

# David Barr MP

Independent Member for Manly



→ Franca Towers

31 August 2006

Mr James Cox CEO  
Independent Pricing and Regulatory Tribunal (IPART)  
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Dear Mr Cox

In August 2005 I made a submission to IPART concerning a number of options put by Sydney Ferry Corporation (SFC) for fare increases.

As a consequence of fuel increases SFC is requesting another round of price increases. I would anticipate that fuel costs would inexorably rise as a consequence of expanding global demand and limits as to the ability of the oil producers to satisfy it. Market forces will push prices up significantly. The issue then becomes how best to quarantine public transport from these global trends.

I wish to return to the point I made in last year's submission; this is, that the commuter component be differentiated from the tourist/pleasure component. Commuters including students account for nearly half of all patrons across all ferry services. Commuters obtain price concessions for bulk purchases of tickets by way of Ferry Tens or Travel Pass.

This segment of the market should be quarantined as far as practicable from fare increases. In its submission last year the SFC acknowledged that leisure travel is less sensitive to price changes than is commuter travel. This gives scope to quarantine commuter fares from price increases. The price relativity between single fares and bulk fares should at the very least be maintained. This amounts to a cross subsidisation with visitors paying relatively more and commuters relatively less. Given the relative price elasticities this could be a viable way of keeping commuter fares down whilst giving visitors and tourists what would still amount to a inexpensive way to enjoy the harbour sights.

Commuter fares are expensive in comparison to the bus equivalent but the ferry ride as a one off visitor experience is relatively inexpensive compared to private ferry cruises. The point is the market can be sectionalised and ferry fares priced to meet the requirements of those sectors.

In summary IPART should examine fare structures with regard to the different segments which comprise the ferry market. There is a strong case to be put for

internal cross subsidisation with commuter fares held constant and single fares adjusted within reason to satisfy SFC revenue requirements. Public transport is not self-funding; it requires some subsidisation. Segmenting the market with corresponding price differentiations is one way of doing this. The aim should be to keep commuter fares stable and competitive with bus prices.

Yours sincerely

A handwritten signature in black ink, appearing to read "David Barr". The signature is fluid and cursive, with a long horizontal stroke at the end.

David Barr MP  
Independent Member for Manly