

**REVIEW OF PRICING PRINCIPLES FOR
COUNTRYLINK**

An Issues Paper

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

**REVIEW OF PRICING PRINCIPLES FOR
COUNTRYLINK**

An Issues Paper

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Submissions to this review addressing the issues paper must reach the Independent Pricing and Regulatory Tribunal by 14 October 1996.

Information considered "commercial in confidence" should be clearly marked.

Public Hearings for the review will be held on 4 November 1996 at
Level 2, 44 Market Street, Sydney

Independent Pricing and Regulatory Tribunal of New South Wales

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1 INTRODUCTION AND OVERVIEW

1.1 Introduction

The Independent Pricing and Regulatory Tribunal (the Tribunal) is responsible for determining prices and advising the state Government on pricing policy for government monopoly services within the urban passenger network. The Tribunal determines fares for CityRail and State Transit and is currently reviewing pricing policies for these services. The final report of this review will be released in late 1996.

The Premier has requested that the Tribunal also review the pricing principles for Countrylink.

By comparison with residents of the metropolitan area, residents of rural New South Wales encounter mobility disadvantages and have comparatively limited access to transport services. To reduce this disadvantage the NSW Government provides rail passenger transport and long distance coach services through Countrylink. The Department of Transport has estimated that Countrylink provides 80% of the total rural NSW population with access to passenger transport services.

All Countrylink rail services are non-commercial or loss making and are subsidised by the NSW government. Countrylink is the only significant operator in the long distance passenger rail transport market in New South Wales, but it faces competition from other transport modes.

This issues paper provides a basis for discussion about the factors influencing Countrylink pricing. The paper sets out the issues which, on the basis of research to date, the Tribunal considers to be important, and identifies areas where the Tribunal would appreciate input and public comment. Participants in the inquiry are invited to alert the Tribunal to other issues that require consideration as part of this review.

The aim of raising these issues at this stage of the Tribunal's inquiry is to encourage discussion rather than provide answers.

1.2 Objectives of the review

In this review the Tribunal will examine the efficiency with which Countrylink services are provided, the costs of providing these services, and methods used to recover costs.

The Government pays substantial subsidies to Countrylink. These subsidies constitute the bulk of Countrylink revenue. The Tribunal seeks a greater understanding of the nature of these subsidies.

In undertaking this review the Tribunal is required to consider the following:

- ◇ the scope for efficiency improvements in Countrylink services
- ◇ the need to develop fare structures which more accurately reflect costs
- ◇ the social and environmental benefits of subsidising Countrylink services
- ◇ the implication of national competition policy for Countrylink services
- ◇ current government subsidies and the impact of fare changes on subsidies

- ◇ impact of fare or service changes on the non-metropolitan community.

Although the major priority is an examination of fare levels, the review also provides the community with an opportunity to consider related issues. These include:

- ◇ innovative alternatives for improving cost recovery
- ◇ general principles for funding social programs for long distance passenger transport
- ◇ service enhancements such as integration with private services
- ◇ the appropriateness of using private coach services as an efficiency benchmark.

1.3 The review process

An important aspect of this inquiry is to provide a public forum to assist the Tribunal in reviewing pricing principles for Countrylink fares. Over the duration of the review, the Tribunal will provide ample opportunities for individuals and organisations to provide input and make submissions.

To enhance the review process the Tribunal seeks submissions from individuals or organisations.

Copies of submissions will be available for inspect and purchase at the Tribunal's office.

Public Hearings will be held on 4 November 1996 at Level 2, 44 Market Street, Sydney.

The Tribunal will release a final report in early 1997.

1.4 Submissions

Submissions should be sent to:

Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Submissions must reach the Tribunal no later than 14 October 1996. All submissions should be provided in hard copy form plus, where possible a copy on PC disk to facilitate distribution in electronic format.

2 NATURE AND SCOPE OF COUNTRYLINK SERVICES

2.1 Introduction

This review requires the pricing and competition principles of Countrylink to be examined.

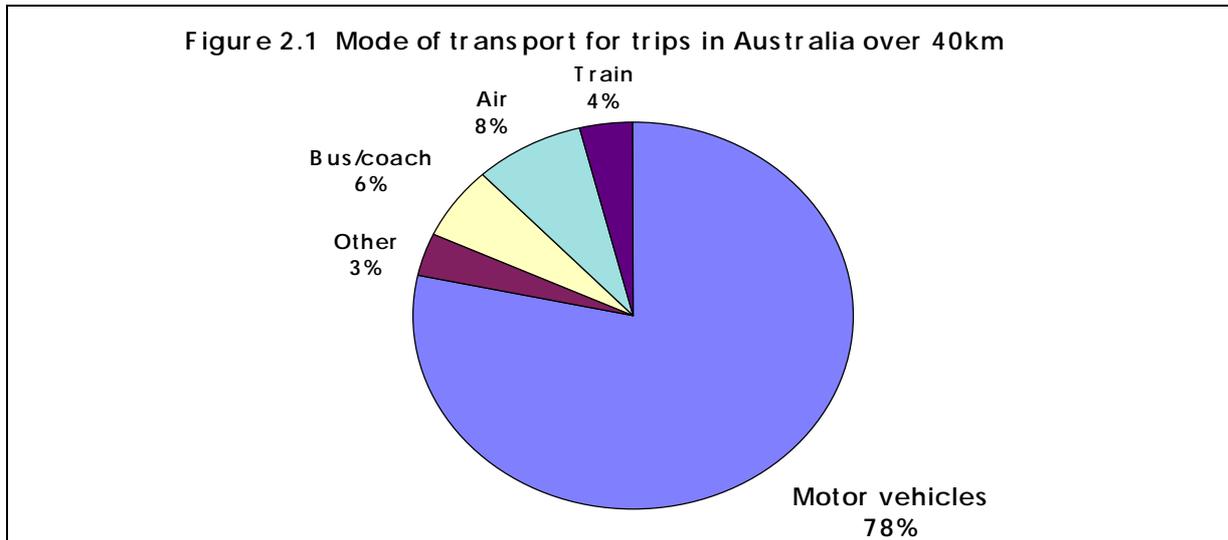
The Countrylink unit of State Rail was established in July 1989 to operate long distance passenger services within NSW. The separation of Countrylink from CityRail was intended to improve passenger rail services and increase efficiency. Countrylink's mission is to be 'a growing, quality passenger service company'.¹

A review of the State Rail Authority (SRA) in 1989² recommended that country passenger rail services no longer be provided. However, successive governments have accepted that Countrylink provides economic and social benefits to the community.

In July 1996 the SRA was restructured under the Transport Administration Amendment Act. As required by national competition policy, the natural monopoly component (rail track) of State Rail was separated from contestable operations. Freight Rail and the new rail track entity, Rail Access, were established as state owned corporations. The Railway Services Authority was established to supply goods and services to the rail industry. Countrylink and CityRail are the passenger operating units of the new State Rail.

2.2 Travel Options

The chief transport options for travellers in rural NSW are rail, coach, self-drive (car) or aeroplane. Not all travellers have easy access to all modes. Lack of access tends to limit the attractiveness of some options and encourage the use of one mode of travel at the exclusion of others. The national market share of each mode is illustrated in Figure 2.1.



Source: Industry Commission Report into Rail Transport Vol I (1991)

¹ Countrylink Business Plan 7, 1995.

² Booz Allen & Hamilton (June 1989) Diagnostic Review and Strategic Priorities for Freight and Country Passengers, a report prepared for the State Rail Authority.

Rail

New South Wales has an extensive radial rail network focused on the state capital, Sydney. Countrylink utilises the mainline network and portions of the branchlines. Rail is a fixed infrastructure which dictates the travel route of services. The routes for most non-urban tracks were selected and constructed early this century and were based on the prevailing freight and passenger demands, and the engineering constraints, of the time.

Over the past two decades many country rail services have been replaced by coach services. Continuation of the remaining Countrylink rail services is still an extremely important issue to the primarily elderly clientele.

Countrylink operates 159 inter and intrastate passenger rail services a week to and from the destinations shown in Table 2.1.

Table 2.1 Countrylink rail services and comparative travel times

Ex Sydney	APPROXIMATE TRAVEL TIMES (hrs:mins)				
	Rail Frequency	Rail	Coach	Air	Self-drive
Melbourne	2 returns daily	10:25	11:30	1:15	10:45
Brisbane	1 return daily	13:35	14:15	1:20	12:05
Canberra	3 returns daily	3:50	3:50	0:55	3:30
Murwillumbah	1 return daily	13:25	13:30	1:30^	10:20
Grafton	1 return daily	9:50	10:00	1:25	7:50
Armidale	1 return daily	7:45	7:45	1:10	6:25
Moree	1 return daily	8:40	18:00*	2:00	7:50
Dubbo	1 return daily	6:30	6:30	1:00	5:10
Griffith	1 return <i>weekly</i>	9:15	11:15	2:00	7:40
Broken Hill	1 return <i>weekly</i>	15:55	15:40	2:55	14:30

Sources: Countrylink Timetable March 1996, Greyhound Pioneer Timetable, Qantas/Ansett customer infolines. NRMA customer service.
*Service is Sydney - Dubbo (overnight Dubbo) Dubbo - Moree. ^ Landing at Coolangatta

In this and the following tables, emphasis is placed on unbroken journeys on the ten Countrylink rail services. Tickets for small sections of Countrylink journeys (eg Sydney - Newcastle) can be reserved only one day before travel. However, it is recognised that a significant proportion of journeys utilise sections of the ten rail services eg Sydney to: Coffs Harbour, Goulburn, Lismore, Albury etc.

Table 2.1 illustrates that Countrylink and coach travel times are usually similar for equivalent journeys. However, on average, rail journeys are 5% faster than the same coach service. Countrylink services are commonly 15% slower than the private car ³ and take 6-7 times the travel time of air services.

The Countrylink service network is supplemented by approximately 90 daily connecting 'feeder' coach services.

Rail services in NSW are supplemented by the twice weekly Indian Pacific service which operates from Sydney to Perth via Broken Hill. This service is operated by the Australian National (AN) which is owned by the Commonwealth Government.

³ The NRMA recommends a total trip average speed of 80 km per hour is reasonable for highway travel planning including allowances for adequate rest and fuel stops.

Because NSW is located between Queensland and Victoria, Countrylink has provided interstate rail services for these states. Countrylink services generate cost savings by allowing Queensland and Victoria to avoid replication of these rail services. Corridor management agreements have been established to specify cost sharing arrangements between the rail authorities.

The Tribunal is interested in detail on Countrylink's corridor management agreements.

Car

The car is the prime mode of transport in NSW with a market share approaching 80% (see Figure 2.1). Cars are used to provide 'door to door' connections. Additionally, the car provides greater speed, trip flexibility and privacy than rail services. The popularity of the car has increased with the vast network of highways available, but is reduced in some areas by traffic congestion.

The cost of private vehicles is predominantly fixed (ie capital, registration, insurance). The marginal cost (mainly petrol) of car usage is relatively low. The NRMA estimates that the marginal cost of private vehicles averages 9.6c per km.⁴ However, the Tribunal recognises that a significant proportion of Countrylink customers lack the financial resources or drivers licence to make car travel a viable transportation option.

Coach

Coaches provide services to regional destinations and all state capitals. Unlike rail, coach routes and stopping points can be tailored to meet passenger demand. Numerous private coach operators provide an extensive array of competitive services across New South Wales.

Coach travel times are commonly 5-10% slower than rail over most journeys. Coach speeds are limited to a maximum of 100 km per hour and drivers are required to take rest intervals.

The Tribunal has observed that coach operators offer significantly less generous concessions than Countrylink. Coaches generally offer a 20% discount compared with the Government policy of providing a 50% discount for concession users on Countrylink services. Additionally, the Government has directed Countrylink to participate in the Pensioner Travel Voucher scheme (PTV) which is discussed in Section 2.6. These scheme encourages many concession holders to use Countrylink rather than coaches.

The Tribunal is interested in views on the ability of coach services to effectively replace rail services and the effects of the previous rationalisation of Countrylink rail services.

⁴ 1996 NRMA estimate of fuel cost in highway usage of a late model six cylinder vehicle.

Aeroplane

Airlines service all state capitals and most of the major regional Countrylink destinations. Deregulation of interstate airline services in 1990 has significantly decreased air fares and improved affordability.⁵ Between 1990 and the September quarter of 1995, average real airfares had fallen by 19.8%. As noted, air travel is much faster than other modes.(see Table 2.2)

Growth in discount tickets following deregulation has been the most important factor leading to increased use of air services. The conditions commonly attached to these tickets require:

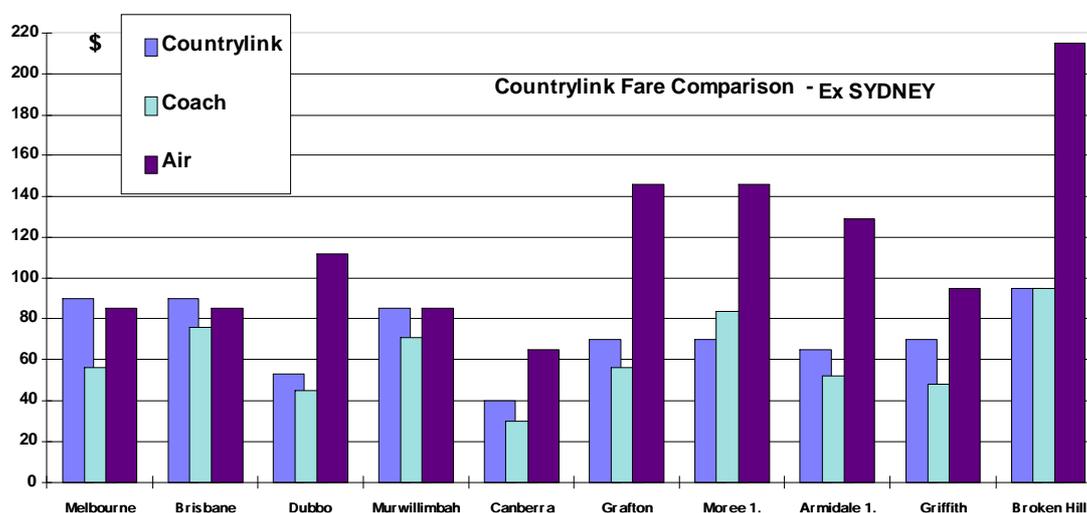
- ◇ a minimum stay period (usually 3 nights or a Saturday night)
- ◇ no refunds or alterations
- ◇ minimum advanced booking and payment periods.

Discounted air tickets commonly cost less than comparable Countrylink full fares for interstate capitals. This does not appear to be the same for intra-state journeys which are subject to regulation. The Tribunal is currently undertaking an inquiry into the regulation of air services in NSW.

Figure 2.2 compares standard Countrylink and coach fares with May 1996 'sale' fares for airlines.

The Tribunal seeks views on whether discounted fares for air travel provide a realistic travel alternative for Countrylink customers.

Figure 2.2 A single one-way fare comparison between rail, coach and air modes



Note: Qantas fares are [special' May sale prices - pay 7 days in advance, stay 1 Sat night or 3 nights, no refunds. Coach fares from Pioneer - Greyhound. Ansett, Hazelton and /or Kendall are used for Broken Hill, Murwillumbah (lands at Coolangatta). and Griffith.

Table 2.2 details Countrylink's price competition across the ten rail services. Additionally the table gives two methods of estimating marginal self-drive costs. The operational costs method provides the more realistic estimate of actual marginal costs.

⁵ ACCC (1996) Movements in Average Airfares 1990-95.

Overall, self-drive remains the most popular intrastate travel option providing independence, convenience, speed and privacy not matched by rail or coach, and for only a modest (marginal) cost premium.

Table 2.2 Travel mode one-way fare comparison

Ex Sydney	Rail Standard Economy (\$)	Coach Standard Econom y(\$)	Airline Standard Economy (\$)	Airline Sale (\$)	Self-drive Fuel costs (\$)*	Self-drive Operational costs (\$)*
Melbourne	90	56	259	85	83	136
Brisbane	90	76	278	85	93	152
Canberra	40	30	148	65	27	45
Murwillumbah	85	71	255	85	80	131
Grafton	70	56	221	146	60	99
Armidale	65	52	193	129	49	81
Moree	70	84	223	148	60	99
Dubbo	53	45	208	169	39	65
Griffith	70	48	208	95	59	96
Broken Hill	95	95	349	215	111	183
Average	73	61	230	116	66	109

Notes: * Self-drive operational costs (fuel, tyres, service and repairs) based on 1996 NRMA estimate of 15.8c per km for highway usage of an average late model V6 vehicle. Fuel costs are from the same 1996 NRMA estimate and are 9.6c per km. Landing at Coolangatta for air travel to Murwillumbah.

Countrylink offers discounted fares of between 10 and 40% off the standard economy fare. A variable number of discount seats is available on each train. These are pre-sold on a discounted, 'first come first served' basis. The discounted fares are available up to six months before departure. Discount levels and associated seat volumes are controlled by a quota system which is based on anticipated load factors. Discount fares are intermittently 'sold out' weeks prior to departure, however they can remain available up to 48 hours before departure, depending on loadings.

2.3 Service areas

The Countrylink network comprises the rail services which are described in Table 1.0 and the feeder coach services illustrated in the map reproduced in Attachment 2. The map shows the state-wide coverage of the feeder services. Most NSW regional towns have access to a Countrylink rail or coach service.

The Department of Transport currently controls contracts and finances the operating deficit of the feeder coach services. It also meets the cost of taxi services from the smaller rail stations which are no longer served, to larger railway stations. The 1994-95 cost of these programs was estimated at \$5.8M. The future control and responsibility for coach contracts is currently being negotiated with Countrylink. The Tribunal favours Countrylink management of coach contracts under the operator control model which would enhance the flexibility, efficiency and co-ordination of the feeder coach network

The Tribunal invites comments on changes to service levels and efficiency gains from the station skipping program. The Tribunal is also interested in Countrylink strategies to improve the efficiency of the feeder coach network.

2.4 Who uses Countrylink services?

Some 2.44 million journeys were undertaken on Countrylink in 1995/96 (1.83 million of which were by rail). This represents an average of 6,690 daily journeys.⁶

Figure 2.1 illustrates that rail has a very low market share in comparison with motor vehicles.⁷

A profile of Countrylink customers based on ticket sales is presented in Table 2.2.

Previous studies of ticket sales have estimated that 10% of Countrylink users account for approximately 60% of total Countrylink journeys.⁸ This usage pattern indicates that Countrylink may be providing enhanced mobility to a small core of regular customers rather than servicing the broader rural community. This requires further investigation. Information will also be sought from users of other transport modes regarding factors of importance in mode selection.

The Tribunal seeks more detailed information on ticket sales, journey purpose, demographics, customer incomes and frequency of usage for each Countrylink service.

Table 2.3 Countrylink customer profile

Total Countrylink Passenger Journeys	Estimated %
Pensioners travel voucher (free)	31.9
School Children (free)	2.1
State Rail Staff (free) ⁹	3.2
Others entitled to free travel	0.3
Senior citizens / pensioners (at 1/2 fare)	14.5
Students (at 1/2 fare)	9.0
Full fare	39.0
Total	100

Source: Countrylink Reservations System. August 1996

2.5 Utilisation of Countrylink services

Estimates of the rail market share in long distance passenger transport indicate that trains account for a very small percentage of total long distance journeys (see figure 2.1). Surplus capacity is present on most off-peak (non school holiday period) services, but capacity is often reached on peak services.

The average Countrylink load factor (occupancy) was reported to be 62% for 1994/95. A load factor of 100% requires all seats to be occupied for the complete rail journey.

The Tribunal requires information on actual patronage and peak/off-peak load factors for each ticket type across the ten Countrylink rail services.

⁶ Countrylink Reservations System, August 1996.

⁷ The national market shares are confirmed for NSW by an Institute of Transport Working Paper on Intercity Rail Services (1996): motor vehicle 80%, air 12%, coach 4% and train 4%.

⁸ Auditor General, Special Audit of Countrylink, 1993.

⁹ As part of the State Rail restructure, Countrylink will be reimbursed for staff travel under future inter-entirety agreements with Rail Access, Railway Services & Freight Rail.

The Tribunal will review Countrylink's strategies to increase cost recovery through growth, and invites suggestions on new measures to achieve these goals.

2.6 Countrylink Fares

The Minister for Transport sets Countrylink fares following a recommendation by the Board of the State Rail Authority. In recent years, fares have increased with inflation. From July 1 1996 fares were increased by an average of 4.8% with the exception of interstate services. The fares for interstate (Melbourne and Brisbane) services were reduced by between 8% and 11%.

Countrylink offers the following fare categories:

- ◇ single and return (adult or child) fares
- ◇ concessional (half price) travel for qualified recipients on an unlimited basis
- ◇ four free PTV¹⁰ first class one way intra state tickets (for eligible recipients)
- ◇ first class fares (at 40% above the economy fare)
- ◇ fares for sleeper berths on the four overnight rail services
- ◇ ticket which permits unlimited intrastate travel for one month
- ◇ various Ausrail tickets for unlimited rail travel for six months.

Countrylink's fares are calculated using charging units which are largely distance based. This formula permits fares to hundreds of smaller destinations to be calculated easily at the point of sale.

The Tribunal seeks views on the relative merits of time, distance and market based pricing for long distance passenger services.

PTV eligibility on interstate services is limited to free travel to the state service boundaries ie Albury, Surfers Paradise or Kyogle. For travel beyond these locations, PTV ticketholders pay the applicable fare for the extra travel.

The current fare discounting system divides services into peak and off-peak periods. The peak period mirrors school/tertiary holiday periods and features high demand for most services. To remain price competitive, Countrylink engages in fare discounting of between 10 - 40%, for a variable number of seats on each service, during off-peak periods.

Current fares to major centres are detailed in Attachment 1.

The Tribunal invites comments on any aspect of the Countrylink fare system.

¹⁰ The PTV (pensioner travel voucher) system provides for four free single first class intrastate trips per annum to eligible pension recipients.

2.7 Overall resources committed

Countrylink provides an average of 6,690 passenger journeys per day¹¹ from between 11 and 12 return rail services. The Countrylink fleet consists of 112 items of rollingstock and is described in Table 2.3.

Table 2.4 Countrylink Rollingstock Fleet

Power Cars	Trailer Cars
19 XPT	60 XPT sitting cars (includes 8 sleeping/sitting)
14 Xplorer cars with driving cab	7 Xplorer cars without driving cab
1 442* class locomotive	2 locomotive hauled power generators
1 81* class locomotive	7 locomotive hauled sitting cars
1 Shunting locomotive	
36 Power Cars	76 Trailer Cars

* Hired from Freight Rail

The service requires access to approximately 4,338 kilometres of railway line and over 350 rail and coach stations (see Network Map, Attachment 2). At July 1996 Countrylink employed 871 people. This represents one employee for each 7.7 daily rail passengers. Countrylink also operate 35 travel centres.

The Tribunal invites comments on current and/or alternate strategies to improve the efficiency and utilisation of Countrylink resources.

2.8 Interrelationships and externalities

Each of the transport modes can be considered in isolation. Alternatively, each mode can be viewed as part of an integrated system. The extent to which the modes compete with one other has implications for pricing policies. The Tribunal needs to be aware of these interrelationships and their effects on pricing policies.

The use of trains, motor vehicles, coaches and aeroplanes for long distance transport makes a significant contribution to air pollution, greenhouse gas emissions and noise. Long distance rail transport is estimated to consume over twice the energy per passenger kilometre that coaches do.¹² This result reflects the lower average load factor for rail compared to coaches.

In addition to the various individual benefits derived from Countrylink services, significant community benefits are generated. These include:

- ◇ reduced road congestion
- ◇ reduced road accident rates
- ◇ increased mobility
- ◇ social justice and equity.

¹¹ Countrylink reports 2.441M Countrylink passenger journeys which equates to an average of 6,690 passengers per day.

¹² Bureau of Transport and Communication Economics estimate contained in Industry Commission, *Report on Rail Transport*, Vol I, 1991.

These arguments justify some level of subsidy for Countrylink.

The Tribunal seeks to quantify the externality benefits (including community benefits) produced by Countrylink and invites comments on how these benefits should be taken into consideration when evaluating fare principles. It also invites comments on how Countrylink should be subsidised.

3 OBJECTIVES AND FRAMEWORK FOR COUNTRYLINK PRICING

3.1 Introduction

A large proportion of Countrylink expenditure is funded by the NSW Government. As a result, Countrylink has a pricing structure which is different from that of other utilities.

The key questions for this review include:

- ◇ what benefits does the Government wish to obtain by funding Countrylink?
- ◇ how much does the Government wish to pay for these benefits?
- ◇ to what extent should the Countrylink service be funded by passengers?

3.2 Pricing principles

The common objectives in pricing government transport services include:

1. **efficiency:** prices should signal to the community the true costs of the resource used
2. **financial sustainability:** fares should enable the operator to provide services on an ongoing basis and provide for a 'normal' profit
3. **equity:** fares should consider community equity objectives
4. **environmental sustainability:** prices should have regard to environmental costs, benefits and concerns.

While there are points of conflict, some agreement can be found by achieving a balance between the objectives. Efficient pricing should reflect environmental impacts. Concepts relevant to equity pricing include ability to pay, regional equity and the setting of prices commensurate with the benefit received.¹³

Pricing reforms for NSW monopolies have tended to emphasise the efficiency objective. The Tribunal has endeavoured to manage the process of reform so that it will be acceptable to the broad range of community members.

Access to long distance passenger services is an important aspect of equity for rural communities. The Department of Transport sets minimum service level standards for Countrylink through Community Service Obligation (CSO) contracts.

In addition, fare concessions and physical access standards improve transport accessibility for older citizens and disadvantaged, handicapped and minority groups.

The Tribunal seeks views on the following issues:

- ◇ ***the social equity achievements of current Countrylink services***
- ◇ ***the most appropriate balance of objectives in Countrylink pricing.***

¹³ Regional equity refers to different regions having equivalent service and fare levels. Benefit equity refers to the fair distribution of advantages from services.

3.3 Role of government in the provision of long distance passenger transport

At present the NSW Government undertakes the following roles:

- ◇ funding public transport services
- ◇ co-ordinating and integrating connecting modes
- ◇ licensing and regulating safety standards
- ◇ providing access for the transport disadvantaged.

Government also seeks to minimise the cost of service provision by recovering costs through user charges or, where community benefits are generated, through CSO payments.

Given the lower cost recovery of long distance passenger services in other states¹⁴, it has been suggested that efficiency improvements could be generated through the formation of a national rail passenger corporation along the lines of the NRC interstate rail freight joint-venture¹⁵. Gains from centralised marketing, maintenance, operations and reservations may be possible.

The Tribunal seeks views on the implications of the various roles of government for the pricing and funding of Countrylink. The Tribunal also seeks views on the merit of forming a national rail passenger corporation.

3.4 Government funding and CSOs

Countrylink estimates that some 60% of journeys on its services are undertaken using a government subsidised concession fare.¹⁶

The government subsidises Countrylink to:

- ◇ provide concessions for elderly and disadvantaged people, and students to achieve specific equity goals
- ◇ provide services to particular regions to achieve access and mobility goals
- ◇ offset negative congestion and environmental, health and safety aspects of private road transport
- ◇ offset specific cost disadvantages such as the higher labour costs associated with government provision of service.

The low cost recovery of Countrylink renders it essentially a CSO business. The NSW Government paid Countrylink \$73.9M in 1995/96 to subsidise services.¹⁷

The 1995/96 government subsidy (or total CSO payment) represents the difference between costs and revenue on a cash accounting basis. (see Tables 3.1 and 4.1) It included concession reimbursements of \$61.6M. The composition of concession and CSO funding received by Countrylink is detailed in Table 3.1.

¹⁴ Industry Commission Report : Rail Transport Vol I, 1991.

¹⁵ NRC commenced operations in 1993 and is a joint venture between the Commonwealth, NSW and Victorian Governments to amalgamate interstate rail freight operations and reduce combined losses.

¹⁶ Countrylink CSO Claim, 1995/96.

¹⁷ State Rail Annual Report 1994/95.

CSOs are currently a balancing item. The Department of Transport is finalising a commercial CSO contract with State Rail. In the future, Countrylink will be paid the difference between revenue from specific services and efficient costs. Efficient costs will be determined by the Department of Transport. The operating deficit from coach contracts is also met by the Department of Transport. The future management of coach contracts is currently being re-assessed. Countrylink seeks to manage these contracts to ensure a more flexible and customer focused feeder network.

Eligible pensioners and war widows receive up to four, free, first class, single, intrastate trips per year under the PTV system. This market represents almost a third of Countrylink's business yet, by its nature this market has an extremely limited capacity to spend.¹⁸

The notional reimbursement for the concession program is highly significant for Countrylink.

Table 3.1 CSO Reimbursement Breakdown

CSO funding	1994/95	1995/96
Concessions		
Half-fare pensioners/senior citizens	4.1	5.2
PTV	42.9	48.2
Other concessions	1.0	1.7
School children	0.4	1.1
Tertiary students	4.3	5.4
Total concessions reimbursements	52.7	61.6
Funding shortfall	13.1	12.3
Total subsidy	65.8	73.9

Source: State Rail Authority Annual Report 1994/95 and Countrylink financial results 1995/96.

The availability of concessions, the PTV system and staff entitlements all generate additional demand for some services. This may place pressure on government to acquire more rollingstock for new Countrylink services or to cater for additional patrons on current services. To the extent that this occurs, operating deficits will increase.

The PTV system includes a Government policy directive that guarantees that at least 50% of train capacity (on 20 peak days) be available to PTV holders. This directive assures free access to services for the elderly, yet restricts Countrylink's potential to attract full fare customers and increases the overall subsidy paid to Countrylink.

Countrylink operates a number of coach services to supplement peak school holiday train services. These additional coaches are operated on the basis that all costs are recovered and that CSO funding is not altered.

The Tribunal invites general comments on PTV seat guarantees, the coordination of government funding and the price setting process.

¹⁸ Institute of Transport, Working Paper on Intercity Rail Services (1996), conducted a survey of Countrylink passengers which found that 75% had a gross income of less than \$22,000 pa.

3.5 Price regulation

Countrylink fares are regulated by the Minister for Transport. This review will consider two main regulation issues:

1. Whether Countrylink fares require any regulation at all?
2. Whether the Tribunal should be involved in the regulation?

To the extent that Countrylink is subject to competition, regulation may be unnecessary. There are a number of options for regulating Countrylink, if this is required. One option is to set prices based on efficient (best practice) costs and commercial pricing principles. The government could then determine how much it was willing to pay for the various equity, environmental and social goals. Actual fares charged by Countrylink would be below the maximum set by the Tribunal to the extent permitted by those contributions from government.

Alternatively, the Tribunal could, following a declaration from the NSW Premier, determine the maximum fares charged. In doing so, it could provide guidance on the additional funding required to achieve the various community objectives. Principles for setting pensioner and concession fares and individual targets for cost recovery on individual Countrylink services might also be developed. However, it might be argued that some of these activities should be undertaken by the government.

The Tribunal invites views on the need for regulation and the most appropriate methods for setting prices and government contributions.

3.6 Service standards

The Department of Transport sets standards for Countrylink operations.

Table 3.3 Countrylink CSO Contract service standards

Standard indicator	1994/95 Actual	1995/96 Actual	Countrylink Target	CSO Contract Target
On-time running (% within 10 mins)	86.5	89	90	85
Phone reservation queues (seconds)	63	84	40	120
Scheduled service operated (%)	100	100	100	100
Collisions / MPJ	1.19	0.5	4.5	6.0
Derailments/MPJ	0	0.5	1.0	6.0
Falls/MPJ	5.95	6.55	5.0	6.0
Strikes/MPJ	1.78	1.63	11.0	14.0
Fires/MPJ	1.19	1.09	2.0	2.5

Source: Countrylink CSO Contract 1994-95 & State Rail Annual Report 1994/95 MPJ: million passenger journeys.

The Tribunal believes that the current performance indicators could more clearly reflect customer requirements. The CSO contract requires that customer satisfaction measures be coupled with a system of incentives and penalties to ensure a focus on service and continuous improvement of standards.

The Tribunal is interested in views on how standards could be enhanced and the possible effects of proposed enhancements on efficiency.

3.7 Implications of the National Competition Policy

Key elements of competition policy for Countrylink include:

- ◇ the competitive neutrality of private and government businesses
- ◇ that access rights be available from the Rail Access Corporation (RAC).

The RAC was established to manage track infrastructure and third party access for Countrylink and other private or government rail operators. However, contestability of government funding and competition in passenger rail services are unlikely under current government policy.

The Tribunal seeks views on how contestability for long distance passenger rail operations may be improved and the best measures to achieve this.

4 COSTS AND EFFICIENCY

4.1 Introduction

Countrylink competes with other government services for resources. Subsidy levels depend on fare settings and operational efficiency. Significant funding factors are:

- ◇ the current costs of Countrylink services
- ◇ how far these costs vary from efficient costs
- ◇ appropriate goals for cost recovery
- ◇ what is driving the level of costs.

4.2 Cost of Countrylink services

Countrylink's nominal operating costs (measured in cents per passenger km) have fallen from 30.8 in 1986 to 24.8 in 1996.¹⁹ A significant amount of this improvement has resulted from the rationalisation of less viable rail services.

The 1991 Travers Morgan report estimated that Countrylink operating costs were 60% above best practice levels.²⁰ However, these findings conflict with the 1993 Mercer Mid-Term Review of State Rail which stated that Countrylink's operating costs were equal to worlds best practice where operating conditions were similar.

Countrylink is attempting to increase the cost recovery ratio to 50% before 2000 with a medium term goal of 56%.²¹ Fare revenue is well below the cost of services.

Table 4.1 Countrylink Revenue & Expenditure²²

COUNTRYLINK REVENUE	1994/95 \$M	1995-96 \$M
Customer fares	47.0	54.2
Catering, retail & other	10.4	10.9
Government CSO contract	65.8	73.9
Total revenue	123.2	139.0
COUNTRYLINK EXPENDITURE		
Labour	47.2	55.7
Train maintenance costs	27.9	33.1
Management of train movement	1.0	0.7
Sales & marketing costs	13.4	15.6
Other apportioned (common/corporate) costs	38.4	17.4*
Total operating costs	127.9	122.5
Cash deficit	70.4	57.4
Cost recovery % (customer revenue/cash operating costs)	44.9	53.1

Source: Countrylink, August 1996. * Apportioned costs for 1995/96 are a preliminary estimate as the restructure of State Rail has delayed reporting & the total apportioned costs for 1995/96 may increase & reduce cost recovery.

¹⁹ Information supplied by Countrylink, August 1996.

²⁰ Travers Morgan, *The effects of adopting international best practice in Australia's rail systems*, prepared for Industry Commission Report: Rail Transport Volume II, Appendix K, 1991.

²¹ Countrylink Business Plan 7, 1995.

²² State Rail Annual Report 1994/95 & Countrylink August 1996.

The Tribunal seeks detail of Countrylink strategies to increase cost recovery and views on other methods to improve cost recovery.

The Tribunal notes that Xplorer trains are cheaper to operate than XPT trains, because of the reduced number of cars. Table 4.3 illustrates that the operational costs for the XPT fleet are approximately 85% per kilometre above those for the Xplorer fleet. The Tribunal seeks a greater understanding of factors (other than car numbers) behind this significant difference. However, it is noted that where both trains are fully booked, the weighted average cost per passenger kilometre is nearly equal.

State Rail has indicated a goal of recovering avoidable costs from Countrylink operations.²³ Avoidable costs are defined as those which can be eliminated if an operation is no longer undertaken. Similarly, the Industry Commission Report on Rail Transport (1991) recommended that non-urban rail passenger revenue should at least cover operational costs. Countrylink's cost recovery is significantly below the goal of recovering avoidable or operational costs. Average cost recovery for each Countrylink rail service for 1995 is detailed in Table 4.2 and a financial analysis is provided in Table 4.3.

Table 4.2 Average cost recovery on Countrylink services

Ex Sydney	Return Frequency	Power Type	Travel time hrs:mins	Ave cost per train (\$)	Ave cost per train minute (\$)	Ave revenue per train (\$)	Ave Cost recovery (%)
Melbourne	2 x daily	XPT	10:25	27,546	44.1	12,162	44.2
Brisbane	daily	XPT	13:35	30,241	37.1	12,979	42.9
Armidale*	daily	Xplorer	7:45	14,116	30.4	4,073	28.9
Canberra	3 x daily	Xplorer	3:53	5,796	24.9	2,427	41.9
Murwillumbah	daily	XPT	13:25	28,624	35.6	11,113	38.8
Dubbo	daily	XPT	6:30	12,363	31.7	4,471	36.2
Grafton	daily	XPT	9:50	19,128	32.4	6,008	31.4
Moree*	daily	Xplorer	8:40	9,809	18.9	2,831	28.9
Griffith P	weekly	442^	9:15	12,500	22.5	8,000	64.0
Broken Hill P	weekly	81^	15:57	20,250	21.2	8,000	39.5
Average			9:56	18,037	31.9	7,206	39.7

Source: Countrylink 1995/96 * Train splits at Werris Creek. ^ Refurbished rollingstock P Preliminary estimates of direct costs only & does not include any allocation of Countrylink overheads or sales/marketing costs.

Notes: Average cost per train includes direct costs, a budget /corporate finance allocation and costs transferred from other areas of the former State Rail, however, it does not include any Rail Access charges. Average revenue per train includes ticket, catering and allocated revenue, but does not include any CSO or concession revenue.

The Tribunal seeks information on avoidable costs and views on the appropriate level of cost recovery for each service.

²³ Industry Commission Report, *Rail Transport* Vol I, 1991.

Table 4.3 Financial analysis by rollingstock and destination

Ex Sydney	Track km	Standard single Fare (\$)	Travel time (min)	Std fare revenue per min (cents)	Std fare revenue per km (cents)	Loco power	Cars	Seating capacity	Average revenue per km (\$)	Operating cost per km (\$)
Melbourne	966	90	625	14.40	9.32	XPT	7	368	12.59	21.40
Brisbane	987	90	815	11.04	9.11	XPT	7	368	13.14	19.02
Armidale	579	65	465	13.97	11.22	Xplorer	4	222	7.03	24.38
Canberra	326	40	233	17.16	12.26	Xplorer	3	164	7.44	11.95
Murwillumbah	935	85	805	10.56	9.09	XPT	7	368	11.89	21.56
Dubbo	462	53	390	13.58	11.47	XPT	5	263	9.68	21.17
Grafton	696	70	590	11.86	10.06	XPT	7	368	8.63	17.78
Moree	666	70	520	13.46	10.51	Xplorer	2	90	4.25	14.73
Griffith	658	70	555	12.61	10.64	422	3	156	12.16	18.99
Broken Hill	1125	95	957	9.93	8.44	81	3	156	7.11	18.00
Average	740	73	596	11.46	9.15			259	9.68	17.07

Source: Countrylink, August 1996

4.3 Cost drivers

The principal cost drivers for Countrylink include:

- ◇ **rollingstock**: type, age, maintenance requirements, quality and fuel consumption
- ◇ **service quality**: frequency, carriage standards and service levels
- ◇ **labour**: costs, efficiency and level of multiskilling
- ◇ **Rail Access Corporation**: below rail costs in the form of payments for train paths
- ◇ **overheads**: management, administration and non-operations facilities
- ◇ **sales costs**: infoline, travel centre costs and commissions to travel agents.

Rollingstock: Countrylink's fleet consists of 112 power and trailer cars as described in Table 2.3. The fleet is diesel powered and consists of locomotives and power cars. All Countrylink rollingstock has been financed by capital grants from the Department of Transport. Rollingstock capital costs are high relative to the income earning potential of the assets. An example is a 4 car 'Xplorer set' which was commissioned in 1995 at a cost of \$11.4M.²⁴ The two new weekly services (Griffith and Broken Hill) reutilise previously mothballed carriages at a total refurbishment cost of \$1.6M and obsolete freight locomotives.

The introduction of further new rail services is impeded by the lack of availability of rollingstock. The inflexible nature of the existing timetable, which involves overnight layovers at the majority of destinations, limits fleet utilisation. The 1993 Mercer Review of the SRA concluded that Countrylink's fleet utilisation was at world best practice, given the constraints of the timetable and layovers.

The objective of Countrylink is to compete on service quality. The current age of Countrylink rollingstock will require a program of continuing fleet upgrades and refurbishments. Approximately 90% of the Countrylink fleet is less than 15 years old and 35% is less than 5 years old.²⁵

²⁴ State Rail Annual Report 1994/95.

²⁵ Countrylink August 1996.

The Tribunal seeks an asset valuation of Countrylink rollingstock and information on ways to reduce the costs of providing any given service level, including:

- ◇ **the suitability of leasing (or 'Readypower'²⁶) arrangements to reduce rollingstock capital costs and maintenance costs**
- ◇ **the availability of alternative cost effective rollingstock programs**
- ◇ **fleet allocation options to increase Xplorer utilisation on long haul routes and in substitution for XPT services**
- ◇ **the possibility of amalgamating some services (those receiving multiple daily trains)**
- ◇ **fuel consumption information by rollingstock type**
- ◇ **on-board crew and cleaning requirements for each destination and type of rollingstock.**

Service quality: Minimum service standards are specified in the CSO contract with the Department of Transport. Countrylink maintains high quality standards for comfort. The standard of carriage appointments is generally comparable with economy class in the airline industry.

The Tribunal seeks views on the quality of service provided by refurbished rollingstock as opposed to new rollingstock.

Labour: Greater cost efficiencies may be achieved by reviewing work practices including enterprise agreements, job redesign and multi-skilling. The airline industry may provide benchmarks for appropriate structures and manning levels. The current staff level of 871 seems comparatively high for approximately 6,110 passenger journeys per day.

Table 4.3 Illustrates the division of labour roles at Countrylink:

Division	July 1996 Staff numbers
Sales, marketing, travel centres, reservations & stations	414
On board passenger operations	383
Customer relations	9
Administration, finance and information	55
Public relations	3
Strategic management and general manager's office	7
Total	871

Recently, Countrylink transferred approximately 240 rollingstock maintenance staff to Fleet Maintenance CityRail as part of the restructuring of State Rail. Countrylink is focusing on multi-skilling and train crew productivity as areas where efficiency gains can be pursued.

The Tribunal is interested in current and future programs to achieve greater efficiency in the area of labour.

RAC charges: Access charges for below rail costs for Countrylink trains will be payable to the RAC from 1 July 1996. The Countrylink access charge is currently being negotiated with RAC.

²⁶ 'Readypower' is a lease agreement commenced in 1994 worth \$700M. It provides Freight Rail a with fully serviced and maintained fleet of 89 locomotives charged on a per km basis.

Countrylink may also be required to pay access charges for the Victorian and Queensland networks.

Access charges will become one of Countrylink's most significant operational costs.

Overheads: Overheads include costs associated with reservations, facilities, stations, management and administration. The roles of staff without direct customer involvement are being reviewed and possibly outsourced.

The Tribunal seeks information on the expected size of Countrylink's future overheads, and views on whether the benefits of the service for the community require a level of overheads in excess of comparative passenger transport benchmarks.

Sales costs: The trend towards telephone bookings using credit card payments may reduce the need for travel centres. The Tribunal notes that Countrylink's expansion of the travel centre network contrasts with the trend to reduce branch networks in many parts of the private sector. The relatively low fares (and subsequent commission) of selling a Countrylink service reduces the incentive for travel agents to suggest rail as the recommended mode. Hence, Countrylink travel centres remain a key to maintaining a market presence and marketing rail.

The recent focus on Countrylink package holidays (including rail travel, transfers and accommodation) has increased sales. These packages are currently only available through travel centres, but the increased average purchase prices enhances the suitability for travel agent marketing.

The Tribunal wishes to see the results of a financial analysis which compares 'best practice' Travel Centre costs with those of using travel agents, on a 10% commission basis for all products and packages. The Tribunal is also interested in comments on whether Travel Centres benefit rural communities.

4.4 Matching of Countrylink services to transport needs

Despite the constraints of a fixed rail network potential gains in community mobility may result from realigning Countrylink services more closely with the needs of the public.

Countrylink rail service frequency is mostly daily, which is considerably higher than long distance passenger rail services in other states, where twice weekly services are more common. However, the Tribunal recognises that regular service frequency can improve patronage and service loyalty.

The Auditor General's Report on Countrylink (1993) found that V-line and QRail charge fares 15-30% higher per kilometre than Countrylink. The report recommends that eligibility for concessions be tightened and discount levels reduced.

However, the impact of such changes may significantly diminish the ability of Countrylink to achieve its desired social goals (detailed in Section 3.4).

The Tribunal seeks relevant information on market research into the NSW long distance passenger transport market. Also of interest is information on fare elasticities and the implications of these for fare structures.

This review invites comment on the extent to which:

- ◇ ***concession fares give incorrect signals to customers, leading to congestion on some peak services and preventing full-fare customers from using rail***
- ◇ ***rail service frequency alters patronage and cost recovery, ie how does patronage vary when a weekly train is rescheduled to a daily service and vice-versa.***

4.5 Countrylink market segmentation

The Countrylink rail service attracts many different types of travellers. The broad market segments are described as:

- ◇ day travel
- ◇ night travel
- ◇ business and commuter
- ◇ leisure
- ◇ first class
- ◇ pensioner
- ◇ discounted.

Day travel: Predominantly retirees and tourists (overseas and domestic) comprise most of the day travellers. They are generally not time sensitive and a Countrylink train is their preferred method to view the NSW scenery on offer.

Night travel: Night services depart in the evening and arrive early the next morning. Some customers prefer this service to reduce accommodation expenditure and maximise business or daytime availability at the destination. Of the ten Countrylink rail services, four are operated as daily overnight services (Sydney to Melbourne, Melbourne to Sydney, Sydney to Brisbane and Murwillumbah to Sydney). These four services use XPT rollingstock. One carriage of the seven is a sleeping berth car.

Only 18 people can use a sleeping car compared with 66 for a standard economy carriage. Fares for berths in sleeping cars range between 2.3 and 2.8 times the economy fare.

The Tribunal seeks information on the patronage and cost recovery of sleeper carriages and a comparative revenue analysis of sleeping and standard carriages.

Business and commuter: This market segment is present mainly for the Canberra services and the Melbourne/Brisbane overnight services. Apart from competition from air services, the market has been eroded by telecommuting, phone hook-ups and teleconferences. The tax deductibility of business travel expenses and the time sensitive nature of business travel limit the ability of Countrylink to capture significant portions of this market.

Leisure: Countrylink has focused intensively on competitively priced package holidays. Packages include accommodation, rail travel and all transfers at an attractive discount. The inclusion of all transfers reduces the comparative mobility advantage of the self-drive market.

The promotion of packages is intended to increase the proportion of fare paying passengers on trains and generate a commission return to Countrylink from the full cost of the package. PTV customers are also encouraged to utilise packages, in which case the rail component is deducted from the total package cost.

These packages are marketed using the 'Fast Train' campaign via television and radio advertising. This campaign emphasises popular destinations such as Coffs Harbour or the Gold Coast and events such as the 'Floriade' in Canberra.

The Tribunal is interested in the return on the investment from the 'Fast Train' and 'two tickets for one' campaigns and whether a market for leisure travel by rail can be built in the current climate of airfare discounting.

First Class: There is a small market for premium quality rail travel in NSW. First class is available on most Countrylink rail services with fares set at a 40% premium over the standard economy class fare. PTV holders are entitled to free first class seating, where available, and dominate patronage.

The XPT's first class carriages contain 56 seats, compared to the standard sitting carriage which has 66. However, the benefits of first class travel are relatively minor, being limited to superior leg room and seating with greater capacity for reclining. Elderly users prefer for the enhanced comfort of this service. Advanced bookings for first class seats are essential.²⁷

The Tribunal is interested in sales of first class seats on each service and comments on the desirability of first class service and the value of differentiating on service when benefits are minor.

Pensioner: This major market segment constitutes almost a third of all journeys. The PTV system provides four free, first class, single, intrastate trips per annum. These non-transferable vouchers are issued by the Commonwealth Department of Social Security and are mailed to all eligible recipients in November each year. PTV travel accounted for over 843,000 (or 31.9%) of Countrylink rail journeys in 1994/95.

Pensioners are entitled to unlimited concession travel (at half single fare) in addition to their PTV entitlements. PTV passengers who travel interstate are required to pay a fare supplement from the NSW state border to Melbourne, Brisbane or a destination on these routes.

The Tribunal is interested in the redemption rate²⁸ (and average redemption value) of PTV tickets. Comments are also sought on the likely effects of converting the four free tickets into a fixed dollar equivalent.²⁹ The Tribunal is also interested in the feasibility of establishing a PTV usage register to prevent the transfer of vouchers.

Views on the potential of widening the PTV scheme to allow redemption on private coaches are also sought.

Discounted travel: As part of a recent marketing strategy Countrylink offers discounts of up to 40% off the standard fare for a variable number of economy seats on each rail service. Features of this market segment are similar in nature to sale price airfares. To secure seats, discount travellers are required to commit to departure dates usually several weeks before travel.

²⁷ Auditor General, Special Audit of Countrylink, 1993 &

Institute of Transport, Working Paper on Intercity Rail Services, 1996.

²⁸ Redemption rate = % of (PTV) vouchers redeemed as a proportion of the total issued.

²⁹ As recommended in the Auditor General's, Special Audit of Countrylink, 1993.

During August 1996 a new promotional campaign features reward tickets whereby Countrylink travellers who buy one full fare ticket receive one free ticket for use on the same train service.

The Tribunal is interested in the impact of discounted travel strategies on cost recovery.

4.6 Proposed pricing system

This review seeks to examine the current Countrylink fare system and alternative systems to enhance cost recovery, equity and service utilisation.

The pricing strategies currently being undertaken by Countrylink include:

- interstate fares which more closely reflect transport market realities
- intrastate fares which use a distance band formula
- improving cost recovery levels through efficiency gains and the use of superior marketing strategies
- offering discounts of between 10 and 40% for a variable number of economy class seats.

The Tribunal welcomes suggestions on ways of improving the current pricing system.

5 REGULATION OF COUNTRYLINK

5.1 The current regulatory system

The Tribunal does not determine fares for Countrylink. These fares are currently set following an annual recommendation by the State Rail Authority Board to the Minister for Transport. The Minister reviews the recommendation and then sets the fares. The Tribunal does determine fares for CityRail's urban passenger services.

The Tribunal regulates the prices of declared monopoly services which are owned by the NSW Government. To date, Countrylink services have not been declared a monopoly, even though Countrylink is the only significant provider of passenger rail services in NSW. The Tribunal's Act allows for declaration of a Government monopoly when it operates in a part of the market where there are no other suppliers to provide competition.

This paper illustrates that access to alternate modes of transport reduces Countrylink's market power in the long distance passenger transport market as a whole.

The Tribunal seeks views on the strength of Countrylink's market position and whether Countrylink should be declared a monopoly, in which case its maximum fares should be determined by the Tribunal.

5.2 Competition in the long distance passenger market

Coach operators offer both price and service competition by:

- ◇ servicing the majority of Countrylink destinations
- ◇ providing services with travel times and frequencies similar to rail
- ◇ offering fares which are significantly below Countrylink full fares.

Countrylink faces strong price competition from the air and self-drive markets as well as from coaches. However, the concession fare market is dominated by Countrylink as accessibility and the standard discounts offered are significantly more attractive than those provided by other operators.

Countrylink's market share has been reduced by the deregulation of the domestic airline and coach industries, price cutting in both industries and the low marginal cost of self-drive travel.

The upgrading of some highways, substantially to dual carriageway standard, (eg. Sydney - Canberra) has increased the attractiveness of travel by road.

The Tribunal is interested in assessments of whether Countrylink has a dominant market position in the provision of long distance passenger services to the concession and pensioner markets and whether benefits are likely to flow from the regulation of Countrylink services.

5.3 Service competition

Countrylink's marketing is focused on the leisure market segment and emphasises the high standard of comfort and finish of the rollingstock. The incidence of coach crash disasters since 1989 has generated a 'safety premium' for Countrylink. However, recent level crossing collisions, whilst not seriously injuring Countrylink passengers, may have affected this image.

Countrylink is known to enjoy a 'nostalgia' or affection premium generated by a unique yet unquantifiable preference for train travel.

Countrylink has attempted to improve food and beverage service to levels comparable with the airline industry. Countrylink competes strongly on fleet comfort through its extensive and ongoing modernisation program.

A recent survey explored the popularity of reintroducing the motorail service (ie. taking your car on the train) which ceased in 1989.³⁰ Some respondents expressed interest in motorail's ability to save the long car trip while allowing the flexibility of car travel at one's destination.

The Tribunal seeks comments on methods of enhancing the comparative service levels of Countrylink.

5.4 Are trains the most appropriate transport solution?

A Travers Morgan (1992) review of Countrylink services³¹ stated that in practice a substitute bus service can provide an equal or superior level of service at a substantially reduced cost. The tourism and leisure markets value the flexibility of self-drive and/or the convenience of air travel. The Auditor General's Report states that coaches can provide superior point to point travel with higher service frequency within the same resource constraints.

The findings of these two reports contrast with the strong perception in the rural community that significant social and economic decline was experienced in many regional centres following the cessation of rail and the substitution of coach services in 1988.

The Tribunal is interested in whether coaches can provide a satisfactory alternative to rail services. Views are sought on whether a coach with the same frequency is inferior to rail, and whether a more frequent coach service would compensate for any loss. The Tribunal is also interested in the nature of any benefits to the wider community that would be lost if a coach service replaced a rail service.

³⁰ Institute of Transport Studies, *Working Paper on Intercity Rail Services*, 1996.

³¹ Referred to in the Auditor General's, *Special Audit of Countrylink*, 1993.

6 CONSEQUENCES OF POSSIBLE CHANGES

6.1 Introduction

The Tribunal needs to understand the effects of any possible changes to pricing policies, service levels and fares. Such changes affect:

- revenue
- social mobility
- service provisions
- and have other impacts.

6.2 Revenue impacts

Changes to Countrylink's fare structure will alter the required government subsidies. A move away from distance based fares may create a pricing structure which is less reflective of costs.

The Tribunal needs to be aware of the implications of fare changes and seeks views on the potential effects of altering the current system.

6.3 Social mobility

Countrylink services exist primarily to enhance the social mobility of elderly people, low income groups and people who are otherwise disadvantaged. Any fare or service changes will particularly affect these groups.

The Tribunal seeks a better understanding of the social benefits of the current system.

6.4 Other impacts

Countrylink's rail and coach services provide significant social, community, mobility, environmental and externality benefits to the rural and broader communities. This issues paper reviews these benefits.

It is broadly accepted that the provision of Countrylink services assists in reducing road traffic, road accidents and the need for greater expenditure on other transport infrastructure (road and air).

Countrylink states that the PTV system reduces health costs for pensioners by improving the social interaction of these customers, alleviating isolation and reducing susceptibility to illness.³²

The Tribunal is interested in assessing any impacts or intrinsic benefits provided by Countrylink operations which are not addressed within this issues paper.

³² Countrylink CSO Claim, 1995/96.

ATTACHMENT 1

SUMMARY OF FARES TO MAJOR COUNTRYLINK DESTINATIONS -
FROM 1 JULY 1996

Sydney To / From:	Economy	First Class	Sleeper
Albury	70	98	188
Armidale	65	91	
Bathurst	30	42	
Brisbane	90	125	215
Broken Hill (By Rail)	95		
Canberra	40	54	
Casino	74	103	193
Coffs Harbour	65	91	181
Cootamundra	51	71	
Dubbo	53	75	
Goulburn	27	38	
Grafton	70	98	188
Griffith (By Rail)	70		
Lismore	79	111	201
Melbourne	90	125	215
Moree	70	98	
Murwillumbah	85	117	207
Orange	37	51	
Surfers Paradise	85	117	
Tamworth	58	81	
Taree	45	63	
Wagga Wagga	62	87	
1 Month Unlimited Intrastate Pass	249		

