

Sydney Ferries Corporation

Level 3, 35 Pitt Street
Sydney NSW 2000

Tel: (02) 9246 8300

Fax: (02) 9246 8305

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

Dear Mr Cox

Review of Government Bus and Ferry Fares 2004

Thank you for the opportunity to make a submission to the Tribunal's 2004 Fare review.

As you know, Sydney Ferries Corporation was established on 1 July 2004, and our submission to the Tribunal is attached.

Sydney Ferries Corporation would welcome the opportunity to explain this submission more fully to you or your officers and answer any questions you may have. We would also be happy to attend the proposed public hearing should that be helpful.

Should you require any further information or clarification of matters raised in our submission, please contact Mr Gary Pedersen, General Manager Corporate Services and Strategy on 9246 8371.

Yours sincerely

Sue Sinclair
Chief Executive Officer

Sydney Ferries Corporation

Submission to the Independent Pricing and Regulatory Tribunal



August 2004

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Executive Summary

- Sydney Ferries came into existence as a corporation on 1 July 2004
- Sydney Ferries supports a 5-year price path for ferry fares from 1 September 2005. This will allow the new corporation to finalise its structure, management profile and financial and other systems.
- Sydney Ferries was previously a loss making division of State Transit Authority. Sydney Ferries continues to suffer from low cost recovery and above CPI increases in operating costs. For instance, cost recovery has fallen from 68.5% in 1997/98 to 52.8% in 2003/04. In the past year, payroll costs have increased by over 4% and fuel by 9%, compared to the CPI of 2.5%
- It costs \$100m per annum to provide the more than 14 million passenger journeys, of which customers pay \$42m
- The average cost per passenger journey is \$6.87 of which the customer pays \$2.90
- The “Parry” Inquiry found that the government subsidy (excluding targeted subsidies for concessions) per passenger kilometre was 20 cents for rail and 7 cents for buses. In 2004/05 Sydney Ferry customers will receive a Government subsidy of approximately 24 cents per passenger kilometre
- This disproportionate level of support clearly raises issues about the relative equity and appropriateness of subsidies to Sydney Ferries customers.
- The corporatisation of Sydney Ferries and increased funding by the Government will partly reduce the projected losses of the business but not to a sustainable level into the future and will not address the equity issue between modes.
- The resolution of the longer term funding requirements of Sydney Ferries will come from three areas
 - Improved financial performance by Sydney Ferries
 - Ongoing support from the NSW Government
 - Increased contributions by customers

- Sydney Ferries will continue to strive for service improvements. In the past 12 months, Sydney Ferries has been generally meeting most of its service quality targets including on-time running and service reliability.
- IPART and Professor Parry have previously recognised that there is a disproportionate subsidy for ferry customers over other public transport modes
- The total number of daily passenger journeys is approximately 40,000, of which 10,000, or 25%, are tourists for whom the proposed price still represents excellent value
- On an average weekday, approximately 32% of ferry trips by Sydney residents are made by people either paying a concessional fare or no fare at all. At the same time, 60% of “full fare” paying adults utilise multi-ride tickets with discounts of up to 37%
- The “Parry” Inquiry concluded that there was a strong case to improve equity by requiring users to contribute a greater share of the cost of operating ferry services
- Sydney Ferries considers that fare increases should be based on the following factors:
 - the prevailing Consumer Price Index
 - key cost drivers faced by Sydney Ferries, including the real cost of basic inputs and costs arising from statutory public safety obligations
 - improvements in customer service areas
 - the extent of cost recovery by the organisation; and
 - the organisation’s financial position
- Based on these factors, Sydney Ferries is of the view that IPART should grant a 9% fare increase in 2004-05
- The proposal provides for an affordable price increase, ensures better cost recovery, more equitably proportionate to bus and rail, while ensuring Sydney Ferries continues to provide a safe and reliable commuter service and day on the Harbour for visitors and residents

1. Introduction

Corporatisation of Sydney Ferries

This is the first submission to the Independent Pricing and Regulatory Tribunal (the Tribunal) by the newly established Sydney Ferries Corporation (Sydney Ferries).

Sydney Ferries came into existence on 1 July 2004 as a result of the *Transport Administration Amendment (Sydney Ferries) Act 2003* (NSW). Sydney Ferries is a statutory state owned corporation created under the *State Owned Corporations Act 1989*.

The principal objective of Sydney Ferries is to deliver safe and reliable Sydney ferry services in an efficient, effective and financially responsible manner. The other objectives of Sydney ferries are to operate:

- efficiently
- in a way that maximises the net worth of the state's investment
- in a socially responsible manner
- in accordance with the principles of ecologically sustainable development, and
- with consideration of regional development

As a new corporation, Sydney Ferries is establishing its structure, management profile and financial and other systems.

Nevertheless, Sydney Ferries is in a position to put a strong case for a fare increase in the current year, based on a number of factors discussed in detail in this submission, many of which were instrumental in the Government's decision to corporatise Sydney Ferries.

Background to Sydney Ferries

Sydney Ferries is an integral component of the Sydney public transport network as it provides ferry services across the harbour and up the Parramatta River. Sydney Ferries also provides an iconic tourist attraction for the people of Sydney and visitors to the city from elsewhere in Australia and overseas. The combination of these two factors means that Sydney Ferries provides a significant contribution to the delivery of commuter services for the citizens of Sydney while also adding significantly to the creation of value for the community through contribution to tourist services.

With the creation of Sydney Ferries, the corporation has inherited a business that has been making an increasing loss over recent years. It was this very set of circumstances that led to the government's decision to corporatise Sydney Ferries. The business, as a division of State Transit Authority, has seen a continuously deteriorating financial position over a period of time. As

noted in last year's determination, cost recovery had fallen to around 50% in 2002/03. This was clearly an unsustainable position.

In late 2002, State Transit conducted an external review of the financial forecasts of each of its businesses, including Sydney Ferries. The clear conclusions were that Sydney Ferries' operating losses were set to continue into the foreseeable future. The consultants estimated that revenue for the business each year was up to \$30m below that which was required to properly fund the operation of the business.

The Minister for Transport Services, in his second reading speech on the Bill to restructure Sydney Ferries noted that unless changes were introduced, Sydney Ferries faced an increase in accumulated debt from \$89m to \$219m by 2008 and \$413m by 2013.

It was against this background that the Government decided to corporatise Sydney Ferries and put in place new governance arrangements that would give the ferry business the best chance of turning around its fortunes and achieving a sustainable future.

As part of the establishment of Sydney Ferries, the Government has committed to a greater level of financial support to the corporation through Community Service Obligation payments. Notwithstanding this increased level of support, the losses of Sydney Ferries are unsustainable at their current levels. This position will further deteriorate over the medium to longer term, when the need to refurbish and/or replace the ferry fleet emerges.

The resolution to the longer term funding requirements of Sydney Ferries will come from three main areas:

- Improved financial performance by Sydney Ferries. The Government has corporatised Sydney Ferries and appointed a Board and new management to achieve this.
- Ongoing support from Government at a level that is sustainable in the long run. The Government has allocated additional funding this year.
- Addressing the inequity of the currently disproportionate subsidies to Sydney Ferries customers compared with other public transport modes.

It is in this context that Sydney Ferries believes that a real fare increase is warranted for the current year as part of the overall strategy for Sydney Ferries.

2. Financial Position

Cost Recovery

Over the last 7 years, cost recovery has declined for Sydney Ferries from almost 70% to just over 50% as set out in the table below.

1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04
68.5%	63.0%	63.5%	67.7%	54.1%	47.5%	52.8%

This is a dramatic rate of decline that has been consistently occurring with the exception of the 2000/01 year where travel associated with the Olympics had a one-off positive impact.

In 2003/04 the average cost per passenger journey was \$6.87 while the average customer paid \$2.90 per journey. By way of example, while a full fare for the Inner Harbour to locations such as Balmain, Kirribilli, Cremorne Point or Watsons Bay costs \$4.50, the purchase of a FerryTen multi-ride product reduces this to only \$2.85, a discount of 37%. It costs \$100m per annum to run Sydney Ferries of which customers pay only \$42m.

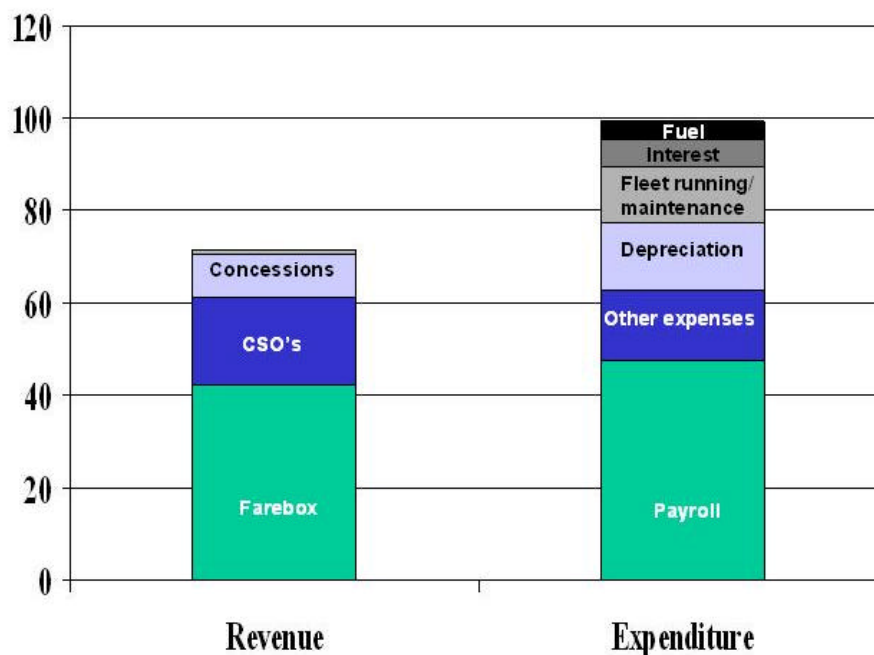
It was this very significant and continuing decline in the financial position of Sydney Ferries that led in large part to the Government's decision to establish the business on a standalone basis as an independent corporation. The intention is to create a viable future for the business, which sees the operations of Sydney Ferries ensured on a sustainable basis in the long term. Governments can no longer continue to pour increasing amounts of money into the business unless it is part of a sustainable business plan that ultimately sees the business delivering safe and reliable services in an efficient, effective and financially responsible manner.

For the year just past, 2003/04 preliminary figures indicate that Sydney Ferries, as a division of State Transit, incurred operating losses of almost \$28m as follows:

	\$M
Farebox Revenue	42.0
Government concessions	9.3
Government CSO's	19.1
Other income	1.2
Total Revenue	71.6
Payroll	47.6
Fuel	4.3
Fleet running and maintenance	12.2
Depreciation	14.4
Other expenses	15.2
Interest	5.8
Total Expenses	99.5
Operating Loss	27.9

While the financial performance of the business can be improved both through patronage and revenue growth as well as efficiency improvements, it is clear that the impact of this will not be enough to provide a sustainable financial future for the corporation.

As can be seen from the following graph of the components of revenue and expenditure in 2003/04, revenue from customers fails to cover even the cost of the labour force in running the ferry business, let alone other operating costs including, fuel, materials and the actual amortised capital cost of the ferries themselves (depreciation).



Costs

Sydney Ferries costs have generally been increasing at a rate greater than CPI, reflecting the fact that the cost structure of the business bears little resemblance to the basket of goods and services included in the CPI. Quite apart from the obvious unit cost increases in areas such as labour and fuel, the organisation has also been focussing additional resources to improve the levels of both safety and customer service.

Over the last year, the combination of these two factors resulted in an increase in total payroll costs of over 4% and fuel of 9%. The CPI increase is 2.5% (June 03 to June 04 average of all capital cities). As can be seen, these costs, which are the basic variable input costs of the business, are rising above the CPI.

More generally, Sydney Ferries, as part of the State Transit Authority, has incurred significant cost increases overall in recent years, due to Sydney Ferries unique operating environment in Sydney Harbour and the Parramatta River. There is a complex marine environment in which the corporation operates, with an increasingly complex range of safety and environmental regulations that govern its operations.

As a new corporation, Sydney Ferries has inherited ferry operations that are significantly more complex and inefficient than would otherwise be the case if operations were being established today. It operates to over 40 wharves and has inherited a diverse fleet of vessels with a multiplicity of vessel classes and different vessel types within these classes.

The fleet must address significant wave heights that come through the heads, the restriction in the height of bow waves to protect the harbour foreshores, speed restrictions that constrain its ability to deliver fast services, and the manoeuvrability to cope with the congestion and restricted areas around Circular Quay, Manly Wharf and other wharves in the Harbour and on the Parramatta river. All of this creates a higher cost structure than would otherwise be the case.

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. There are increased costs due to:

- The diversity of spare parts required to be kept on hand
- Limited suppliers of spares and maintenance services
- Increased operating costs (arising from differing manning levels, inefficiencies in fleet rostering etc)
- Increased training costs

Other aspects of the operation that have been vested in the new corporation include a significant shipyard located at Balmain in inner Sydney. The corporation has also been vested ownership of nine wharves that it is required to maintain, out of the total of over forty wharves that it operates to.

Sydney Ferries has also inherited a certified quality system that carries with it a higher than usual degree of expense to maintain. This arises through the scope of the certification encompassing the ISM code for marine operations as well as the ISO9001 standard. Such certification requires the use of a specialised auditing team, based in Singapore. While this adds significantly to the costs incurred by Sydney Ferries, it is essential in meeting the Corporation's statutory responsibilities in relation to public safety.

It is also noted that the operating environment for transportation organisations in New South Wales is appropriately such that increasing focus is being placed on continuous improvements to the safety of operations. In NSW, the Independent Transport Safety and Reliability Regulator has an important role to play in continuously monitoring and making recommendations for all operators including Sydney Ferries to improve their operations. This will require increased levels of operating and capital expenditure to ensure the safety and reliability of services for customers.

2004/05 Revenue Requirements

Indicative 2004/05 revenue requirements have been determined using the 'building block' revenue approach commonly adopted by the Tribunal. Under this approach, regulated revenue is determined at a level sufficient to recover efficient operating costs, depreciation plus a commercial return on assets.

This analysis shows that even with a 9% increase, Sydney Ferries will still be well short of achieving full cost recovery. A reasonable increase in 2004/05 is critical to the ongoing realignment of regulated revenue with the underlying cost of service.

3. Policy Framework

In a letter to the Tribunal, the Premier set out a range of issues for it to consider in making its determination. Included among these was the desire to see this year's determination as part of a five-year price path.

As the Tribunal is aware, Sydney Ferries is required to develop a Statement of Corporate Intent and a supporting detailed business plan for submission and ultimate agreement with the shareholding ministers over the next few months. This is also required to be discussed and agreed with the portfolio Minister, the Minister for Transport Services.

It is an unfortunate matter of timing, as noted earlier, that Sydney Ferries will still be developing its Statement of Corporate Intent and supporting business plan by the time the Tribunal is required to bring down its decision in relation to ferry fares this year.

Sydney Ferries fully supports the concept of a five-year price path to give greater certainty to Sydney Ferries, its customers and the broader community. However, for the reasons of timing noted earlier, Sydney Ferries is not in a position to make a detailed submission based on five years of prospective data at this time. However, Sydney Ferries will make a solid, well-reasoned and substantiated submission in support of a five-year determination from 1 July 2005.

Accordingly, it is proposed that the Tribunal grant an increase for the current year in this determination to be followed by a more in depth review to result in a determination for five years from 1 July 2005, as proposed by the Premier.

In considering the appropriate decision for the current financial year, it is instructive to review the findings and recommendations of both the Tribunal's decision last year as well as the outcomes of the Ministerial inquiry into sustainable transport in New South Wales conducted by Professor Tom Parry.

The Tribunal's 2003 Determination

In its decision last year the Tribunal noted as follows:

- There had been rising costs and falling cost recovery
- State Transit Authority did not have a cost recovery target for ferries
- There was an expectation that significant cost efficiencies of \$3.5m would be achieved in 2003/04
- Sydney Ferries was meeting most of its service quality targets and on time running and other measures had been particularly good
- There were few submissions from passengers on service quality
- The attainment of quality systems certification was evidence of service quality improvement

- An increase in ferry fares was not likely to cause excessive hardship for ferry passengers
- Tourists were willing to pay more for services
- There had only been modest fare increases in the previous two years
- A 7.5% increase in fares was not likely to cause excessive hardship for ferry passengers

The Tribunal concluded that it would like to see a stronger commitment “on improving business efficiency and service quality, and to report on these matters in a suitable way. The Tribunal would like the State Transit Authority to publicly outline its strategies and plans for efficiency and service quality for Sydney Ferries and to develop robust performance reporting frameworks”

Ministerial Inquiry into Sustainable Transport in NSW (The Parry Report)

In December 2003, the final report of the Ministerial Inquiry into Sustainable Transport in New South Wales was released. Overall, the inquiry found that by international standards, public transport fares in Sydney were cheap, there were high levels of government subsidies and cost recovery levels were worsening. It concluded that this was not sustainable and that there was a strong case for users to contribute a greater share, linked to improvements in service quality. It also concluded that agencies could contribute to improving the financial position through improving operating efficiency and lowering costs. It recommended that the Tribunal should set fares over say a five-year price path. Of direct relevance to Sydney Ferries it concluded that:

- Ferry services generally were costly in terms of government support
- Modest real fare increases were warranted

Its specific recommendations of direct relevance to Sydney Ferries included:

- There should be a five-year contract with the government setting out key performance indicators
- Operators to pursue efficiency gains under the same five-year framework
- CPI plus ‘x’ fare increase to fund service improvements

The Ministerial Inquiry concluded that there was a strong case for users to contribute a greater share of the cost of operating ferry services. It was also noted that this should be linked to efficiency gains by Sydney Ferries and to improved service quality over time.

Sydney Ferries accepts these findings and the establishment of the new corporation is intended by the Government to facilitate the achievement of the dual objectives of efficiency gains and improvements in service quality.

The Statement of Corporate Intent and business planning process that is now underway in Sydney Ferries will document with shareholders and the Minister agreed objectives for efficiency and service quality over the next five years.

The Parry Report also identified that the average “general” Government subsidy per passenger kilometre on rail and bus was as follows:

- CityRail – 20 cents per passenger kilometre
- Sydney buses – 7 cents per passenger kilometre

The same analysis applied to Sydney Ferries in 2004/05 reveals an average Government subsidy per passenger kilometre of 24 cents.

As this comparison demonstrates, Sydney Ferries receives a level of Government support per passenger kilometre greater than other transport modes. This disproportionate level of support clearly raises issues about the relative equity and appropriateness of subsidies to Sydney Ferries customers.

4. Performance and Service Standards

Sydney Ferries accepts fully that real fare increases should be linked to the quality of customer service being delivered by the corporation.

As the following table shows, Sydney Ferries has continued to achieve a consistently high level of reliability and on time running.

Sydney Ferries Key Performance Indicator's

KPI	1999/00	2000/01	2001/02	2002/03	2003/04
On Time Running	99.5%	99.4%	99.4%	99.0%	98.7%
Service Reliability	99.3%	99.3%	99.3%	99.3%	99.1%

As can be seen, for the just completed year to 30 June 2004, Sydney Ferries achieved an on time running performance of 98.7%. This is consistent with the high level of performance achieved over the last 5 years.

For the same year, service reliability as measured by the number of trips run as a percentage of the total number of scheduled trips, was achieved at 99.1%. This also is consistent with the high level of performance of recent years.

The Sydney Ferries fleet of vessels has also undergone a significant program of replacement and fleet upgrade over recent years.

Safety

Over recent years Sydney Ferries has obtained accreditation to the standards required both by the ISO9001:2000 and the International Maritime Organisations Management (ISM) Code. This required a significant commitment to the establishment of quality systems, with three staff positions, functional training for 20 others, awareness training for all personnel, and rostering/scheduling responsibility to allow the quality system functions to operate.

The focus of Sydney Ferries on the safety function has also increased, with two specialised staff, and consultative processes involving personnel from all levels. The change in emphasis to a risk management approach and improved systems has resulted in a discontinuity with previous statistics reported by STA for Sydney Ferries. As an example, the reporting of passenger incidents on ferries for the 2003/04 year shows an increase of 250% over the 2002/03 year. This increase appears to arise because of better reporting of incidents rather than a decrease in performance.

Sydney Ferries has also invested heavily in training functions to allow the quality and safety systems to be implemented. Currently, there are four people fully employed in training roles with another administrative support person completing the team.

Customer Satisfaction Survey

During 2003, State Transit commissioned an independent customer satisfaction survey. The survey covered over 500 interviews, identifying what was important to ferry customers and how Sydney Ferries performance was rated.

The following table sets out the top 5 matters of importance to ferry users and how Sydney Ferries was rated, where a score of 10 represents complete satisfaction:

<u>Matters of Importance</u>	<u>How Sydney Ferries was Rated</u>
Running on Time	8.39
Minimal interruptions to service	8.06
Frequency of service	7.45
Timetable meets needs	7.13
Safety at wharves	8.21

As can be seen, while there is certainly room for improvement, Sydney Ferries was rated relatively highly in the issues that matter to customers. The relatively high scores for on time running and minimal interruptions to services, as scored by customers, are consistent with the KPI's detailed earlier.

Safety at wharves is also rated relatively highly reflecting the fact that Sydney Ferries has an extensive network of CCTV cameras installed on all wharves and associated help points that provide greatly enhanced levels of security for its customers.

The frequency of service and timetabling of services, while rated lower than the others, still represents a relatively high level of satisfaction as assessed by customers. Providing more services and altered timetables is of course a fine balance between meeting the needs of customers while minimising the cost of service provision to customers and government.

In an overall measure of an organisation's success in satisfying its customers, the survey found that Sydney Ferries was placed in the top 31% of companies generally and in the top 27% of government bodies.

5. The Proposal

Sydney Ferries considers that fare increases should be based on the following factors:

- the prevailing Consumer Price Index;
- key cost driver faced by Sydney Ferries, including the real cost of basic inputs and costs arising from statutory public safety obligations
- improvements in customer service areas;
- the extent of cost recovery by the organisation; and
- the organisation's financial position.

Based on these factors, Sydney Ferries is of the view that IPART should grant a 9% fare increase in 2004-05. The following key points are provided in support of this proposal:

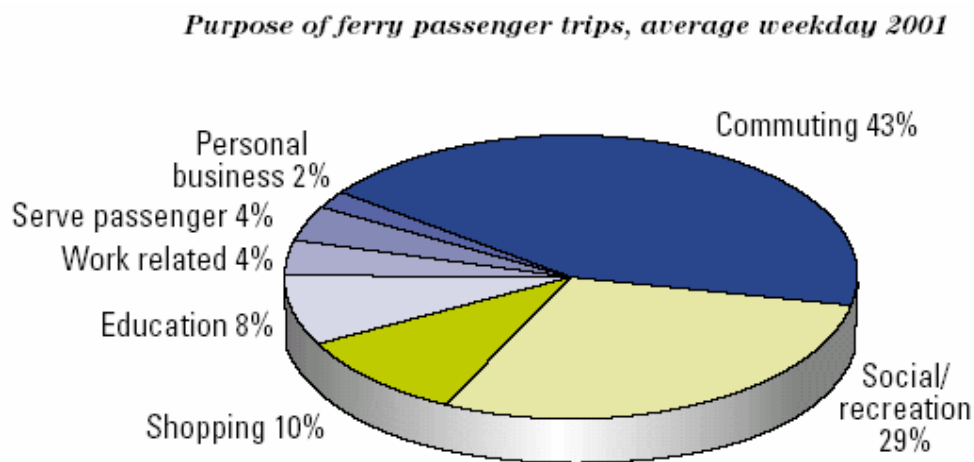
- It costs \$100m per annum to provide the more than 14 million passenger journeys, of which customers pay only \$42m
- The average cost per passenger journey is \$6.87 of which the customer pays \$2.90.
- Sydney Ferries has a disproportionately high public subsidy, compared to other modes
- Sydney Ferries is addressing the efficiency issues raised by the Parry Inquiry having been recently established as a new corporation.
- Sydney Ferries is developing a new structure, management profile and financial and other systems to help deliver improvements in the bottom line
- Long-term strategies, efficiency targets and performance indicators are being developed and agreed with shareholders and the Minister. These will not be finalised in time for the Tribunal's determination this year
- These will be used to propose a five-year price path from 1 September 2005
- The Government has provided increased funding for the 2004/05 financial year as part of the corporatisation process
- There are clearly opportunities for strategic reform that the corporation intends to pursue but this will take some time to properly analyse and develop and will require a staged implementation process
- Sydney Ferries continues to suffer from low cost recovery and above CPI increases in operating costs, particularly in the areas of payroll costs and fuel. Costs also increased as a result of increased spending on safety and reliability issues
- Patronage growth and reform of the business will not be enough to produce a sustainable future that will guarantee the levels of service that ferry passengers expect
- Existing service levels are at a high standard – on time running is currently at 99%

- While Sydney Ferries controls only some of the wharves it operates to, it is clear that there will be increased spending on this infrastructure over the next few years to further improve customer safety
- Underpinning the Tribunal's decision last year was an assumption that \$3.5m of efficiencies would be realised by the ferry business in 2003/04. While the cost recovery of Sydney Ferries has in fact improved over the last year, the Government decision to corporatise Sydney Ferries is designed to facilitate further efficiency improvements
- Patronage growth over the last year combined with the previous fare increase has contributed to a moderate improvement in cost recovery, which also confirms that customer demand is not overly sensitive to price changes
- Current financial projections for the 2004/05 year will see Sydney Ferries incur a loss of approximately \$15m, even after the Government has injected \$43m into the business. A continuation of the status quo will only see this position worsen
- A 9% fare increase will help improve cost recovery in 2004/05 to almost 56%, a further step in the right direction
- While some of this shortfall will be addressed through efficiency improvements over time, as well as patronage and revenue growth, it is clear that this will not be enough on its own. A further real price increase is necessary
- The total number of daily passenger journeys is approximately 40,000, of which 10,000, or 25%, are tourists for whom the proposed fare increase will still represent very good value
- Professor Parry identified that the per passenger kilometre government subsidy (excluding targeted subsidies for concessions) was 20c for rail and 7c for buses. In 2004/05, the subsidy for Sydney Ferries will be approximately 24c.
- In the circumstances, it is considered that an average nominal fare increase of 9% is warranted. There is no evidence, on the basis of last year's decision, that an increase of this size will have a detrimental effect on the affordability of ferry services and thus on patronage.
- The proposed increase represents a reasonable compromise between the cost of the service and the impact on our customers

6. Impact on Customers

The Transport Data Centre in the Department of Infrastructure, Planning and Natural Resources produced an issues paper in July 2003 entitled *Ferry Users in Sydney*, which provides some useful insights into the attributes of ferry travel by Sydney residents. The report does not cover the role of Sydney Ferries in carrying visitors and tourists.

The analysis of reasons for travel by ferries is set out in the following chart

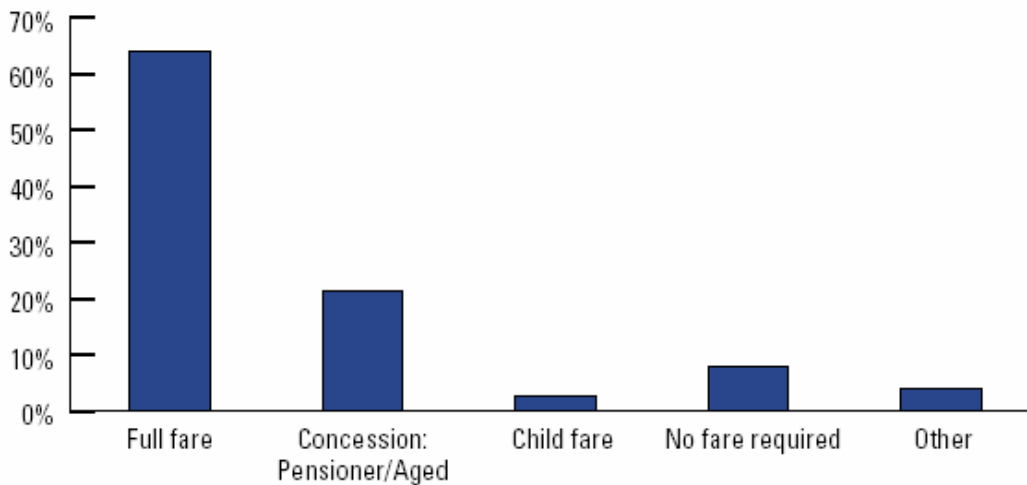


As can be seen, approximately 47% of ferry trips are for work and related purposes while 8% are for education.

Over 40% of ferry trips are taken by Sydney residents for non-work purposes including social/recreation, shopping and personal business.

There are free and concessional fares for students, pensioners, the unemployed and others to ensure affordable access to ferry services for these groups. On an average weekday, approximately 32% of ferry trips by Sydney residents are made by people either paying a concessional fare or no fare at all as is set out in the following graph.

Proportion of ferry trips by fare type, average weekday 2001



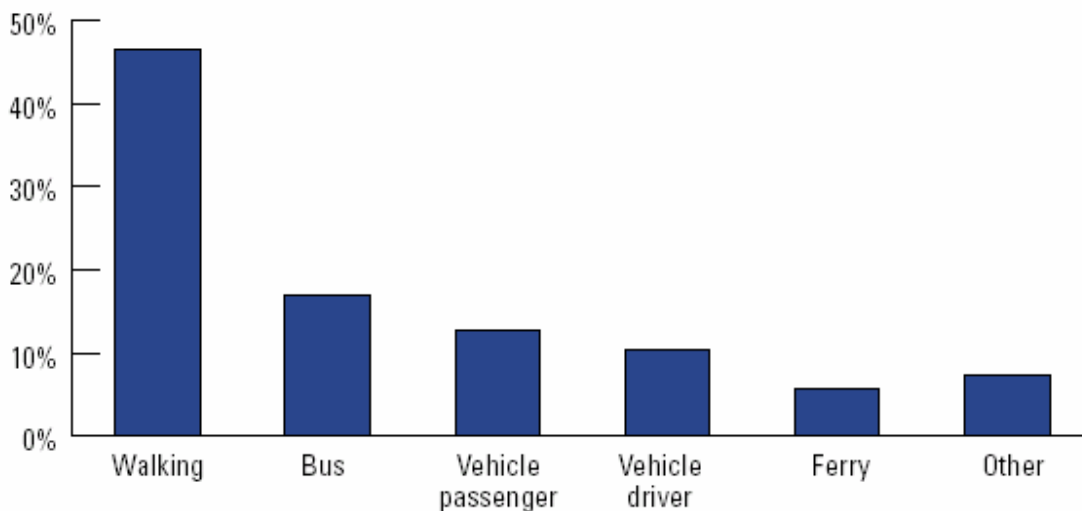
It should also be noted that within the above category of “full fare”, many commuters already receive substantial discounts through the purchase of multi-ride fare products such as FerryTen and TravelPass.

In the year just passed, 60% of “full fare” paying adults utilised these multi-ride tickets with discounts of up to 37%.

Characteristics of Sydney Ferries Users

As can be seen in the following graph, for 47% of ferry trips, people walk to the ferry wharf meaning that they generally have minimal other costs in getting to their destination. This is further re-inforced by the fact that for 69% of ferry trips, people then walk to their final destination.

Proportion of trips to access ferry by mode, average weekday 2001*



**Trips starting from home (approx. 48% of ferry trips)*

Full time workers are by far the largest group of ferry users and on average, people who use ferries have much higher incomes than the average Sydney resident. Graphs that demonstrated this principle were included in last year's determination by the Tribunal. Therefore it is inequitable that this group attract the largest subsidy per passenger kilometre of any public transport mode.

It was also noted in the Parry Inquiry that approximately 25% of Sydney Ferries users are visitors to Sydney engaged in tourist activities. Given the relatively small component that a ferry trip forms as part of a visitors overall cost of travel, it is considered that the proposed fare increase will not cause any hardship for this group of customers.

It should also be noted that concession users (including SSTS pass holders) remain subsidised. There are also very significant discounts of up to 37% for regular users via multi-ride tickets.

By way of example, a 9% increase applied evenly across the business would increase the single ride fare to Manly by 50c from \$5.80 to \$6.30, while a single ride fare on the inner harbour to locations such as Balmain, Kirribilli or Cremorne Point would increase by 40c from \$4.50 to \$4.90.

The proposal provides for an affordable price increase, ensures better cost recovery, more equitably proportionate to bus and rail, while ensuring Sydney Ferries continues to provide a safe and reliable commuter service and day on the Harbour for visitors and residents.