

27 September 2006

Mr James Cox  
CEO  
Independent Pricing and Regulatory Tribunal (IPART)  
Level 2  
44 Market Street  
Sydney NSW 2000

Dear Mr Cox

I seek to make a submission to the Tribunal regarding the review of Ferry and Jetcat fares currently being undertaken by the Tribunal.

My submission relates to the fare increases recommended for the Manly to Circular Quay route. I believe there is a strong case for the Tribunal to reject the request for a fare increase made by the Sydney Ferries Corporation (SFC).

I believe the increase should be rejected for the following reasons:

**1 Patronage**

IPART will note that according to the SFC submission Manly Ferry and Jetcat patronage fell in 2005/06 by 432,982.

Manly Ferry patronage fell by 428,043 in 2005/06 (pg 37) and Jetcat patronage fell by 4,939 (pg 37) during the same period.

In total, Manly Ferry and Jetcat patronage combined fell by 6.7% - this equates to 1,186 trips every day.

It should be noted that during the same period, patronage on the Inner Harbour services rose by 7.9%.

It can therefore be argued that in a time of rising petrol prices, when on a cost basis public transport should become more attractive, Manly commuters walked away from a service that is seen to be unreliable.

This argument is supported by a media release issued by the Minister for Transport on 3 August 2006 noting significant increases in patronage across the bus and train networks.

## **2 Customer dissatisfaction**

Customer dissatisfaction has resulted in 1,186 less trips being taken each working day on the Manly to Circular Quay route. Below I have listed three separate sources that confirm the anger amongst Manly Ferry and Jetcat passengers:

### **2.1 Customer Complaints**

According to the SFC submission to IPART, complaints across Sydney Ferries rose from 832 in 2004/05 to 1,243 in 2005/06 (pg 15). This equates to an increase of 49% in a year. This is completely unacceptable. Furthermore, I do not accept the SFC claim that the increase in complaints is the fault of the public commentary (pg 17).

### **2.2 Manly Commuter Survey**

During August I surveyed passengers who use Manly Ferry and Jet Cat services. The survey asked passengers to rate the reliability, frequency comfort and cost of the services provided by Sydney Ferries. The survey found:

- 71% of respondents felt that the Manly Ferry service lacked dependability and reliability (i.e. average or worse);
- 64% of respondents felt that the frequency of the ferry service could be improved;
- 87% of respondents didn't believe that the Manly Ferry service offered appropriate value for money;
- 91% of respondents believed that the Manly Jetcat service's reliability could be improved;
- 87% of respondents believed the frequency of the Jetcat service could be improved; and
- No survey respondents believed that the Manly Jetcat represented a value for money proposition.

### **2.3 Community Feedback to Premier's State Plan**

In August, the NSW Government undertook a community consultation meeting in Dee Why as part of the development of the State Plan. The key findings of that consultation were published on the Premier's website. The findings include the following statements:

*"Transport is the big issue here - the buses to the city are good but no service if you want to get anywhere else, Manly Ferries are unreliable, congestion on roads and very long travel times."*

The findings also include the number one priority for the Northern Beaches which was noted as:

*“Transport - Ferry service improved; whole public transport strategy not just widening road on Spit Bridge”*

### **3      *No impact from rising fuel costs***

Sydney Ferries Corporation has cited rising fuel costs as a reason why fares should be increased on the Manly Ferry and Jetcat. However, a closer analysis of the SFC data in fact demonstrates that fuel has a materially lesser impact on costs than the loss of 432,982 passenger journeys in 2005/06.

According to SFC, a freshwater class ferry (i.e. Manly Ferry) consumes 125 litres of diesel per crossing (pg 6). Average fuel costs have increased from \$1.01 in July 2005 to \$1.25 per litre in July 2006 (pg 25). This equates to an increase in costs of only \$30 per crossing. Put another way, an additional 4.8 passengers per crossing would pay for the increased fuel costs. (Fare costs pg 45).

In peak hour, when patronage can reach 700 on each Manly Ferry, this equates to about 4 cents per passenger. If you use the average fuel price over the past 12 months (\$1.10) then the cost is actually less than 2 cents per passenger.

Given that patronage in the last year has fallen by 1,186 per day over the past year, a small improvement in passengers returning to the route would see the 4.8 passengers per journey easily surpassed.

### **4      *Cancellations and data withheld from IPART***

I would encourage the Tribunal to re-read previous submissions from SFC to the Tribunal. You will note that previous commitments have not been met and the choice of data presented to IPART changes from year to year. I believe this denigrates the process and does not allow enforcement of accountability.

The best example of this is that in previous submissions, SFC has presented to the Tribunal the details of cancellations (July 2005 Submission from SFC – page 19).

In 2005/06 SFC did not provide this data as part of its submission. This is very relevant to the decision as it is clear that ongoing cancellations are eroding public confidence.

I believe IPART should compel SFC to release this information, in keeping with past practice.

It should be noted that elsewhere in the SFC submission, that it confirmed that on average 29% of the Sydney Ferry and JetCat fleet is unavailable for service (pg 15). The cancellation data would likely confirm that this high level of unavailability is focused on the Manly – Circular Quay route.

As a commuter myself, I can confirm that in any given week, there are cancellations in morning peak periods on the Manly - Circular Quay route and this is being reinforced by many I speak with in the Manly community.

Again, I recommend to the Tribunal to read previous submissions of SFC Commitments to improve accountability through the public release of KPIs and other promises which continually are not being kept. Indeed of the reported KPIs for 2005/06 SFC has failed to meet 82% of them.

## **5      *Management Performance***

In my corporate experience it is clear that a stable management team is imperative to achieving real results for shareholders whom in this instance are the people of Sydney. I believe that the financial performance of SFC has struggled due to the incredible number of management changes that have occurred over the past 11 years including 8 CEOs and indeed 3 CEOs in the past year. This naturally inhibits the articulation and execution of a long term strategic plan to increase patronage on Sydney Ferries together with ongoing financial performance.

This is evidenced in the last 3 years results, where all material financial parameters have gone backwards including increased losses and a significant dilution in Return on Equity. This loss of confidence in management control is further highlighted when at a time of heightened public reliability concern there was a 27% reduction in maintenance spend last year (i.e. \$3.3 million) and yet a 13% increase in labour costs (i.e. \$6.3 million). The labour cost increase comes despite a CPI of less than 4%.

The natural conclusion is that the residents of Manly are being asked to compensate the poor management performance of SFC through increased fares.

## **6      *Financial Projections***

In any business case the provision of detailed financial projections (i.e. up to 3 years) are required to justify the investment, financing or pricing strategies. I would argue that for SFC to justify the proposed fare increases it should provide detailed financial projections. I think it is in the interest of commuters to understand how SFC is managing all of its costs next year. For instance are the proposed fare increases being utilised to just pay for future increases in labour costs? In this respect why are they increasing a further 12% or \$6.4 million next year? Are hedging practices being employed to manage future fuel price

increases and interest rate rises? Simply - are the fare increases a way of covering management shortcomings?

It is also imperative that we understand the premise or assumptions that have been utilised to provide such forecasts. It is not reasonable to expect commuters to trust SFC to deliver on financial outcomes when it has failed to do so over the past few years. In this respect the provision of full financial forecasts, and indeed details of any model are provided, so a fully informed decision can be made by IPART and understood by commuters.

## **7      *Community Support for submission***

I have also attached a petition which has been signed by close to 800 commuters opposing the fare increases proposed by the SFC and supporting this submission.

I also understand the local MP for Manly subsequently wrote to local residents also opposing the fare increases. His support of my campaign to stop these increases is also welcome.

I understand IPART will be holding a hearing on this matter on 20 October 2006 and I request that I be able to appear before the Tribunal and speak to this submission and petition.

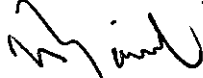
## **8      *Conclusion***

I believe there is both empirical and qualitative evidence that suggests a fare increase is not warranted for the Manly Ferry and Jetcat service. In summary;

- The KPIs are not being met,
- Customer complaints are increasing,
- Patronage is falling,
- Financial performance is deteriorating, and
- Management continues to under-perform as a result of ongoing changes

All of this has occurred in an environment where we have a unique opportunity to attract people back to public transport (i.e. with rising fuel costs sparking this trend on all other routes). It is clear that rewarding inefficient management is not in the interests of the commuters whom use the service.

Yours sincerely



**MIKE BAIRD**

Liberal Candidate for Manly