

19th October 2008

The Chief Executive
Independent Pricing and Regulatory Tribunal of NSW
P.O. Box Q290
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Dear Sir,

Review of CityRail Fares

1. Introduction

The review of CityRail fares has been unusually long (twelve months already), and to put this submission in context, we repeat here the history of the review so far.

IPART had previously indicated that it was time to implement a more comprehensive and robust framework for regulating fares for passenger rail service within the Greater Sydney region. In response the NSW Government had asked IPART to review and recommend a new economic regulatory framework that would create better incentives for CityRail to provide passenger rail services at efficient cost levels.

At the same time, IPART was to review CityRail's current fares and determine new fares to apply from the start of 2009.

IPART released an issues paper in October 2007, which identified and explained the key issues it planned to consider in relation to both the economic regulatory framework and fare reviews. This paper also sought submissions from the Government and other stakeholders by 30th January 2008. The Government sought an extension to this deadline, to enable it to incorporate preliminary results from the CityRail Customer Service Improvement Program in its submission. It provided a submission on 9th May 2008.

In addition, IPART engaged two consultants to examine and advise it on specific aspects of the reviews: (a) the efficient costs of providing the passenger rail services, and (b) the appropriate share of these costs to be funded by passengers and by taxpayers.

On 6th June 2008, IPART released its Discussion Papers on these reviews and the relevant consultants' reports. Submissions from the public on these papers were due on 18th July 2008. APT provided a full submission on 9th July and a supplementary one on 25th August. A round table discussion of stakeholders was held on 31st July 2008, which APT also attended.

Having considered the submissions, and the comments at the round table discussion, IPART released two further draft reports on 3rd October 2008:

- (a) Review of CityRail fares, 2009-12
- (b) Improving CityRail's accountability and incentives through stronger governance arrangements.

Submissions on these two draft reports are due by 5th November 2008, with IPART to make its final report and determination in December, in time for any fare changes from January 2009.

This submission from APT is in response to these two draft reports, although most of our comments concern the fares report. All references are to the "Review of CityRail fares, 2009-2012 - Draft Report and Draft Determinations - October 2008".

2. General Comments

During the twelve months of this review so far, most of what Action for Public Transport has wanted to say has already been said in previous submissions, discussions, emails, media releases, etc, most of which are available either on IPART's web site or on APT's web site.

Suffice to say that APT is deeply disappointed with the draft report that IPART produced on CityRail train fares for the period 2009 to 2012.

Successive phases of the review process have not changed our initial views, the base of which is that Treasury accountants should not be allowed anywhere near a train fare schedule.

Our objections to the report are based on four main aspects:

- (a) the micro-economic approach to raising revenue;
- (b) the fossilised adherence to distance-based fares;
- (c) the failure to accept a wider interpretation of external benefits of rail; and
- (d) the excessive and unjustified increases in TravelPass prices.

We do not intend to labour these points again, but they are just summarised here to show that we have not surrendered.

3. Raising Revenue

APT is critical of IPART's "bottom-up" approach, which asks "How much do we have to charge passengers in order to raise the revenue that CityRail needs?". APT would have preferred a big-picture approach along the lines of "How should we price train travel in order to ensure that Sydney's transport system functions at optimal efficiency?"

4. Distance based fares

IPART is recommending a fare system based on distance travelled, as if train travel was some kind of desirable consumer item. In fact, train travel for most people is a last resort, and should be priced in such a way as to lure people into using it, for the benefit of the wider community.

A zone-based system with suitable products, sensibly priced, would attract the casual user who cannot be bothered to fathom the intricacies of the current tickets and fares.

5. External benefits

APT had tried to get IPART to recommend further research into the "external benefits" of CityRail services, to maximise the value of the external benefits. That would minimise any fare increases. Instead, IPART has concluded that, because the benefits "are not readily quantifiable" and "agglomeration benefits not proven", they will be ignored (p 99). This is a nonsensical "accountant's" approach; if you can't measure it accurately, you can't take it into account.

And we quote from the Sydney Morning Herald editorial date 15th October 2008: “Yet the State Government has not been able to escape the blinkered views of NSW Treasury which focuses on the financial cost of rail and not its wider community benefits.”

6. TravelPass Prices

The large increases proposed for TravelPass prices are based on a desire to reduce some mythical discount said to apply to these prices. This mythical discount is calculated by using some equally mythical travel pattern assumptions of ticket users. IPART must ignore the figures provided by CityRail and by the Ministry of Transport, and conduct its own research into the likely usage of these tickets, and set maximum prices accordingly.

7. Other Matters

- (a) There could be a conflict of interest in IPART being both deeply involved in preparing a fare schedule on the one hand, and then approving it on the other. We do not question that IPART, with its breadth of experience, is well qualified to assist CityRail in the task, but the blurring of the line between advocate and judge is disturbing.
- (b) It has been assumed that commercial non-fare revenue will fall – from \$112m in 2008/09 to \$90m in 2011/12 (Table 5.2). This seems odd when everything else is going up.
- (c) Page 118. "...between August 2003 and July 2006 TravelPass fares did not increase". This is not correct. TravelPasses without rail content did increase in January 2006. The statement is only true for TravelPasses with rail content because rail fares generally were frozen.
- (d) The reference to South Korea's ticketing system (page 113) is bizarre. APT members and friends both read and travel widely to learn about public transport elsewhere, and no-one that we can recall has ever mentioned South Korea's distance-based fares as an example to be copied. We hear constant references to the zone fares throughout much of Europe, yet the only overseas example that IPART chose to offer was South Korea.
- (e) On pages 10, 13, 108, 109, etc there is reference to the "Government's electronic ticketing policy". Apparently this refers to the recent tender document for expressions of interest in a new smart card. This is not a fares policy. It is a set of business rules for programming a computer system. The Government does not have a fares policy.

8. Regulatory Framework

APT has no major concerns with this document. We would hope that the solid framework that is planned will not be undone and turned into rubber by exceptions, escape clauses, missing data, lack of oversight, political interference or any one of a dozen other potential hurdles.

Yours faithfully,

Allan Miles
Secretary
Action for Public Transport (NSW)