

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

Report on the Determination of NSW Public Transport Fares

CITYRAIL AND STATE TRANSIT AUTHORITY

From 31 August 2003



Determinations 5 and 6, 2003

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IPART PAPER

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I Introduction

The Independent Pricing and Regulatory Tribunal of New South Wales (the Tribunal) has completed its 2003 review of public transport fares. Based on this review, the Tribunal has determined the maximum fares that CityRail and the State Transit Authority can charge for public transport services from 31 August 2003.

I.1 Summary of fares determination

The Tribunal has determined that maximum weighted average fares will rise as follows:¹

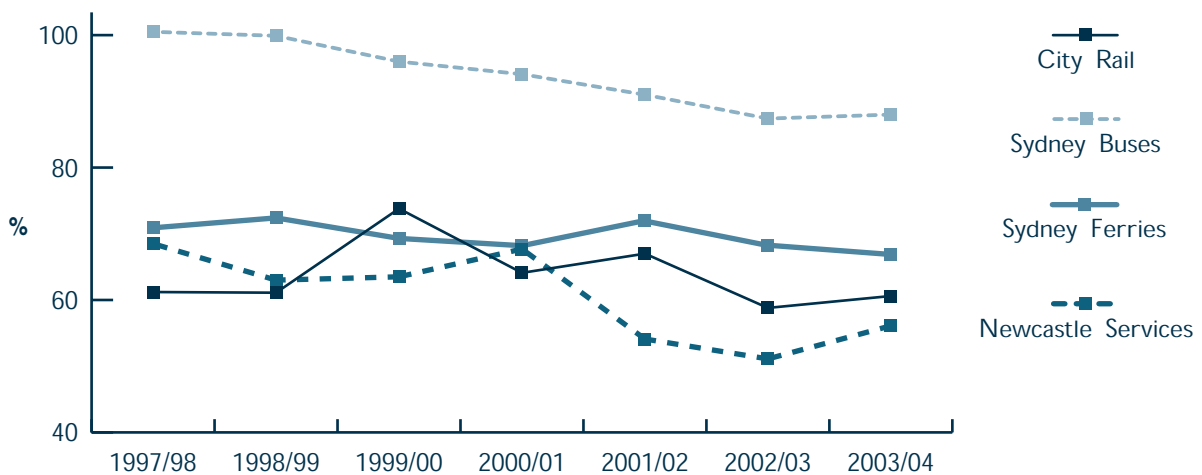
- 5.0 per cent for CityRail services
- 5.0 per cent for Sydney Buses
- 7.5 per cent for Sydney Ferries
- 5.0 per cent for Newcastle Services.

These changes aim to balance the competing concerns of the agencies and their customers. In particular, the Tribunal's pricing decisions should arrest the recent decline in the agencies' cost recovery, without placing excessive financial pressure on passengers.² The Tribunal has not addressed the longer-term issues that are under consideration by the current Ministerial Inquiry into transport funding.

In reaching these decisions, the Tribunal was guided by the requirements set out in the *Independent Pricing and Regulatory Tribunal of New South Wales Act, 1992*, and placed equal weight on each of the factors contained in Section 15 of this Act. The Tribunal is satisfied that its determination achieves a reasonable balance between these factors.

Trends in cost recovery for CityRail and the three business arms of the State Transit Authority are illustrated in Figure 1.1. The fare increases of 5 per cent and 7.5 per cent are expected to arrest the downward trend in cost recovery for the agencies.

Figure 1.1 Trends in cost recovery by agency



1 Unless otherwise noted, all fare rises and growth rates in this report are expressed in nominal terms (ie not adjusted for inflation).

2 Cost recovery refers to the percentage of operating costs that each business is recouping from revenue derived directly and indirectly from carrying passengers. Specific definitions are provided when the cost recovery ratio in each business is discussed in Chapter 4 of this report.

The fare increases are above the inflation rate³ of 3.1 per cent in 2002/03, but they are occurring after two years of modest fare increases.

1.2 Structure of report

This report explains the Tribunal's determination in detail, including why it reached its decisions and what those decisions mean for the transport agencies, public transport passengers, the community in general and the environment. It is structured as follows:

- Chapter 2 outlines the review and decision-making process the Tribunal used to reach its decisions
- Chapter 3 provides an overview of the regulatory approach it has adopted to regulate public transport fares
- Chapter 4 explains the key analysis upon which the Tribunal based its decisions, and the implications of the Tribunal's decisions for the agencies
- Chapter 5 discusses the implications of the Tribunal's decisions for passengers, the environment and the community
- Chapter 6 provides a full summary of the new fares arising from this determination
- Chapter 7 outlines the issues arising from the review that the Tribunal believes the agencies should address and/or improve for the next fare determination.

The Tribunal members involved in this determination were Mr James Cox (Member), and Ms Cristina Cifuentes (Part-time Member).

³ Unless otherwise stated, 'inflation' in this report refers to annual growth in the Consumer Price Index (All Capital Cities) – Financial Year Average.

2 Tribunal's review and decision-making process

The Tribunal has made its price determinations for public transport in accordance with Section 11(1) of the *Independent Pricing and Regulatory Tribunal Act, 1992* (the IPART Act).

The Tribunal's review included its own research and public consultation. As part of this review, the Tribunal:

- invited the public transport agencies and other interested parties to submit their views, and received 55 written responses (see Appendix 1 for a list of respondents)
- collected detailed financial information from CityRail and the State Transit Authority
- held a public hearing on 3 July 2003 and invited some of the parties who submitted written responses to present their submissions at this hearing (see Appendix 2 for a list of presenters).

In addition, the Tribunal explicitly considered all the matters outlined in Section 15 of the IPART Act (see Appendix 3). These matters can be grouped as follows:

- **consumer protection**—protecting consumers from abuses of monopoly power; standards of quality, reliability and safety of the services concerned; social impact of decisions; effect on inflation
- **economic efficiency**—greater efficiency in the supply of services; the need to promote competition; effect of functions being carried out by another body
- **financial viability**—rate of return on public sector assets including dividend requirements; impact on pricing of borrowing, capital and dividend requirements of agencies
- **environmental protection**—promotion of ecologically sustainable development via appropriate pricing policies; considerations of demand management and least-cost planning.

The Tribunal took all these matters, plus the information and analysis it obtained through its investigation and public consultation, into consideration as it worked through a decision-making process.

In reaching its decisions on fares, the Tribunal had to weigh the relative interests of public transport stakeholders. For example, public transport passengers seek affordable public transport and ongoing improvements in service quality. The public transport agencies seek prices that provide a suitable level of cost recovery and the ability to enhance services. The general community seeks to minimise the public subsidy of public transport and to maximise the benefits of public transport to the environment and the economy.

The diversity of these interests and concerns required the Tribunal to trade off passenger affordability concerns, service quality expectations and social and environmental benefits against the financial viability of the agencies and public funding requirements. It took active steps to ensure that these trade-off decisions were well informed during the course of its review.

The Tribunal has not addressed some issues that are under consideration by the current Ministerial Inquiry into transport funding. In particular, the Tribunal has left the Ministerial Inquiry, which has broader terms of reference than this determination, to explore long term

issues that could influence the Tribunal's future fare determinations. The Ministerial Inquiry is to review and report on:

- the likely future needs of CityRail and STA Bus and Ferry operations, with regard to efficient operating and capital costs
- funding options to meet these revenue needs, as well as funding options for any future expansion of the public passenger transport system
- options for enhancing the optimum use of public passenger transport relative to other transport modes
- possible arrangements for incentive mechanisms which better link fares and service standards, including safety
- options for better targeting the funding and delivery of transport services to meet the needs of different groups in the metropolitan and non-metropolitan communities, including rural community and health transport needs.

The Tribunal's consideration of the matters listed in Section 15 of the IPART Act in relation to specific pricing decisions is discussed throughout the report. Appendix 3 provides references for where each matter is discussed. Further information relating to the Tribunal's review, including copies of all submissions, can be found at the Tribunal website (www.ipart.nsw.gov.au).

3 Regulatory approach

3.1 What prices are set by the Tribunal?

The Tribunal's role is to set **maximum fares** for CityRail's passenger transport services and for STA buses and ferries.

Because the Tribunal regulates Government monopoly services only, pricing determinations explicitly exclude services conducted by STA and CityRail that are deemed to fall outside the definition of Government monopoly service, such as bus and ferry charters. The Tribunal does not set the State Government's social benefit policy. Therefore, concessions granted to pensioners, children and students are a matter for the Government.

The Tribunal makes pricing determinations under Section 11(1) of the IPART Act. This determination retains the practice of previous determinations in outlining a full schedule of maximum full-fares.

3.2 How were the decisions made?

The Tribunal looked at each agency in turn, although some issues that applied to both agencies are summarised at the end of this section.

CityRail

CityRail's submission requested a fare rise that would increase cost recovery. It asked the Tribunal to consider CPI increases and service quality improvements.

The Tribunal determined a maximum weighted average fare increase of 5 per cent for CityRail. A particularly weak cost recovery outlook for CityRail encouraged the Tribunal to allow a fare increase that will support CityRail's financial health. The Tribunal also noted that revenue growth in 2003/04 depends heavily on the success of Transit Officers at curbing fare evasions.

In making this decision, the Tribunal acknowledges that CityRail, despite some service quality improvements, did not demonstrate improved service quality overall in 2002/03. The proposed improvements in performance reporting and the promise of improvements in train frequency and reliability were noted.

The Tribunal is also mindful that CityRail should have incentives to improve cost recovery. This determination asks CityRail to report on strategies to boost passenger numbers, and to develop efficient cost estimates, as part of next year's determination process.

Sydney Buses

STA's submission requested a fare rise of CPI plus an increment (not specified) to compensate for increased costs.

In making its decision to increase maximum Sydney bus fares by an average of 5 per cent, the Tribunal noted negative feedback from some passengers about service quality. Service quality will continue to be monitored closely, and the Tribunal notes STA's commitment to improve performance reporting.

Sydney Ferries

STA's submission requests a modest fare increase to recognise the widening gap between costs and revenue.

The Tribunal noted the extra costs involved in implementing the recommendations of the Waterways Authority this year. These had contributed to a particularly large drop in cost recovery for Sydney Ferries over the last two years. The Tribunal expects a rise in maximum average fares of 7.5 per cent will prevent further deterioration.

The relatively strong cost recovery forecast for 2003/04 is partly due to the inclusion of potential efficiency savings that were identified in a recent independent review. In making its decision, the Tribunal acknowledges that full cost recovery for Sydney Ferries is not a realistic goal in the near future.

Newcastle Services

STA's submission requested a fare rise of CPI plus a small increment to compensate for an increasing cost base.

The Tribunal has determined a maximum weighted average fare increase of 5 per cent for Newcastle Services to help arrest falling cost recovery. In making this decision, the Tribunal took account of the difficult financial environment for Newcastle Services, and the high proportion of pensioner and concession passengers.

Community, social, environmental and other impacts

For each agency, the Tribunal considered whether the fare increases would have serious social or environmental consequences. The fare increases were also considered in terms of financial and non-financial impacts on passengers and the community in general.

The Tribunal is satisfied that the fare increases per se will not cause excessive financial strain for passengers, especially in light of the modest increases over the past two years. No attempt was made by the agencies to specify an appropriate level of cost recovery—the Ministerial Inquiry into transport funding may provide more guidance on this matter.

An issue for the community in general is the impact of the fare increases on taxpayer funding. If translated into actual fares, the Tribunal's determination will increase farebox revenue by \$35.6m per annum.⁴ Except for Newcastle Services, the fare increases will increase the level of cost recovery in the public transport agencies. This means that taxpayers will bear proportionately less of public transport costs in 2003/04.

The Tribunal suggests that the fare increases will not cause a major passenger shift from public transport to cars (which would have adverse consequences for traffic congestion, pollution and greenhouse gas emissions). However, the Tribunal recognises the recorded decline in the growth of passenger numbers in the past 12 months, and public perceptions on service quality issues.

⁴ This is a full year calculation. In 2003/04, the effect on funding is reduced because the fare rise applies for 10 months.

4 Fare determination: issues and analysis

The Tribunal has determined that maximum weighted average public transport fares will rise as follows:

- 5.0 per cent for CityRail services
- 5.0 per cent for Sydney Buses
- 7.5 per cent for Sydney Ferries
- 5.0 per cent for Newcastle Services.

The Tribunal reached its determination after considering recent changes in cost recovery and service quality for each agency, together with its own analysis of the impact of its determination on passengers, the community in general, the environment and the agencies themselves.

The key implications of these fare increases are as follows:

- The Tribunal's decision should allow an improvement in CityRail's cost recovery, following a sharp fall in 2002/03.
- Sydney Buses' financial position should improve, with cost recovery forecast to be slightly higher than the level achieved in 2002/03.
- Sydney Ferries will have significantly stronger cost recovery, although this is helped in part by the removal of \$3.5m in potential efficiency gains from cost recovery calculations.
- The Tribunal's decision should support the financial position of Newcastle Services, although it will probably not halt a recent decline in cost recovery.
- Passengers will pay proportionately more of the costs of public transport (except for Newcastle Services), but the financial impact should not be excessive, particularly after modest fare increases in the past two years.
- The forecast rise in cost recovery for CityRail, Sydney Buses and Sydney Ferries will mean that taxpayers will fund a lower proportion of public transport costs in 2003/04.
- The fare increases should not lead to a major shift from public transport to cars, which means that the environmental impact will be minimal.

The Tribunal would like to see better performance reporting from all agencies as part of the next fare determination.

The remainder of this section looks in detail at the key matters that the Tribunal considered in making its decisions on fares for 2003/04. The focus is on matters within the control of the agencies.

4.1 CityRail

CityRail's submission requested a fare rise that would increase cost recovery. It asked the Tribunal to consider CPI increases and service quality improvements.

4.1.1 CityRail's cost recovery history

Cost recovery can be measured in a number of ways, depending on the issue being addressed.

The Tribunal is most interested in how much of CityRail's above-rail costs are being covered by the farebox and government reimbursements to CityRail for travellers who use concession or free arrangements. The reason for including the latter in 'revenue' is because these reimbursements reflect government social policy rather than transport policy. The Tribunal uses this definition of cost recovery (Table 4.1) to highlight the percentage of above rail costs that are recouped from fare-related and other business revenue. It does not include deficit or 'gap' funding from the Government.

Above-rail cost recovery

Looking at above-rail costs allows cost recovery comparisons with the STA. Since the STA does not pay for the roads and waterways on which its buses and ferries travel, it is appropriate to exclude the payments CityRail makes to the Rail Infrastructure Corporation (RIC) for the infrastructure that supports the rails on which its trains ride.

Table 4.1 How the Tribunal calculates CityRail's cost recovery

Relevant Revenue		Relevant Costs
<ul style="list-style-type: none"> • Farebox revenue • Plus free and concession revenue • Plus revenue from other rail organisations • Plus other internal revenue (except profits from asset disposals) 	Divided by	<ul style="list-style-type: none"> • Operating expenses • Less access fees to RIC • Less capital grants to RIC

Cash flow cost recovery

A different measure of cost recovery is used within CityRail. It includes only farebox revenue in the numerator and operating costs less depreciation (which is a non-cash item) plus capital costs in the denominator. This measure is designed to highlight the cash flow gap between farebox revenue and total costs that must be made up annually either by Government or some other source (income from other rail organisations, income from rent and advertising).

The following sections analyse CityRail's revenue and cost trends and related movements in terms of the Tribunal's measure of cost recovery.

Cost recovery in 2002/03

Cost recovery peaked in 1999/00. Since then costs have risen faster than revenues. Costs actually fell back in the post-Olympics year but the downtrend in cost recovery resumed in 2002/03. According to the forecast for 2003/04, which incorporates the effect of the present determination (to be discussed in the next section), the downtrend will be arrested.

Table 4.2 CityRail cost recovery since the late 1990s

1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04 ^f
61.2%	61.1%	73.8%	64.1%	67.0%	58.8%	60.6%

f = forecast

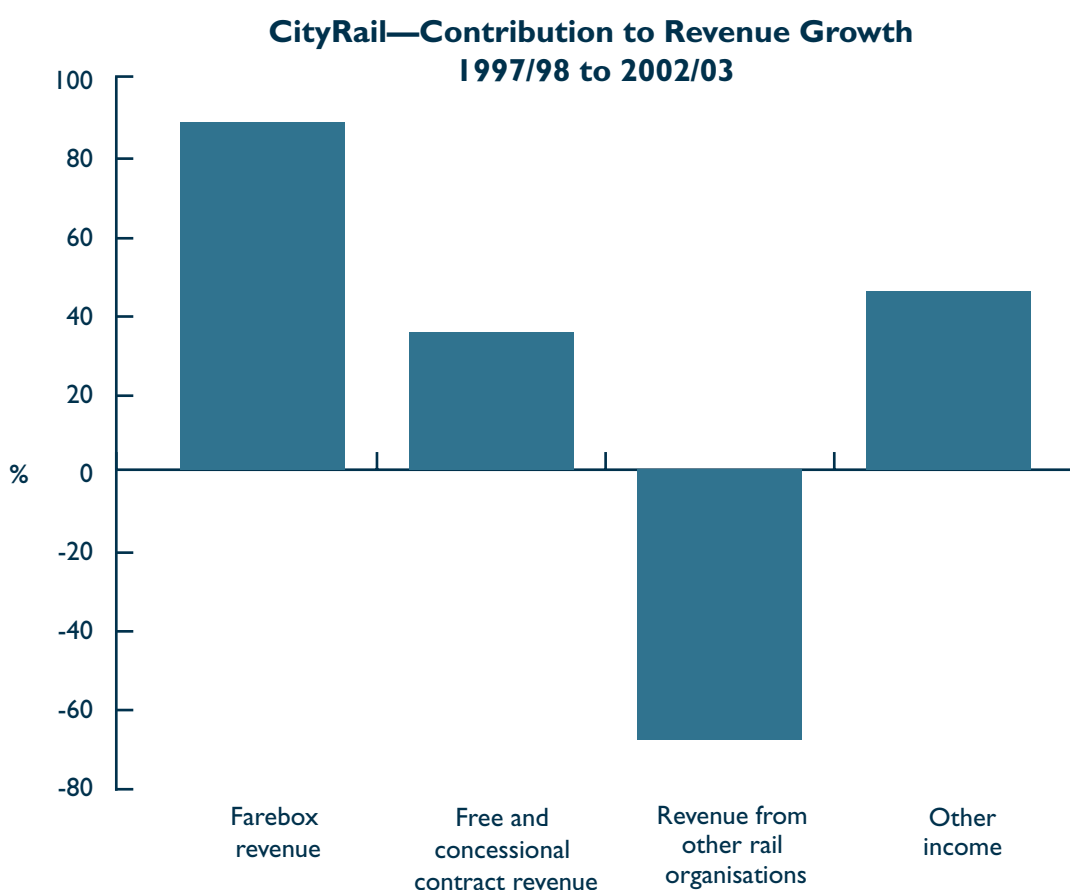
One reason for the downtrend in cost recovery is that revenue has declined in the past two years from a peak in 2000/01 (Table 4.3), even when direct Olympics-related revenue is excluded from the total (as in Table 4.2).

Table 4.3 Annual growth in CityRail revenues and costs since the late 1990s

Growth of cost recovery components	1998/99	1999/00	2000/01	2001/02	2002/03	1997/98 to 2002/03	
						Total growth	Average growth
Revenue side	2.6%	13.0%	2.0%	-3.6%	1.8%	16.0%	3.0%
Cost side	2.7%	-6.5%	17.6%	-7.9%	16.1%	20.7%	3.8%

Figure 4.1 shows that farebox revenue was the largest contributor to revenue growth from 1997/98 to 2002/03. Revenue from other rail organisations fell substantially due to reduced services performed by SRA for RIC.

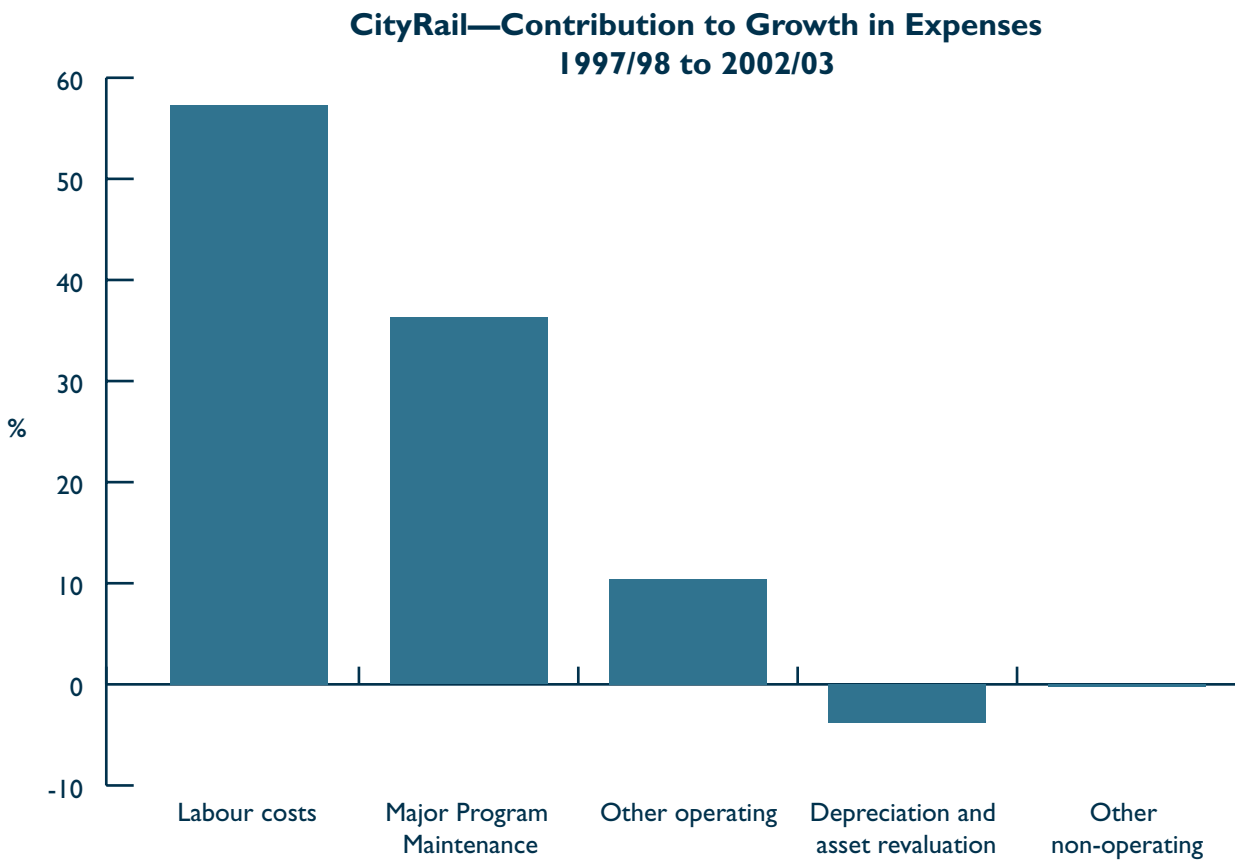
Figure 4.1 Sources of CityRail revenue growth



On the cost side, the large rise in expenses in 2000/01 was mainly caused by increased labour costs. Staff numbers were little changed from 1999/00 according to SRA annual reports, although CityRail increased the number of frontline staff to deal with the Olympics and safety/public confidence issues.⁵ It appears that neither rail staff numbers nor labour costs have fallen since the Olympics.

Changes to Major Periodical Maintenance (MPM) for CityRail were another notable driver of cost growth. MPM is cyclical, and the cycle period was shortened by CityRail from 2001/02 to maintain the standard of rolling stock. The more intensive work program led to much higher expenses.

Figure 4.2 Sources of CityRail cost growth



⁵ IPART Report 2001, p 41.

Table 4.4 Detailed annual growth in cost recovery components

	1998/99	1999/00	2000/01	2001/02	2002/03	1997/98 to 2002/03 Total growth	Average growth
Farebox revenue	5.6%	15.9%	6.7%	-4.3%	0.7%	26.0%	4.7%
Free and concession	7.3%	6.5%	8.5%	1.1%	2.6%	28.5%	5.2%
Revenue from other rail organisations	-16.0%	-20.1%	1.2%	-2.3%	-41.8%	-61.4%	-17.3%
Other internal income	11.9%	65.1%	-28.5%	-11.7%	63.9%	91.1%	13.8%
Total revenue	2.6%	13.0%	2.0%	-3.6%	1.8%	16.0%	3.0%
Labour costs	1.3%	-9.3%	21.6%	-5.6%	15.9%	22.3%	4.1%
Major Periodical Maintenance	-11.7%	-1.3%	9.8%	71.8%	32.0%	116.8%	16.7%
Other operating	13.0%	4.0%	12.5%	-24.2%	10.3%	10.6%	2.0%
Depreciation and asset revaluation	-15.1%	-0.9%	2.0%	4.8%	5.0%	-5.5%	-1.1%
Other non-operating	40.5%	-31.3%	46.7%	-51.5%	44.3%	-0.9%	-0.2%
Total expenses	2.7%	-6.5%	17.6%	-7.9%	16.1%	20.7%	3.8%

4.1.2 CityRail's cost recovery outlook

In the absence of a fare rise, CityRail forecast a 2.2 per cent decline in revenue in 2003/04. The expected decline would be even greater if not for the expanded use of Transit Officers in 2003/04, who will use broader powers to collect greater income from fines and fees. Most fines will double on 1 September 2003.

On the demand side, CityRail pointed to an ongoing drop in CBD employment and the opening of the M5 East motorway as key factors in recent patronage declines. It expects no growth in patronage in 2003/04, and a 1 per cent increase in 2004/05. Given this outlook, any growth in passenger revenue will depend on higher effective fares per passenger. Any fare increase granted to CityRail would be partially offset by passengers' growing preference for discounted periodical tickets.

CityRail outlined plans to boost patronage at the public hearing. The provision of more services is the focus of its efforts, especially along the often over-crowded Illawarra line. Capital works projects such as the Bondi Junction 'turnback' should increase the line's carrying capacity. CityRail also cited public perceptions of service quality as an important factor in attracting passengers.

The Tribunal requests more information about CityRail's plans to improve passenger volumes. Other stakeholders have expressed related concerns—such as the Western Sydney Community Forum (WCSF) which argues that CityRail does not have clear strategies to increase patronage.⁶ The WCSF sees this as a serious deficiency, particularly with regard to improving patronage in off-peak periods.

6 WCSF submission, p 2.

On the cost side, CityRail forecasts a 1.2 per cent fall in expenses for 2003/04. Major periodical maintenance is forecast to increase 20.7 per cent (\$32.2m) from 2002/03, but savings should be achieved in most other cost categories. Administrative savings are also expected when CityRail and Metro-RIC amalgamate. Despite 2003/04 cost containment, at the public hearing CityRail argued that its costs, especially labour costs, would grow faster than the inflation rate.

Capital expenditure, which CityRail requires to lift service quality and system capacity, will drive financial and operational costs in the immediate future. The Millennium train and better stations are examples of a higher capital expenditure burden. The remaining capital spending will involve projects that allow more trains to run (eg Bondi Junction turnback).

CityRail did not specify a cost recovery target for 2003/04. It expects the current Ministerial Inquiry to address some fundamental issues that affect the setting of such a target.

4.1.3 Unresolved CityRail cost recovery issues

The Tribunal would like to include robust estimates of **efficient costs** for CityRail as part of future reviews. In order to look at cost recovery trends in a more meaningful way, and to form expectations about future cost recovery, the Tribunal must be confident about the appropriate level of costs to include in its deliberations.

Efficient cost estimates should enhance consideration of incentives for CityRail. Mr John Ready argued that fare rises related to cost rises gives no incentive to control costs.⁷ The Tribunal notes from its *Ten Year Review* that, although CityRail received substantial real fare increases over several years, cost recovery did not trend upwards.

The Tribunal notes that CityRail has commenced a study to define efficient costs, and looks forward to the results of this study.

The Tribunal is also concerned that including some of **CityRail's ancillary activities** in cost recovery calculations may not be appropriate. Submissions by Mr Joseph Vnuk and Action for Public Transport⁸ cited the example of CityRail's car parks, arguing that car parks should be provided on a user-pays basis (or not at all) because they:

- are a very expensive means of trying to generate new custom
- encourage car usage which may be unnecessary and
- do not benefit anyone except the person(s) using the car park.

Unfortunately, there are no agreed criteria at present to determine whether individual activities should be included in cost recovery calculations. The broader issue of funding public transport will be considered as part of the Ministerial Inquiry.

7 Submission by Mr John Ready, p 4.

8 Submission by Mr Joseph Vnuk, pp 1–4; Submission by Action for Public Transport, p 5.

4.1.4 CityRail service quality

Service quality can refer to a wide range of desirable outcomes for consumers, including service frequency and reliability, safety and security, comfort and amenity, passenger information and customer service. Each of these broad categories may require multiple performance criteria under a comprehensive reporting regime.

The present review, conducted in the shadow of Waterfall, saw service quality draw most comments in submissions. Many urged an explicit link between it and fares. In value for money terms, reduced service quality is tantamount to a fare rise. Improving it is an important way for CityRail to maintain its ability to compete with other forms of transport.

The Tribunal is aware that trade-offs must be made between service quality and costs (and hence price). Customers have differing perceptions of appropriate service standards, and have different abilities and willingness to pay for levels of service. CityRail has contracted to the Government (representing the community) to supply services of a given standard as contained in publicly stated performance targets and customer service commitments.

Performance against CityRail's existing measures

Average on-time running for the 12 months to April 2003 was broadly in line with the 92 per cent target.⁹ However, a dip in on-time running was recorded in February and March 2003.

Table 4.5 CityRail's measure of on-time running

Suburban and InterCity Daily Peak Services: On-Time Running Percentage of services on time, adjusted for force majeure												
Apr-02	May-02	Jun-02	Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	Jan-03	Feb-03	Mar-03	Apr-03
95.1	92.8	91.5	92.6	92.8	94.2	93.7	91.4	92.7	93.3	83.3	87.9	91.7

The *number* of services run by CityRail met the target of 99 per cent.

Public feedback on service quality

The submissions were overwhelmingly negative regarding CityRail's service quality. Several noted problems with timetabling, reliability, and passenger comfort/amenities. The Tribunal received informal submissions detailing delays, cancellations and overcrowding. Many asserted that price rises were unacceptable without better service quality.

The Tribunal noted recent efforts by CityRail to improve service quality. These include:

- more security officers and cleaning staff on trains and in stations
- an email notification service for scheduled track repairs and maintenance
- 65 stations that have now received easy access upgrades
- canopy extensions, providing weather protection and improving loading times, that have been completed at 37 stations.

⁹ This means that CityRail aims to have 92 per cent of peak timetabled services running on time. 'On time' means arriving at Central Station (and, for the North Shore Line, Wynyard Station) within 4 minutes of timetable for suburban trains and within 6 minutes for inter-city trains.

CityRail has outlined its intentions in relation to:

- \$24m budgeted for station improvements such as easy access, transport interchanges and canopy extensions
- more reliable service (which will be accompanied by more detailed reporting on on-time running, skipped stops and the number of services provided)
- 500 Transit Officers to be employed by December 2004, supplementing police and security staff to provide safer services
- cleaner trains and stations
- \$30m invested in 2003 to provide better information for passengers.

The Millennium trains have the potential to improve service quality if current operational problems are resolved.

Performance reporting to date

A major problem for the Tribunal in assessing service quality is the lack of effective performance reporting. Almost all stakeholders, including CityRail, considered pre-July 2003 performance reporting inadequate. In last year's determination, the Tribunal observed:

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

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

In his submission, Mr David Caldwell criticised the current performance indicators for Sydney's transport agencies, saying that they offer little real indication of service quality.¹⁰ Likewise, the Commuter Council of NSW requested better performance reports, and asked that they be published on the Internet and in the media.¹¹

The Tribunal is satisfied that CityRail is making extensive efforts towards better reporting on performance as published weekly on its website. According to CityRail measurement of on-time running will soon be extended to include the afternoon peak (at present, only data from the morning peak is reported) and to line-by-line data. CityRail's website will also report service availability measures (such as skipped stops), safety incidents and red signals passed, security offences, cleanliness, vandalism and patronage.

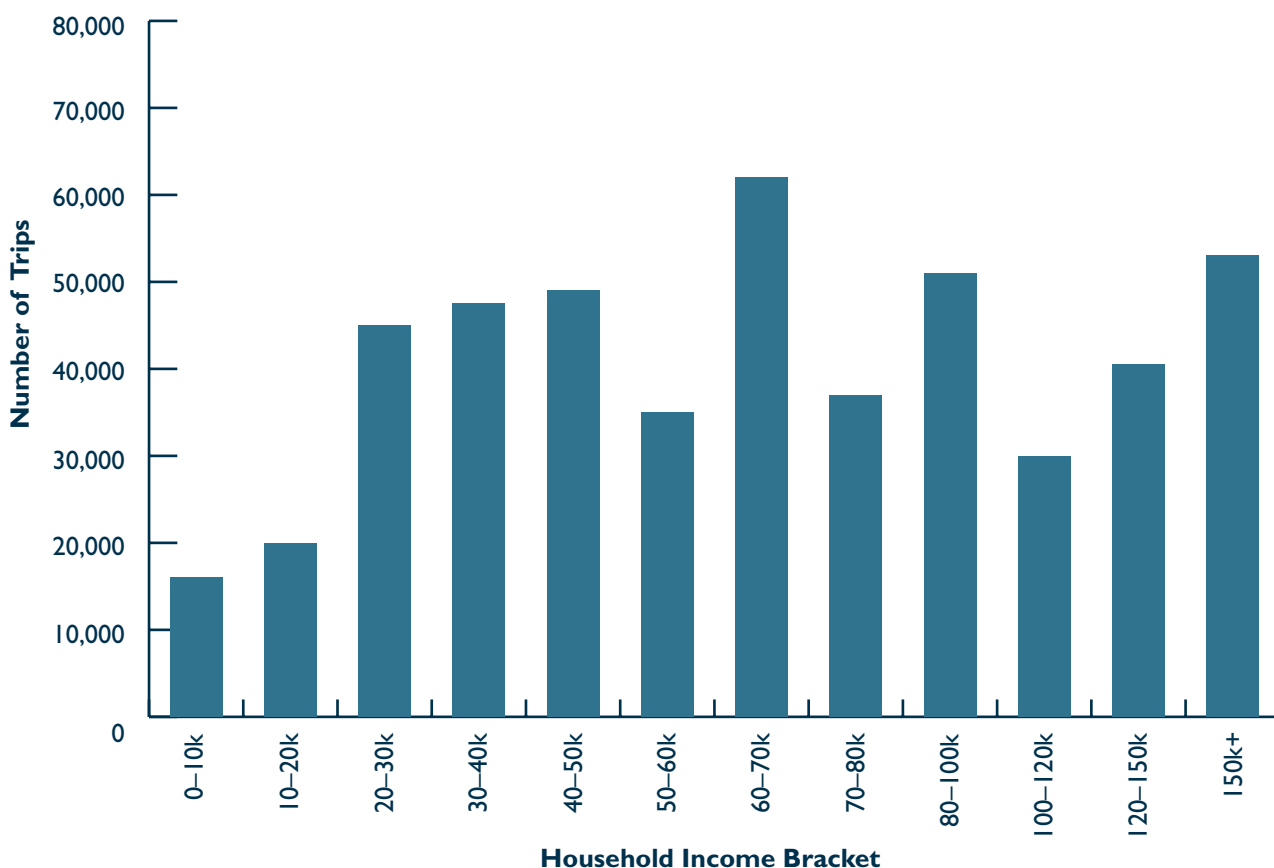
¹⁰ Submission by Mr David Caldwell, p 7.

¹¹ Submission by Commuter Council of NSW, p 3.

4.1.5 Social considerations

The Tribunal considered income levels of CityRail passengers in making its determination, especially the household income distribution of full-fare paying passengers (Figure 4.3).

Figure 4.3 Passengers per day by household income—CityRail



Source: TDC Household Travel Survey 2001.

Although there is no major fare restructure in this review, the fare increase is skewed slightly towards periodical tickets. Periodical tickets are mostly purchased by commuters, and, on average, commuters have higher incomes than those who tend to purchase single/return tickets.

4.1.6 Implications of the Tribunal’s Determination for CityRail

The Tribunal’s decision should allow a partial recovery in CityRail’s cost recovery in 2003/04—60.6 per cent compared with 58.8 per cent in 2002/03. The fall in cost recovery in 2002/03 was sharp, and the Tribunal is looking to support CityRail’s financial position until the Ministerial Inquiry is concluded. Supporting the financial position of CityRail will provide greater financial and operational flexibility in the short term, which should have positive outcomes for its key business objectives.

The Tribunal would like to see a commitment from CityRail to improve business efficiency and service quality, and to report on these matters in a suitable way. The Tribunal would welcome action by CityRail management to use the coming months to outline its strategies and plans for efficiency and service quality, and to develop robust reporting frameworks.

4.2 STA Sydney Buses

STA's submission requests a fare rise of CPI plus an increment (not specified) to respond to increased costs.

The STA advises that it would normally have set a cost recovery target as part of this exercise, but has not done so because of the issues currently under consideration by the Ministerial Inquiry into transport funding.

4.2.1 Sydney Buses cost recovery history

The Tribunal measure of cost recovery for the STA is straightforward because no allowance has to be made for 'below road' costs akin to CityRail's below-rail expenses. The Tribunal's definition for the STA highlights the percentage of 'above-road' costs recouped from fare-related and business revenues. This measure of cost recovery for the STA does not include payments by Government to cover shortfalls.

Potential efficiency savings are removed when an independent study has identified specific opportunities. The removal of potential efficiency savings is designed to estimate efficient costs of the business, rather than accepting the actual costs at face value.

The Tribunal uses the same definition across all three of the STA's businesses.

Table 4.6 How the Tribunal measures STA cost recovery

Relevant revenue		Relevant costs
<ul style="list-style-type: none"> Farebox revenue Plus free and concession revenue Plus other internal revenue (except profits from asset disposals) 	Divided by	<ul style="list-style-type: none"> Operating expenses (except costs of asset disposals) Less efficiency savings (if identified)

Cost recovery for Sydney Buses has fallen in each year from 1997/98 to 2002/03. The 2003/04 forecast in Table 4.7 incorporates the effect of this determination.

Table 4.7 Sydney Buses cost recovery since the late 1990s

1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04 ^f
100.5%	99.9%	96.0%	94.1%	91.0%	87.4%	88.0%

f = forecast

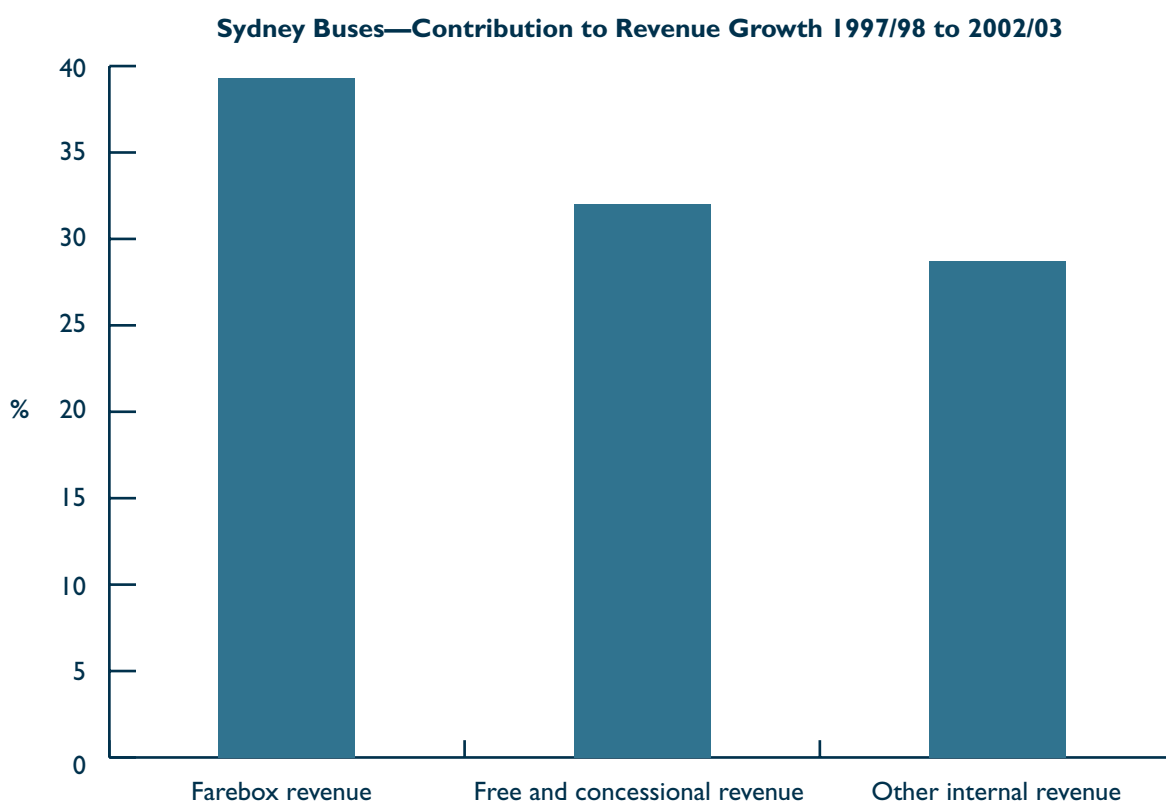
Cost recovery has declined because costs have grown faster than revenues, particularly from 1999/00 to 2001/02. Revenue growth has been constrained by falling patronage. Sydney Buses' total patronage is now down by more than 5 per cent from its 2000/01 peak. Total passenger growth since 1997/98 has been just 1.7 per cent. Steady growth has come from services in the north-west, but eastern suburbs patronage has dropped. CBD job losses are seen as the key factor.

Table 4.8 Growth of cost recovery components

	1998/99	1999/00	2000/01	2001/02	2002/03	1997/98 to 2002/03 Total growth	1997/98 to 2002/03 Average growth
Revenue side	4.6%	7.4%	7.8%	3.4%	0.8%	26.2%	4.8%
Cost side	5.2%	11.7%	10.0%	7.0%	5.0%	45.0%	7.7%

Contributions to revenue growth have been shared between farebox revenue, concession payments from the Government, and other internal revenue such as earnings from fines, rents and advertising (Figure 4.4 below).

Figure 4.4 Sources of Sydney Buses' revenue growth



Labour was the main contributor to growth in expenses (it is also the largest cost category). On average, labour costs rose 5.4 per cent per annum over the five years to 2002/03.

The other expense categories (Figure 4.5) grew faster than labour costs over the same period, despite the implementation of efficiency measures between 1997/98 and 2002/03 that are now worth \$12.6m per annum.¹²

¹² When efficiency savings are realised, they are removed from the 'efficiency savings' category. In theory, the 'loss' of potential efficiency savings should be balanced by savings realised in other expense categories.

Figure 4.5 Sources of Sydney Buses' cost growth

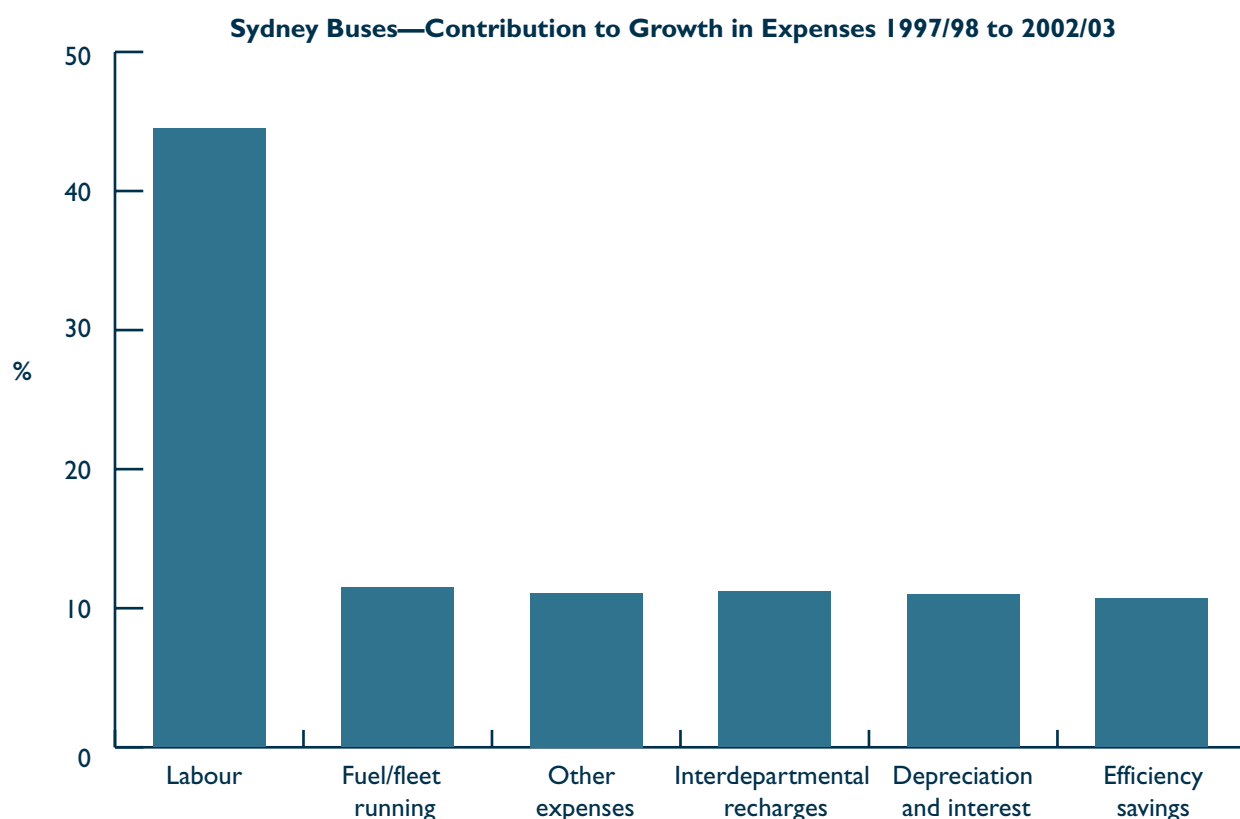


Table 4.9 Detailed annual growth in cost recovery components

	1998/99	1999/00	2000/01	2001/02	2002/03	1997/98 to 2002/03 Total growth	Average growth
Farebox revenue	5.0%	9.1%	2.5%	0.7%	-1.2%	16.9%	3.2%
Free and concession	3.5%	4.2%	9.3%	3.7%	0.6%	23.0%	4.2%
Other internal income	9.2%	11.2%	111.0%	31.4%	19.6%	302.8%	32.1%
Total revenue	4.6%	7.4%	7.8%	3.4%	0.8%	26.2%	4.8%
Labour	2.4%	7.7%	8.3%	5.2%	3.6%	30.2%	5.4%
Fuel/fleet running	12.8%	-1.9%	14.0%	9.0%	0.2%	37.7%	6.6%
Other expenses	8.5%	23.4%	-22.1%	19.8%	13.7%	42.1%	7.3%
Interdepartmental recharges ¹³	6.7%	14.7%	21.1%	-6.8%	20.2%	66.1%	10.7%
Depreciation and interest	7.1%	12.3%	35.8%	0.3%	-2.1%	60.4%	9.9%
Efficiency savings	3.2%	-25.8%	-25.2%	-35.4%	2.9%	-62.0%	-17.6%
Total expenses	5.2%	11.7%	10.0%	7.0%	5.0%	45.0%	7.7%

¹³ Interdepartmental recharges are to be reviewed.

4.2.2 Sydney Buses cost recovery outlook

According to STA forecasts, patronage for Sydney buses will grow slightly over the next two years. STA predicts growth of around 0.5 per cent in 2003/04 and stronger growth of 1.5 per cent in 2004/05.

The Tribunal would like to see clearer outlines from the STA about patronage strategies in future. Earlier in this report, the Tribunal noted the comments of Western Sydney Community Forum on CityRail's lack of clear strategies to increase patronage. A similar argument could be applied to STA, although the STA does not run services in the WSCF's geographical areas of interest.¹⁴

The STA says that Sydney Buses has realised all potential efficiency gains. A Sydney Buses' 1998 efficiency study initially identified \$24.3m of efficiency savings, but was later pared back to \$13.9m. This study was recently updated by Indec Consulting Pty Ltd, whose assessment indicated that the STA had achieved savings that exceeded the target identified in the 1998 study.

The establishment of an efficient cost base, which could be considered in making fare determinations, is desirable for next year's determination. The Tribunal supported this idea last year. Its position has not changed, and this issue should be revisited following the Ministerial Inquiry into transport funding.

Capital expenditure will continue to drive STA expenses. Capital expenditure on the STA Sydney bus fleet is becoming more onerous because legislative requirements, and passenger expectations for comfort, amenity and safety of buses continue to grow. This flows through to expenses through finance costs and other factors such as higher standards in maintenance programs. To reduce the burden of ongoing expenses, the STA has made a conscious decision to pay more for new buses in return for extended warranty periods.

4.2.3 Sydney Buses service quality

Service quality drew the most comments from submissions to this review and the Tribunal considers service quality to be a key consideration in setting maximum fares. STA acknowledges that service quality is a major factor in attracting and maintaining transport market share.

Performance against existing measures

STA's submission for Sydney Buses provided an historical table of KPIs (key performance indicators) which generally shows good performance, but no data for 2002/03 was submitted.

After the 3 July public hearing, the STA provided results of independent customer satisfaction surveys, which reflected some recent improvements in service quality. The overall satisfaction levels were moderate for Sydney Buses, but 35 per cent of passengers thought that Sydney Buses' service had improved over the past 12 months, compared with 10% who thought that service had deteriorated.

¹⁴ Submission by WSCF, p 2.

Table 4.10 Sydney Buses' key performance indicators (KPIs)

KPI and target	1998/99	1999/00	2000/01	2001/02
Reliability				
On-time running (>95%)	97.1%	97.4%	96.1%	96.2%
Service reliability (>99%)	99.5%	99.6%	99.5%	99.6%
Mechanical reliability				
(<15 bus changeovers per 100,000km)	20.65	20.51	20.89	17.68
Traffic reliability				
(<4 changeovers per 100,000km)	5.31	5.45	5.02	4.83
Safety (per million passenger trips)				
Safety incidents (<1.4)		1.55	1.54	1.44
Security incidents (<0.4)	0.44	0.4	0.51	0.41
Personal injury (<0.8)	1.16	1.31	1.27	1.23
Comfort				
Average bus age (<12 years)	11.9	11.8	12.2	11.7
Convenience				
Total kilometers (kms)	70,979	74,502	77,444	77,916
Passenger revenue kilometers (>63,000)	57,209	60,049	62,420	62,800
Customer Service				
Complaints per 10,000 trips (<1)	0.56	0.65	0.66	0.86
Accessibility				
Accessible buses (% of fleet)	9.2	17.4	21.7	26.7

The STA has gained internationally recognised certification for its customer service delivery. The certification (ISO 9001:2000) is achieved through an independent audit, and recognised by Standards Australia.

The Tribunal is confident that the standard of new buses is rising, particularly in terms of passenger comfort and amenity. Mandatory low-floor designs and airconditioning contribute to this ongoing improvement. The independent customer satisfaction survey (referred to above) indicated that passengers considered newer buses to be the major recent improvement in Sydney Buses' service.

The STA has improved safety on Sydney buses with the introduction of closed-circuit television on 100 per cent of its buses.

Feedback from submissions

Submissions to the Tribunal commented, usually negatively, on timetabling, service levels and reliability, and passenger comfort/amenity. Many submissions asserted that price rises would not be acceptable without a rise in service quality. The negative feedback was balanced against relatively positive feedback from the customer service surveys mentioned above.

Inadequate performance statistics prevent the Tribunal from making a more detailed assessment of recent movements in service quality. In last year's determination, the Tribunal noted the lack of relevance of some performance indicators for passengers.

Performance reporting for buses needs to be carefully framed. The STA noted, for example, that on-time running could be greatly improved if passengers are prepared to accept longer layover times between services, or more allowance for standing times at each stop.

The Tribunal noted in last year's determination that it would like to be able to consider an effective performance assessment regime for public buses:

Under the PAR it is likely that STA will be required to collect information (and report on a quarterly basis) on vehicle accessibility, heating and ventilation of buses, information and signage systems, vehicle emission performance and complaint handling mechanisms. Transport NSW will be required to assess STA's performance, and that of other private operators, against a set of benchmarks. It is likely that penalties for operators who breach their contract requirements will be introduced.¹⁵

The Tribunal asked the STA to advise on progress on the issue. CEO John Stott replied:

Whilst ... [the Ministry of Transport] has not yet successfully developed a PAR for the whole industry, it is expected that all of the key aspects of such a regime will be included in the deliberations of the two Ministerial Inquiries that are now underway.¹⁶

The Tribunal notes new measures and intentions to improve service quality

The Tribunal notes that the STA is making efforts towards better service quality for Sydney buses, and towards reporting on service quality in a more meaningful way in the future. The STA advised the Tribunal of a number of new initiatives, including the following:

- independent assessments of on-time running, which will be available on the STA website as soon as possible
- \$5m in increased security spending
- independent customer satisfaction assessments
- new reliability targets and reporting
- enhanced driver training
- better revenue protection (fare evasion etc).

The STA expects a passenger service charter to be published in the second half of 2003. The Tribunal was interested in this issue last year, when STA advised that it was working with Transport NSW in a joint venture with other transport agencies on the development of a generic service charter. The charter will lead to 'guaranteed' service standards for items such as on-time running, bus presentation and customer safety and security.

The Tribunal is pleased to note Sydney Buses' intention to report on service reliability in a more effective way. Reporting will include how often buses break down, and the reasons for breakdowns, which should give a much better picture of whether the STA's maintenance practices are working.

¹⁵ IPART Report 2002, p 26.

¹⁶ Letter to Tribunal dated 25 July 2003.

The Tribunal recognises that Sydney Buses has limited financial capacity to improve service quality, and must balance initiatives to improve passenger comfort against plans to increase services with more buses.

The Tribunal will monitor STA’s progress in implementing new performance reporting measures. Specific matters of interest include:

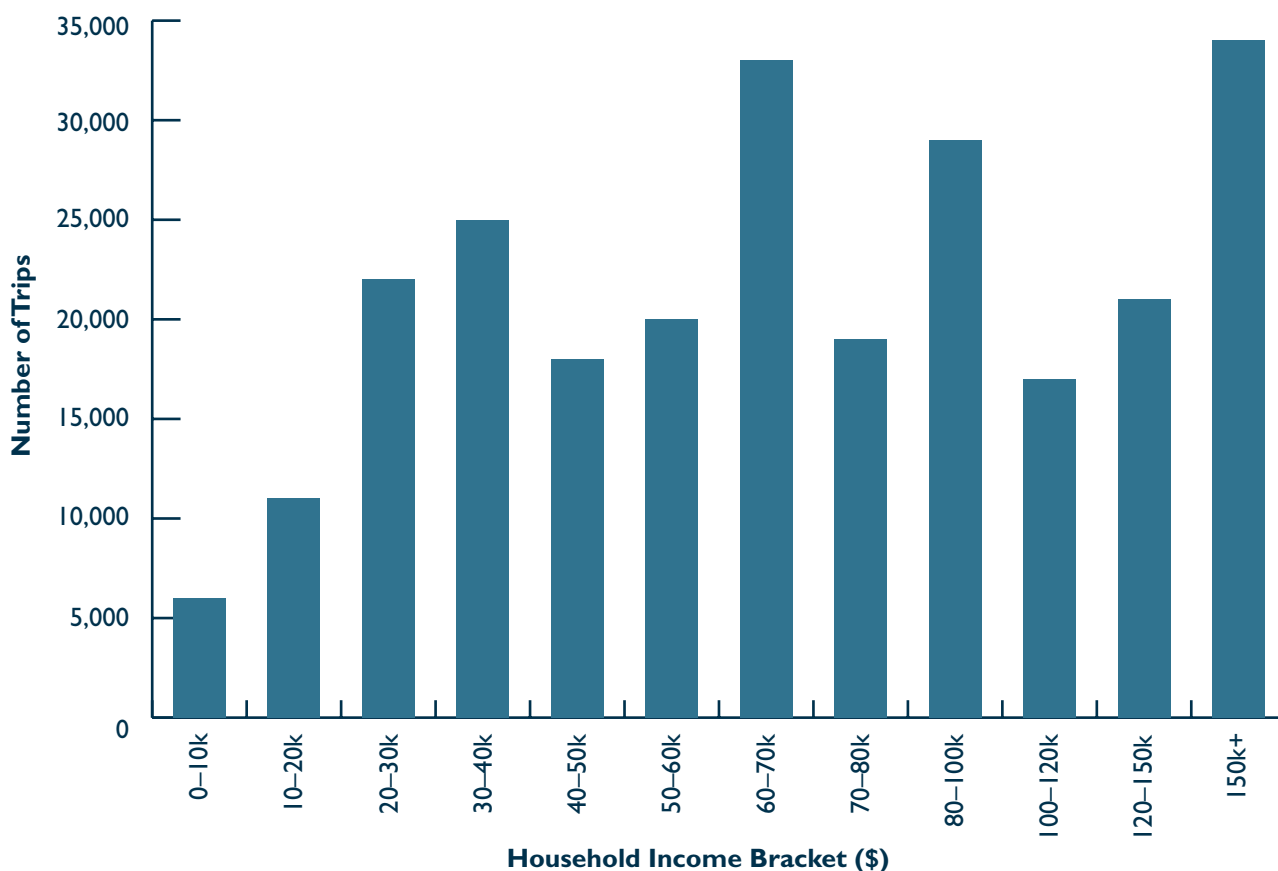
- reporting of independent on-time running statistics on the STA website
- collection and reporting of more detailed bus reliability statistics
- publication of the passenger service charter in the second half of this year.

4.2.4 Social considerations

The Tribunal considered the income levels of Sydney Buses’ passengers in making its determination. Figure 4.6 shows household incomes of Sydney Buses’ full-fare passengers.

The new bus specifications used by Sydney buses have positive social and environmental effects. Wheelchair accessibility is improved with low floor designs, allowing greater mobility to disabled members of the community.

Figure 4.6 Passengers per day by household income—Sydney Buses



Source: TDC Household Travel Survey 2001.

Sydney Buses' new vehicles use natural gas (CNG), which is environmentally friendly compared with the alternatives. The STA advises that, in terms of greenhouse emissions, CNG buses are 50 per cent cleaner than diesel buses. Noise levels are lower by 50 per cent on CNG buses. 385 CNG buses are in service in 2003 (23 per cent of the Sydney Buses fleet).

The Tribunal observed differing opinions about whether fare increases should fall most heavily on single/return cash fares, or on multi-trip tickets. The STA prefers to skew fare increases on the commuter market again this year, and sees integrated ticketing as the key vehicle to reduce cash fares. Action for Public Transport argued, in its submission and the public hearing, against this policy, because cash fares reduce service efficiency as buses are delayed while drivers issue tickets. For this reason, the Tribunal last year supported an investigation into ticket types that would reduce the proportion of single-trip fares.

This issue is not resolved to the Tribunal's satisfaction, but two factors led the Tribunal to accept the STA's proposed fare structure. Firstly, the skew towards multi-trip tickets this year is very small—cash fares will rise by similar amounts. Secondly, the Tribunal does not want to propose major changes to ticket structures without full consideration of the issues surrounding integrated ticketing.

4.2.5 Implications of the Tribunal's Determination for Sydney Buses

The Tribunal's decision should improve the financial position of Sydney Buses, taking Sydney Buses' cost recovery to 88.0 per cent (compared with 87.4 per cent in 2002/03). The improved financial position should have a positive impact on the business in the immediate future, allowing greater freedom in the pursuit of business priorities.

The Tribunal would like to see a commitment from Sydney Buses to improve business efficiency and service quality, and to report on these matters in a suitable way. The Tribunal would welcome action by STA management to use the coming months to outline its strategies and plans for efficiency and service quality, and to develop robust reporting frameworks.

4.3 STA Sydney Ferries

STA's submission requests a modest fare increase to recognise the 'widening gap between costs and revenue'.

4.3.1 Sydney Ferries cost recovery history

Sydney Ferries' cost recovery fell sharply in 2001/02 as costs jumped, and further cost increases in 2002/03 caused cost recovery to fall further. The 2003/04 forecast in Table 4.11 incorporates the effect of the present determination (discussed in next section).

Table 4.11 Sydney Ferries cost recovery since the late 1990s

1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04 ^f
68.5%	63.0%	63.5%	67.7%	54.1%	51.1%	56.1%

f = forecast

Rising costs are the key factor

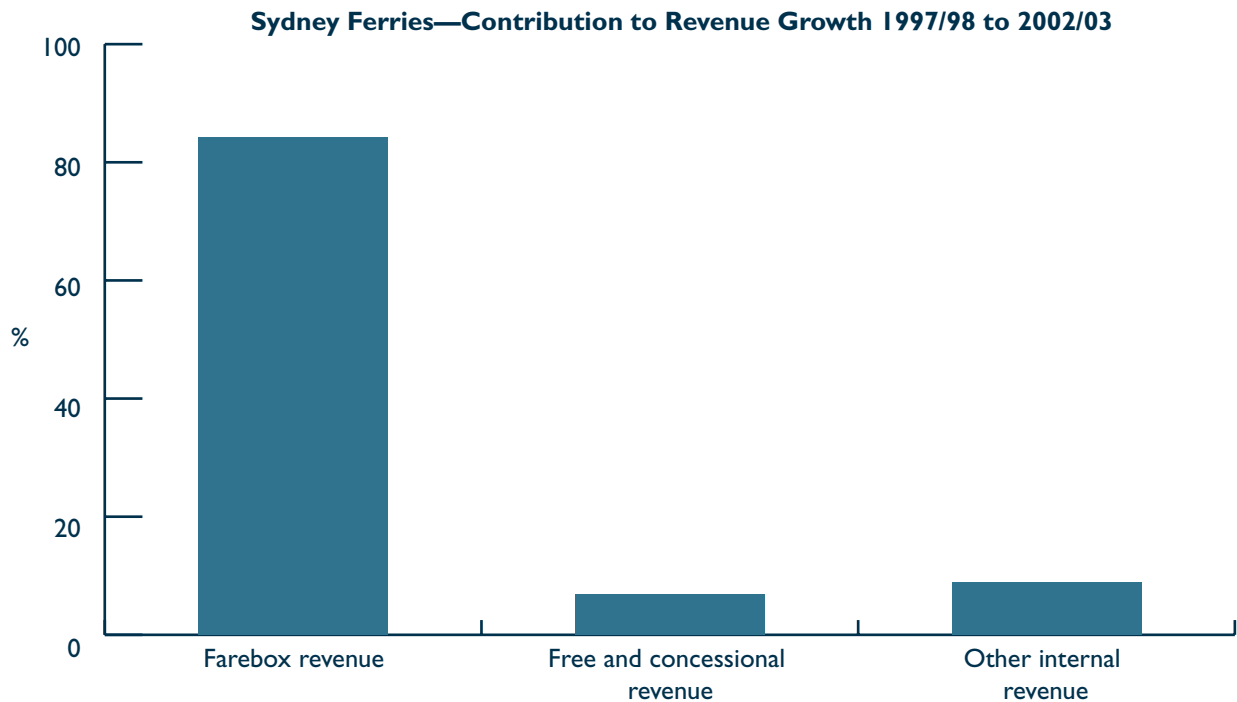
Expenses have grown much faster than revenues in the past five years. The plunge in cost recovery after 2001/02 was due to a 19.1 per cent jump in costs and a 4.8 per cent fall in revenue.

Table 4.12 Growth of cost recovery components

	1998/99	1999/00	2000/01	2001/02	2002/03	1997/98 to 2002/03 Total growth	1997/98 to 2002/03 Average growth
Revenue side	0.3%	9.5%	8.3%	-4.8%	2.1%	15.6%	2.9%
Cost side	9.1%	8.6%	1.5%	19.1%	8.1%	54.9%	9.2%

Increased farebox revenue has been the biggest factor in total revenue growth. Other internal revenue (including items such as rents and advertising income) rose strongly, but it is a small component of total revenue.

Figure 4.7 Sources of Sydney Ferries revenue growth



The most notable impact on expenses from 1997/98 to 2002/03 came from the fuel/fleet running category. The major factor was maintenance, which jumped from \$10.5m to \$19.1m over the last two years. A new layer of workers has been added to Sydney Ferries' workforce to address quality standards and improve maintenance. This change was part of a range of measures that were introduced after the 2001 Waterways Authority review.

The large labour component was the largest contributor to increased costs (Figure 4.8).

Figure 4.8 Sources of Sydney Ferries cost growth

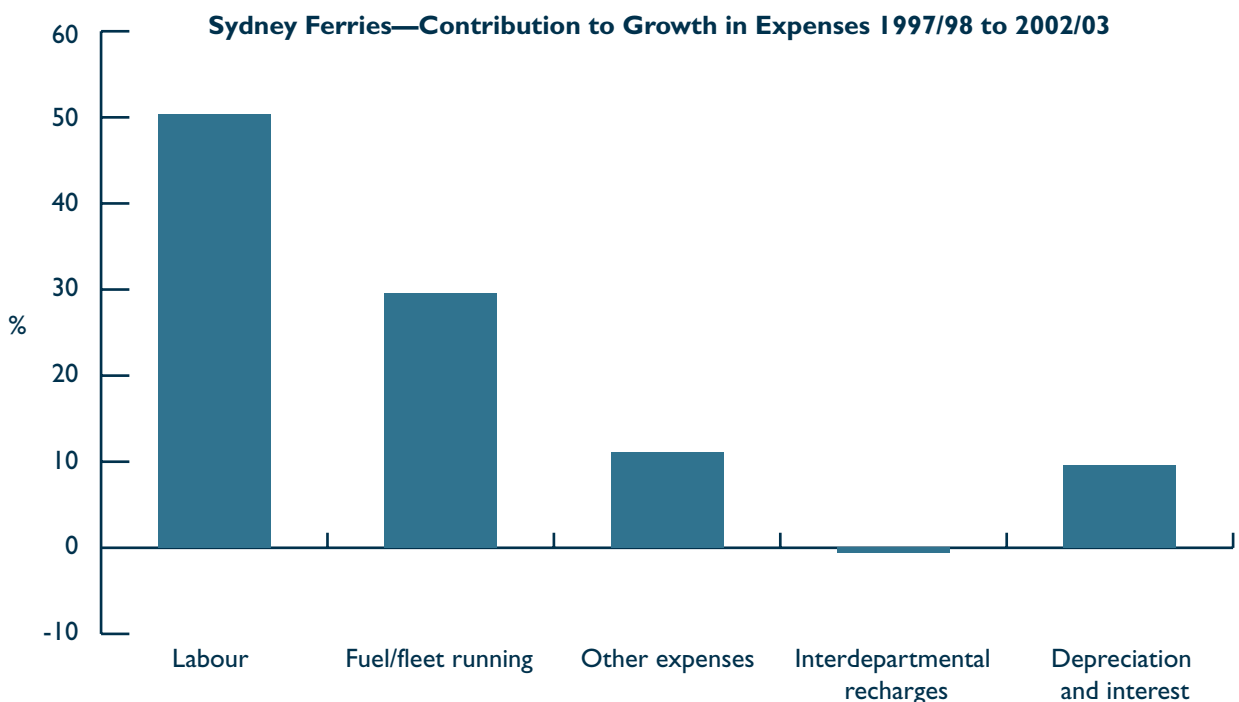


Table 4.13 shows the growth in major revenues and expenses in each of the past five years.

Table 4.13 Detailed annual growth in cost recovery components

	1998/99	1999/00	2000/01	2001/02	2002/03	1997/98 to 2002/03 Total growth	2002/03 Average growth
Farebox revenue	3.1%	12.2%	7.6%	-7.0%	0.9%	16.9%	3.2%
Free and concession	-9.6%	-2.1%	5.9%	1.7%	10.2%	5.0%	1.0%
Other internal income	-14.4%	25.7%	178.7%	43.4%	-20.2%	243.2%	28.0%
Total revenue	0.3%	9.5%	8.3%	-4.8%	2.1%	15.6%	2.9%
Labour	15.2%	7.7%	8.4%	11.8%	7.8%	62.0%	10.1%
Fuel/fleet running	7.4%	17.7%	-15.1%	49.7%	8.7%	74.5%	11.8%
Other expenses	2.6%	27.9%	-7.4%	27.7%	3.3%	60.4%	9.9%
Interdepartmental recharges	6.6%	-10.9%	14.2%	13.0%	-21.3%	-3.5%	-0.7%
Depreciation and interest	-1.3%	-3.6%	8.1%	-2.4%	36.0%	36.5%	6.4%
Efficiency savings	n/a	n/a	n/a	n/a	n/a		
Total expenses	9.1%	8.6%	1.5%	19.1%	8.1%	54.9%	9.2%

4.3.2 STA Ferries cost recovery outlook

The STA does not have a cost recovery target for Sydney Ferries, but advises that full-cost recovery is unlikely in the foreseeable future.

The STA expects total patronage growth of around 1 per cent over the next two years. Patronage for Sydney Ferries peaked in 2000/01 with the Olympic Games. Since then, ferry patronage has been hit by the post-September 11 tourism downturn, and the STA believes that a slight fall in ferry commuter travel is also affecting patronage.

Some curtailing of expenses is expected as the maintenance backlog recedes. Sydney Ferries moved to a higher cost structure when it implemented all of the recommendations made by a 2001 Waterways Authority review, including systems and standards that qualify it for the International Safety Management (ISM) code and ISO 9001:2000. However, some operational savings will be made as better workplace practices flow through.

Sydney Ferries' cost recovery will also be boosted by the inclusion of recently identified opportunities to improve efficiency. The Tribunal indicated last year that future fare increases for Sydney Ferries would be dependent on STA establishing and achieving efficient cost targets. A recent review by SKM¹⁷ identified potential efficiency gains in the following areas:

- reducing fleet size
- improving the utilisation of crews to reduce the level of overtime at penalty rates

17 Sinclair Knight Merz, *Sydney Ferries Cost Efficiency Review Study 2003*, Final Report 24 June 2003.

- re-specifying the period of operation of ticket outlets at the Circular Quay wharves
- divesting the ownership of wharves (however, savings may be offset by access fees charged by the new owners)
- reducing the insured value of vessels (subject to prudent risk management)
- reducing the level of inventory holdings
- developing best practice maintenance.

These recommendations, if fully achieved, may reduce Sydney Ferries costs by between \$3m and \$4m p.a. The Tribunal used \$3.5m as its estimate of potential cost savings for 2003/04 in its cost recovery calculation.

4.3.3 Sydney Ferries service quality

Performance against existing measures

Sydney Ferries is meeting most of its service quality targets. On-time running and other reliability measures have been particularly good.

The STA also provided the results of a customer satisfaction survey that reflected recent improvements. 29 per cent of passengers thought that service had improved over the past year, compared with only 7 per cent who believed that service had deteriorated. Positive feedback was received about upgraded ferries and on-time running.

The Tribunal received few submissions from passengers on service quality for Sydney Ferries compared with CityRail and Sydney Buses.

Improvements in service quality

New accreditations gained by Sydney Ferries indicate that safety is improving. Sydney Ferries is now accredited to an internationally recognised quality management system¹⁸ and the International Safety Management code¹⁹.

Sydney Ferries' submission also outlined steps that have been taken in the past year to improve cleanliness and comfort for passengers.

The current performance criteria and reporting processes for Sydney Ferries should be improved in order for the Tribunal to make a more detailed assessment of service quality. Performance statistics provided to the Tribunal are too broad, and are not always relevant for passengers. The Tribunal raised similar concerns last year. Better performance reporting could provide more scope to link fares more closely to service quality.

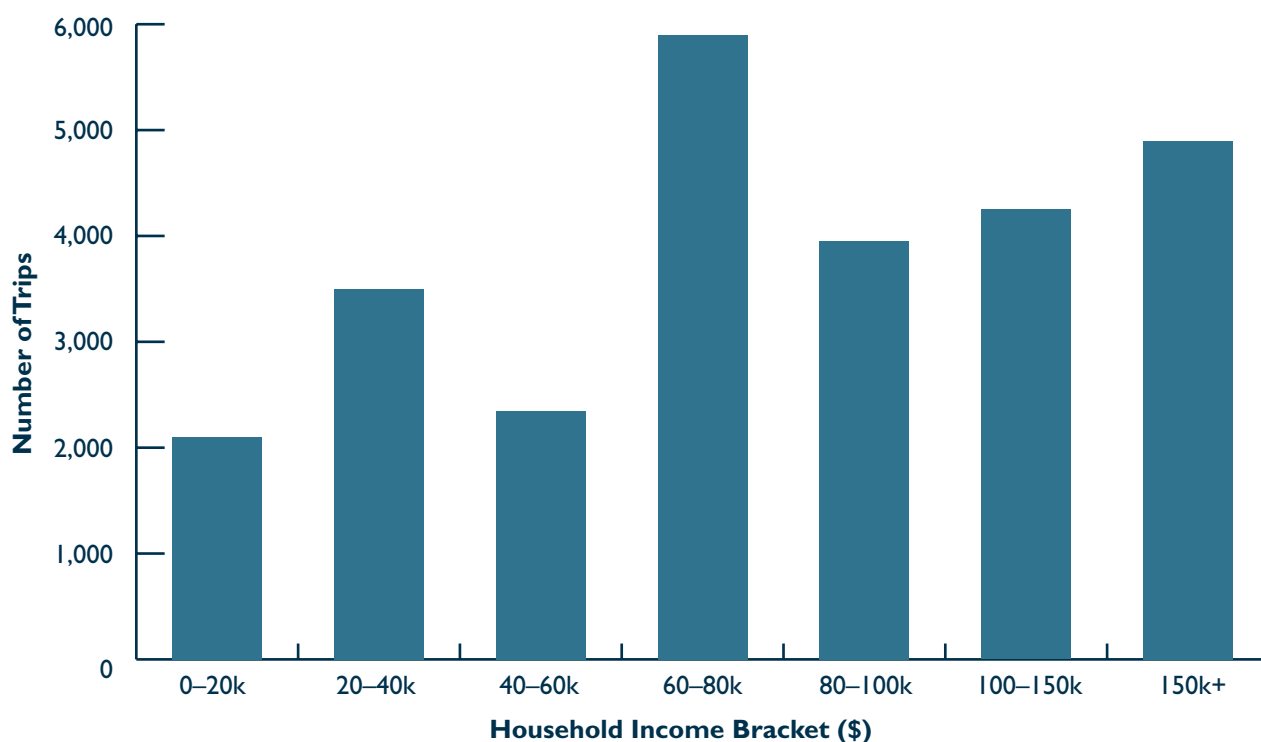
¹⁸ The STA has gained internationally recognised certification for its customer service delivery. The certification (ISO 9001:2000) is achieved through an independent audit and recognised by Standards Australia.

¹⁹ Recognised by the International Maritime Organisation.

4.3.4 Social considerations

The Tribunal considered the income levels of Sydney Ferries passengers in making its determination. Figure 4.9 shows the household income of its full-fare passengers.

Figure 4.9 Passengers per day by household income—Sydney Ferries



Source: TDC Household Travel Survey 2001.

TDC data indicates that the Sydney residents who are ferry passengers have higher household income profiles than passengers on CityRail and Sydney Buses. Further, tourists may be even more willing to pay for ferry services. Combined with modest fare increases in the past two years, a fare rise of 7.5 per cent is not likely to cause excessive financial hardship for ferry passengers.

4.3.5 Implications of the Tribunal's Determination for Sydney Ferries

The Tribunal's decision should strengthen the financial position of Sydney Ferries. Cost recovery for 2003/04 is forecast to be 56.1 per cent, which is higher than the past two years, although part of this increase is generated by removing expected cost savings from cost recovery calculations. To the extent that these fall short of expectations, the rise in the cost recovery ratio will not be as noticeable.

An improved financial position should provide greater financial and operational flexibility as Sydney Ferries looks to pursue efficiency gains and other business objectives.

The Tribunal would like to see a stronger commitment from the STA on improving business efficiency and service quality, and to report on these matters in a suitable way. The Tribunal would like the STA to publicly outline its strategies and plans for efficiency and service quality for Sydney Ferries, and to develop robust performance reporting frameworks.

4.4 Newcastle Services

STA's submission requests a fare rise of CPI plus a small increment to partially offset an increasing cost base.

4.4.1 Newcastle Services cost recovery history

Cost recovery was steady until 2002/03

Newcastle Services' cost recovery stayed in a band around 70 per cent from 1997/98 to 2001/02 (Table 4.14).

Table 4.14 Newcastle Services cost recovery since the late 1990s

1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04 ^f
70.9%	72.4%	69.3%	68.2%	72.0%	68.3%	66.9%

f = forecast

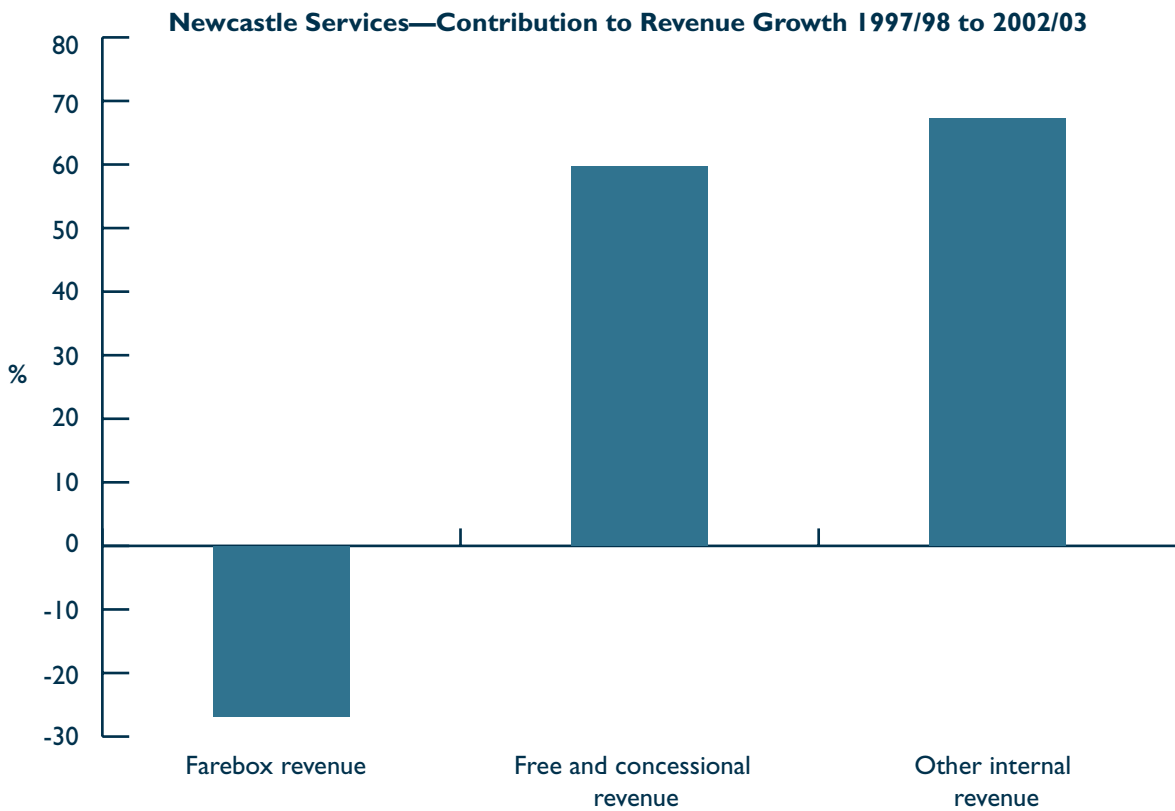
Cost recovery dipped in 2002/03 and will probably fall further. The Tribunal noted that cost recovery results for Newcastle Services are heavily dependent on Government social policy. The proportion of costs covered by farebox revenue has fallen steadily in the past five years to just 15.7 per cent in 2002/03. The 2003/04 forecast in Table 4.14 incorporates the effect of the present determination (discussed next section).

On the revenue side, farebox income has fallen in the five years to 2002/03, but Other Internal Revenue (notably rents and advertising) has grown strongly from a small base.

Table 4.15 Growth of cost recovery components

	1998/99	1999/00	2000/01	2001/02	2002/03	1997/98 to 2002/03 Total growth	1997/98 to 2002/03 Average growth
Revenue side	2.6%	1.3%	0.9%	11.3%	0.0%	16.8%	3.2%
Cost side	0.5%	5.7%	2.6%	5.5%	5.4%	21.2%	3.9%

Figure 4.10 Sources of Newcastle Services revenue growth



On the cost side, labour was the main driver of expenses from 1997/98 to 2003/03, averaging 3.6 per cent growth per annum. All major categories of expenses increased (Figure 4.11).

Figure 4.11 Sources of Newcastle Services cost growth

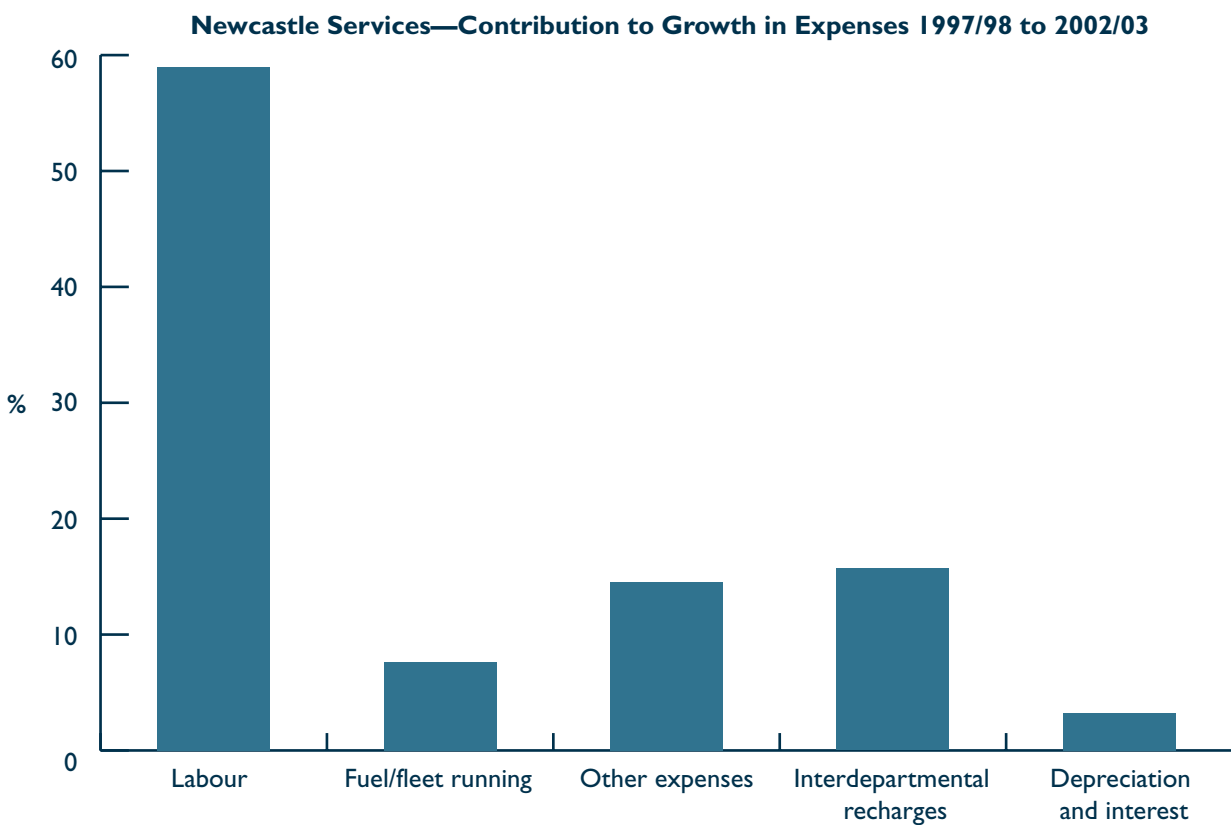


Table 4.16 shows the growth in major revenues and expenses in each of the past five years.

Table 4.16 Detailed annual growth in cost recovery components

	1998/99	1999/00	2000/01	2001/02	2002/03	1997/98 to Total growth	2002/03 Average growth
Farebox revenue	-4.5%	0.7%	-4.8%	-2.2%	-4.4%	-14.4%	-3.1%
Free and concession	5.8%	1.7%	3.0%	7.5%	-3.4%	15.0%	2.8%
Other internal income	10.0%	-0.2%	11.6%	282.0%	40.9%	559.7%	45.8%
Total revenue	2.6%	1.3%	0.9%	11.3%	0.0%	16.8%	3.2%
Labour	1.0%	5.2%	1.7%	7.3%	3.1%	19.5%	3.6%
Fuel/fleet running	-1.7%	5.5%	13.9%	1.6%	-7.1%	11.5%	2.2%
Other expenses	-10.0%	10.5%	5.6%	20.8%	2.9%	30.5%	5.5%
Interdepartmental recharges	35.3%	7.7%	23.3%	-4.6%	10.5%	89.4%	13.6%
Depreciation and interest	-2.1%	3.8%	16.7%	-12.0%	4.0%	8.6%	1.7%
Total expenses	0.5%	5.7%	2.6%	5.5%	5.4%	21.2%	3.9%

4.4.2 Newcastle Services cost recovery outlook

Passenger numbers on Newcastle Services are falling. The STA has not fully assessed why this is happening, but points to possible reasons: an ageing population, decentralisation of Newcastle and movement of the population away from current service areas. The STA's strategy to stop this decline is to run more frequent services.

Major cost savings are not apparent

The STA claims that available cost efficiencies have been realised for Newcastle Services, and there are no plans to revisit this issue. Feedback from the STA indicates that efficiency studies for Sydney Buses have been used to identify potential cost savings in Newcastle.

A new fleet of 30 buses has been ordered. The STA advises that these buses are designed for light traffic, which makes them cheaper than buses used in Sydney.

4.4.3 Newcastle Services service quality

Performance against existing measures

A table of KPIs was provided for Newcastle services. Most of the results were satisfactory, although the average age of the bus fleet (14.1 years) exceeds the target.

On-time running data from the STA indicate that performance has improved. Last year the Tribunal noted a declining trend in on-time running for Newcastle Services, with no expected improvement.

The comments in Section 4.1.1 in relation to the improved quality of new buses also apply to Newcastle buses.

Mixed results were received from an independent customer satisfaction survey on Newcastle buses—33 per cent of passengers thought that service has improved in the past 12 months and 25 per cent thought it had deteriorated. Customers were most happy with the introduction of new routes and more frequent services, but at the same time route changes and less frequent service were cited as the main source of dissatisfaction.

The Tribunal received few submissions from passengers on service quality for Newcastle Services compared with CityRail and Sydney Buses.

New measures and intentions to improve service quality

A passenger charter for Newcastle Services will be published in the second half of 2003. The charter will lead to ‘guaranteed’ service standards for items such as on-time running, vessel presentation and customer safety and security.

New buses in Newcastle may boost service quality in a number of ways. A new fleet of 30 buses has been ordered—and they are designed for light traffic, which will provide a better service than if buses used in Sydney had been purchased.

Current performance criteria and reporting processes are not sufficient for the Tribunal to draw firm conclusions about service quality in Newcastle Services.

The Tribunal would like to see the STA improve performance reporting in the future.

4.4.4 Social considerations

The Tribunal notes that its decision mainly affects government funding because a high proportion of trips in Newcastle are made by passengers who are eligible for concession fares. Unlike Sydney services, not many commuters use the Newcastle Services’ buses.

4.4.5 Implications of the Tribunal’s Determination for Newcastle Services

The Tribunal’s decision should support the financial position of Newcastle Services, although it will probably not halt the decline in cost recovery. The Tribunal’s forecast for cost recovery for 2003/04 is 66.9 per cent, compared with 68.3 per cent in 2002/03. Increased revenue should help with immediate business priorities for Newcastle Services.

The Tribunal would like to see a stronger commitment from the STA on improving business efficiency and service quality, and to report on these matters in a suitable way. The Tribunal wants the STA to use the coming months to outline its strategies and plans for efficiency and service quality for Newcastle Services, and to develop robust reporting frameworks.

5 Implications for passengers, community and environment

5.1 Implications for passengers

The Tribunal is sensitive to the financial burden of fares on public transport passengers. In particular, the Tribunal's fare decisions are designed not to place excessive financial pressure on passengers. It should be noted that part of the price increase is an allowance for inflation, which was around 3.1 per cent in 2002/03.

In assessing the likely impact of the fare increases, the Tribunal examined the incomes of public transport passengers. The income range for public transport passengers tends to be very wide, because public transport is used by both commuters and non-commuters.

Table 5.1 presents an income profile of users of CityRail and STA services in Sydney who pay the full adult fare. Median household income is higher for Sydney Ferries' passengers than for CityRail and Sydney Buses.

Table 5.1 Income profile of Sydney public transport users

Mode	No. of trips	Average personal income	Average household income	Median household income
CityRail	490,167	\$43,371	\$78,356	\$63,492
Sydney Buses	256,772	\$43,471	\$82,766	\$64,116
Sydney Ferries	27,183	\$59,425	\$95,332	\$71,864

Source: HTS 2001, average weekday.

The Tribunal notes that the proposed fare increases are not excessive, particularly in light of the modest fare increases of the previous two years (Table 5.2).

Table 5.2 Average fare rises in recent years

	1997/98 %	1998/99 %	1999/00 %	2000/01 %	2001/02 %	2002/03 %
CityRail	2.3	3.2	13.8	8.0	3.3	2.0
Sydney Buses	2.3	2.1	7.0	8.6	4.8	1.9
Sydney Ferries	2.3	3.3	7.0	8.6	5.0	2.0
Newcastle Services	2.3	0.5	7.0	8.6	3.7	0.5
<i>Inflation</i>	<i>0.0</i>	<i>1.3</i>	<i>2.4</i>	<i>6.0</i>	<i>2.9</i>	<i>3.1</i>

Table 5.3 provides some examples to show how the new fare increases apply across a number of distance bands:

Table 5.3 Specific examples of fare changes

Agency	Trip description	Single Journey		Weekly/TravelTen	
		Old fare \$	New fare \$	Old fare \$	New fare \$
CityRail	Stanmore to Central	2.20	2.20	17.00	18.00
	Fairfield to Parramatta	2.60	2.80	20.00	22.00
	Parramatta to Central	3.80	4.00	29.00	31.00
	Cronulla to Bondi Junction	5.20	5.20	36.00	37.00
	Penrith to Central	6.60	6.60	43.00	44.00
Sydney Buses	Gladesville to Rozelle	2.60	2.70	18.90	19.70
	Malabar to City (Market St)	3.40	3.50	23.50	24.50
	Avalon to North Sydney	4.70	4.80	19.90	20.90
Sydney Ferries	Manly to Circular Quay	5.40	5.80	39.30	42.90
	Parramatta to Circular Quay	6.40	7.00	45.10	49.30
	Woolwich to Circular Quay	4.50	4.80	29.10	31.10

5.2 Implications for the community

The Tribunal is required under Section 16 of the *Independent Pricing and Regulatory Tribunal Act, 1992* to report on the likely annual cost to the Government if fares were not increased to the maximum permitted, and the STA were compensated from the Consolidated Fund for the revenue foregone. Table 5.4 shows the increase in farebox revenue for each agency from this determination on a full-year basis, assuming unchanged patronage in response to the fare increase.²⁰

Table 5.4 Impact of the determination on agencies' farebox revenue

Agency	Additional farebox revenue 2003/04
CityRail	\$23.1m
Sydney Buses	\$9.4m
Sydney Ferries	\$2.8m
Newcastle Services	\$0.3m

The Tribunal's decision on Newcastle Services will change the composition of government funding because of the high proportion of concession fares. An increase in fares will raise concession payments, but will alleviate the need for deficit funding from government. The net savings to the taxpayer should be small.

²⁰ These estimates do not include extra revenue from higher free and concession ticket payments from the State Government. This revenue already comes from the Consolidated Fund.

Submissions received by the Tribunal indicated varying attitudes to public subsidies of transport. Some complained that public transport is over-subsidised, while others argued that the relative subsidies for road travel are even greater (with detrimental effects such as congestion and pollution). This raises the issue of agency 'self-promotion'—could/should CityRail and STA compare public and private subsidies at regular intervals, and/or outline the benefits of public transport for non-users?

Finally, the Tribunal's determination is not likely to affect general price inflation. Information from the ABS indicates that public transport spending is a very small component of the basket of goods and services that are monitored in inflation statistics.

5.3 Implications for the environment

Public transport is an environmentally-friendly alternative to the use of private motor vehicles. The extent to which environmental benefits, notably reduced pollution, can be realised will depend on factors such as the relative cost of public versus private transport, and the propensity for private vehicle users to switch to public transport. This, in turn, will be influenced by accessibility, service quality and frequency of public transport.

The Tribunal has considered usage trends of public transport, and the extent to which fare increases may affect demand for public transport services. The TDC collects and publishes information on Sydney household travel patterns.

This information suggests a relative shift towards the use of private vehicles, but not at the expense of public transport. Data indicates that between 1991 and 1999, public transport's share of total trips remained stable at around 11 per cent. In contrast, the share of private vehicles trips made on weekdays increased from 67 per cent in 1991 to 70 per cent in 1999. Overall, the actual number of trips undertaken by car increased by around 18 per cent, compared to around 12 per cent for rail and 5 per cent for buses.

The majority of evidence available to the Tribunal suggests that price has only a small influence on the decision to use public transport. Other issues such as service quality, timeliness, frequency, convenience and accessibility are likely to be more important determinants of public transport demand.

During the 2001/02 Determination of Public Transport Fares, the Tribunal commissioned an independent study by the Centre for International Economics (CIE) on subsidies and the social costs and benefits of public transport.²¹ The study indicated that changes in public transport fare levels are unlikely to have a major impact on patronage levels, and that a range of factors are considered by the traveller when determining travel mode. The study states:²²

The effectiveness of public transport subsidies in controlling transport externalities depends partly on the influence they have on fares, and, through these, on the relative price of travel by these modes compared with car. The influence is only partial because

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

22 Op cit, pp 38 and 43.

subsidies can also be used to change the quality of service at a given fare—through expenditure that change journey speed, frequency, reliability, comfort and safety. The EPA and NCOSS have emphasised that these factors play a significant role in inhibiting public transport patronage. Mees (2000, p 86) also points out that ‘... public transport is already cheaper than owning and operating a car. It is flexibility, convenience and door to door travel times that count most’.

The Tribunal does not expect this determination to have adverse environmental effects through a switch from public transport to cars.

Support for the financial health of the agencies should have positive long-term implications for the public transport network, which in turn is good for the environment. The Tribunal acknowledges the financial burden facing the agencies as they aim to improve public transport standards in line with community expectations, and sees appropriate fare increases as a means to ensure their long-term viability. For example, increased farebox revenue for Sydney Buses should assist the replacement of older buses with new vehicles that are friendlier to the environment and more attractive as a transport alternative for the community.

6 Fare determinations in detail

6.1 CityRail fares schedule

The fares schedule is part of Determination No. 5 of 2003 made by the Tribunal under Section 11(1) of the *Independent Pricing and Regulatory Tribunal Act, 1992*.

Table 6.1 Maximum fares for CityRail railway passenger services from 31 August 2003

Distance	Single	Half Single	Return	Half Return	Weekly	Off-Peak Return
km	\$	\$	\$	\$	\$	\$
5	2.20	1.10	4.40	2.20	18.00	2.60
10	2.80	1.40	5.60	2.80	22.00	3.40
15	3.00	1.50	6.00	3.00	25.00	3.60
20	3.60	1.80	7.20	3.60	28.00	4.40
25	4.00	2.00	8.00	4.00	31.00	4.80
30	4.40	2.20	8.80	4.40	33.00	5.40
35	4.40	2.20	8.80	4.40	34.00	5.40
45	5.20	2.60	10.40	5.20	37.00	6.40
55	6.00	3.00	12.00	6.00	40.00	7.40
65	6.60	3.30	13.20	6.60	44.00	8.00
75	8.00	4.00	16.00	8.00	47.00	9.80
85	8.80	4.40	17.60	8.80	50.00	10.80
95	9.80	4.90	19.60	9.80	52.00	12.00
105	10.20	5.10	20.40	10.20	54.00	12.40
115	11.40	5.70	22.80	11.40	56.00	14.00
125	12.80	6.40	25.60	12.80	59.00	15.60
135	13.00	6.50	26.00	13.00	64.00	15.80
155	15.00	7.50	30.00	15.00	70.00	18.40
175	17.00	8.50	34.00	17.00	74.00	21.00
195	21.00	10.50	42.00	21.00	82.00	26.00
215	21.00	10.50	42.00	21.00	82.00	26.00
235	25.00	12.50	50.00	25.00	96.00	31.00
255	25.00	12.50	50.00	25.00	96.00	31.00
305	28.00	14.00	56.00	28.00	108.00	34.00
305+	28.00	14.00	56.00	28.00	108.00	34.00
TravelPass	\$		Child Off-Peak	\$		
Red	32.00		Sydney Suburban	2.40		
Green	40.00		Newcastle Suburban	2.40		
Yellow	44.00		Outer Metropolitan	3.50		
Pink	47.00		CityRail	5.70		
Purple	54.00					

Notes:

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

6.2 State Transit Authority fares schedule

The fares schedule is part of Determination No. 6 of 2003 made by the Tribunal under Section 11(1) of the *Independent Pricing and Regulatory Tribunal Act, 1992*.

Table 6.2 Maximum fares for STA Sydney Buses services from 31 August 2003

SYDNEY BUSES FARES	Adult (\$)	Concession (\$)
Single ride fares		
1–2 Sections	1.60	0.80
3–5 Sections	2.70	1.30
6–9 Sections	3.50	1.70
10–15 Sections	4.00	2.00
16+ Sections	4.80	2.40
TravelTen		
Blue: 1–2 Sections	11.80	5.90
Brown: 3–5 Sections	19.70	9.80
Red: 6–9 Sections	24.50	12.20
Green: 10–15 Sections	33.20	16.60
Orange: 16+ Sections	41.80	20.90
TravelPass – Bus and Ferry		
Blue	29.00	14.50
Orange	36.00	18.00
2 Zone	29.00	14.50
Pittwater	49.00	24.50
TravelPass^{1,2} Bus, Ferry and Rail		
Red	32.00	16.00
Green	40.00	20.00
Yellow	44.00	22.00
Pink	47.00	23.50
Purple	54.00	27.00
BusTripper	10.90	5.40
DayTripper (Bus/ferry/rail daily)	15.00	7.50

Notes:

1. Quarterly TravelPass = 11 x weekly fare.

2. Yearly TravelPass = 40 x weekly fare.

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

Table 6.3 Maximum fares for STA ferry services from 31 August 2003

FERRY FARES	Adult (\$)	Concession (\$)
Single		
Inner Harbour Zone 1/Upper Parramatta River	4.50	2.20
Inner Harbour Zone 2	4.80	2.40
Manly/Rydalmere	5.80	2.90
Parramatta	7.00	3.50
Manly JetCat	7.50	
FerryTen		
Inner Harbour Zone 1	28.50	14.20
Inner Harbour Zone 2	31.10	15.50
Manly/Rydalmere	42.90	21.40
Parramatta	49.30	24.60
Manly JetCat	62.50	

Note:

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

Table 6.4 Maximum fares for STA Newcastle Services from 31 August 2003

NEWCASTLE FARES	Adult (\$)	Concession (\$)
Time		
1 Hour	2.60	1.30
4 Hours	5.10	2.50
TimeTen 1 Hour	21.50	10.70
All day	7.80	3.90
Stockton Ferry	1.90	0.90
TravelPass^{1,2}		
Orange	36.00	18.00
Yellow	44.00	22.00
Pink	47.00	23.50

Notes:

1. Quarterly TravelPass = 11 x weekly fare.

2. Yearly TravelPass = 40 x weekly fare.

7 Issues for agencies to consider prior to the 2004 review

The 2003 public transport fare determination has raised a number of issues that the Tribunal wishes to consider in more detail prior to the next determination. The most significant of these issues include:

- developing robust estimates of efficient costs for each agency
- developing better performance criteria and reporting processes
- the plans and strategies of each agency to improve passenger volumes
- whether ancillary activities should be excluded from cost recovery calculations (eg car parking).

The proposed introduction of integrated ticketing will also have implications for the Tribunal's future determinations, primarily with regard to fare structures. Issues noted by the Tribunal that may be affected by integrated ticketing include:

- deciding on level of discount that should apply to multi-trip and periodical fares
- reducing the off-peak return ticket discount (as proposed by CityRail), and the possible introduction of an off-peak single ticket
- introducing a TravelTen ticket for CityRail, but not until integrated ticketing smartcards are introduced in mid to late 2004
- defining TravelPass zones that are not based on distance from the CBD (eg, it is not possible to purchase a pass that radiates from Parramatta)
- removing multiple flagfalls from multi-modal tickets.

The current Ministerial Inquiry into transport funding may provide guidance for many of these matters. Where needed, the Tribunal will also release issues papers or undertake further consultation. The Tribunal recognises that it may not be able to resolve all of these issues by the next determination, and will try to prioritise the list and address the most important issues first.

In addition, this process has raised a number of items that the Tribunal requires agencies to consider and report back on prior to the 2004 determination. These include:

- The Railway Technical Society argues that fares could be restructured to reflect characteristics other than distance. For example, express services could be more expensive. CityRail raised a similar issue with the Secretariat in a recent meeting.
- CityRail proposes to reduce the number of longer distance bands within its fare structure.
- Submissions must be in on time. Many community groups were severely handicapped by the delay in agency submissions this year. Some groups organised meetings to discuss the agencies' submissions soon after 28 April (the original agency deadline), only to cancel them because submissions were not received until 16 May. The private bus and private ferry associations also delayed their submissions until they had an opportunity to view the STA submission, meaning that community groups were not able to view either the BCA or CVA submissions until late May.

Appendix I List of submissions

The Tribunal received submissions from the following organisations and individuals.

Organisations

Action for Public Transport
Australian Council for Infrastructure Development Limited
Blue Mountains Commuter and Transport Users Association
Campbelltown and District Commuters Association
Campbelltown City Council
Combined Pensioners and Superannuants Association of NSW
Combined Pensioners and Superannuants Association
Commuter Council of NSW
NSW Council of Social Service
Public Interest Advocacy Centre
Public Service Association of NSW
Rail Tram and Bus Industry Union
Railway Technical Society of Australasia
Retired Members Association (LHMU)
Retired Teachers Association
Southern Cross University
Springwood and Winmalee Action Group
State Rail Authority of NSW
State Transit Authority of NSW
Vaucluse Progress Association
Western Sydney Community Forum
Wollongong University Postgraduate Association
Woollahra Municipal Council

Individuals

Adams, Jeanette	Hayes, Richard	Romero, Mark
Ashlin, Mark	Hegarty, John	Simm, Shaun
Beeney, A J	Ireland, Tom	Sinclair, W
Bendall, Kirk	Irving, Miles	Skinner, Harold
Bruzgulis, Maris	Jones, Pru	Styles, Wayne
Caldwell, David	Li, Richard	Sutherland, Greg
Cooper, David	Long, Marilyn	Tanko, Tanya
Craig, William	Mitchell, Jeffrey	Vnuk, Joseph
Crawford, P	Myers, Hazel	White, Patrick
Cuschieri, Julian	Owen, Ted	Williamson, Jean
Eames, Graham	Ready, John	

Appendix 2 Presenters at the public hearing

The presenters at the public hearing on 3 July were:

State Transit Authority (John Stott)
CityRail (Vince Graham)
Action for Public Transport (Allan Miles)
Blue Mountains Commuter Association (Paul Trevaskis)
Commuter Council of NSW (Kevin Parish)
Railway Technical Society of Australasia (Philip Laird)

Also attending the hearing were:

Margaret Brazel (StateRail)
David Caldwell
Malcom Currey
Dick Day (StateRail)
Sharyn Doyle (StateRail)
Paul Dunn (STA)
Graham Hoskin (Action for Public Transport)
Richard Langereis (Ministry of Transport)
Leanne Lincoln (2GB News)
Peter McCallum (Action for Public Transport and Commuter Council)
David Royle
Peter Scarlett (StateRail)
Yarie Scrutas (ABC News)
Bill Watson (STA)
Jim Wellsmore (Public Interest Advocacy Centre)

Appendix 3 IPART Act requirements

Section 15 requirements

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

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

- (1) In making determinations and recommendations under this Act, the Tribunal is to have regard to the following matters (in addition to any other matters the Tribunal considers relevant):
 - (a) the cost of providing the services concerned
 - (b) the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services
 - (c) the appropriate rate of return on public sector assets, including appropriate payment of dividends to the Government for the benefit of the people of New South Wales
 - (d) the effect on general price inflation over the medium term
 - (e) the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers
 - (f) the need to maintain ecologically sustainable development (within the meaning of Section 6 of the *Protection of the Environment Administration Act, 1991*) by appropriate pricing policies that take account of all the feasible options available to protect the environment
 - (g) the impact on pricing policies of borrowing, capital and dividend requirements of the government agency concerned and, in particular, the impact of any need to renew or increase relevant assets
 - (h) the impact on pricing policies of any arrangements that the government agency concerned has entered into for the exercise of its functions by some other person or body
 - (i) the need to promote competition in the supply of the services concerned
 - (j) considerations of demand management (including levels of demand) and least-cost planning
 - (k) the social impact of the determinations and recommendations
 - (l) standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise).
- (2) In any report of a determination or recommendation made by the Tribunal under this Act, the Tribunal must indicate what regard it has had to the matters set out in Subsection (1) in reaching that determination or recommendation.
- (3) To remove any doubt, it is declared that this section does not apply to the Tribunal in the exercise of any of its functions under Section 12A.
- (4) This section does not apply to the Tribunal in the exercise of any of its functions under Section 11(3).

Table A3.1 indicates where the matters have been considered throughout the report by the Tribunal in making this determination.

Table A3.1 Consideration of Section 15 matters by Tribunal for the Public Transport Fare determination

Section 15(1)	Report reference
(a) cost of providing the service	Sections 4.1, 4.2, 4.3, 4.4
(b) protection of consumers from abuse of monopoly power	Sections 4.1.5, 4.2.4, 4.3.4, 5.1
(c) appropriate rate of return and dividends	Sections 4.1, 4.2, 4.3, 4.4
(d) effect on general price inflation	Section 5.2
(e) improved efficiency in supply of services	Sections 4.1, 4.2, 4.3, 4.4
(f) ecologically sustainable development	Section 5.3
(g) impact on borrowing, capital and dividend requirements	Sections 4.1.6, 4.2.5, 4.3.5
(h) additional pricing policies	Sections 3.2, 4.1.5, 4.2.4, 4.3.4
(i) need to promote competition	Sections 4.1.1, 4.2.1
(j) considerations of demand management	Section 5.3
(k) the social impact on customers	Sections 4.1.5, 4.2.4, 4.3.4, 5.1
(l) standards of quality, reliability and safety of the services	Sections 4.1, 4.2, 4.3, 4.4

Section 16 requirements

Section 16 of the IPART Act requires the Tribunal to report on the likely impact to the Consolidated Fund if fares were not increased to the maximum permitted. This information is contained in Section 5.2.

Appendix 4 NSW Public Transport: Description

The Transport Data Centre (TDC) estimates that on an average weekday in Sydney in 2001 residents made 5.0 per cent of all trips by train, 5.9 per cent by bus and 0.2 per cent by ferries. Public bus services provide 56 per cent of these bus passenger trips.

Table A4.1 Trips by mode on an average *weekday*, 1991,¹ 2000² and 2001³ (unlinked trip legs)

Mode	1991 '000	2000 '000	2001 '000	Annual % change 1991/00 ⁴	% change 2000/2001
Vehicle driver	6,366	7,519	7,594	1.9%	1.0%
Vehicle passenger	2,850	3,403	3,404	2.0%	0.0%
Total private vehicle	9,216	10,921	10,998	1.9%	0.7%
Train	691	784	776	1.4%	-1.0%
Bus	917	921	885	0.0%	-3.9%
Government bus			559		
Private bus			326		
Ferry	33	34	38	0.5%	11.7%
Total public transport	1,641	1,739	1,699	0.6%	-2.3%
Walk only	2,700	2,724	2,713	0.1%	-0.4%
Bicycle	98	86	101	-1.5%	17.6%
Taxi	103	119	117	1.6%	-1.3%
Other	20	61	83	13.4%	35.8%

Notes:

- 1 All data sourced from 1991/92 HTS, weighted to represent travel by the 1991 Estimated Resident Population (ERP) from the ABS.
- 2 All data sourced from waves 2 to 4 of the HTS (1998/99, 1999/2000 and 2000/01) pooled together and weighted to represent travel by the 2000 Estimated Resident Population (ERP) from the ABS.
- 3 All data sourced from waves 3 to 5 of the HTS (1999/2000, 2000/01 and 2001/02) pooled together and weighted to represent travel by the 2001 Estimated Resident Population (ERP) from the ABS.
- 4 Annual average growth rate 1991 to 2000.

Figures in the tables are rounded, but percentages are calculated from original unrounded data.

Table A4.2 Trips by mode on an average weekend day, 1991,¹ 2000² and 2001³ (unlinked trip legs)

Mode	1991 '000	2000 '000	2001 '000	Annual % change 1991/00⁴	% change 2000/2001
Vehicle driver	4,974	5,798	5,754	1.7%	-0.7%
Vehicle passenger	4,077	4,431	4,382	0.9%	-1.1%
Total private vehicle	9,051	10,229	10,137	1.4%	-0.9%
Train	240	262	237	1.0%	-9.5%
Bus	295	308	319	0.5%	3.7%
STA bus		243	239		
Private bus		65	80		
Ferry	21	14	13	-4.2%	-9.1%
Total public transport	555	584	569	0.6%	-2.5%
Taxi	101	107	108		
Walk only	1,864	1,893	2,076	0.2%	9.7%
Other	200	296	305	3.9%	3.0%

Notes:

- 1 All data sourced from 1991/92 HIS, weighted to represent travel by the 1991 Estimated Resident Population (ERP) from the ABS.
- 2 All data sourced from waves 2 to 4 of the HTS (1998/99, 1999/2000 and 2000/01) pooled together and weighted to represent travel by the 2000 Estimated Resident Population (ERP) from the ABS.
- 3 All data sourced from waves 3 to 5 of the HTS (1999/2000, 2000/01 and 2001/02) pooled together and weighted to represent travel by the 2001 Estimated Resident Population (ERP) from the ABS.
- 4 Annual average growth rate 1991 to 2000.

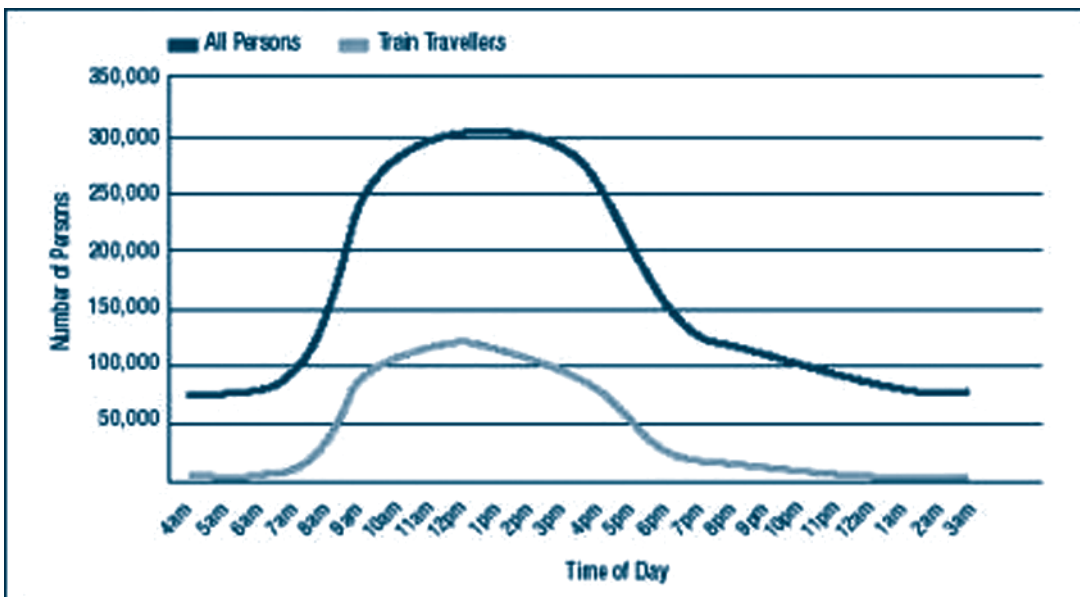
Figures in the tables are rounded, but percentages are calculated from original unrounded data.

CityRail provides heavy rail passenger services to the Sydney metropolitan area. The area extends to Scone/Dungog in the north, Lithgow in the west, Goulburn in the southwest and Nowra in the south. Until now, CityRail has been responsible for above-rail services only, but on 1 January 2004 its responsibilities will extend to metropolitan rail infrastructure.

CityRail accounts for about 5 per cent of all weekday travel in the Sydney area. It estimates that its passengers made an average of 950,000 journeys each weekday in 2000/01 (higher than the 776,000 estimated in the Household Travel Survey 2001).

Commuter travel is the major contributor to CityRail patronage—on weekdays 6:30am to 9:30am about 51 per cent of all trips to the CBD are by train.

Figure A4.2 Persons in Sydney CBD by time of day (average weekday 1999)



**Persons refers to residents of Sydney Statistical Division only, and therefore excludes people visiting the Sydney CBD who do not live in the Sydney Statistical Division.

CityRail's capacity is often fully stretched during the morning peak (Figure A4.3). Around 82 per cent of travellers in the peak are full-time workers and school commuters; 6 per cent are part-time work commuters and another 6 per cent are adult students.

Figure A4.3 Percentage of Sydney travellers in each mode by time of day

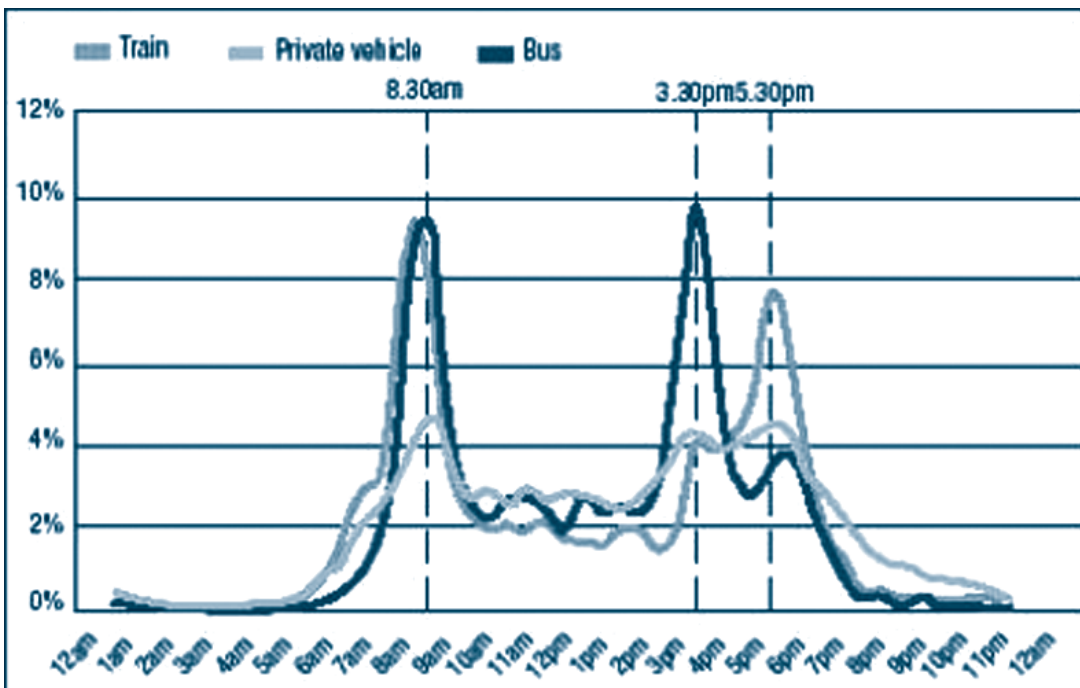


Table A4.3 Morning peak rail travellers by labour force status; average 2001 weekday

Labour force status	Trips	% of trips
Full-time work	184,257	68.9
Retired/aged pensioner	7,157	2.7
Adult full-time study excluding secondary school	16,277	6.1
Unemployed	1,719	0.6
Part-time/casual work	16,894	6.3
Part-time study	886	0.3
Other pensioner	2,146	0.8
Keeping house	639	0.2
Adult/child attending school up to secondary (excl pre-school)	37,589	14.0
Total trips	267,564	100.0

Table A4.4 Morning peak rail travellers by type of ticket; average 2001 weekday

Fare Type	Trips	% of trips
Full fare	187,508	70.1
Child fare	1,328	0.5
Free – school pass	33,211	12.4
Free – other	7,298	2.7
Concession – Pensioner/Aged	7,267	2.7
Concession – Student	19,728	7.4
Concession – Other	9,577	3.6
Other (specify)	1,649	0.6
Total trips	267,564	100.0

The STA bus network covers inner and eastern Sydney's higher-density areas and the northern beaches. Sydney Buses employs 3,560 staff and uses 1,760 buses on 300 bus routes and special events. Around 48 per cent of its travellers are full-fare paying passengers.

The STA also operates ferry routes in Sydney, mostly in Sydney Harbour, and a Manly 'Jetcat' service. Sydney Ferries employs 542 staff and uses 32 ferries. Around two-thirds of its passengers who are Sydney residents pay full fare.

The STA runs Newcastle bus and ferry services, employing 379 staff and using two ferries and 182 buses on 30 routes and 150 school runs. Around 13 per cent of its passengers pay full fare.

Appendix 5 Abbreviations used in this report

ABS	Australian Bureau of Statistics
BCA	The BCA or Bus and Coach Industrial Association is the peak industry organisation for the NSW private bus and coach sector.
CVA	The CVA or Charter Vessel Association of NSW is the peak industry organisation for the private ferry industry.
HTS	Household Travel Survey
MoT	The Ministry of Transport, formerly the Transport Co-ordination Authority, formerly the Department of Transport
PAR	Performance Assessment Regime—a series of best-practice objectives and standards for buses.
PTA	Passenger Transport Act, 1990
RTA	Roads and Traffic Authority, NSW
SRA	The SRA or State Rail Authority is the government-owned provider of CityRail train services.
SSTS	SSTS or School Student Transport Scheme provides subsidised travel for eligible school students on government rail, government and private bus and ferry services and long-distance coaches. The scheme can only be used for travel between home and school.
STA	The STA or State Transit Authority is the government-owned provider of bus and ferry services in Sydney and Newcastle.
TDC	The Transport Data Centre. It is the major source of transport data for the Sydney Statistical District (Sydney, Wollongong, Blue Mountains, Central Coast and Newcastle). The TDC is a division of the Ministry of Transport.



INDEPENDENT PRICING AND REGULATORY TRIBUNAL OF NEW SOUTH WALES

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

Reference No.:	02/262
Determination:	No 5, 2003
Government Agency:	State Rail Authority
Government monopoly services:	Railway passenger services (within the meaning of the <i>Passenger Transport Act, 1990</i>) supplied under the name "CityRail" by the State Rail Authority, excluding services supplied in accordance with the ticket known as the "SydneyPass".

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

The following are the maximum prices (to commence from 31 August 2003) determined by the Tribunal for the Government monopoly services set out above.

1. All standard CityRail passenger rail services

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

2. CityHopper tickets

The price of a CityHopper ticket, when purchased outside the CityHopper area, must not exceed the price of the appropriate standard return ticket (peak or off-peak) to the City plus an additional sum of \$2.10 for one day's unlimited rail travel in the City area. If purchased within the CityHopper area the fare will be \$6.80 in the peak and \$4.80 in the off-peak.

3. DayTripper tickets

The price of a DayTripper ticket must not exceed \$15.00.

4. Moore Park Link tickets

The price of a Moore Park Link ticket must not exceed the combined price of the rail ticket to Central (as outlined in Table 1) and the sports special bus ticket of \$4.60 for an adult ticket and \$2.30 for a concession.

5. Flexipass tickets

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

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

where:

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

6. Olympic Park tickets

For day tickets, ie single or return tickets, the price of a ticket to Olympic Park Station must not exceed the price of the appropriate rail ticket for the distance from the station of origin to Strathfield or Lidcombe (whichever is shortest) plus an additional sum of \$1.60 for an adult single journey (\$0.80 concession), or \$3.20 for an adult return journey (\$1.60 concession).

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

7. Bondi Link ticket

The price of a ticket to Bondi must not exceed the price of the appropriate rail ticket for the distance from the station of origin to Bondi Junction plus an additional sum of \$1.60 for an adult single journey (\$0.80 concession) or \$3.20 for an adult return journey (\$1.60 concession).

8. New or additional charges

All other prices or charges for railway passenger services provided by CityRail not specifically referred to in this Determination must remain at 2002/03 levels. The State Rail Authority must not levy any new or additional charges for the Government monopoly services supplied under the name "CityRail", other than in accordance with this Determination or with the approval of the Tribunal pursuant to any future Determination.

James Cox

Tribunal Member

15 August 2003

The fare schedule is part of Determination No. 5 of 2003 made by the Tribunal under section 11(1) of the *Independent Pricing and Regulatory Tribunal Act, 1992*.

Maximum fares for CityRail railway passenger services from 31 August 2003

Distance	Single	Half Single	Return	Half Return	Weekly	Off-Peak Return
Km	\$	\$	\$	\$	\$	\$
5	2.20	1.10	4.40	2.20	18.00	2.60
10	2.80	1.40	5.60	2.80	22.00	3.40
15	3.00	1.50	6.00	3.00	25.00	3.60
20	3.60	1.80	7.20	3.60	28.00	4.40
25	4.00	2.00	8.00	4.00	31.00	4.80
30	4.40	2.20	8.80	4.40	33.00	5.40
35	4.40	2.20	8.80	4.40	34.00	5.40
45	5.20	2.60	10.40	5.20	37.00	6.40
55	6.00	3.00	12.00	6.00	40.00	7.40
65	6.60	3.30	13.20	6.60	44.00	8.00
75	8.00	4.00	16.00	8.00	47.00	9.80
85	8.80	4.40	17.60	8.80	50.00	10.80
95	9.80	4.90	19.60	9.80	52.00	12.00
105	10.20	5.10	20.40	10.20	54.00	12.40
115	11.40	5.70	22.80	11.40	56.00	14.00
125	12.80	6.40	25.60	12.80	59.00	15.60
135	13.00	6.50	26.00	13.00	64.00	15.80
155	15.00	7.50	30.00	15.00	70.00	18.40
175	17.00	8.50	34.00	17.00	74.00	21.00
195	21.00	10.50	42.00	21.00	82.00	26.00
215	21.00	10.50	42.00	21.00	82.00	26.00
235	25.00	12.50	50.00	25.00	96.00	31.00
255	25.00	12.50	50.00	25.00	96.00	31.00
305	28.00	14.00	56.00	28.00	108.00	34.00
305+	28.00	14.00	56.00	28.00	108.00	34.00

TravelPass	\$	Child Off-Peak	\$
Red	32.00	Sydney Suburban	2.40
Green	40.00	Newcastle Suburban	2.40
Yellow	44.00	Outer Metropolitan	3.50
Pink	47.00	CityRail	5.70
Purple	54.00		

Notes:

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



INDEPENDENT PRICING AND REGULATORY TRIBUNAL OF NEW SOUTH WALES

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

Reference No.:	03/16
Determination:	No 6, 2003
Government agency:	State Transit Authority
Government monopoly services:	Regular passenger services (within the meaning of the <i>Passenger Transport Act, 1990</i>) supplied by the State Transit Authority, excluding the following: <ul style="list-style-type: none">a) services supplied in relation to the ticket known as the “SydneyPass”,b) the bus service known as the “Airport Express”,c) the bus service known as the “Sydney Explorer”, the bus service known as the “Bondi & Bay Explorer” and any other similar bus services operating in any other areas,d) ferry cruises operated by STA.

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

The following are the maximum prices (to commence from 31 August 2003) determined by the Tribunal for the Government monopoly services set out above

1. All standard State Transit Authority Sydney Buses services

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

2. Sports special return bus tickets

The price of a sports special return bus ticket must not exceed \$4.60 for an adult ticket and \$2.30 for a concession.

3. Moore Park Link tickets

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

4. School term pass

The price of a school term pass must not exceed \$40.00 per school term.

5. All State Transit Authority ferry services

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

6. Newcastle bus services

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

7. New or additional charges

All other prices or charges for scheduled passenger transport services provided by the State Transit Authority must remain at 2002/03 levels. The State Transit Authority must not levy any new or additional charges for the Government monopoly services supplied by the State Transit Authority other than in accordance with this Determination, or with the approval of the Tribunal pursuant to any future Determination.

James Cox

Tribunal Member

15 August 2003

The fares schedule is part of Determination No. 6 of 2003 made by the Tribunal under section 11(1) of the *Independent Pricing and Regulatory Tribunal Act, 1992*.

Table 1 Maximum fares for STA Sydney Buses services from 31 August 2003

SYDNEY BUSES FARES	Adult (\$)	Concession (\$)
Single ride fares		
1-2 Sections	1.60	0.80
3-5 Sections	2.70	1.30
6-9 Sections	3.50	1.70
10-15 Sections	4.00	2.00
16+ Sections	4.80	2.40
TravelTen		
Blue: 1-2 Sections	11.80	5.90
Brown: 3-5 Sections	19.70	9.80
Red: 6-9 Sections	24.50	12.20
Green: 10-15 Sections	33.20	16.60
Orange: 16+ Sections	41.80	20.90
TravelPass – Bus and Ferry		
Blue	29.00	14.50
Orange	36.00	18.00
2 Zone	29.00	14.50
Pittwater	49.00	24.50
TravelPass^{1,2} Bus, Ferry and Rail		
Red	32.00	16.00
Green	40.00	20.00
Yellow	44.00	22.00
Pink	47.00	23.50
Purple	54.00	27.00
BusTripper	10.90	5.40
DayTripper (Bus/ferry/rail daily)	15.00	7.50

Notes:

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

Table 2 Maximum fares for STA ferry services from 31 August 2003

Ferry FARES	Adult (\$)	Concession (\$)
Single		
Inner Harbour Zone 1/Upper Parramatta River	4.50	2.20
Inner Harbour Zone 2	4.80	2.40
Manly / Rydalmere	5.80	2.90
Parramatta	7.00	3.50
Manly JetCat	7.50	
FerryTen		
Inner Harbour Zone 1	28.50	14.20
Inner Harbour Zone 2	31.10	15.50
Manly / Rydalmere	42.90	21.40
Parramatta	49.30	24.60
Manly JetCat	62.50	

Notes:

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

Table 3 Maximum fares for STA Newcastle bus services from 31 August 2003

NEWCASTLE FARES	Adult (\$)	Concession (\$)
Time		
1 Hour	2.60	1.30
4 Hours	5.10	2.50
TimeTen 1 Hour	21.50	10.70
All day	7.80	3.90
Stockton	1.90	0.90
TravelPass^{1,2}		
Orange	36.00	18.00
Yellow	44.00	22.00
Pink	47.00	23.50

Notes:

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