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

28 September 2004

Dear Sir,

Review of Ferry Fares 2004

I offer this submission in relation to the above review and to address, more specifically, the supporting documentation filed by the Sydney Ferries Corporation (SFC).

"Cost Recovery"
This is an inadequate measure to support a case for an increase in fares. The "Cost Recovery" rate can slip and continue to decline in response to poor management of the assets and resources. In the absence of any information confirming that real costs have been simultaneously driven down (or held stable, in real terms), the case justifying an increase in fares based on declining "Cost Recovery" is flawed. Awarding fare increases without due scrutiny of (and link to) cost performance, effectively shifts further funding burden onto travellers (new dollars into NSW Treasury) in a way which does not offer any driver for improved cost performance from the management of SFC. IPART should give consideration to changes that offer incentives to limit the total pool of funds required to operate SFC. If the political will is there to maintain services, these should not be maintained by way of a gradual increase in the flow of new dollars (burden-shifting to user pays) to NSW Treasury via SFC.

Financial Position of Monopoly Operator
The NSW Government (the ultimate owner and operator of SFC on behalf of NSW taxpayers) currently administers a state annual budget of approximately $40 billion. In broad terms, this annual budget has doubled in the last ten years. Delivery of the state's aggregated monopoly services (pre-indexation) now costs the people of NSW twice as much as it did ten years ago. Even after indexation for inflation and growth, the revenue position of the Monopoly Operator is at a historic high. The case for increased revenues to NSW Treasury (by way of any burden-shift to user pays, or by any other means) cannot be made. On the contrary, a compelling case exists to introduce cost-control mechanisms for those charged with the responsibility of managing the state's assets.

Government Subsidy per Passenger Kilometre (GSPK)
This is a dubious measure of "relative equity" in the examination of the cost to government behind the delivery of different transport modes. Adoption of the GSPK may be a reckless and misleading feature of the Parry Report. The GSPK is sensitive to the trip distance. Ferry trips involve very direct routes, with destinations prescribed by geography. The distance from "A" to "B" is not extended, as it is with buses and trains, by the need to negotiate geographic features such as bridges. The SFC submission quotes GSPK for ferries as 24 cents, for trains 20 cents, and for buses 7 cents. The SFC argues that an increase in ferry fares will act to correct a perceived "inequity" in the GSPK for the different transport modes. <u>This logic by SFC could be equally applied to argue that bus travellers should not be currently paying any fare at all</u> (where the absence of any fare revenue would see the GSPK for buses rise closer to that for trains and ferries). Use of GSPK for comparisons should consider all real costs such as provision of dedicated bus lanes, exclusive use of transit lanes, and the cost of leasing/maintaining these. Costs such as these do not apply in the case for ferries.

Yours sincerely,

(original signed)

<u>**Mitchell Geddes**</u>