

## **IPART 2013 review of fares for CityRail services Submission by Transport for NSW in response to the IPART Issues Paper**

### **1. Introduction**

The purpose of this submission is to outline Transport for NSW's (TfNSW) transport objectives for CityRail and to highlight some key issues for consideration by the Independent Pricing and Regulatory Tribunal of NSW (IPART) in determining the maximum prices that may be charged for CityRail services from January 2013.

#### ***The role of Transport for NSW***

Transport for NSW is an integrated transport policy and planning authority for NSW, and is responsible for delivering public transport services, and providing the NSW Government with advice on fares policy. This includes delivering the Opal Card, a new integrated ticketing system for Sydney Greater Metropolitan Region.

Passenger rail services in the Sydney Greater Metropolitan Region are provided on the CityRail network by RailCorp under a rail services contract with TfNSW.

#### ***The role of IPART***

As the independent pricing regulator for passenger rail services in NSW the main role of IPART is to regulate the maximum price that may be charged for CityRail services, as set out under section 11(1) of the *Independent Pricing and Regulatory Tribunal Act 1992*.

The previous IPART determination, made in 2009, set the maximum fare levels for the period 2009-2012. The issues paper released in April 2012 has raised a number of matters relevant to TfNSW that should be considered for the determination period commencing January 2013.

#### ***The role of CityRail Services***

The passenger rail services provided by CityRail play a number of important roles in supporting the day-to-day functioning of the transport network across the Sydney Greater Metropolitan Region.

Currently rail customers make almost 900,000 trips on an average weekday, based on Household Travel Survey (HTS) data for 2009-10 provided by TfNSW's Bureau of Transport Statistics. CityRail services are particularly important in managing the morning commuter peak, with trains having the largest public transport share of commuters at 16%, and being used for 8% of trips made during the morning peak. For people heading into the Sydney CBD for work almost 40% will use CityRail services.

Key concerns for CityRail customers are the quality of the services provided, including frequency, reliability and safety. A November 2011 passenger satisfaction survey conducted by TfNSW's Bureau of Transport Statistics recorded an overall satisfaction rating of 81 percent.

It should also be noted that the benefits of CityRail services extend beyond just rail customers. In the 2009-12 fare determination IPART estimated that the externality benefit to society provided by CityRail services was \$1.73 billion, mostly in avoided road congestion costs.

## **2. Policy parameters – the NSW Government's transport goals**

The NSW Government has made it clear that the customer must be at the centre of TfNSW decision making, and has outlined a clear pathway to fix transport in NSW for customers and the wider community.

In setting out the *NSW 2021* 10-year plan, the NSW Government identified three goals for transport services:

1. reducing travel times,
2. growing patronage on public transport by making it a more attractive choice, and
3. improving the customer experience.

Long term transport challenges are also being addressed through the development of the NSW Long Term Transport Master Plan (LTTMP). The Draft LTTMP will outline key transport issues, challenges and opportunities over the next 20 years, and is expected to be released for further public feedback in mid 2012.

The NSW Government is delivering short-term service improvements and major long-term infrastructure projects identified in both of these plans through a number of initiatives.

### ***Commencement of the North West Rail Link***

The NSW Government has committed \$314 million in 2011-12 to commence work on delivering the North West Rail Link. The project extends a heavy rail line 23km from Epping to Rouse Hill, and at a cost of between \$7.5 and \$8.5 billion it is expected to be the biggest transport infrastructure project in NSW since the Sydney Harbour Bridge.

When completed, more than 29 million customer trips are expected on the North West Rail Link within five years of opening.

### ***Completion of the South-West Rail Link***

Completing the South West Rail Link is a priority for the NSW Government, and in late 2011 more than \$80 million worth of major tenders were awarded for works that will support the operation of the South West Rail Link. The \$2.1 billion South West Rail Link involves construction of a new 11km twin-track passenger rail line connecting Glenfield to Leppington via Edmondson Park, with new stations and commuter parking at Edmondson Park and Leppington; and a major upgrade of Glenfield Station and rail-bus interchange.

Commuters will progressively benefit from the works at Glenfield with the new Station and northern rail junction to be fully operational in 2014. Services will commence on the new line to Leppington in 2016.

### ***Delivering new trains***

To deliver real service improvements to customers on the CityRail network the NSW Government is ensuring that new trains are being delivered to replace aging rolling stock.

An additional 15 new 4-car Oscar trains had entered service by February 2012, and in the same month the Government also announced that it will invest a further \$175 million to ensure that 78 new Waratah trains are successfully delivered for use by CityRail customers. The proportion of the CityRail fleet that is less than 10 years old rose from 10% in 2007 to 20% in 2011.

As of April 2012, 8 Waratah trains were available for passenger services on the CityRail network, and it is expected that over 20 new Waratah trains will be available for passenger services by the end of 2012. Additional Oscar trains are expected to be delivered by mid 2013 and the remaining Waratah trains are expected to be delivered by the end of 2016.

### ***Improvements in on-time running***

The proportion of CityRail services that have recorded on-time running (OTR) in peak periods has risen to 94.6% in 2010-11 exceeding the NSW 2021 target of 92%.

### ***Opal Card***

The Opal Card and electronic ticketing system will be rolled out on CityRail services during 2013-14. Opal will be a pay-as-you go system which will automatically deduct the correct fare from stored value on a customer's Opal Card. The system is being designed so that passengers do not have to decide which ticket or tickets that they need to buy before they travel. Instead, they will be able to travel across the public transport network using one card and, regardless of whether they are using a bus, train or ferry – or where their journey starts and finishes – the Opal Card system will work out the fare for their trip combination.

The Government will make further announcements about how the Opal Card will operate before the roll out commences in late 2012.

### ***Fixing the Trains***

Beyond these initiatives to improve services, the NSW Government has initiated the Fixing the Trains program in order to improve NSW passenger rail services. RailCorp currently costs \$10 million per day to run, and costs are rising three times as fast as the number of passenger journeys.

It is proposed that Fixing the Trains will shape how metropolitan, regional and intercity services are provided across the CityRail network. The initiative includes:

- the restructure of RailCorp and the creation of two new specialist organisations to service the different needs of Sydney and intercity/regional train customers,
- reduction in the number of middle management positions, and
- creating a specialist cleaning unit to target graffiti and rubbish on trains and stations.

As noted by IPART in the Issues Paper, the actual cost of providing CityRail services over the last 3 to 4 years has been greater than the levels expected in the 2009 fare determination. Through the Fixing the Trains program, the NSW Government looks forward to continuing to deliver service improvements across each of these areas as well as improving how efficiently CityRail services are provided.

Additionally, RailCorp has an ongoing program of efficiency improvements. The scope of these efficiency improvements are rolling stock and infrastructure maintenance, station staffing, cleaning, train crewing and support functions.

### ***Transport Access Program***

As part of the Government's plan to put the customer at the centre of transport decision making, the NSW Government announced in April 2012 that the Transport Access Program will provide \$100 million to deliver accessible, modern, secure and integrated transport infrastructure where it is needed most.

This includes more than \$82 million of works on a brand new station at Flinders in the Illawarra, a major upgrade at Cardiff Station in the Hunter, upgraded interchanges at Fairfield and Sutherland, an upgraded ferry wharf at Balmain.

The NSW Government has also committed \$170 million to build nine new commuter carparks, including some with new interchanges, at Granville, Canley Vale, Gordon, Sutherland, Lindfield, Kiama, Moss Vale, Oak Flats and Padstow train stations.

## **3. Considerations for the 2013 CityRail fare review**

The IPART Issues Paper has raised a number of matters for which TfNSW provides specific responses below. As a general point, however, TfNSW considers that IPART should be consistent in its approach to setting maximum fares for services in the Sydney Greater Metropolitan Region.

However, setting fares below the regulated maximum prices determined by IPART should be decisions of policy for Government given that, like all public transport services, CityRail services are highly subsidised and TfNSW considers that it is appropriate for Government to determine levels of subsidy, as a matter of policy, taking into account a

number of initiatives including the transition to Opal card and the timing of reforms to achieve cost efficiencies.

### ***Determining efficient costs***

TfNSW notes the proposal to use the proportionate approach based on indexing estimates of the efficient costs and external benefits from the 2009-12 determination for the 2013 determination.

### ***What contribution to the recovery of efficient costs should customers make?***

Over recent years, IPART's approach to public transport fare determinations has been to establish the efficient costs of the services and the externality benefits – that is, the benefits that the community as a whole receives from the delivery of the services, as opposed to the benefits that accrue to individual rail customers – to determine the contribution taxpayers and passengers should make to cost recovery.

In IPART's 2009-2012 fare determination the contribution that should be made by customers was estimated at 28.5% of the efficient costs of CityRail services. IPART has determined that Government (on behalf of the broader community) should fund the estimated externality benefits a service delivers. Rail customers should not pay more than the difference.

TfNSW supports this approach to estimating the appropriate fare box cost recovery target, noting the IPART conclusion that CityRail's actual costs have been greater than the levels considered efficient over the period 2009-10 to 2011-12.

### ***Approach to setting maximum fares***

#### ***Opal Card***

TfNSW notes that there will be changes to how customers use and pay for public transport over the next few years.

#### ***Methodology***

As noted above the Opal Card will operate differently from the current, magnetic stripe ticket products which must be purchased in advance, based on the customer's expectations of how they will travel. Instead, customers will have the option of travelling across the network and the system will calculate the correct fare, including any discounts that will apply (such as frequency discounts to reward regular customers).

This may require consideration of alternative approaches to setting fares. As noted previously, the Government will make further announcements about how the Opal Card will operate before the roll out of the system commences.

#### ***Length of determination***

Noting that the introduction of Opal may require different approaches to fare setting – and that the determination for metropolitan and outer-metropolitan bus services expires at the end of 2013, TfNSW supports annual determinations for CityRail and Sydney Ferries in 2013.

This will provide IPART with the flexibility to alter its fare setting approach during the Opal transition period to take into account ongoing developments, including Government policy decisions.

Maximum fare increases

The approach taken by IPART in setting maximum fare increases for CityRail services should also be guided by any Opal policy decisions made by the NSW Government.

The NSW Government is expected to make further announcements this year about the introduction of Opal, and these should also be considered by IPART in making a determination.