

Noel Gordon

31 March 2006

James P. Cox
Chief Executive Officer
Independent Pricing and Regulatory Tribunal of New South Wales
PO BOX Q290
QVB Post Office NSW 1230

**Re: Submission to IPART Inquiry into
Review of Fares for CityRail in NSW 2006**

Dear Mr Cox

Please find attached a copy of my submission to the Independent Pricing and Regulatory Tribunal of New South Wales (IPART) for the Review of Fares for CityRail in NSW 2006.

In summary, I am against the proposed fare increase, and in particular the proposal to reduce off-peak discounts (also effectively a fare increase) on the grounds that CityRail has not adequately demonstrated it can deliver a service that would justify any increase in fares. Whilst there have been some improvements to peak period services, recent reliability results indicate CityRail still does not meet its current on-time "peak" running benchmark. In addition to this, CityRail's proposal to significantly erode current off-peak return discount levels is unreasonable given it has consistently removed off-peak services in the last two timetable changes, and has no indicator of off-peak reliability.

I have sought to justify my position against the proposal to reduce off-peak discounts fare by commenting on a number of misleading and poorly argued statements in CityRail's Submission to IPART (the "CityRail Fare Review"). This includes CityRail's discussion on the off-peak fare structure, comparison with International networks, and claims off-peak services have been improved. I have attached my comments to this cover letter for your consideration in determining the proposed fare increase.

Regards

Noel Gordon

Response to CityRail Fare Review

The following comments are in response to the CityRail Fare Review.

Passenger profiles

Based on CityRail's Customer Profile, the majority of CityRail commuters are "managers, professionals or other white collar workers", while those that traditionally travel in off-peak periods, such as "trades and technical commuters who travel at irregular times", other commuters that "travel at irregular times", and those who travel less frequently, such as tourists and shoppers, appear to be considered a minority. Reducing the off-peak discount would disadvantage many of these commuters as it would increase the cost of travel for many who are likely to be already on a lower income than the "managers, professionals or other white collar workers" traveling in the peak period.

In addition to this, CityRail provides a comparison of peak and off-peak travel by occupation. This is misleading and meaningless, as it does not indicate what proportion of commuters by occupation travel during peak and off-peak periods.

Income and population growth

Again, CityRail is using information to present a biased and misleading argument by stating that Sydney's "inner city" area is experiencing accelerated population and income growth when compared to Sydney's as a whole. Based on this, one would assume that the "outer" areas of Sydney are experiencing slower population and income growth levels. Given the current cost of travel for many in these outer areas when compared to commuters in inner areas, reducing the off-peak discount would disadvantage many in less wealthy areas who rely on rail as their only means of transport.

Rail's Share of Sydney Passenger Trips

Although CityRail's statement that heavy rail is ideally suited to the transport of large volumes of passengers to and from central locations due to its time, cost and convenience, this is partly misleading as it only generally applies during peak periods. During peak periods, Sydney's roads suffer from chronic congestion, increasing journey times for private vehicles and buses, while CityRail frequencies increase significantly to cater for peak period demand. On the other hand, however, off-peak periods generally favour trips by private vehicles as there is less road congestion and CityRail frequencies drop to unattractive and infrequent levels. Increasing off-peak return travel by reducing the off-peak discount will make travel during the off-peak even less attractive than is currently the case.

CityRail Network International Comparison

CityRail constantly claims that Sydney's operates "one of the most complex rail networks in the world", with CityRail operating a very large suburban railway system for a city with a low population density when compared to cities such as New York, London, Paris and Berlin. This is particularly misleading as it fails to identify the true nature and quality of public transport networks in these cities compared to Sydney. These cities are characterised by very different urban forms to Sydney, with very dense inner areas that cover large areas when compared to Sydney, with lower-density suburban areas on their fringe. These cities also have VERY extensive public transport networks, with a combination of trams, subways or metros, and suburban or heavy rail networks to support dense inner areas and long distance suburban trips respectively.

Sydney, however, only has one mass-transit network to serve a relatively small high-medium density inner area, and large lower density suburban area. Compared to New York, London, Paris and Berlin which have adapted their respective public transport networks to meet the transport task of the urban area, Sydney relies on CityRail to cater for most public transport journeys, regardless of the urban form. Based on this, comparing Sydney's rail network with those in New York, London, Paris and Berlin is meaningless. Perhaps a comparison with other Australian cities would be more relevant.

Furthermore, CityRail directly compares the urbanised land area, population density and level of car ownership among a number of suburban heavy rail networks. Again, this is misleading, as it compares the entire urban area, average urban density, and average car ownership across cities which, by Sydney's standards, are significantly denser and served by numerous public transport networks. In this instance, suburban rail operations which predominantly serve outer suburban areas are compared against the entire metropolitan area of that city, rather than the corridors they serve. For example, in London, the "Overground" generally serves a lower-density suburban area beyond the reach of the "Underground" or Tube, which predominantly serves the denser areas. However, data for the entire London area is tabled, producing an unfair and irrelevant comparison.

CityRail also points out that "self funding of the heavy rail (network) is not feasible". Given that CityRail is required to operate a public transport service for the benefit of the citizens of Sydney, it is surprising that CityRail is concerned about ensure much greater cost recovery. In addition, there are very few suburban heavy rail networks in the world that are "self funding", reinforcing their role in the community.

Customer satisfaction

CityRail claims that “as our performance improves, so does customer satisfaction”. If CityRail intends to reduce the off-peak discount, then surely this should only be reduced when off-peak reliability, and hence customer satisfaction with off-peak services, is achieved.

Service reliability

Although CityRail’s peak on-time running has improved since the introduction of the new timetable in September 2005, recent on-time running figures highlight that it still does not meet its current on-time running benchmark, with the Total CityRail Suburban on-time running performance at 90.9% for February 2006. In addition to this, CityRail has no measure of off-peak service reliability. In this instance, trains can be substantially late or cancelled yet would not register in CityRail’s on-time running figures, as these only report on AM and PM peak periods. Clearly arguing for an increase in off-peak fares based on improved service reliability is unreasonable and illogical given CityRail has no measure of off-peak service reliability.

CityRail continues to make unreasonable statements and illogical comparisons by suggesting that CityRail’s on-time running is approaching best practice when compared to selected international examples. All examples provided, with the exception of Sydney’s CityRail, and New York’s MTA Long Island Railroad and Long Island Railroad, measure peak AND off-peak service reliability. If these other cities, including London, New York (Subway) and Melbourne measure off-peak reliability, then how does CityRail come to the conclusion it is approaching best practice? CityRail further undermines its argument by comparing reliability measured up to 6 months ago in Sydney, with reliability measured 2-3 years ago.

New timetable

Based on CityRail’s discussion of its new September 2005 timetable, it is clear that off-peak services were sacrificed in an attempt to improve reliability during peak periods. According to CityRail, however, this is justified as these were “low demand off-peak services”, which once removed provided an opportunity to restore the network during disruptions “when required”. This follows the continued removal of many off-peak services, with weekend services already reduced significantly following the introduction of the July 2004 timetable. With fewer services and a likely drop in off-peak patronage, it is therefore hardly surprising that CityRail’s new timetable “adequately services off-peak demand”.

Unlike peak periods, which CityRail is geared to service, off-peak services should be designed to be attractive and convenient, and are not there to meet demand, which they are always going to do. If CityRail were to operate an off-peak timetable that catered for demand, it would run even fewer services, further eroding off-peak patronage. Simply increasing the off-peak fare after completely removing the attractive and convenient nature of off-peak rail travel is unreasonable, making it clear that CityRail’s proposal to increase off-peak fares appears to be centred on cost-recovery.

Summary of Initiatives Delivered to Date

CityRail’s claim that it “has delivered significant improvements to service levels since the last fare increase” is incorrect. In the July 2004 timetable, CityRail significantly reduced weekend service frequencies, followed by further off-peak weekday service frequency reductions in September 2005. While CityRail may well have improved in other areas, it has not made any improvement in off-peak services. Even if off-peak service reliability improved, CityRail has no indicator in place to measure such improvements. In summary, there has not been any

improvement, and indeed there have been significant reductions in service quality during off-peak periods. Based on this alone, CityRail's request for a reduction in the off-peak discount is unjustified as there is no evidence to prove it has achieved any off-peak improvements.

Off-Peak Fare Changes

CityRail claims to be aligning their off-peak discounts "more closely with those offered by rail services in other Australian jurisdictions." This is completely misleading and highlights the poorly structured nature of public transport fares in Sydney. Other cities in Australia, including Melbourne, Brisbane and Perth, all offer off-peak travel at approximately 25% of the full fare. However, these entitle the user to travel on ALL modes of public transport within the designated coverage area.

- In Sydney, off-peak fares are only valid for return travel on CityRail services after 9am weekdays and all day weekends and public holidays.
- In Melbourne, depending on the coverage level purchased, the Daily Off-Peak Metcard entitles the user to unlimited travel on trains, trams and buses after 9am on weekdays.
- In Brisbane, depending on the coverage level purchased, the Off-peak daily ticket entitles the user to unlimited travel on trains, buses and ferries between 9am and 3.30pm, and after 7pm on weekdays, and all day on weekends and public holidays
- In Perth, the DayRider ticket entitles the user to unlimited travel on all trains, buses and ferries in the Metropolitan area after 9am on weekdays and all day on weekends and public holidays.

Based on this simple comparison which shows that off-peak commuters in cities other than Sydney are entitled to unlimited travel on all public transport modes, it is clear that CityRail's attempt to "align" its off-peak discounts with other cities is misguided and unreasonable.

CityRail also claim that reducing the off-peak discount would provide greater equity in the current fare structure. Clearly, off-peak fares are designed to attract customers to the rail network in periods where there is spare capacity. Given that CityRail would be operating off-peak services anyway, it makes no sense to discourage patronage by arguing that off-peak customers should be forced to pay more for a lower level of service than those who use the rail network during peak periods. The logic of reducing fares during off-peak times is not an equity issue, as it is simply common procedure among business, particularly within the transport and logistics sector. Naturally, those who wish to travel during peak period, where there is limited capacity should be charged the standard, if not higher or premium fare, whereas those who wish to travel during periods of low-demand, where there is spare capacity, should be charged less as an incentive to not travel during the off peak rather than the peak.

If CityRail is so concerned about equity issues with its off-peak fares, it should examine how it manages distance, journey times and the commencement of off-peak period (9am). For example, customers who travel from outer suburban areas must wait until 9am to catch a train into the CBD or other centre, while customers from inner areas have the advantage of catching a train after 9am which commenced its journey well before 9am. Clearly, there is an equity issue if outer suburban area customers do not have the same flexibility that inner area customers have.

Environmental protection

CityRail's claim that any "CityRail fare increase would enable RailCorp to provide better services, increasing the number of passengers over time, with corresponding environmental

benefits” is an unreasonable justification for the proposed fare increase. Surely CityRail should be able to demonstrate it has achieved significant improvements in service quality, including off-peak services. However, regrettably it has clearly failed to demonstrate this. Simply arguing the future improvements in the rail networks are dependent on fare increases is unreasonable.