Dr Michael Keating AC
Chairman
Independent Pricing and Regulatory Tribunal
P.O. Box Q290
QVB Post Office NSW 1230

RE: RESPONSE TO CITYRAIL'S 2007 FARE PROPOSAL TO IPART

Dear Dr Keating,

Please find attached my submission in response to CityRail's 2007 Fare Proposal to IPART.

I trust that this will assist the tribunal in making the best determination for CityRail and the commuters who use their service.

I thank you for the opportunity to respond.

Yours sincerely,

David Field

Introduction

I would like to respond to the proposal to IPART by CityRail to increase train fares and refute many of the claims made in their proposal document.

Before doing so, I wish to express my concern about the notification of this proposal by the Independent Pricing and Regulatory Tribunal (IPART). I am registered to receive email alerts from IPART as new reviews are announced or documents submitted. I first learned of this 2007 Fare Proposal from watching the morning news on Tuesday 24th July. Below is the subject of the most recent email alerts sent to me from IPART and as is evident, I received no email alert that this proposal had been lodged and submissions had been called for:

i. 20/7/07 Transcript - Roundtable - Review of the Interface between the Land Transport Industries and the Stevedores at Port Botany - The Mint, 1 Macquarie Street, Sydney, NSW;

ii. 17/7/07 Terms of Reference for CityRail Regulatory Framework Review;

iii. 14/6/07 Interim Report - Residential energy use in Sydney, Blue Mountains and Illawarra – Results from the 2006 Household Survey.

The proposal put forward by CityRail is without merit and blatantly misleading. It pushes a particular corporate agenda and attempts to justify it with ill-conceived figures, designed with the express purpose of supporting their claims. I would suggest that the CityRail proposal was drafted more for commuters than for the Tribunal. I say this because many of the claims made in the proposal have been made in earlier proposals that the Tribunal has made favourable determinations on. Unless commuters have read previous proposals for fare increases, they may not fully appreciate this. While the Tribunal may be more acutely aware of this recycling of claims, there is a view by CityRail and by the wider community, that IPART will 'rubber stamp' whatever is put before them by CityRail.

Previous Determinations

As I have indicated above, the grounds for raising train fares on CityRail services have been used to gain previous fare determinations. The last two determinations were justified in part to pay for the *'Clearways Project'*, which we're promised will increase capacity in the network and improve reliability. Were this a private enterprise providing this service, there would be an expectation that the enterprise and it's shareholders pay for the capital expenditure, then recover those costs from users as they use it. There is a very strong theme in this proposal that the users ought to pay a higher proportion of the overall operating costs, but many of the justifications are for services that have not yet been provided. This is hardly 'user pays'.

It is hardly fair for IPART to make fare determinations based on promised benefits. CityRail has an appalling record for delivering on its promises. Previous fare proposals have referred to investment in new rolling stock and determinations have been made based on those claims. Still, CityRail commuters have been paying higher fares for the last two years despite the fact that CityRail has failed to deliver the promised H Set cars to outer suburban commuters. These cars were to be delivered from December 2005. This means that commuters in the farther reaches of the network, whose journey times often exceed 90

minutes, still travel on trains without toilet, luggage or drinking facilities. It is not uncommon for passengers on these services, especially where delays occur to wet and soil themselves.

The last two fare proposals have referred to the ballooning costs of running the network. In September 2005, CityRail launched their much anticipated timetable, which was meant to address commuter concerns about reliability and on time running. What it achieved, instead, was service levels and journey times equivalent to those of the early 1900s. In fact some of those services from early last century were faster than today's.

There was nothing in either of the last two proposals by CityRail that mentioned the savings that they made in salaries due to the new timetable. As there were fewer services, no redundancies (other than health-related redundancies), less demand for overtime, CityRail made significant cost savings that were not disclosed or factored into their calculations. Does IPART make genuinely 'independent' assessments of CityRail's claims and costings?

Expenditure on capital improvements

There is no argument that CityRail needs to make a significant investment in capital improvements. New lines to the north-west and south-west are required as the boundaries of Sydney are pushed further in those directions. However, Treasury should be responsible for investment in the State's future, not the poor commuter struggling to get to and from work each day. None of the submissions that I have read on the IPART website, object to paying for better services, but there is an undeniable expectation that the improvements be delivered first.

Commuters and taxpayers both need to have confidence in CityRail managements' ability to properly manage public moneys and capital expenditure. In 1996, CityRail opened the Cumberland Line, which linked the South Line with the Western Line. This capital project required the building of two bridges, no new stations or platforms and cost a staggering $50 million to build. When it opened in 1996, it had 70 services a day. As a result of the cuts to services, brought about by the September 2005 timetable, there are now 5 services a day. This has essentially made this $50 million capital investment a white elephant and should be a cause for concern when promises are made about future investments. The Parramatta to Chatwood rail line may very well end up a similarly poor investment.

Commuters have a reasonable expectation that investments will continue to made in more modern rolling stock, that provide higher levels of safety, comfort and presentation. As outlined earlier, commuters are still waiting for the promised H Set cars that they have been paying for, for the past two years. It is unsatisfactory for CityRail to recycle claims of their investment in these cars to justify further increases in fares. While RailCorp has entered into contracts with Reliance Rail to deliver 626 new cars at a total cost of $3.6 billion, this arrangement is a Public Private Partnership in which the rolling stock will continue to be owned and maintained by Reliance Rail. These new double-deckers are not expected to be rolled out before 2010.

There appears to be a lack of strategic planning in terms of capital improvements, as highlighted above with the mismanaged investment in the Cumberland Line. The CityRail network has a critical shortage of adequate cars to service the outer suburbs and areas outside the Sydney boundary. This situation exists because of the discovery a few years ago, of fatigue in a significant number of Intercity V Set cars. While this could hardly be helped, it was compounded by a lack of strategic planning to replace these trains, some of

which are fast approaching 40 years in age. CityRails response to this shortage was to reduce the number of cars from 8 to 6 on a considerable number of services, transfer suburban T Set Tangara's to replace withdrawn trains, none of which have toilets.

Declining levels of cost recovery

CityRail's idea of cost recovery is a fairly modern one. It certainly wouldn't have been the way that rail authorities would have thought 20 or 30 years ago. It's based on the principle of 'user pays' and users are constantly questioning, what it is that they are paying for considering the appalling state of the system.

CityRail continually rely on promised or future investments to justify asking commuters to pay more. This is not a 'user pays' principle. Commuters are only too happy to pay for a better service, but aren't willing to pay for it when it might not ever eventuate. The past two fare determinations have come on the back of promises of better service, which few if any are able to see the fruits of.

Premier Morris Iemma has made statements in the press that "you don't improve the rail system by denying it the funds." This is a conversation that he ought to have with his Treasurer, Michael Costa. Infrastructure spending is the responsibility of the Government and ought to be funded by Treasury. If the Premier or the Minister for Transport, no longer believe that they have the resources to fund rail maintenance and infrastructure development, they ought to consider selling the corporation to private enterprise.

One of the flaws in CityRail proposal is the factoring in of capital improvement into the cost of running the service. The reality is, that other than increased wages, it is no more expensive to operate CityRail than it was a year or two years ago. As discussed earlier, CityRail failed to disclose in previous proposals the savings that it made in salaries as a result of the introduction of the current timetable.

CityRail estimates that each household now funds rail operation to the value of $700. This is not an unreasonable burden on each household. The CityRail service, benefits not only those people who catch trains, but businesses who require staff, retailers who require customers, road users who experience considerably less congestion on roads as a result of some chosing to travel by train. Less demand for fuel avoids placing pressure on fuel supply, thus not adding upward pressure to petrol prices.

CityRail figures have shown a marked increase in patronage levels over the past 12 months as people abandon their cars because of higher petrol prices. CityRail has not increased its service delivery to respond to this increase, which strongly suggests that they are receiving an increased farebox cost recovery than 12 months ago.

Inflation

CityRail's justification based on their costs exceeding CPI is nonsensical. The Consumer Price Index is the agreed standard by which we measure inflation factoring in things like wages, costs of commodities. While CPI is averaged, CityRail cannot expect commuters to pay over and above the increases in the CPI.

Furthermore, CityRail is including in their costs, those which have already been used to justify increases, like capital expenditure and cost recovery. They are repeating their

justifications in a smoke and mirrors attempt to beef up their claim. IPART should independently scrutinise and analyse claims and figures presented by CityRail.

Improvements in safety, reliability, passenger security, service quality and operational efficiency

I don't intend to make comment on operational efficiency as I have no real knowledge on how this is measured, or exactly what it means. However, things like safety, security, quality are intangibles and difficult to measure where improvement has occurred.

The only way to measure these would be through the use of satisfaction surveys. The CityRail proposal suggests that a customer survey conducted by the Independent Transport Safety and Reliability Regulator (ITSRR) showed increases in customer satisfaction. This satisfaction rate is just 44%, hardly a ringing endorsement of the service quality provided by CityRail. I note that there is no mention of the methodology used in this survey.

CityRail lacks any credibility when it claims improvements in reliability. Nobody who catches CityRail services relies on them to get to work on time, to make train connections, or even for the service to run at all. Where on time running figures are used to demonstrate reliability, these are hardly noteworthy. Since 1 July 2005, CityRail has used creative definitions for on time running, that give the illusion that late running trains are really on time. This is a cynical exercise in deception.

Service levels have deteriorated over the past two years. Since September 2005, there have been fewer services, fewer carriages, fewer seats, slower journeys and increased journey times. With the increased patronage experienced in the past year, there is even less standing room. During peak times, unless passengers board at the first half dozen stations, they are not likely to get a seat for their journey. This is most acute on services into the City in the morning along the Western Line.

Impact of Government and public policy

In December 2003, Professor Tom Parry released his report resulting from the Ministerial Inquiry into Sustainable Public Transport in NSW. This report was meant to shape public policy in terms of public transport for the decade to follow. While there are a number of recommendations in his report that would support the CityRail proposal for fare increases, that would be a rather myopic view of his strategy.

Professor Parry made recommendations regarding the implementation of road use pricing and rationalisation of taxation on motorists. He clearly saw this as a means of effectively signalling to the community the external costs of road use—congestion, pollution, road wear and tear and accidents. He recommended that the NSW Government take steps to introduce Electronic Road Pricing.

The Government has rejected outright these recommendations as they are viewed as politically damaging to their electoral prospects. Quite notably was the Governments decision not to apply tolling to the M5 East and Tunnel. This allowed local traffic to use this short stretch of road, without paying any toll, and creating congestion all the way back to the toll plaza at Moorebank for those motorist who have paid to use this road. Had they negotiated with the M5 operators to introduced distance-based tolling to the entire M5, they could have imposed financial disincentives during morning and afternoon peaks, for

motorists using the motorway for local traffic. This is an example of governing for their electoral benefit not the for the benefit of tax payers.

In his report, Professor Parry said, "Fares play two roles in funding public transport services—they are both a means of recovering the costs of providing the services, and a means of encouraging people to use the services. Some submissions to this Inquiry pointed out that raising fares could result in lower use of public transport. However, fares are not the only factor that affects the use of public transport. Indeed, past experience shows low fares alone do not cause people to switch from private to public transport modes. Other important factors include whether or not road user charges are in place, and the levels of service provided by public transport operators. For example, the NRMA points out that at current fare levels, standards of service are twice as important as fares in affecting the level of demand for public transport in NSW."

Essentially, by rejecting the recommendations for road use pricing, the NSW Government is placing an unfair burden on train users, and more generally users of public transport, in achieving sustainable public transport. Professor Parry reported," This subsidisation (of costs of congestion, road wear and tear, pollution and accidents) adversely affects public transport. Motorists do not get the same price signals from road pricing that public transport users get from fares for a parallel journey. In the absence of transparent relative price signals public transport will always be at a disadvantage compared with private car use, which contributes to greater use of private vehicles and under use of public transport.".

Conclusion

In conclusion, I believe that IPART should reject CityRail's proposal for fare increases above and beyond CPI. There is nothing of substance in their proposal that would justify the impost to commuters who don't believe they are receiving quality of service or value for money.

Future fare increases should be linked directly to Key Performance Indicators (KPI) imposed by IPART that demonstrate real improvements in on time running and reliability, service quality, infrastructure. The NSW Government should invest in the future of public transport and ask commuters to pay for those improvements when they have been delivered.

IPART should view the promises made by CityRail in its proposal with a degree of scepticism as they have such a poor record of delivering on their promises.