

Action for Public Transport (NSW)
www.aptnsw.org.au

20th August 2004

Mr James Cox
Acting Chairman
Independent Pricing and Regulatory Tribunal of NSW
PO Box Q290
QVB Post Office NSW 1230

Dear Mr Cox,

Review of Government Bus and Ferry Fares 2004
Second Submission
Government Ferry Fares

As foreshadowed in our first submission dated 25th June, we forward herewith our second submission. This was planned to be our final submission. However, as State Transit has not yet released their proposals for bus fares, this document covers only the government ferry fares. State Transit's proposals will have to be the subject of a third submission from A.P.T.

This submission then consists mainly of comments on the proposals from Sydney Ferries Corporation.

Yours faithfully,

Allan Miles
Secretary
Action for Public Transport (NSW)

**Determination of Government Bus and Ferry Fares from October 2004
Second Submission to IPART – 20th August 2004
Action for Public Transport (NSW)
P.O. Box K 606, Haymarket NSW 1240**

Comments on the Submission from Sydney Ferries Corporation

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37. Reprise of First Submission

APT made a submission to the enquiry in June 2004 before the agencies had prepared their submissions. The Executive Summary and Table of Contents of that submission are repeated here for reference.

Executive Summary from First Submission:

- (a) *State Transit must sell more tickets off-bus to avoid wasting the time of the driver, the bus and the other passengers when tickets are purchased by boarding passengers.*
- (b) *Increase the price of single cash tickets by 25% or more while keeping the price of TravelTen and TravelPass tickets stable.*
- (c) *Retain TravelPasses and introduce a new Brown Zone for use by Inner-West residents.*
- (d) *Retain the BusTripper ticket and improve its marketing and sales.*
- (e) *Keep single ferry fares the same, and make only a small increase in FerryTen, TravelPass and Manly JetCat fares.*
- (f) *Increase the price of the Pensioner Excursion Ticket from \$1.10 to \$1.50 while it still applies only to government transport, and sell the ticket off-bus.*
- (g) *Don't defer any changes with the excuse that the smart-card ticket system is coming soon. This has been the excuse for doing nothing for at least the past two years, and the smart cards are still coming "real soon now".*
- (h) *We recommend that CityRail should make a submission to the Review. Although it has been made clear that no increase in rail fares will be allowed, the normal review documentation would be beneficial to all parties.*

Table of Contents from First Submission

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3. Off-Bus Ticket Sales
4. Cash Fares for Buses
5. TravelTens
6. TravelTen Discount
7. Single Fare Premiums (or Penalties)
8. TravelPass Prices
9. TravelPass Discounts
10. Aggregate Adjustments
11. New Brown TravelPass Zone
12. BusTripper Ticket
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15. FerryTen Fares
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18. Newcastle All-Day Ticket
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20. *Pensioner Excursion Ticket – Off-Bus Sales*

21. *TransitWay Fares*

22. *Deferral to Smart Card System*

23. *Consumer Price Index (CPI) Increase*

24. *Consistent Fare Structure*

25. *Five-Year Price Path*

26. *CityRail Fares*

27. *Discounts – What Is Reasonable?*

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29. *Recognition of External Benefits*

30. *Terms of Reference*

31. *Integrated Tickets AND Integrated Fares*

32. *Submissions to the Parry and Unsworth Reviews*

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34. *Late Submissions by the Agencies*

35. *Submissions by Other Government Agencies*

36. *The Second Submission*

SYDNEY FERRIES CORPORATION SUBMISSION

38. General Comments

The submission from Sydney Ferries Corporation is of poor quality and the Tribunal should be wary of placing any reliance on it without independent investigation. It is a litany of complaints from beginning to end. Only the Old Testament book of Lamentations surpasses it in wallowing self-pity, helplessness and hopelessness. The submission contains little or no relevant data that SFC has compiled itself. Any useful facts and figures have been borrowed from other sources, and selectively at that.

39. Increased Patronage

On page 3, the Executive Summary mentions three sources of long term funding requirement, but increased patronage is not one of them.

On page 8 is the first mention of “patronage increase”, although they don’t say how they will achieve it. Similarly, on page 16 it says “patronage growth and reform of the business will not be enough to produce...etc” There is no mention of how they intend to increase patronage or to what level.

40. Service Improvements

Commencing on page 4 and continuing throughout, SFC talks about “service improvements” without saying what they might be. Is it just on-time running and service reliability? Or is there something more?

41. Costs and the CPI

On page 9 there is reference to SFC costs increasing at a greater rate than the CPI. Why is this so? Are they not spending wisely? Is the CPI calculated incorrectly?

In the Executive Summary on page 3 it says “In the past year, payroll costs have increased by over 4% and fuel by 9% compared to the CPI of 2.5%.” It is not made clear whether the

increase is a result of price alone, or of volume alone, or of a combination of the two. In other words, if payroll costs increased by 4% because SFC employed 4% more staff, then that has nothing to do with the CPI.

There is an attempt to expand on this under “Costs” on page 9, but the real picture is still not clear. What does SFC mean by “obvious unit cost increases in areas such as labour and fuel”? Was it the price that increased, or the usage, or both?

The second paragraph on page 9 is puzzling. It says, “a combination of these two factors resulted in an increase in total payroll costs of over 4% and fuel of 9%” A combination of what two factors? “Unit cost increases” and “additional resources”? Then they say that costs are increasing at greater than the CPI. This argument is seriously flawed. They are comparing cost increases resulting, in part, from additional resources, to a purely price-based CPI. Maybe it is true that their costs are increasing at greater than the CPI but they haven’t proved it here.

In any case, it seems odd that something as universal as the cost of labour is cited as a reason for a variation from CPI. Surely labour is a factor in just about every CPI calculation. Why is Sydney Ferries so different?

42. Future Financial Figures

In many places, the submission says that SFC cannot provide accurate figures because it is a new corporation, it has not yet done detailed planning, etc. This seems a flimsy excuse. Surely the former Ferries Division of State Transit had some budgets, plans, projections, etc that SFC could have used. It is still the same people in the same jobs running the same ferries to the same places. Why is the future suddenly so cloudy?

Where is the SFC Budget for the 2004-05 year?

43. Performance Service Standards

On page 14, the 98.7% on-time running and 99.1% reliability (that is, turning up at all) figures look impressive until you translate them into absolute numbers. A few quick calculations from the timetables show that SFC schedules about 168,000 trips a year (counting forward and return trips separately). If 0.9% of them did not turn up at all, that means that 1,512 trips were cancelled. The figure looks worse if you multiply that by the number of wharves where people stood waiting and watching.

44. Safety

On page 10 the submission says that to improve operations “will require increased levels of operating and capital expenditure to ensure the safety and reliability of services”. Is this necessarily so? Can safety be improved by better procedures without spending more money? If more money is needed, how much more, and for what? There is no justification or substantiation of anything.

45. Vessel Classes

On page 9 SFC seems to be complaining about the “multiplicity of vessel classes and different vessel types within these classes”. The “unique operating environment” and the “complex marine environment” are both mentioned in preceding paragraphs. Perhaps this makes the variety of ferries necessary.

On the same page SFC says, “Sydney Ferries has an operational fleet of 31 vessels of seven different classes. The impact of this is a much higher cost structure than would apply to a purpose built fleet.” We thought the existing fleet WAS a purpose built fleet. Perhaps SFC mean if they had to start from scratch now. One of the “problems” of the vessels is that they last such a long time. Given a thorough mid-life overhaul they are good for another 20/30 years.

The submission also mentions the many operating conditions that SFC has to contend with. State Transit buses have to cope with a similar range of operating conditions.

46. Subsidies and Equity

The submission frequently says that cost recovery and subsidies for bus, rail and ferry should be “equitable”. Why should they be?

The submission says a 20% subsidy to CityRail is “disproportionate” to a 24% subsidy to Sydney Ferries. The two figures do not seem disproportionate to us. Granted, they are both disproportionate to the 7% quoted for buses.

47. Socially Responsible

Page 5 of the submission says one of the “other objectives” of SFC is to operate “in a socially responsible manner”. One might consider that helping to reduce the number of buses on Military Road and New South Head Road is acting in a socially responsible manner.

The submission has failed completely to mention the environmental benefits of maintaining a good ferry service. It is only concerned with dollars and cents in its own ledgers.

On page 16 SFC says the fare proposal is “based on the following factors” – twenty-two of them. None of them mentions keeping cars and buses off the road.

48. Why Nine Percent?

On page 17, SFC says an “average nominal fare increase of 9% is warranted”. Nowhere is this figure justified or supported. Why not five percent, or eight percent, or ten percent? Our theory is that SFC is using the salesman’s ruse. State the price of the lounge suite as \$1,999 instead of \$2,000 because it looks much cheaper. Similarly, SFC has asked for 9% purely on the salesman’s reasoning that it is more acceptable than 10%.

What does a “nominal fare increase” mean? Is it an average increase? A weighted average? A minimum or maximum? An ambit claim? A licence to do whatever they please?

How would the 9% be applied to single fares, to FerryTens, to TravelPasses, to DayTrippers? The detail is non-existent.

49. Previous Fare Increases

On page 12, SFC quotes the 2003 IPART report – “there had only been modest fare increases in the previous two years”. That was the only good news Sydney Ferries could find. The truth is, in the eight years 1995 to 2003, single ferry fares increased by an average of 65%, or an average 8% per year. In the same period, FerryTen fares increased by an average of 70% or an average of 9% per year.

See details in APT’s first submission on IPART web site <http://www.ipart.nsw.gov.au>

50. The Parry Report

On page 12, the SFC submission quotes the Parry Report and says, “Sydney Ferries accepts these findings”. Of course they do. They haven’t had time to look into their own internal strategies, target and performance indicators (page16) but they can accept a sympathetic finding from someone else’s report without investigating it.

51. Discounts on FerryTens

Commencing on page 4 of the submission and continuing throughout, SFC quotes FerryTen discounts “up to 37%”. This is the usual government strategy of using “maximum” when it suits and using “average” when it suits. Yes, the discounts on the Inner Harbour zones are 35% and 37%. On the Parramatta RiverCat the FerryTen discount is 30%, on the Manly and Rydalmere ferries it is 26%, and for Manly JetCats it is 17%. Beware the government tactic of putting forward the extreme as the norm.

To be fair, unlike the Parry report, the SFC does not preface every use of the word “discount” with an adjective like “excessive” or “generous”. In fact, only twice is an adjective used – “very significant discounts” on page 20 and “substantial discount” on page 19, and that is in a quote from somebody else’s paper.

Are we then to infer that SFC considers these discounts acceptable and wishes to maintain them? Hardly likely. So what is a reasonable discount?

When “complaining” about discounts, operators (SFC, SRA, STA) never mention the benefits that accrue to them from having people pre-pay, sometimes up to one year in advance. Some of these benefits are – fewer ticket sales staff, fewer vending machines, less cash handling costs, less ticket printing costs, use of the customer’s money in advance, customer loyalty (captivity?) etc, and, in the case of buses, faster boarding times.

In the absence of any detailed study, APT maintains that a minimum acceptable discount for pre-paid tickets is 20%. However, we see no reason to reduce the current FerryTen discounts by increasing their price relative to single ticket fares.

52. TravelPasses

TravelPasses are a worry. They are referenced in the submission only in a historical context. There is no mention of TravelPasses as a ticket for the future (nor, to be fair, does it specifically say they will be scrapped). However, there is every possibility that, in seeking to guide its own future, SFC will try to cut loose from TravelPasses, which provide travel on State Transit buses and on CityRail trains as well as on ferries.

Sydney Ferries Corporation must not be allowed to withdraw these multi-mode tickets.

With the unusual circumstance this year of CityRail not being allowed an increase (and, it seems, taking their bat and ball and staying home) a different set of rules may apply about how any TravelPass increase would be calculated. APT’s simple answer to this problem is not to increase TravelPass prices at all. TravelPass users have been milked unmercifully in recent years, and it is time to call a halt.

53. Smart Card (Tcard)

Strangely, the submission does not mention the new Tcard. In previous years CityRail and State Transit have used the imminent birth of smart card ticketing as an excuse not to do anything new with tickets. We are still waiting.

54. They Can Afford It

The submission does not “demonise by postcode” as other reports have done. However, the submission quotes the usual argument that the ferries are mostly used by workers and they can afford to pay more. Not all workers can afford to pay more. Submissions from NCOSS and similar groups often say that, with the gain of a job comes the loss of fare concessions. Low income workers are sometimes better off financially staying home than paying full fares to get to work.

55. Conclusion

Sydney Ferries without a doubt need more money, and some of this money should probably come from a fare rise. APT would probably support a reasonable fare increase justified in a well-argued proposal. However, Sydney Ferries Corporation has presented no such case. If it was a yacht bound for Hobart, the Squadron Commander would not even give it permission to cast off because of lack of provisions, preparedness, planning and purpose.