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27 September 2006

Mr. James Cox
Chief Executive Officer
Independent Pricing and Regulatory Tribunal of NSW
PO Box Q290
QVB Post Office NSW 1230
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Dear Mr. Cox,

**2006 Review of Private Ferry Fares
Response to Charter Vessel Association Submission**

Introduction

This paper responds to the issues raised in the submission by Charter Vessel Association (CVA).

Action for Public Transport has responded separately to the submission by the Sydney Ferries Corporation (SFC).

Executive Summary

- (a) The Charter Vessel Association's 2006 submission fails to provide a broad overview of the NSW private ferry industry, and has a narrow focus on cost increases incurred by operators over the last year.
- (b) The CVA needs to provide more information on services provided, ticket types and patronage trends.
- (c) Costs for scheduled services must be segregated from costs for charter and cruise work.
- (d) We believe that this submission provides insufficient information for the Tribunal to make a determination on the CVA's request for fare increases to be granted to private ferry operators.
- (e) In any case, the average increases of 7.75% sought are way above the CPI increase, and would be unacceptable even if documented evidence of the costs were presented.

Legislative Requirements

All operators in the NSW private ferry industry must meet minimum legislative requirements to be licenced to operate passenger ferry services.

The requirements are prescribed in the following legislation:

- Commercial Vessels Act 1979
- Marine Safety Act 1998
- Occupational Health and Safety Act 2000
- Passenger Transport Act 1990

The CVA's submission fails to note the impact of these requirements on costs. We believe that the CVA should provide details of these costs to the Tribunal to give a clearer picture of operators' cost structures, and to help the Tribunal determine efficient costs.

The Need for an Industry Overview

The CVA must provide more detail on the operations of individual members. They vary in size from small operators such as Church Point Ferries to large operations such as Matilda Cruises.

Details required include –

- List of CVA members operating scheduled ferry services
- Fleet composition
- Routes operated
- Hours of Operation
- Services where alternative transport options are limited or inconvenient
- Ticket Types
 - Commuter
 - Leisure/Tourist
 - Concession
 - Availability of Pensioner Excursion Tickets (PET)
- Details of any subsidies received
- Patronage data
- Ratio of commuter to leisure travellers

Segregation of Costs

CVA members usually supplement the income received from scheduled passenger ferry services with income from charter and cruise work, and we ask that any costs related to these activities be excluded from the review. Our aim is for a clearer picture of the economic viability of scheduled services operated by private ferries to be presented for the Tribunal's consideration.

Reduced Frequency – Matilda Cruises' Darling Harbour Service

The CVA submission offers no comment on the recent reduction in frequency on Matilda Cruises' service from Circular Quay to Darling Harbour via Luna Park. The frequency has been reduced from every half hour to hourly, and Friday and Saturday night services have been discontinued. Were the service cuts made due to rising costs or because of a fall in patronage levels?

Discontinued Service – Palm Beach Ferries' Darling Harbour Express

Palm Beach Ferries took over the Bayview Park (Cabarita) to Darling Harbour commuter service from Matilda Cruises in October 2005. This service was recently discontinued by

Palm Beach Ferries as it failed to attract sufficient patronage to be economically viable. The failure of this venture raises questions as to the degree of care taken in business planning, and depth of market understanding shown by the operator.

The Economic Viability of the NSW Private Ferry Industry

At a time of rising costs we ask that the Tribunal look more widely at the economic viability of this industry. We do not believe that it is in the public interest for operators to respond to cost pressures by cutting services or seeking fare increases that are substantially above the CPI. These options make ferry travel less attractive to potential passengers and may ultimately prove counter productive.

Private-Public Fare Parity in the Bus Industry

The recent changes to the fare structure of the private bus industry have resulted in increased patronage, and provided the public with a guarantee of the continued operation of the services.

Perhaps it is time for the Ministry of Transport to do likewise with the private ferry industry – integrating the services with the government-owned ferries and harmonising the fares.

CVA Fares Proposal

The increases proposed by the CVA of 9.24% for Matilda Cruises and Palm Beach Ferries and 5.15% for other operators is way in excess of the CPI. On the evidence presented we cannot support these increases. If the CVA provides an additional submission we would be happy to provide comment for the Tribunal.

Quality of CVA Submissions

In previous years, both APT and the Tribunal have been critical of the lack of detailed information provided by the CVA in support of their proposals, but the standard has still not improved. Could we suggest that CVA obtain some professional assistance when preparing future submissions.

Conclusion

The CVA has applied for a fare increase substantially in excess of the CPI and provided insufficient detail in the 2006 submission for the Tribunal to make a decision. Based on the available evidence, we see an industry that is out of touch with its customer base and with questionable economic viability. We believe that the CVA should provide more information to the Tribunal before any decision is made regarding fares.

Yours faithfully,

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