24 University of New South Wales from Watsons Bay which
25 is 7 kilometres in travel but requires three buses
26 in each direction. It takes an hour and 10 minutes
27 to cover those 7 kilometres, whereas for less cost
28 you can go from Campbelltown to the University of
29 Technology, Sydney in less time: in fact, at less
30 than a fifth of the time per kilometre it takes.
31
32 You have to take into account the intrinsic
33 penalties of trying to negotiate journeys that are
34 not radial to the CBD and it is completely
35 unacceptable to penalise commuters on the basis of
36 changing services. As has been pointed out in other
37 submissions, the commodity is the journey, not the
38 trip.
39
40 People want to go from their origin to their
41 destination. They don't want to go, in my case, to
42 South Head cemetery where the bus terminates. They
43 don't want to go to the cemetery. I don't
44 particularly want to go to Bondi Junction either; I
45 want to go to the university. I should be charged
46 as such. That is why I use a red Travelpass.
47
48 I won't go into other impacts now. It is a
49 very complex structure and although the STA is very
50 quick to point out that ferries are increasingly
51 less considered as a mass transit means and there is
52 less usage of them - and they can't figure it out -
53 better buses will rationalise it. They are
54 considered as separate compartments, separated.
55
56 They are improving the bus services but they
57 don't consider the bus services in the context of
58 the transportation system. They are discontinuing

1 in the better buses program; the buses to Rose Bay
2 ferry wharf, for instance, which has traditionally
3 been a very, very major trip generator for buses and
4 trams in the eastern suburbs area.

5
6 At a time when ferry patronage is increasing in
7 Rose Bay, the STA sees fit not only to remove bus
8 services to the Rose Bay ferry service but to remove
9 the bus stop as indeed they have approached
10 Woollahra Council to do. To go in a direction of
11 increasingly compartmentalising the various modes of
12 transport and considering them in isolation from one
13 another is simply no longer practicable.

14
15 The STA has to of course consider buses and
16 ferries as part of the one transport network but
17 more importantly, the Department of Transport must
18 require the SRA and the STA to consider all modes of
19 transport as part of the same system. The journey
20 is the commodity, not the trip.

21
22 It is vital that that be recognised and at the
23 moment the Travelpass is the only fare structure
24 which accounts for complex journey patterns and is
25 far more equitable than cash fares for journeys such
26 as mine and many other people who would make
27 journeys like mine but don't simply because it is
28 not cost effective.

29
30 If you go into Uni or work or you're a
31 part-time worker and go in twice or three times a
32 week, you can't justify buying a red Travelpass for
33 the whole week to follow that complex journey. You
34 forget the public transport system and use your car
35 because it is simply not cost effective.

36
37 MR COX: I understand that. Allan, you're suggesting in
38 response to that that the price path be frozen for
39 four years. What led you to that conclusion? Why
40 four years as opposed to --

41
42 MR MILES: David worked out that if the past increases
43 kept going, then it would reach a certain level.

44
45 MR CALDWELL: As a comparison relative to CPI, the two
46 section cash fare has been increased 25 per cent. I
47 am sorry, that's an absolute increase. Since 1996
48 until today national CPI has been 13 per cent. The
49 two section cash fare has been 25 per cent, the blue
50 Travelten has been 38 per cent and the red
51 Travelpass has been 45 per cent. It has more than
52 tripled CPI.

53
54 It completely defeats the entire purpose of the
55 original studies done by the Urban Transit Authority
56 at the time of the opening of the eastern suburbs
57 railway, where they found you could not have buses
58 operating in competition to trains running into the

1 city.

2
3 The whole premise of the eastern suburbs
4 railway, which was a model of integration, was that
5 passengers would shift from buses to trains. The
6 fare structure now precludes from doing that. We
7 have seen this regressive process in which it has
8 become increasingly less integrated, not more
9 integrated. It is completely the wrong direction to
10 be heading in. That is why we must look back to the
11 reasons why these original structures were set up
12 and must realise that if we want public transport
13 usage to increase, let alone --

14
15 MR COX: I think you're repeating yourself and there's
16 no need to do that.

17
18 MR CALDWELL: It is just that it is surprising, despite
19 the increasing failings in fare structures, the STA
20 and SRA seem to continue to be blind to the most
21 fundamental principles of an equitable fare
22 structure.

23
24 MR COX: Hopefully, we'll respond to that later on.

25
26 MS CIFUENTES: Just one question for Allan and that is
27 about the proposal for TravelSix and TravelTwo
28 tickets. I think the STA in its submission has
29 responded to that and said that the likely discount
30 would be quite modest, 5 to 10 per cent. Do you
31 have a view on whether that should still proceed?

32
33 MR MILES: The TravelSix was STA's proposal in the first
34 place. My proposal was the TravelTwo because it had
35 successfully worked for the City to Surf race where
36 they presold just a return ticket to Bondi Junction,
37 so that need not necessarily be at a discount, it
38 could be at the standard fare. But it would just
39 save time getting on a bus.

40
41 MS CIFUENTES: How would you reconcile that with STA's
42 desire to simplify its ticket type structure, their
43 product structure?

44
45 MR MILES: The STA didn't say so. Mr Lacy said so.

46
47 MS CIFUENTES: That is true.

48
49 MR COX: Thank you very much. We will now take a short
50 break and resume shortly.

51
52 (Short adjournment)

53
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58

1 NEW SOUTH WALES COUNCIL OF SOCIAL SERVICES

2

3 MR COX: We will resume with a presentation from NCOSS,
4 if you could introduce yourselves.

5

6 MR LAKE: Rob Lake, New South Wales Council of Social
7 Services.

8

9 MR GOODWIN: Senior Policy Officer, with NCOSS as
well.

10

11 MR LAKE: Thank you very much for the opportunity to
12 appear. NCOSS has submitted this year, as we have a
13 number of years in the past, and our primary
14 interest in submitting to IPART has always been
15 about the necessity of public transport for people
16 on low incomes and people who are disadvantaged and
17 I suppose the effect on those people of changes to
18 fares, services and things like that.

19

20 This year we have focused on a number of key
21 areas. NCOSS was one of the groups that had a key
22 interest in the customer charter because we have a
23 belief generally in the need for mutually agreed
24 charters between major utilities and the rail
25 charter we saw as a very good opportunity. We have
26 reported on our views on the report on last year's
27 customer charter. Cristina highlighted the issue of
28 consultation, which was our concern.

29

30 NCOSS has heard nothing from CityRail about the
31 review of the charter. We also note the fact that
32 it seems Transport has drafted a cross-portfolio
33 charter that no one seems to have heard of either.
34 We are not arguing with the concept of the charter,
35 we are just saying we would like to talk to
36 customers and representative bodies about that issue
37 and also about what sort of measures will be
38 developed for that.

39

40 Tim will walk through the detail of the
41 submission. I just wonder if I could highlight some
42 of the overview issues because as well as being
43 interested in people who are disadvantaged
44 economically, social and environmental issues are
45 important to us. We have been part of alliances
46 around the environmental and social benefits of
47 public transport that came up through the fares
48 inquiry initially and I suppose really welcome that
49 Transport New South Wales might look at something
50 which is addressing the decline in public transport,
51 particularly in light of the GST, the new tollways
52 and those sorts of issues.

53

54 We would hope that IPART might actually take a
55 role in that given that social impacts are part of
56 IPART's brief.

57

58 Just a couple of other things, the issue of

1 access charges. We have previously asked the

2 question about who is and who is not here and who

3 should be here. APT has raised the issue about

4 night ride fares. We believe in the negotiation

5 around access charges that the RTA should have some

6 outside accountability and maybe it should have to

7 submit that for determination to IPART and we

8 believe that in terms of that sort of concept of

9 below track, above track stuff that the RTA should

10 report to IPART in relationship to this in terms of

11 what they have done to develop and force bus

12 congestion, bus priority measures and bus congestion

13 amelioration measures. We believe they are a key

14 player that is not here and rather than them

15 submitting to this inquiry we believe they should be

16 presenting to the inquiry on that.

17

18 Those I suppose are the broad environmental

19 issues and Tim will walk through the other issues.

20

21 MR GOODWIN: Thank you. As Rob mentioned, we
have a

22 number of concerns about the customer service

23 charters for both rail and bus. Our interest there

24 or our particular concern is that this is an

25 opportunity for a whole range of issues in

26 performance measurement and actual measurement of

27 service enhancement to be included in a charter, not

28 just broad statements of performance or aspirational

29 statements in some areas, and that applies to both

30 rail and bus.

31

32 When it comes to the SRA customer service

33 commitment, we are concerned at the process that

34 hasn't taken place from what we can see since last

35 year's IPART hearings. In particular it seems there

36 was a commitment made to further developing that

37 from the 2001/02 version to a 2002/03 version and

38 that would take place in consultation with key

39 stakeholders. We also understood there would be

40 involvement of the rail regulator but in the absence

41 of that role being established and the audit

42 performance questions of the regulator being

43 addressed, there has been no alternative process put

44 in place in that time to further develop the charter

45 and the submission this year from SRA does not seem

46 to address that question either about how

47 communities and stakeholder organisations in

48 particular will be involved in any process from

49 here.

50

51 We welcome some statements this morning that

52 they will be looking at consultation processes in

53 the coming week and I put on the record obviously

54 NCOSS remains very keen to be a part of that process

55 along with our constituent organisations.

56

57 Our concern still remains about questions of

58 measurable standards, independent auditing and

1 questions of which performance measures are used as
2 well, particularly the issue of non-peak
3 performance. In our view it is a serious gap that
4 peak hour running time is seen as one of the two
5 main measures of performance in the rail system when
6 we have also got the social functions and the other
7 functions - social as in functions in the community,
8 social security as a whole in off-peak services for
9 shift workers, unemployed people seeking work,
10 people with disabilities and people travelling in
11 those non-peak times.

12
13 Reliability and access are also decisions that
14 those people have to make in deciding whether to use
15 public transport and often if that is their only
16 transport option, because of questions of
17 disadvantage that Rob stated before, then that is a
18 concern.

19
20 We also wanted to draw out the differences of
21 variability across the fare structure in the
22 distance bans between the fare rises that were
23 proposed this year to say that there was an
24 aggregated 2 per cent increase we saw as I think
25 glossing over some of the variation. This cuts to
26 the hub of some of the discussion that people have
27 had this morning about the short- and medium-term
28 pricing structures and master plans for fares.

29
30 We have a concern with the communities we work
31 with and the organisations we work with about
32 capacity of people to pay so it is not just about
33 willingness but it is about affordability and when
34 we start talking about the disadvantaged
35 communities, particularly around parts of Western
36 Sydney, there is little movement in many people's
37 financial circumstances to pass on increases.
38 Therefore when you are talking about increases that
39 in some regions might be 4 per cent, 5 per cent,
40 some as high as 6 per cent, we would like to see
41 more work done tying that back to demographic
42 patterns of people who travel but also demographic
43 patterns of the community that the rail transport
44 network is supposed to be serving.

45
46 MR LAKE: Can I just clarify, there is an assumption
47 that our sort of community is made up people who are
48 disadvantaged and are kind of across the board
49 concession users. That is a misleading assumption
50 in terms of people who are employed on low incomes
51 or part time jobs. They don't have access to
52 pension tickets and concession fares.

53
54 MR GOODWIN: We possibly in contrast to other
55 submissions
56 to this inquiry welcome the decision not to change
57 the off-peak fares, given the usage of those
58 off-peak fares by the sorts of groups we are talking
59 about this morning. In terms of services provided

1 in the rail network we thought it was also worth
2 flagging, and it was referred to as a service
3 enhancement in the SRA submissions, the question of
4 security and policing and information that is
5 provided to commuters on securing and policing.

6
7 As we saw it, there are four categories of
8 security outlined ranging from StateRail staff,
9 revenue protection officers, transit police and also
10 contracted security guards operating on the system.
11 NCOSS has a number of policy concerns in relation to
12 what is broadly termed law and order issues across a
13 number of social policy areas and transport is no
14 exception about what information is provided to
15 passengers on the respective roles and powers of
16 each of those officers and also about what sort of
17 appeal mechanisms are in place against illegitimate
18 use of those powers.

19
20 This is not a negative question in terms of
21 what they do or don't have a right to carry on out
22 but it is also about information that is provided
23 with confidence to passengers, do they know whether
24 a contracted security guard has the power to
25 intervene, for instance, if there is a security
26 incident on a late night train. They know they will
27 be there after 7pm but what sort of information do
28 people have about the roles of those guards, what
29 they are trained and empowered to provide.

30
31 In relation to the State Transit Authority
32 submission, again we have got concerns about the
33 definition of service standards around the
34 implementation of customer charters. This does link
35 to the questions with the Transport New South Wales
36 portfolio-wide charter and the question about how
37 communities and key stakeholders will be involved in
38 this development process.

39
40 Obviously it is an opportunity again to put
41 measurable and useful service standards from the
42 point of view of customers and of particular
43 stakeholders in that process. We would be keen to
44 see STA providing further information and indeed
45 Transport New South Wales as well about how
46 communities will be involved in that process.

47
48 In relation to buses specifically, we were
49 concerned that the requirements that are set out at
50 the moment for bus service standards are in the main
51 not measurable standards and they don't include data
52 on past performance against those targets, so again
53 there is still a problem with what measurability is
54 being used and how that is being demonstrated in
55 terms of service enhancement or otherwise. I think
56 some work needs to be done from NCOSS's point of
57 view in terms of measurable standards and also the
58 assessment methodology for that.

1
2 In the fares pricing policy we want to stress
3 again this year about the discounted multi-trip
4 tickets and there has been some talk already about
5 TravelTwo and TravelSix tickets. To say that the
6 same level of discounts can't efficiently be offered
7 on tickets that offer a fewer number of trips is not
8 in our view an argument why you should not have
9 those tickets, it is an argument about the pricing
10 policy which is applied to those tickets.

11
12 We still think there is a need for alternative
13 discounted travel arrangements to be made available
14 to people on lower incomes and again there is a
15 question of affordability in relation to cashless
16 buses. There may be people for whom it is not a
17 disincentive reaching in and pulling out a one-off
18 cash fare but there are in terms of the
19 disadvantaged communities in Sydney real
20 disincentives for people there who may not have that
21 money and disincentives in the sense those people
22 can often not afford multi-trip tickets for
23 TravelTens, so they are going to continue to travel
24 using one-off cash tickets which will continue to
25 provide a burden on the bus system as well, so we
26 think it is an advantage in terms of directions in
27 cashless buses but it would also disadvantage those
28 communities to provide alternative arrangements for
29 them.

30
31 In relation to the better buses program, as it
32 is described in the submissions and from discussions
33 that we have had with people around the place it
34 seems in our view that there is still more work to
35 be done in evaluating what the impact has been of
36 the better buses program itself, what the assessment
37 methodology is after the event. There was a great
38 deal of consultation goes on, that is obviously to
39 be endorsed, and there are changes to networks being
40 made.

41
42 In terms of what assessment is made after the
43 event to assess whether this program actually met
44 the goals that it was setting out to meet other than
45 perhaps the bottom line, which some people certainly
46 are questioning with us is the primary motivation -
47 saving money rather than enhancing services and
48 realigning network destinations and priorities - we
49 think there is some more work to be done at least in
50 communicating. If that work is there, it needs to
51 be communicated more clearly to what degree did this
52 particular roll-out of this particular better buses
53 program deliver on what it was setting out to
54 achieve. We leave it open that there may be some
55 role for IPART in terms of specifically addressing
56 this specific program given that it is meant to be a
57 major service enhancement of the bus network.
58

1 That brings us to questions about Newcastle.
2 The presentation this morning does not reflect the
3 level of concern that we have been hearing from
4 Newcastle communities through NCOSS networks. We
5 understand that obviously some of this is about how
6 the process is handled and some of it is about how
7 expectations are created and things like media are
8 dealt with in the process, but there is certainly a
9 very widespread belief amongst communities and
10 stakeholder organisations as we see it in Newcastle
11 that as a result of the Newcastle changes they will
12 see a decrease in service standards, a decrease in
13 bus routes offered, and for many people problems
14 built into the system that may have been addressed
15 through small changes in response to criticisms or
16 MPs raising issues, but the perception is widespread
17 that it has resulted in a decrease in standards.

18
19 We have recommended that for this particular
20 reason any increase in Newcastle not be granted but
21 I have to say that there are people who put the view
22 very strongly to me from Newcastle that there should
23 be an argument for a decrease rather than an
24 increase, so that is an indication of level of heat
25 experienced on the ground there.

26
27 MR LAKE: I just wonder whether it is a question of what
28 is within IPART's jurisdiction. But the issue of
29 the fact of Newcastle buses, Sydney Ferries and
30 Buses all being viewed in exactly the same sense in
31 terms of cost efficiency and things like that, given
32 what the demographics of the Newcastle market are
33 that seems to be questionable, particularly in terms
34 of the CSOs, the using of pricing and service
35 subsidies. We wonder whether there is an argument
36 for saying that needs to be more clearly
37 particularised in terms of Newcastle.

38
39 Sydney Buses in terms of efficiency is moving
40 away from those sorts of things but it seems to be
41 clear that Newcastle is not. Ideally this change
42 will address maybe making Newcastle buses more
43 attractive as a commuting market, but there is
44 always going to be a very strong concession/off-peak
45 market and need for those sort of services, and in
46 terms of sustaining marginal routes and things like
47 that there is a question of the involvement of CSOs
48 within that.

49
50 MR GOODWIN: There are two other issues we wanted to
flag
51 this year as well. One of them we have raised for a
52 number of years already about the transport
53 concessions review. I know that the question of
54 government subsidies and transport concessions to
55 some degree is outside the remit of the tribunal but
56 it is worth stating again that we have had a process
57 where submissions closed in December 2000 and it is
58 unclear to us what progress has been made since that

1 date and what the anticipated date of completion is.

2

3 One of our problems is that there are still
4 entrenched inequities in the system in relation to
5 who has eligibility to public transport concessions
6 and what form they are. It is worth stating that in
7 relation to the smart card systems a number of the
8 submissions have reflected that other possible
9 models, other products or other models of ticketing
10 are almost on hold until the smart card is supposed
11 to arrive and solve these problems for people.

12

13 We would be very concerned if any smart card
14 technology was actually looking at entrenching the
15 current inequities and current problems in
16 concessions before this issue has been resolved
17 through the consultation process.

18

19 The other issue we wanted to flag is around the
20 Western Sydney transit way fares. Our understanding
21 to date is that the Western Sydney transit way will
22 involve STA providing bus services but on a private
23 basis in that area and that the usual concessions
24 that apply on STA buses won't apply there. I don't
25 know if that is the latest plan for the transit way
26 but we remain very concerned about that and we would
27 want to see IPART also involved in understanding the
28 determination of fares and the implementation of
29 service standards for the Western Sydney transit way
30 as is IPART's role in the rest of the network.

31

32 MR COX: Thank you very much. Obviously you have given
33 us the benefit of your views on a range of issues
34 and we have noted those. On the fares, the issues
35 that I have written down that are of concern to you
36 seem to be the large increases in some of the longer
37 journeys and the Newcastle fares. I didn't detect
38 much concern about any of the rest; am I correct?

39

40 MR LAKE: Not really, not the 2 per cent.

41

42 MR GOODWIN: With the larger increases it is a question
43 of impact and about what planning process goes into
44 determining that beyond questions of in the last few
45 years this group has had an increase so it is about
46 time for somebody else. But what sort of alignment
47 is there between capacity to pay and those sorts of
48 questions? With Newcastle it is a question of
49 service standards and service enhancements and if
50 there is a year where service is at least seen by
51 many people to have decreased, what does that mean
52 for any conditionality in the fare increase process,
53 which is why we have concerns there.

54

55 MR LAKE: It reflects the concern about a fare rise as a
56 reward or a punishment. That is always problematic,
57 particularly in somewhere like Newcastle where a
58 fare rise or increasing revenue to be able to

1 provide services should be seen as a necessity. We

2 don't want to penalise the ability of Newcastle

3 buses to provide services by withholding a fare, but

4 if it is a reward for service, our advice is that

5 they don't deserve that.

6

7 MR GOODWIN: Irrespective of an operator's performance

8 there are the broader issues of government subsidy,

9 because transport is a human service. In Newcastle

10 when you look at the profile of the commuter

11 profile, that is a particular concern to us.

12

13 MS CIFUENTES: There are two areas I guess that I have

14 some ongoing concerns with. One is the issue of

15 consultation. I would like to think that the

16 tribunal does go to a great deal of effort to

17 consult with the community and on an issue like

18 public transport I would like to think that

19 organisations such as NCOSS, whose constituents are

20 the people that largely use public transport, are

21 being involved in the consultation process.

22

23 Yet I think it is fair to say that year after

24 year we hear that NCOSS or PIAC or others are not

25 being adequately consulted in this area and we have

26 heard that again. By the same token, we hear from

27 the service providers that they are consulting.

28 There seems to me to be some sort of problem here.

29

30 Has NCOSS been approached or approached the

31 transport utilities to be part of the consultative

32 mechanism or Transport New South Wales? If you

33 have, what has been the reaction and is there some

34 way that we can get a commitment from the transport

35 utilities to consult with NCOSS? I make these

36 comments in light not perhaps of the proposal before

37 us for a 2 per cent increase but for future

38 proposals which may involve some substantial

39 reorganisation of the fare structure and ticketing

40 types.

41

42 MR LAKE: NCOSS has not been approached in relation to

43 either the CityRail charter or the Transport New

44 South Wales charter. Obviously transport is a key

45 portfolio for NCOSS and on other issues we meet with

46 providers and things; but on this issue, no. There

47 has not been anything set up in place for

48 consultation. This may be a matter for

49 consultation. There is the better bus process and

50 individual consultation process where there is a

51 mass mail-out and individual people respond, but on

52 these sorts of policy issues that has not happened.

53

54 MR GOODWIN: I also understand that NCOSS has made

55 proposals a couple of times over recent years for

56 funding from Transport New South Wales to do some

57 substantial work on issues of transport policy and

58 around models of stakeholder involvement and

1 consultation but my understanding is that they have
2 not been successful or viewed positively. Yes, we
3 remain keen, but it is a matter of what avenues
4 there are and also what ongoing opportunities there
5 are to engage peak organisations and advocacy groups
6 on these questions.

7
8 Certainly if there were to be major adjustments
9 to fare structures and to the range of products
10 available and things like that we would be very
11 concerned if it was going ahead without that level
12 of involvement and, indeed, I think it would be
13 reflected in the quality of the outcome if that was
14 absent from it.
15
16 MS CIFUENTES: Perhaps we can ask the STA and SRA to
17 take that on board for discussions in future.

18
19 The second point I want to raise, again it is
20 one that the tribunal has a great deal of difficulty
21 with, not just transport but other areas, is with
22 hard evidence on social economic factors and usage
23 of services. Does NCOSS have any data to support
24 the anecdotal evidence that we hear about income
25 brackets and usage of particular services? If so,
26 it would be of great use to us in coming to views on
27 price increases.

28
29 MR GOODWIN: This is where we come up against the
limited
30 resources. A lot of community organisations - NCOSS
31 is largely reliant for the sort of statistics that
32 we can get on things such as the Transport Data
33 Centre or other public agencies, which is why - and
34 a lot of those are increasingly on a cost recovery
35 basis so we can't afford the publicly conducted
36 research. That is also why we question what
37 information is being used by the providers and what
38 sort of research people the providers are seeking
39 and what will the impact be on these groups of
40 people; what are the satisfaction levels of these
41 groups about our customer base; what the broader
42 issues may be about the people who we are not
43 reaching, the people who are structured out of the
44 system, which is another concern, rather than
45 surveying people who are current transport users in
46 terms of all the potential ones, people who are
47 dissuaded for cost or other reasons so that they
48 can't gain access and are not there.

49
50 We are limited in our ability to carry out
51 research, which is often why we base it on the
52 experience of our member organisations and
53 communities that we work with.

54
55 MR LAKE: We also depend on data from the operators
56 themselves, so the Newcastle demographics actually
57 comes from State Transit about the proportion of
58 education and other figures. We get them from them

1 and get the anecdotal information and more detailed
2 issues from our organisations which are out there as
3 well.

4
5 That actually goes to your question about
6 affordability and capacity to pay. If the operator
7 is going to be doing that sort of work, the ability
8 to differentiate their markets between the computer
9 market and the leisure market, and maybe also the
10 market where people are on low income or
11 concessions, that maybe an important one to
12 differentiate.

13
14 MR COX: Thank you very much.

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2
3 MR COX: Next we have a presentation from the
4 Commuter Council of New South Wales. Would you come
5 forward, please and identify yourselves.

6
7 MR TREVASKIS: Thank you, Mr Chairman. My name is
8 Paul Trevaskis and I represent the Commuter Council
9 and the Blue Mountain Road Transport Forum. On my
10 left is Carolyn Wain from the Central Coast
11 Commuters Association. I only found out on Tuesday
12 that I was going to be putting this to you today.

13
14 Briefly, I will introduce some of the major
15 issues of commuters on the Central Coast and the
16 south coast because we do we have a network of
17 communications between each other. There have been
18 frequent changes to the management and
19 infrastructure State Rail in the last few years,
20 which has been very disconcerting. We want some
21 permanency in that structure so that we can attend
22 to the physical and infrastructure problems that
23 we've had.

24
25 We are continually reminded of that physical
26 aspect. We have seen some improvement with train
27 stations but many of the other issues are still with
28 us. Train presentation is quite significant to the
29 longer distance travellers because naturally enough
30 they are in trains for longer periods. We have had
31 public feedback from members using the suburban
32 system which points to public address systems that
33 are inconsistent in volume and where you cannot hear
34 the people making announcements.

35
36 Toilets on the longer distance trains are in
37 need of constant cleaning and I have had basic
38 feedback from the members on those problems. Some
39 of them are very disconcerting for health and
40 safety. Bicycles on trains has become a large
41 problem and also luggage racks. Air-conditioning is
42 inconsistent, it's up and down it and it depends on
43 who is doing the maintenance.

44
45 With respect to information to customers, even
46 as recently this week when a train was delayed there
47 were no announcements. The level of understanding
48 of various guards is not very good. Printed
49 timetables for periods are not available and we're
50 told to "extend your time by half an hour or an
51 hour". What does that mean?

52
53 With respect to on-time running, I presume
54 State Rail has had pressure from the ministry of
55 transport to concentrate on on-peak periods. There
56 are a lot of people out there who use the system off
57 peak and on weekend services and we feel this
58 on-time running should be 24-hour statistically

1 based. We are not dealing with a peak hour service.
2 Otherwise, shut the thing down off peak and forget
3 about it.

4
5 There was some consultation in that area but we
6 feel we should go back to something similar to what
7 the RTA does. They actually put up options and you
8 are allowed to look at the options and give
9 feedback; you're not given a draft timetable. Yes,
10 you can comment and then they can come back and say,
11 "We can't alter it." I think there should be a
12 different approach to that.

13
14 What we recognise in another aspect is the
15 capacity of the trains. We have known that for the
16 last five or 10 years. The system is reaching
17 capacity and not only that, in regard to the number
18 of carriages, unfortunately the government seems to
19 knee-jerk order in large lumps of trains at various
20 times.

21
22 It looks good for the political agenda but we
23 feel as though it's similar to what John Stott said
24 at IPART's last meeting. You have agreement with
25 manufacturers so that as the demand increases you
26 get one, two and three sets and you don't wait until
27 the death knock.

28
29 Ticketing, on the present situation, will not
30 be addressed until the integrated ticketing is
31 introduced. We are concerned that this ticketing
32 system will only be electronic. The existing
33 systems will be kept so that we have an overlaid
34 system, which will be confusing.

35
36 We suggest a broad outline should have been
37 given to ticket providers, that is, the companies
38 that are in that area, and that the government set
39 down various principles and the ticketing providers
40 put up various options so that the customers could
41 have a look at the various options and say to the
42 Minister, "We like that but we want a few changes".

43
44 At the moment you've got something which has
45 been presented to you and one of the things that is
46 really going to worry the outer suburban people is
47 you get off the train, no matter when - off peak and
48 on peak - and you have to tag off the system.
49 Actually, I don't think it's going to be very
50 popular, unlike the present timetable that was put
51 up.

52
53 Could I turn to upgrading. I get consistently
54 from members, when I'm walking down the street,
55 "Paul, when is the upgrading going to finish?" They
56 tell me that it's going to go on forever. We're
57 actually losing customers on the weekends. As a
58 matter of fact, at the integrated transport forum

1 members from the small business sector pointed out
2 that last year they had a three-week period where
3 they were losing 30 per cent of their take because
4 of the upgrading.

5
6 We feel as though there should be a different
7 engineering approach. Do it right the first time.
8 You read so many magazines from overseas about the
9 various engineering procedures that are going on but
10 we feel that that doesn't seem to happen. Then you
11 hear on the news that it cost \$2 billion or so many
12 billions to revise the system and you say, "Hang on,
13 what's happened to all this with all the upgrading
14 that's been taking place in the last few years?"

15
16 You might say what's that to do with the
17 Pricing Tribunal? It is looking at services to the
18 community in the off peak and in the peak areas on
19 the weekend. As to security, the members agree -
20 and I think we agree with the Central Coast - that
21 there should be a different approach. The security
22 guards should be ambassadors who are able to check
23 tickets. I get so much criticism about feet on
24 seats and other things; in other words, they are
25 services to the community. They are looking at
26 security and are making sure that doors are opening
27 and closing.

28
29 They are managing the train, if you like,
30 because even last night at 10 o'clock I had a phone
31 call whereby one of the members complained about not
32 being able to get off a train at a particular place
33 because the doors were locked. The customer charter
34 should be revised so that it reflects the work
35 practices and procedures that apply.

36
37 The auditing procedures should be such that
38 you're able to say is it an independent audit.
39 Information to the customers is the same thing.
40 State Rail's report emphasised improvements but did
41 not set out problem areas such as missed
42 connections, deteriorating announcements both in
43 quality and accuracy, passengers being overcarried
44 due to locked doors, both outside and in the
45 corridors, deteriorating air-conditioning
46 performance, being able to respond to major
47 incidents.

48
49 It was also queried whether State Rail could
50 evaluate its performance and whether it did have
51 systems in place that accurately and reliably
52 measured customer service level. I worked for many
53 years in quality assurance. You had a standard and
54 you were able to get information to see that it met
55 the standard and then you were able to institute
56 measures to improve the system.

57
58 The council supports any action that would

1 enable citizens to claim a taxation concession which
2 Mr John Stott has referred to, as have others. As a
3 group - both the providers and the users - it looks
4 as though we've got to knock on the Federal member's
5 door, which we shall do.

6
7 Lastly, the council is pleased that State Rail
8 has on-ordered the new suburban cars, the
9 Millennium, and State Rail has indicated the
10 external benefits of rail versus car. I will hand
11 over to my friend here who will address you on
12 another aspect of it.

13
14 MS WAIN: I apologise for not being as structured as I
15 should be. I didn't have much time to prepare. The
16 only information I was supplied was the IPART
17 report, so I'm going to try to link my comments to
18 this document.

19
20 I have been commuting for 17 years from the
21 Central Coast. I actually get on at Gosford and
22 come to the city. I think it is fair to say that
23 I've watched the rail system in many ways improve
24 over that period of time but lately I feel that it
25 is actually going backwards and that is what has
26 prompted me to come here today.

27
28 In relation to this document, a lot of
29 reasoning for the fare increase has to do with
30 actual service improvements themselves and I would
31 like to question the measures of those service
32 improvements: exactly where they are being
33 measured, are they being measured by an independent
34 party or is it just CityRail measuring themselves.

35
36 For someone who commutes I can say that I have
37 not seen those improvements that they mentioned.
38 Every day I catch the Tangara and every day the
39 air-conditioning is so cold that even in summer I
40 have to wear a coat, along with everyone else who
41 travels.

42
43 There are definitely toilet issues, if you're
44 lucky enough to get a toilet. In the last 12 months
45 at least once a week I've had an inner city train
46 bring me to work and while that may not sound like a
47 big deal, when you travel for one hour and
48 45 minutes I can assure you that your bum is numb by
49 the end of your journey and lower back pain is also
50 a major issue. One could even ask whether that
51 would actually be some sort of Workers' Compensation
52 type issue. I am not quite sure of the right
53 terminology there.

54
55 The other services things that I'd like to talk
56 about are once again I would have to agree that
57 graffiti and rubbish on the trains is becoming an
58 issue. We did a great job during the Olympic period

1 and I know a lot more people were employed to do
2 that but we're falling back into the dirtier trains.
3 Also, could I raise the fact that security guards
4 are on the trains that I catch home every night and
5 I would question their viability and their use.

6
7 People smoke on our trains every night and
8 every night we ring the security guards up and ask
9 them to do something about it and every night we
10 have the same issue with the security guards
11 standing next to us saying, "What people are
12 smoking?" and they're standing right next to them,
13 like as if they can't see them but you know they
14 can.

15
16 It is the same with drinking. I have had
17 security guards sit there and smoke with people on
18 the train. They are not members of State Rail or
19 CityRail, they're independent people who have no
20 real authority and in a lot of cases no real respect
21 for CityRail's regulations about smoking.

22
23 I would question that if our ultimate aim here
24 is to actually increase our equity by 8.4 million
25 maybe the best way to do that is to get rid of the
26 contract security guards and replace them with
27 policeman who can actually do something.

28
29 In relation to the 2 per cent increase for
30 those travelling more than 20 kilometres, I actually
31 think that this is discrimination and it actually
32 demographically targets those who can least afford
33 it. If you must put on fare increases at all you
34 need to look at the dollar amount that you're taking
35 about. For someone who lives in an area like I do,
36 someone who is already paying \$45 a week for their
37 train and \$25 a week for their bus, a 2 per cent
38 increase is unacceptable.

39
40 A 20 cent increase all around is a far more
41 acceptable thing and much easier for most people to
42 handle, although I would agree that I am not one of
43 those average people who State Rail is actually
44 encouraging to catch their trains because those
45 people are under 34 years of age and all have a mean
46 salary of \$26,000 a year and these are the very
47 people who cannot afford it.

48
49 The other thing that I would also like to ask
50 State Rail to make very clear is what their vision
51 and purpose is. They state in their submission that
52 one of their major benefits is to actually keep
53 people off the streets, to get people using public
54 transport and actually minimise the impact on the
55 infrastructure and yet, by their own admission,
56 every time they put their fare up - as per page 15
57 of this document - they actually use patronage and
58 you can see by this example that they have dropped

1 to minus 2 per cent, which is a total drop from the
2 previous year of 4 per cent, the last time they put
3 their fares up. That is probably the very amount
4 we're talking about now.

5
6 The other thing that I would like to talk about
7 is on-time running. In this document they propose
8 that their services were 99.5 per cent on time. I
9 don't really have a complaint about being a commuter
10 in peak hour. I don't have a complaint about the
11 service, I think it is quite good and I can
12 appreciate how difficult that is, but the very
13 reason they proposed the change in timetable, which
14 would have added another 10 minutes minimum to my
15 trip each way each day, was because they couldn't
16 run the trains on time.

17
18 They had an issue with trains actually running
19 late. This document does not in any way support the
20 reason for actually introducing a new timetable. If
21 it is being viewed, as it is in this document, with
22 the link to a new timetable, I would say that it
23 would be very unfair to expect me to pay more money
24 for a trip that is now going to take me at least
25 another 45 minutes longer. For those who don't
26 commute, that is 45 minutes a day I no longer get
27 with my children. I am not talking about my time,
28 I'm talking about their time. That is all I have to
29 say.

30
31 MR COX: Thank you very much. Listening to both of you,
32 it seems to me that most of the remarks are about
33 issues of service quality. Howard Lacy presented a
34 picture of improved service quality but it sounds as
35 though you don't agree with him, that that's not
36 your experience in your day-to-day travel; is that
37 correct?

38
39 MS WAIN: That is correct.

40
41 MR COX: We might ask him to address that a bit later on
42 perhaps. I would just note that there is this
43 divergence of experience.

44
45 MS WAIN: And also in how they actually measured it.

46
47 MR TREVASKIS: I have communications and letters I've
48 received recently about performance in train
49 presentation itself. I didn't bring those today
50 because that is not the role of this inquire but I
51 will be handing those on to Mr Lacy in the next
52 couple of days.

53
54 Toilets are a major issue; it fluctuates. We
55 don't know why they aren't inspected at Central and
56 inspected more often because when you go in there
57 there's water over the floor, et cetera. I won't go
58 into details. That also applies to air-conditioning

1 and such like. Thank you.
2
3 MS WAIN: May I also say one of the other things that
4 struck me as quite odd was at a time when CityRail
5 actually admitted to poor planning of their
6 projects, they actually stopped a multi-million
7 dollar project. They stopped the new timetable
8 going through through lack of planning in relation
9 to resources. How many other projects are they
10 actually running that are at a cost? A cost benefit
11 analysis of their projects and a reduction of their
12 costs will actually probably help improve their
13 bottom line as well.
14
15 MR COX: I would like to ask a question on the fare
16 side. You argued that the increases faced by
17 people, such as those on the Central Coast, are
18 discriminatory because those fares have gone up and
19 the shorter fares haven't.
20
21 MS WAIN: They go up a lot more.
22
23 MR COX: One of State Rail's arguments is that if you
24 look over a period of years, the fare increases,
25 including this new fare increase, are more or less
26 in line. That may or may not be true. If it was
27 true would you accept that that was
28 non-discriminatory?
29
30 MS WAIN: I would still argue that people closer to the
31 city have a much better rail service than I do.
32 They can get a train a lot more frequently and if
33 that train is full they can wait for the next one,
34 which is usually three or four minutes behind. If
35 my train is full I have to stand up for an hour and
36 a half because I don't have another train for maybe
37 40 minutes, particularly if I've just missed the
38 peak.
39
40 Talking about percentages, I think the last
41 fare increase was nearly \$4.50 up there, whereas it
42 might have been only \$1 down in Sydney. It is not
43 so much the percentage, whether it goes up
44 2 per cent here and 1 per cent there, it's the
45 dollar amount at the end of the day that has to come
46 out of a salary to actually pay for that and that's
47 what I would wonder and probably argue hasn't been
48 the same.
49
50 MR COX: Thank you.
51
52 MS CIFUENTES: I have no questions.
53
54 MR COX: Thank you very much.
55
56
57
58

1 PROFESSOR PHILLIP LAIRD
2
3 MR COX: Next we have a presentation from Philip Laird,
4 if you could come forward and introduce yourself,
5 please.
6
7 PROF LAIRD: Thank you for the opportunity to appear
8 today. My submission is similar to that made to the
9 Tribunal last year. My basic thesis is that the
10 rail system has not been upgraded sufficiently to
11 meet the needs of a premier Asia-Pacific city.
12
13 Sydney is Australia's largest city. We try and
14 compete internationally with cities such as
15 Singapore and Hong Kong and increasingly
16 Kuala Lumpur. Last month Kuala Lumpur got a new
17 65 kilometre airport line, complete with new
18 carriages.
19
20 The fares that are sought by State Rail or
21 CityRail are just totally inadequate to fund the
22 necessary infrastructure upgrade to look after the
23 city's growth. From the Department of Planning we
24 see that Sydney has over 4 million people now and it
25 continues to grow at over 1 per cent per annum.
26 Train use growth varies from year to year. Some
27 questions have been raised as to can we get better
28 projections on 2001 and 2002. Can they be made on
29 nine months of data rather than the six months
30 presented to the Tribunal.
31
32 The need for doing something about Sydney's
33 rail system is I think widely recognised and I think
34 it was well put by Mr Ron Christie who as well as
35 being Deputy Chief Executive of State Rail in the
36 1980s was the chief executive of the Roads and
37 Traffic Authority in the 1990s and Olympics'
38 coordinator and was very well placed to speak on
39 Sydney's future transport needs.
40
41 If we look at these future transport needs,
42 they were addressed in a government document in
43 1998, "New South Wales Action for Transport 2010",
44 which started off by showing the works listed for
45 completion by 2010. In 1998 that seemed a long way
46 away - it was 12 years away - but it's only eight
47 years away now. You can see already the key items.
48 The Parramatta rail link is slipping. It has been
49 cut in half and pushed out two years. The
50 East Hills line quadruplication is proceeding.
51 With respect to the high speed link from Newcastle
52 to Sydney, which is necessary to link effectively
53 New South Wales' two largest cities, it will be a
54 miracle if it happens five years from now. They
55 haven't even started planning the Waterfall-Thirroul
56 tunnel.
57
58 It is nice to see there has been some public

1 consultation on a rail link out toward Castle Hill.
2 That is just for this decade and of course looking
3 ahead, there's still further work to be done.
4
5 This slide lists some of that which was also
6 raised by Mr Christie's work. My main point to the
7 Tribunal is that this sort of level of investment
8 simply cannot be sustained, either by the public
9 sector or the private sector, with the present
10 levels of fares.
11
12 How do you get out of this bind? We've heard
13 from other submissions today the need for better
14 performance monitoring of State Rail but I think we
15 also need more than current performance monitoring
16 and cheap fares today. We need viable plans for
17 funding for infrastructure to accommodate the city's
18 growth.
19
20 It is pleasing to see that attention was given
21 to the external costs of road and rail but the
22 document that I looked at - the most recent one on
23 the website - was two years old. If we go through
24 some of the points, with respect to congestion a
25 figure was given in that document that if you closed
26 down the CityRail system you would impose additional
27 road costs of at least \$188 million. The Bureau of
28 Transport Economics has put a value of \$6 billion a
29 year on road congestion. Isn't \$188 million a
30 little cheap? It is okay if you have a rail strike
31 for a day or two, people will get by, but just
32 imagine what the cost of congestion to this city
33 would be if we closed down the rail system
34 completely. I don't have the hard numbers to say
35 what the real figure is, but that \$188 million
36 should be revisited.
37
38 Secondly, the cost of road crashes is about
39 \$37 million a year. That might be a fair enough
40 guess on the data that was available in 1999 but in
41 the year 2000 - May 2000 - the Bureau of Transport
42 Economics issued its revised cost of road crashes in
43 Australia and that figure went up from \$6 billion a
44 year - the figure current in the early 1990s - to a
45 much more realistic \$15 billion, which even the
46 Australian Transport Council feels might be
47 conservative. That figure may be conservative.
48 Likewise, with respect to noise we are relying on a
49 paper in 1994. Surely you can do better.
50
51 In conclusion, on external costs IPART may care
52 to ask State Rail that they seek updated estimates
53 on not only the road external costs but let's be
54 fair, let's bring in the rail external costs as
55 well. They are a vital part of the equation and in
56 this regard the Australian Rail Corporation National
57 Track Audit that was released May last year, in
58 getting the benefit cost ratio for the intercity

1 track upgrades, did consider not only the external
2 costs of road but also the external costs of
3 railways. Although the 2000 study is an interesting
4 one, I think it needs updating.
5
6 If all this seems too hard, other countries do
7 it better. I mentioned Kuala Lumpur. Only last
8 month Kuala Lumpur opened a 60 kilometre high speed
9 line. I am told it takes less than half an hour to
10 do it. If they can afford to open a new airport
11 line and have two new carriages, one for commuters
12 and one for people with luggage, to work the system,
13 then surely to heck State Rail can get a better
14 airport service. Otherwise, it's not an airport
15 line, it's just track amplification.
16
17 The bottom line is in the scope of this inquiry
18 I can't see the Tribunal going above the recommended
19 levels, but I think State Rail really could have
20 been more ambitious than 2 per cent. It is a joke,
21 even taking into account the government's own slate
22 of capital works, let alone what was revealed by
23 Mr Ron Christie. How do you pay for it? I don't
24 know. I would be happy to try answering your
25 questions.
26
27 MR COX: Thank you very much. I think you're right to
28 say that you're raising issues that may be more
29 relevant for future inquiries, but I do think they
30 are important issues. You say you do not think that
31 Sydney can finance the amount of infrastructure that
32 it requires with the existing level of fares. You
33 would have heard this morning the concerns that
34 people have about the affordability of increases in
35 fares and how strongly that was argued earlier this
36 morning. Given that all that is so, what approach
37 do you think the Tribunal should adopt?
38
39 PROF LAIRD: I think it is a perception, where progress
40 can be made, 20 years ago it was politically
41 impossible to move towards user pay for water but
42 the Hunter Valley Authority showed the way and now
43 no-one questions when you get your water bill that
44 there is a user pay component as well as a supply
45 fee.
46
47 We are basically in the untimed local call
48 mentality. The fares are so cheap and to quote my
49 good friend Dr Jones, former President of the
50 Wollongong Consumer Transport Council, where we
51 looked at issues of trying to get service
52 improvements for years, "cheap fares are no adequate
53 compensation for a failing rail service". We need a
54 better rail service to get more people to use it.
55 You are not going to get a better rail service until
56 you get some investment and you cannot get it on
57 that level of fares.
58

1 Those levels - let's be realistic, I came up
2 today from Wollongong for \$10.20 off-peak return.
3 What would that get you? If I wanted to do a
4 similar distance in Britain I would be looking at
5 about at least 20 pounds, perhaps 40 pounds peak, so
6 about \$100, and we are complaining that these fares
7 are dear! They are not. It is just that people
8 think they are dear. Part of the perception relates
9 to low road pricing. People's perception is, well,
10 petrol, good heaven's, we whinge if it goes to \$1 a
11 litre. That is cheap by OECD standards except for
12 America.
13
14 I think really to address this problem someone
15 is going to perhaps have to ask you to look at road
16 pricing.
17
18 MR COX: The difficulty we face is that many people have
19 adjusted to the low fares that exist. They may be
20 low but they would have difficulty adjusting to
21 higher fares.
22
23 PROF LAIRD: People have made the biggest investment
24 decision of their lives, they are buying in
25 increasing numbers in Wyong or Shoalhaven thinking
26 they can commute to work in Sydney for years with
27 either low road pricing with no tolls or cheap rail
28 fares. How long can we go on with this for -
29 another five years, another ten years?
30
31 MR COX: It seems to me you are describing the nature of
32 the difficulty rather than providing an answer. On
33 the social costs, yes, we note the comments you have
34 made. Thank you very much.
35
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1 CITYRAIL
2
3 MR COX: We will now ask CityRail to come back, if you
4 would like to respond to any comments made during
5 the morning.
6
7 MR LACY: Thank you, Chairman. Firstly, we are always
8 happy to take more if you would like to give us a
9 larger increase. Perhaps I can just touch on a few
10 points people have made and in no particular order,
11 just some of the points that Allan made. Thanks for
12 the support, Allan. We are trying to keep our fares
13 down and it fits in with some of the issues that Tim
14 and Rob were making as well.
15
16 In terms of night ride buses, you asked a
17 question about the price. The night ride bus
18 contract is actually through DOT, the Department of
19 Transport, which contracts directly with private
20 operators to provide that. IPART actually then sets
21 the fare structure for the night ride buses. As you
22 pointed out, our tickets are validated on night ride
23 services.
24
25 The yearly ticket office has not closed.
26 Despite all the negative publicity, it is still open
27 and operating at Wynyard and indeed you can go to
28 any station now and order bulk supplies of tickets.
29 We think that one of the banks actually offered some
30 sort of financing arrangement whereby companies
31 could buy the tickets through that bank and they
32 would provide the management of the system. That is
33 what has actually closed, but the actual ability to
34 buy yearly tickets is there and we still have that
35 office at Wynyard.
36
37 I have noted the comments on TravelPasses. We
38 will certainly look at that. There was an
39 interesting discussion about journeys that are made
40 up of a complex number of single journeys. That is
41 an issue we should look at in public transport. I
42 will not necessarily say for this year but it is
43 worthwhile taking that back to a more broader group
44 and perhaps starting to look at some of those
45 issues. Certainly the introduction of integrated
46 ticketing will force the transport sector to look at
47 that particular issue because the idea of having
48 journey-based tickets where you buy a ticket from a
49 point to another point I think will get increasingly
50 more difficult as we go into integrating ticketing
51 where really what we should be doing is tolling
52 Sydney by distance and that is an issue we have not
53 yet fully sat down and talked about.
54
55 That leads me onto the discussions from NCOSS
56 about some of the broader policy issues. What I was
57 hearing was that there is a policy debate that
58 perhaps needs to be held. I think that is what both

1 Tim and Rob were saying, that there are issues of
2 policy that perhaps could be better addressed
3 through a broader consultation issue, not
4 necessarily perhaps specifically related to one or
5 other of the transport businesses but more broadly
6 about transport and some of those issues. That is
7 another message I will take back into the
8 discussions with my colleagues.

9
10 I noted the comments on measurements and
11 performance indicators and the consultation process.
12 As I said earlier, we are looking at how we might
13 open that process up. You would be aware that this
14 year for probably the first time, or late last year,
15 we consulted on the implementation of the new
16 timetable, whereas normally we put the timetable in
17 and consult afterwards. In this particular case we
18 did the reverse, we put the consultation ahead of
19 the timetable implementation and there were about
20 5,000 submissions for that process, of which about
21 300 individual changes were made to the new
22 timetable arrangements. We certainly are supportive
23 of the process of consultation. It is a question of
24 how we put that into effect and make it work.

25
26 There were issues about demographics and the
27 differences of people being able to afford fares.
28 The only thing I would like to perhaps raise is the
29 concept that in setting fares we are really trying
30 to reflect the cost of the service being provided.
31 The ability of people to pay that is a social policy
32 issue that needs to be addressed separately. We
33 need to keep that in mind, that the structures that
34 we have put in place are really trying to reflect
35 some of the costs.

36
37 At the moment the costs are heavily subsidised
38 by the State Government, so in a sense there is
39 already a significant community contribution towards
40 fares within the public transport sector. That is
41 an issue that perhaps is better debated in another
42 forum, but certainly it is one that we need to take
43 into account.

44
45 A number of people raised security and the role
46 of security guards and I was heartened that the
47 speakers from NCOSS were able to actually identify
48 who the actual security groups were, the SRA
49 employees, RPOs - revenue protection officers -
50 police and Chubb Security. They are in effect the
51 groups that we currently use. They do have a range
52 of powers and over the next year we will be making
53 some changes to the way that works and hopefully
54 clarifying it.

55
56 The only thing I would say is that we have seen
57 initially with the introduction of Chubb Securities
58 a significant reduction of security incidents in and

1 around trains or stations and indeed in the carparks
2 that they patrol. As people have become more aware
3 of what these guards do, their deterrent effect has
4 started to diminish. Carolyn reflected on some of
5 the issues where people to an extent are largely
6 ignoring their presence and we are looking at how we
7 can upgrade that at the moment, so that is an area
8 we are certainly aware of and working on.

9
10 The issue about access charging, I thought that
11 was an interesting discussion about whether the
12 individual groups that affect the cost base of
13 organisations such as NCOSS should also come and
14 talk about the issues that they have got. That is
15 something for IPART to perhaps consider.

16
17 In terms of Paul and Carolyn's presentation, I
18 wondered whether I worked in the same organisation
19 that they had seen because it struck me that I
20 perhaps gave the bouquets this morning and they
21 seemed to deliver the brick bats. I think we have
22 got a balanced view. I certainly have not tried to
23 convince you that everything we do is best practice
24 or indeed perfect. That is part of the job that I
25 have, to try to work with the organisation to lift
26 some up those things.

27
28 The particular issues they are were raising,
29 there was quite a long list: I touched on the long
30 distance commuter service, particularly the inter
31 city. We have problems with the airconditioning in
32 some of those services. There is no question that
33 we are trying to fix that at the moment. It seems
34 to be an issue with thermostats and the design of
35 the cars themselves. We hope that the new outer
36 suburban cars will address that with better
37 airconditioning and we will continue to strive to
38 try to drive the airconditioning more reliably and
39 consistently with the needs of passengers.

40
41 The PA systems and announcements, that has
42 always been a problem for us. What we are doing
43 with the new Millennium trains and all further
44 trains that we purchase is that they will have
45 digitalised voice announcements similar to what you
46 get on the stations so that the legibility and
47 audibility of the announcements will be dealt with
48 in that way. We are also having display screens in
49 trains so that the actual destination and the next
50 station you are arriving at, together with the
51 destination of the train, will be visible within the
52 carriage itself.

53
54 Toilets are an issue. They are an issue for us
55 on some of our country services as well. We are
56 looking at trying to correct those along with a
57 program to provide greater disabled access to some
58 of these long distance trains because the doors on

1 those vehicles are actually quite narrow.
2
3 There was a question about why we can't be like
4 a bus company and buy buses essentially throughout
5 the year. The reason for that is fairly
6 straightforward. Whilst we run a continuous fleet
7 strategy, in other words, we monitor the fleet, you
8 cannot simply go out and buy a train carriage or two
9 off the shelf. All our train carriages are largely
10 built to order. We are building them more as we
11 move forward around standard componentry so we are
12 trying to reduce the cost of the vehicles by using
13 off-the-shelf componentry, but the actual vehicle
14 itself, the body that we use and indeed now the
15 design of the vehicle, particularly for safety
16 enhancements, are unique to the system we use,
17 therefore you have to place large orders for them to
18 make them economic.

19
20 At the moment we have a considerable number of
21 vehicles that we are essentially about to order or
22 have already contracted, and there are 246 cars
23 where we still have options to buy further vehicles
24 as they are needed.

25
26 In terms of the seating capacity on those long
27 distance trains, we target about 95 per cent seated.
28 The whole design of our timetable and design of our
29 service delivery is built around having those trains
30 essentially 95 per cent full, so there should be 5
31 per cent seats. At times, in particular when there
32 are service disruptions, that obviously does not
33 happen and they are the things we need to look at
34 and the feedback is helpful in terms of us
35 understanding that. We, of course, do passengers
36 counts on a regular basis so we are aware where we
37 have those pinch points on the system.

38
39 There was an issue about the long distance
40 fares and the disparity. I just did some very
41 simple numbers. If you bought a weekly for a 20
42 kilometre journey it is about \$26. Divide that by
43 20 kilometres and it is about \$1.30 a kilometre. If
44 you do the same for a 105 kilometres, it is 53;
45 divided by 105, about 53 cents a kilometre, so about
46 half price.

47
48 In a sense the system automatically biases
49 towards the longer distance journeys. It is cheaper
50 to come a longer distance into the city than to
51 travel the shorter closer distances, not
52 withstanding that the individual fare increases at
53 the moment might not reflect that particularly.

54
55 Finally, I think Professor Laird focused on a
56 number of issues regarding integrated public
57 transport and in particular long-term rail planning.
58 It is fair to say that Ron Christie did a

1 magnificent job in preparing what was originally a
2 30-year rail plan and that plan has now been
3 modified. It is in the process of being modified as
4 we speak.

5
6 What it looks at is essentially four key areas.
7 One is service improvements, so it picks up the
8 notion of having to upgrade stations and fleet. It
9 picks up the issue of improved reliability and
10 safety, so investments in signalling systems and
11 information systems and in the underlying
12 infrastructure such as the electrical supply that
13 keeps the train going. It also looks at how to
14 maximise and lift the capacity of the network.

15
16 There are parts of the network that are
17 currently running at full capacity and by some
18 reasonably simple changes, although they are
19 significant investments, but by some simple changes
20 we can actually make the existing system work a lot
21 harder. Those are being factored in and we will
22 take those opportunities over the next five to six
23 years.

24
25 The second or final part of that is really to
26 expand the reach of heavy rail. That is where most
27 of the work has been going on, how to design a
28 system to actually provide for the cross-regional
29 needs of the city, the off-peak needs of the city
30 and indeed the peak needs of the city. That is
31 already well thought out and a lot of work is going
32 on.

33
34 We have already designed a preliminary 2008
35 timetable. We have built around that a train plan,
36 an actual operating strategy of how to get the
37 system to work and provide the levels of service
38 that we require, so a lot of work has already been
39 done in that and from that then flows a series of
40 investments that need to be made. Part of that is
41 growth to the north-west sector up towards Castle
42 Hill and beyond, also down to the Bringelly area, so
43 expanding the reach of rail down that part of the
44 network, and the completion of the Parramatta to
45 Chatswood rail link which will give us some
46 cross-regional capacity.

47
48 That 30-year travel plan has been written in
49 context with a public transport strategy for Sydney,
50 so overlaid on that is a light rail strategy, a bus
51 transit way strategy and indeed a simple bus
52 strategy which brings together a whole series of
53 public transport initiatives, so it is a very
54 significant piece of work and that will be published
55 over the next three or four months.

56
57 I think that is it.

58

1 MR COX: Can I just add, Paul or Carolyn raised about
2 the service quality data and how can you have
3 confidence in that data?
4
5 MR LACY: A lot of the data that we have produced and a
6 lot of the issues that are related in our service
7 charter at the moment deal with physical
8 improvements to the system, so they are things like
9 improving stations and improving reliability and
10 safety. We have focused I think rightly on on-time
11 running at peak periods, which is largely a large
12 chunk of what we do. I certainly understood the
13 points they made about being more descriptive about
14 what we do in terms of CPIs and we will take that on
15 board and look at that, and also in terms of
16 publishing more of that information on a routine and
17 regular basis. We certainly publish a lot of our
18 performance in terms of on-time running, peak
19 on-time running admittedly, on our web site and we
20 will also look at expanding that over the next year
21 or so.

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23 MR COX: Thank you very much.
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1 STATE TRANSIT AUTHORITY

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3 MR COX: Finally, John Stott, would you respond to the
4 points raised?

5

6 MR STOTT: I promise to be brief.

7

8 MR COX: Thank you.

9

10 MR STOTT: I would like to talk about Newcastle; I would
11 just like to clarify some issues about Newcastle.
12 Firstly, there is an assumption at large that the
13 route structure in Newcastle has been significantly
14 reduced; that is not the case. What was present in
15 Newcastle before the present network was introduced
16 were two networks and all the route numbers changed
17 at night.

18

19 You read reports that say they had 56 bus
20 routes and that collapsed into 24. What we actually
21 did was we renumbered all the night-time bus
22 services and brought them back into line, because
23 the picture that was coming to us very clearly from
24 passengers was that they didn't want to carry two
25 networks in their heads. They wanted to know that
26 the "100" took you to the university, or wherever,
27 and it would do it daytime and night-time.

28

29 What appears to have been a collapse is not
30 indeed one in fact. There has not been a huge
31 amount of change in network kilometres across
32 Newcastle. What we have done in Newcastle is we've
33 much more closely aligned the services with where
34 people have indicated they want to go and based that
35 on some comprehensive survey work.

36

37 We went out there and we looked at where people
38 were travelling. We drew up the major corridors and
39 said how do we have to realign the bus routes to fit
40 in with those? Whenever you adjust services across
41 a city you're going to find that that becomes
42 inconvenient for some people and regrettably the
43 people who do well are usually disinclined to write
44 letters about it, but overall, at this stage, I
45 think that Newcastle has been well served by the
46 changes we put in place.

47

48 Can I just turn, also, to the issue of fares
49 and subsidies in Newcastle. It is probably not
50 widely recognised but every time somebody gets on a
51 bus in Sydney they send two cents to Newcastle and
52 every time somebody gets on a bus in Newcastle that
53 consumes about 30 cents from Sydney. Newcastle is
54 heavily cross-subsidised. That is not an argument
55 to say that Newcastle fares should go up
56 dramatically.

57

58 I think in an affordability sense across the

1 community they are about right at the moment. That
2 is why we're not suggesting any major change. The
3 most popular fares, which are the one hour fares,
4 are frozen and I think that's an appropriate thing
5 to do; other changes are 10 cents or 20 cents.

6
7 Whilst we're not advocating significant
8 increases in fares this year, Chairman, I think it
9 is worthwhile to point out that if we set our public
10 transport fares on the basis of being affordable to
11 anyone in the community, we would have
12 unrealistically low fares and that's really why we
13 need a concession system that provides cheaper fares
14 for people who need cheaper fares.

15
16 I think it is also important to recognise that
17 that policy sits outside the Tribunal's environment.
18 It is a matter for the whole of the government and I
19 think it is proper for the Tribunal to try to
20 estimate fares on the basis of what most people can
21 afford rather than what either end can afford.

22
23 I am encouraged in that view by what I've read
24 in the last few days about the first home owners'
25 grant, some of which is plainly being given to
26 people who don't need it, whereas people at the
27 other end of the scale are probably not getting
28 nearly as much help as they need; but that's by the
29 by.

30
31 There were some other issues, very quickly,
32 about smartcards, going now, not waiting for
33 integrated ticketing; I don't think that's an
34 option. Our magnetic system has a bit of life left
35 in it yet. We wouldn't be doing the right thing by
36 the community if we were to retire that too early.
37 Undeniably, a smartcard system will offer a lot more
38 choice for people and will certainly offer those
39 intermodal transfers. I am anxious to see that
40 because I want, to the best extent possible, cash
41 pushed out of the system.

42
43 Discounts on Travelten and Travelpass are not
44 enough. We possibly need to pump up the gas with
45 respect to cash fares. We have played around with
46 that for many years but I don't think there's any
47 simple answer. Clearly, the Travelpass fares,
48 certainly in the bus industry, are very heavily
49 discounted and don't recover anything like the cost
50 of operation, but surprisingly, they're not widely
51 used by regular bus travellers. They're widely used
52 by train travellers who happen to use buses and
53 ferries as well.

54
55 Very clearly, our cash and Traveltens are our
56 most popular tickets. In that general vein, we've
57 had the issue raised of why not Travelfive, why not
58 Traveltwo. The Traveltwo is a return actually. In

1 some areas we do offer returns but I don't see any
2 real value in changing the discount level. By and
3 large, a 10-ride ticket lasts forever. A member of
4 my family before the last fare rise went out and
5 bought a handful of Traveltens and said, "That's
6 dealt with that one for this year".

7
8 I think we could look at that but I don't think
9 it's as simple as it sounds. Bear in mind, when we
10 change the fare structure we've got to re-educate
11 about 4,000 newsagents and that's not a simple thing
12 to do either. I am more in favour of simplicity in
13 the fare system. In an ideal world one would reduce
14 the number of choices but improve the affordability.

15
16 Bus standards should be measurable. There
17 should be a customer charter. We are approaching
18 this from a different point of view. We have put
19 some targets in our corporate plan and we report on
20 those targets in our annual report and I think we'll
21 be giving more reports as time goes on.

22
23 It will be very difficult to break that sort of
24 stuff down service by service. It is very, very
25 comprehensive and the numbers are not meaningful
26 when you start to break it down into "How is Route
27 305 travelling in the early morning?" It produces a
28 lot of data that's not very helpful.

29
30 With respect to the assessment of outcomes for
31 better buses, you can be assured that we will be
32 doing extensive post-implementation reviews. We
33 already have one underway and largely completed for
34 the north-west, which is now two years on and it's
35 about the right time to be looking at the question
36 of "Did we get to where we set out to be getting?"

37
38 We will feed the results of those
39 post-implementation audits into future better buses
40 because it is our intention that when we've gone
41 right around the city, we'll start again from the
42 first one, we'll come back, because we don't want to
43 be caught in the system which we've been caught in
44 for the last decade where change has been impossible
45 and therefore you have to have some very major
46 changes. We would like to do it a bit more
47 incrementally. We will be back and we'll keep on
48 reiterating those.

49
50 With respect to transit way fares, the fare
51 structure is specified in the transit way contract.
52 It is important to recognise that that contract was
53 tendered out on the basis that any operator could
54 bid. It was not possible for State Transit to say
55 we will offer a different concession mix or a
56 different discount mix because that would not have
57 been competitively neutral and we would have been
58 accused of buying the service.

1
2 As far as I'm concerned, we won that service
3 fair and square. We will seek to operate it on a
4 break even basis. Further down the track we will
5 consult with the department and with other operators
6 as to what is an appropriate fare structure.
7 Somewhere along the way one would hope that there'll
8 be some rationalisation of concession entitlements
9 across the city as well and then that whole problem
10 will go away.

11
12 Just as an aside, I'm delighted that we're
13 running the transit way and if I have to charge
14 private sector fares in the short term well, so be
15 it but it's still a plus. It is going to be a good
16 service.

17
18 With respect to the issue of externalities,
19 I've always had a problem with externalities because
20 it seems to me that frequently one area has the
21 money and another area reaps the benefits and it is
22 pretty hard to draw up the ledger for the transport
23 system on that one.

24
25 Clearly, there are benefits. One could almost
26 argue that if we could get more people on to public
27 transport with a big investment that would be
28 handing money to the remaining motorists. I am not
29 sure that that's necessarily the case. I think we
30 have to do what we're now doing in government and
31 that is we're sitting down together with the public
32 transport people and the roads people and the urban
33 planning people and we're saying, "What's best for
34 the city?"

35
36 It is early days and I think it's going to take
37 quite some time, probably two or three years, before
38 we have well integrated land use and transport
39 policies. That is where it has to go so that
40 government can say, "We're happy to put \$100 million
41 into transport because we're going to get
42 \$150 million out of health. That is the sort of
43 thing that will come up.

44
45 I really didn't mean to not mention all the
46 environmental benefits. I have preached that so
47 many times over the years I'll give that one a rest
48 this year.

49
50 There was a question I think about asset
51 replacement. Do these fare increases provide for
52 asset replacement? In fact, all of our revenues
53 fund our total operating account. Out of that
54 account we fund our asset replacement from the
55 depreciation account and we look to growth in
56 revenue to fund growth assets. It doesn't always
57 work and that's why we carry a reasonable amount of
58 debt and we'll continue to do that into the future I

1 think, but I'm not supportive of increasing debt
2 beyond prudent commercial levels.

3
4 That is about where we are and that's where
5 we'll continue to go. In future years, if we get
6 significant growth, it's conceivable that our
7 operating revenues will not cover really major
8 growth and that's an issue we'll have to discuss
9 with government. I think that is all.

10
11 MR COX: Thank you very much. That concludes the public
12 hearing. In closing it I would like to thank
13 everyone who presented for their contributions. It
14 has been a most interesting morning for me and I'm
15 grateful to you for making those submissions. We
16 will need to go away and think about our submission
17 and we'll need to do that over the next few weeks.
18 Once again, thank you very much.

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20 (At 1.42pm the Tribunal adjourned accordingly)

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