

Action for Public Transport (NSW)

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27th March 2006

James P. Cox
Chief Executive Officer
Independent Pricing and Regulatory Tribunal of New South Wales
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Dear Mr Cox,

Determination of CityRail and TravelPass Fares

Herewith is our submission to your review of fares to be charged by CityRail from 1st July 2006.

The quality of our response has been compromised by the failure of CityRail to provide its documents to the Review in a timely manner. The Review was advertised on 1st March but a copy of CityRail's submission was not available until late on the afternoon of 2nd March, despite the Minister, according to the newspapers, having approved the submission a week earlier on 24th February. Furthermore, that submission did not contain details of the proposed changes to individual ticket products, just a reference to an overall 2.9% increase. These details, crucial to preparing our response, were not provided until 9th March. One wonders about the contents of the original document that the Minister signed his name to on 24th February. One wonders also about the state of preparedness of CityRail when, nearly three years after the last fare increase, they have to start preparing lists of fares.

A. Executive Summary

The NSW Premier excluded CityRail from the last two IPART fare reviews in late 2004 and late 2005. It was not thought appropriate to seek a fare increase while the service provided by CityRail was below standard. Those two reviews dealt only with bus and ferry fares.

In recent months, the service has been improving in some areas (e.g. reliability) but at the expense of other areas (e.g. frequency and speed). Because of this perceived improvement, the government is prepared to risk public wrath by allowing CityRail to again apply for a fare increase.

The timing is somewhat surprising in a political sense, because any fare increases, if approved, will commence only nine months before the fixed date for the next election.

The increases sought by CityRail are 2.9% average for peak hour fares, and 25% average for off-peak fares.

This submission responds to CityRail's application, but also raises matters not covered in that document.

APT's main points are:

- (a) No general fare increase is either justified or acceptable – whether in the order of 2% to 3%, calculated by reference to CPI, or by the apparent “think of a number” methodology. While CityRail’s indicators might show some improvements, anecdotal evidence and the daily newspapers show there is still a long way to go. If additional funds are needed to restore services to an acceptable standard, then the government should increase its investment in the railways.
- (b) Most businesses reduce prices to attract custom, not increase them. The Cross-City Tunnel owners at first provided a free period, and now offer a half-price toll. Other toll roads are offering free periods. Motorists using the M5 can get a rebate on their tolls. More expensive train fares and cheaper road tolls is not a good way to win motorists over to public transport.
- (c) The requested increase of 2.9% is an average increase, but as usual, the devil is in the details, and the average hides larger increases in the price of some individual products.
- (d) The proposed large increase in off-peak return fares (by reducing discounts from 40% to 25%) is not acceptable. The increases range from 22% to 38%.
- (e) Consideration should be given to the introduction of a \$10 DayTripper ticket to cover all public transport in Sydney.
- (f) We consider that CityRail’s costs are higher than necessary because of an ultra-conservative reaction to safety issues.
- (g) We are not convinced that CityRail has complied with requests made by IPART in 2003 concerning (i) robust estimates of efficient costs, (ii) better performance criteria and reporting processes, and (iii) plans and strategies to improve passenger volumes.
- (h) There has been a complete absence (so far) of submissions from other agencies charged with planning Sydney’s future.

B. Average 2.9% Increase

In past fare reviews, Action for Public Transport has taken a pragmatic view and said that a small fare rise was acceptable. However, we cannot support a rise this year because our perception is that the service is still below standard. We are also unconvinced by the avalanche of statistics in CityRail’s submission. In fact, the metaphor could be taken further and reference made to a snow job.

The Parry Report in 2003, page 54, said “Planned improvements to the CityRail network (see Chapter 2) are not expected to produce noticeable improvements in service levels until 2008. Any real increases in fares PRIOR TO significant improvements flowing to service quality would need to be carefully managed in order to minimise the incentive to switch to road use”.

We note that, because of rounding, the average increase of 2.9% translates to a zero increase in some distance bands, but also to increases of 9.1% and 6.7% in two bands. The increases in the price of weekly tickets range from 1.0% to 5.6%

C. Increases in the Price of Individual Products

TRAVELPASSES

The prices on non-rail TravelPasses increased in January 2006 as follows to cover the cost of increased bus and ferry fares:

Blue	From \$29.00 to \$30.00
Orange	From \$36.00 to \$37.00
Pittwater	From \$49.00 to \$51.00
Two-Zone	From \$29.00 to \$30.00

The prices of TravelPasses with rail content were not increased, even though an increase to cover the bus and ferry content may have been reasonable.

CityRail now proposes the following increases in TravelPasses that have rail content:

Red	From \$32.00 to \$33.00
Green	From \$40.00 to \$41.00
Yellow	From \$44.00 to \$45.00
Pink	From \$47.00 to \$48.00
Purple	From \$54.00 to \$55.00

As this is presumably to cover the increase in rail fares, CityRail would take the whole dollar and State Transit and Sydney Ferries will miss the bus or boat respectively.

There is no longer any mention, as in previous agency submissions, of “excessive discounts”.

We reject these proposed increases.

DAYTRIPPER

The price of this all-modes ticket remained unchanged at \$15.00 following the bus and ferry determination in January 2006, and there is no mention of DayTripper in the CityRail submission, so presumably the price will remain at \$15.00.

However, APT wishes to propose a new DayTripper ticket covering all transport in Sydney for just \$10.00. See separate paragraph below.

D. Reduction in Off-Peak Discounts

CityRail says (page 40) “This proposal is supported by (a) comparison with other cities, and (b) consideration of equity with full fares”. Neither appears to be a valid argument.

We cannot accept the CityRail proposal to reduce the discount on off-peak return rail tickets from 40% to 25%. It negates the original purposes of the discount which, presumably, were (i) to discourage people from travelling in the morning peak if they really didn’t need to, and (ii) to increase revenue by encouraging people onto an off-peak train where they otherwise may not have travelled by train.

The increase in the actual ticket prices varies in the individual distance bands. The largest increase (38.5%) is in the 0 – 5 km band. This is much more than the average rise of 25% quoted by the Minister. Increases in the other bands range all over the place between 22% and 33%.

It is important to remember, when quoting these bands, that 0 - 5 kms is not just Stanmore to Central, or Waverton to Wynyard. The same fare applies for any 5 km distance on the system – Kingswood to Penrith, Carlton to Hurstville, or Leumeah to Campbelltown.

The proposed rise in the cost of longer distance off-peak returns (around 100 to 150 kms) ranges from \$3.00 to \$5.00, a large amount if two or more people are travelling together.

APT would like to see some analysis of the split between peak and off-peak patronage and revenue. Is the additional revenue really worth the wrath of the customers?

CityRail says (page 40) that the proposal is supported by “consideration of the equity of the current off-peak arrangements compared with full fares”. Equity has nothing to do with it. It’s a marketing arrangement. Many businesses give discounts in off-peak times to attract custom – hotels, airlines, tourist destinations, cinemas, and not forgetting the “happy hour” in bars. Nobody suggests that this is inequitable.

If equity is a consideration, then single off-peak fares should also be cheaper.

Another reason given is to “... align CityRail’s off-peak discounts more closely with those offered by rail services in other Australian jurisdictions” (page 7). We have not checked what off-peak discounts are offered in other cities. Firstly, such discounts are difficult to compare because of the different fare structures. Secondly, what does it matter what other cities offer? Sydney’s fares should be aligned to Sydney’s conditions.

Just because the buses don’t have an off-peak fare is no reason why CityRail should try to reduce or abandon off-peak fares. In fact, with the introduction of Tcard, it will be entirely feasible for buses to charge off-peak fares (or a premium for peak hour travel – whichever way you like to look at it).

A reduction in off-peak discounts will also affect low-income earners who do not qualify for any concessions.

E. A Ten Dollar DayTripper Ticket

We recommend the development of an affordable integrated day fare for the whole of Sydney’s public transport network. The following is a summary of the main points to be considered.

- (a) The price of the DayTripper ticket should be dropped from the current \$15.00 to \$10.00 in order to encourage its use as a general-purpose all-day ticket. Sydney has no such ticket, while the other capitals do. Currently the price of the ticket is loaded for expected use on the Manly ferry, where a return fare is now \$12.40. Only a minority of users would take advantage of a trip to Manly.
- (b) The ticket would be useful for infrequent travellers who do not have a commuter-type ticket and who wish to make a journey that involves several changes of vehicle or mode.
- (c) The benefit to users would be not just the price, but also the convenience and the removal of the complexities of the ticketing system that might deter an infrequent traveller.
- (d) It would greatly speed up the buses.

- (e) The recent experience with integrated ticketing in south-east Queensland, where many fares were lowered but patronage and revenue rose, suggests that a similar result could be possible in Sydney.
- (f) Sydney's transport administrators need to be weaned from their fixation on a 19th Century fare system based on distances and costs, and move on to a modern zone and time-based fare system.
- (g) Implementation would be simple, and similar to the expansion of the Pensioner Excursion Ticket to privately owned bus services in January 2005.
- (h) There are some problems that could be overcome with a little ingenuity, co-operation and audacity. For instance, the current return rail fare from Penrith to the city is more than \$10 (full fare return is \$13.20, off-peak return is \$8.00, and a weekly is \$44.00). There would be the usual arguments about who gets what share of the purchase price. Some people might prefer a regional DayTripper ticket rather than an all-Sydney one. There could be an OffPeak DayTripper as well as, or instead of, the all-day DayTripper.
- (i) The Los Angeles Metro has a US\$3.00 (yes, three dollars) all-day ticket covering trains and buses. See http://www.mta.net/riding_metro/riders_guide/paying_fare-01.htm. In Brisbane, an all-day ticket is twice the price of a single ticket covering the same zones.

These few points are not intended as a full argument for the case. They are merely an entrée to whet the appetite.

F. Higher Costs from Ultra-Conservative Attitude to Safety

CityRail says that cost increases justify a fare rise. Some costs have increased as a result of CityRail needing more trains, staff, etc. to service the new, slower timetable. Does the CityRail submission apportion the costs to show how much of the increase is attributed to this decision?

Those costs can in turn be attributed to what we see as the Rail Safety Regulator's zero-tolerance or draconian policies, which have forced CityRail to eliminate risks for things which might only occur once every 500 years.

The Rail Regulator's risk management philosophy is far too conservative. This manifests itself in rail employees also being too conservative. For example, train drivers creeping into stations in order not to run past the end of the platform, in fear of over-the-top penalties, and track engineers not raising the speed limits for upgraded lines in fear of being blamed for incidents which MIGHT occur years into the future.

There is anecdotal evidence, especially on the Internet, that over-reactive directions from the Rail Safety Regulator and self-preservation safe-working policies in RailCorp have produced a railway which is excessively slow. This is based on the fallacious argument that a railway needs to be slow to be safe. Other comparable railways run at higher speeds with greater safety. In due course, we believe RailCorp will do also. It will require a change in focus at the political or management level. Until then, CityRail users should not be penalised with higher fares to pay for questionable management decisions.

G. Failure of Other Agencies to Respond.

Once again the burden of having to challenge CityRail's view of events seems to have fallen mainly on the shoulders of private individuals and public interest groups. Where are the submissions from other parties who, we believe, are equal stakeholders in Sydney's public transport system? The unions? The government departments concerned with road traffic congestion, education, health, community services, planning, etc?

Should not some agency concerned with the efficient running of the city have made a submission on the likely effects on accessibility, region-wide, of a fare rise, along with the manipulation of the Cross-City Tunnel toll?

Why is it left to just rail users to argue against a fare rise. All residents of Sydney are affected.

H. Other Items from 2006 CityRail Submission

CityRail's submission contains many items that need to be challenged, or at least require further explanation from CityRail. These are some examples.

- (a) Why is it called a "public submission"? Is there a separate private one?
- (b) How does CityRail know what the inflation rate for 2005/06 is already?
- (c) "The revenues generated from the additional farebox revue would be applied to improving cost recovery" (page 3). How can we be sure of this? Can CityRail quarantine these funds for the stated purpose?
- (d) "CityRail's cost base has increased at a faster rate than the CPI" (page 3). The agencies all say that – CityRail, STA, BCA, SFC and CVA. Maybe it's time to look at something else other than the CPI. This is discussed by CityRail on page 38.
- (e) "Significant improvements in service quality (including safety, security, cleaning, on-time running, cancellation and skipped-stop improvements)" (page 3). Are there some indicators where quality has not improved and which they didn't mention? How about in-train dot matrix information signs? Or early departures from stations? Or any of the Top Ten items on the "131500 Complaints Received" reports?
- (f) "Customer complaints have decreased by 15% since 2003//04" (page 5 and page 16). Maybe the passengers have either given up complaining, or gone elsewhere.
- (g) "...safer, extended station dwell times" (page 6 and page 21). Longer dwell times do not mean safer dwell times. No matter how long a train has been standing at a platform, there will always be somebody who tries to board (or alight) as the train starts to move. Stand at any station and watch.
- (h) "... these measures indicate that RailCorp has fulfilled the requirements of the Parry Report in respect to improvements in service quality..." (page 6). There needs to be a thorough analysis of the match between requirements and achievements before this item can be given a tick.
- (i) According to public surveys, customers were not happy with CityRail's (a) punctuality, (b) delays and cancellations, (c) overcrowding, (d) frequency and (e) clarity of on-board announcements.

(page 16) But, apart from those minor matters, everything is going very well. Critical services like the website, signs, personal safety, the 131500 infoline and litter removal get the thumbs up.

- (j) “Reliability is measured by the percentage of peak services that run and the percentage of peak services arriving on time” (page 20).

This is only a partial measurement of reliability. Surely it is possible to also provide at least a sample of reliability and on-time running of off-peak services. This would include daytime, evening and weekend services, and trains running in the counter-peak direction in peak times.

What is the split between peak and off-peak services? For instance, at Lewisham, in one week, and counting both directions, there are approximately 230 peak hour services and 600 off-peak services. CityRail should be required to report on an off-peak KPI, preferably compiled by independent reporters. A statistically acceptable sample would suffice.

- (k) “delivering maintenance to a standard that is cost effective” (Page 22) How will CityRail measure that? When the axeman comes calling in any business, maintenance always gets the chop first. And the dragon-seed of this penny-wise attitude inevitably hatches years later, long after the bean-counters have gone.
- (l) “Consistent with these principles, RailCorp is moving from technical maintenance plans to a more efficient lifecycle systems-based approach to maintenance leading to reduced overall cost and improved service availability” (page 22). We are not too sure what this gobbledygook means, but it seems to suggest that CityRail is joining the throwaway society.
- (m) The transport infoline “aims to answer 95% of calls within 40 seconds” (page 25). What is the actual performance rate? It is not mentioned.
- (n) “Just Culture” is mentioned on page 34 (Section 3.10). What does all this mean? Is it something to do with apportioning or avoiding blame?
- (o) “The benchmarking process will help identify those areas of the business that have the capacity to be more efficient, and how those efficiencies can be realised.” (page 34. Section 3.11). After 150 years of operation, we would hope so!
- (p) Summary of Improvements Planned (page 35). It says that these are not self funding. So how will they be funded? Not from the revenue from increased fares, according to page 3.
- (q) On page 37 there is a list of eight “key arguments” why CityRail thinks it should get an increase in fares. Some valid, some not.

- (1) New KPI efficiency measurement framework (but did they measure any improvement?)
- (2) New process to achieve efficiency gains (but did they achieve any gains?)
- (3) Improved performance (questionable)
- (4) Rail fares have fallen in real terms (probably true)
- (5) Rail fares are cheaper than alternatives (probably true)
- (6) Rail fares are at lower end of international rates (so what!)
- (7) Inelasticity of demand to fare rises (so what!)
- (8) Rail is the most environmentally friendly alternative (maybe)

Case not proved.

I. References to 2003 IPART Determination

The first paragraph of IPART's 2003 recommendations concerning CityRail's last fare review say (Section 7, page 41):

"The 2003 PT fares 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 include:

- developing robust estimates of efficient costs of each agency
- developing better performance criteria and reporting processes
- the plans and strategies of each agency to improve passenger volumes...."

Do the current KPIs help in achieving these aims?

How, from a price setting or customer's viewpoint, did increasing the "on-time" tolerance from 3 minutes to 5 minutes late help anything? It is not possible to compare performance with that 10 years ago.

It is hard to define (let alone robustly) efficient costs if you can't even measure your performance in the prime area of passenger service – on-time running. What is efficient? (think of Yes Prime Minister's model hospital).

Why is on-time running still only measured at Central, and why is the 1 a.m. train carrying 18 people as significant in the KPIs as the train at 8.30 a.m. carrying 1,800 people?

J. References to 2003 Parry Review (Ministerial Inquiry into Sustainable Transport)

In December 2003, the Minister for Transport Services released Professor Tom Parry's Final Report of the Ministerial Inquiry into Sustainable Transport. An Interim Report was released in September 2003.

These two reports made comments relating to CityRail in the following areas:

- Efficiencies
- Providing Better Services and KPIs
- On Time Running and Capacity
- Fare Increases for City Rail, and
- Cost Benefit Analysis for Rail Clearways.

The Tribunal should investigate these areas to see what progress CityRail has made.

K. Six Hundred Transit Officers

It seems extra-ordinary that there are 600 Transit Officers (page 5), when there are only 1,370 drivers. What do they all do? Are they cost-effective?

Page 24 says that "600 transit officers are providing improved security..." How is the security "improved"? Improved from what? Improved to what? How is the improvement measured?

L. Numbers of Drivers

CityRail's submission on page 5 says "The target of 1,360 drivers was reached ahead of time, and by the end of January 2006, 1,370 drivers were on the network."

What does this target mean? Is it merely sufficient drivers to run the reduced services offered in the July 2004 timetable? The true target should be a sufficient number of drivers to restore the services, especially the weekend services, which were axed in July 2004.

M. Restoration of Next-Day Return Tickets

The second portion of a return rail ticket used to be available on the day after purchase, or on the Monday following a Friday purchase, or the Tuesday after a long weekend.

This facility was cancelled about ten years ago. For a full fare return ticket, it makes no difference, because the return fare is twice the single fare. However, a person with an off-peak return ticket could previously travel from Sydney to Newcastle one day and come back the next day at the discounted fare. Now such a person has to pay the full single fare on both days.

We request that the next-day (or next working day) return facility for off-peak return tickets be reinstated.

N. NightRide Bus Tickets

NightRide buses are part of the CityRail network, and we would like to see reference to their ticket prices in the IPART determination. At present there seems to be no public input into the setting of the price of NightRide bus tickets. The Ministry seems to put the price up whenever it feels like it.

O. Pre-purchase of Pensioner Excursion Ticket

On page 76 of the final Unsworth Report (February 2004) it was suggested (but not “recommended”) that the idea of selling Pensioner Excursion Tickets through agencies be pursued. So far as we are aware, the idea was born and died in February 2004. While the chief beneficiary of such an arrangement would be State Transit, and not CityRail or Sydney Ferries, those latter two bodies would presumably need to acquiesce. We would like to know if anything has happened, or is likely to happen.

P. Looking Ahead to Tcard

In recent years, there has been reluctance by the agencies to make any changes to the ticketing system on the argument that Tcard is coming “real soon now” and further changes to the current system will not be necessary. Well, Tcard is still coming “real soon now” and the deficiencies in the current ticketing system still exist.

Since this paragraph was written, there has been a small but significant development. State Transit will trial two footpath ticket vending machines selling one-trip tickets – “Travel-1s”. In the rest of the known world, this might have been a source of wonder in 1906, but in 2006 it is hardly radical. The surprise here is that State Transit appears to be not waiting for Tcard, but branching out in a different direction. Full marks to State Transit.

APT has documented the following concerns about Tcard.

1. That the system appears to be designed for the benefit of the government and the operators rather than the passengers.
2. That the travelling public is not being involved as a true stakeholder.

3. That the technical part of the system may be unreliable.
4. That Tcard will charge fares only by distance. There has been no promise to retain and expand the popular zonal tickets marketed as TravelPass.
5. That there has been no decision on how to calculate fares for users of rail weeklies or longer-term season tickets.
6. That the take-up rate of Tcard by the public will not be as high as the Ministry hopes.
7. That magnetic stripe tickets will be withdrawn, and that all users will either have to buy a Tcard, or pay cash to the bus driver.
8. That a statement of "Objectives of the System" may not have been written and that it may not be possible to monitor compliance with any objectives.
9. That quantitative success criteria may not have been pre-determined, so that a success or a failure may not be able to be objectively assessed.
10. That implementation is so long delayed.

See further details in Appendix 1.

CityRail's submission throws no light on any of this.

Q. Conclusion

We will be happy to participate in the Public Hearing scheduled for 5th May 2006. I have a prior commitment on that day, but another representative of Action for Public Transport, Kevin Eadie, will attend.

Yours faithfully,

Allan Miles
Secretary
Action for Public Transport (NSW)

APPENDIX 1 Tcard Concerns

Action for Public Transport has no objection to a Tcard or similar Smart Card for fare payment if it is planned, introduced and operated properly, but we fear that is not the case with the current project.

Our concerns are:

1. That the system appears to be designed for the benefit of the government, the operators and the bank holding the money. As with the bus contracts, the needs and wishes of passengers appear to be the least concern.
2. That the travelling public is not being involved as a true stakeholder. There have been many "consultations", but they have all been along the lines of "This is what we are going to do. Any questions?", instead of "Please help us design the system the way you would like it." There is no commuter consultative committee involved in the planning.
3. That the technical part of the system may be unreliable. That is, that cards may not be read properly, that fares may not be recorded or charged accurately, and that the dozens of "what if?" questions may not have been addressed and resolved. APT has no knowledge of whether the computer processes work properly or not, but anecdotal evidence suggests that there have been problems.
4. That Tcard will charge fares only by distance, that is, single fares or TravelTens and FerryTens, and that zone fares provided by the popular TravelPass tickets will be lost. This would remove one of the great incentives for using public transport, where the more you travel, the cheaper it gets. It seems that TravelPasses do not suit the contractual arrangements between the Ministry of Transport and the private buses, regardless of how convenient they are for the public. Tcard will provide integrated ticketing but not integrated fares.
5. That there has been no decision, or none that we know of, on how to calculate fares for users of rail weeklies or longer-term season tickets. At present, the discount on such tickets increases both as the length of the journey increases and as the term of the ticket increases. When the system designers are asked, "Can the system do such-and-such?", they reply, "Yes, it can do anything you want." When asked again, "But WILL it do such-and-such?", they reply, "Nobody has made a decision about that yet."
6. That the take-up rate of Tcard by the public will not be as high as the Ministry hopes. This is mainly of concern with buses, where people buying fares from the driver are a frustrating and expensive cause of delay and congestion. APT is not aware of what the Ministry's target percentage is, nor what an acceptable percentage might be. However, if people don't buy TravelTens or TravelPasses now, when all the money goes towards the fares, they won't buy a Tcard, where some of the money goes into a deposit.
7. That magnetic stripe tickets will be withdrawn, and that all users will either have to buy a Tcard, or pay cash to the driver. One cannot but help draw similarities with motorists being funnelled into the Cross City Tunnel.
8. That a statement of "Objectives of the System" may not have been written and that it may not be possible to monitor compliance with any objectives.

9. That quantitative success criteria may not have been pre-determined, so that a success or a failure may not be able to be objectively assessed. We fear that it will be like the cross-city tunnel - whatever user figure occurs will be judged "OK in the circumstances - it's early days yet". What is the Ministry's pre-determined success criteria? Have objective success criteria been pre-determined for: Boarding speed? Technical reliability? Accuracy of fare calculation? User acceptance?
10. That implementation is so long delayed. The trial in the Inner West was supposed to have started in early 2005 but has not started yet. This trial is to cover (a) selected STA bus routes, (b) selected private bus routes, (c) selected SFC ferry routes, (d) selected railway stations, and (e) selected customers. There has been no mention of private ferries in the trial so far. Continual time and cost over-runs do not inspire confidence.