

Action for Public Transport (NSW)

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25th September 2006

Mr. James Cox
Chief Executive Officer
Independent Pricing and Regulatory Tribunal of NSW
PO Box Q290
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Dear Mr. Cox,

2006 Review of Ferry Fares Response to Submission by Sydney Ferries Corporation

1. Introduction

This paper responds to the issues raised in the submission by Sydney Ferries Corporation (SFC). We cannot support the fare increases that SFC is seeking as part of this year's review. Action for Public Transport will respond separately to the submission by the Charter Vessel Association (CVA).

2. Executive Summary

Sydney Ferries Corporation has failed to meet the expectations set at last year's review in terms of financial performance. Costs for both recurrent expenditure and capital expenses are expected to rise in the forthcoming year.

Given the negative impact of last year's fare rises on total revenue, further fare rises may result in a further deterioration in SFC's financial performance.

The marketing opportunity presented by the rise in petrol prices for private motorists also makes this an inopportune time to increase ferry fares.

We therefore recommend

- (a) no increase in single, FerryTen and bus/ferry TravelPass fares, and
- (b) a reduction in the cost of the DayTripper ticket to \$10.

3. Patronage 2005/06

Most public transport operators across the Sydney metropolitan area have enjoyed patronage growth, due largely to rising fuel prices, over the 2005/06 period. Sydney Ferries' Inner Harbour services, largely commuter journeys, recorded an increase in patronage of 7.89% in this period. Commuter travel on the Manly JetCat remained stable, but as these runs operate close to capacity there is little scope to increase patronage. Patronage on the Parramatta River services has fallen by 3.44% and this likely reflects a decline in leisure travel. The commuter runs along the Parramatta River are considered to be operating at or near capacity. SFC's most popular service the Manly Ferry, which is orientated towards the leisure and tourist

markets, has experienced a fall in patronage of 7.66% in comparison to 2004/05. The net result was a slight fall in total patronage of 0.17%.

While Sydney Ferries on p.37 of their submission blame service cancellations, we feel a more thorough analysis is required. On p.15 of their submission they give a reliability figure 98.9% for the 2005/06 year, and we are of the view that this result would make Sydney Ferries one of the most reliable operators of public transport in Sydney.

We would argue, in the absence of any detailed research by Sydney Ferries, that the rising price of fuel has persuaded many motorists to switch to public transport.

4. The Leisure Market

Nearly fifty percent of SFC's patronage is leisure travel. In contrast to the views expressed in the submission by David Barr, MP, Action for Public Transport believes that this market is price sensitive, and we argue that the patronage results in 2005/06 support this view. They appear to indicate that the relationship between growth in this sector of the market and rising petrol prices is negative. The implication for SFC is that if the price of petrol continues to rise over the next twelve months, patronage on their leisure services will fall.

5. Cost Recovery Ratio

Last year's increase in fares was granted by IPART on the assumption of a one percent increase in patronage. IPART's report on the determination of fares from December 18, 2005 p.10 notes that Sydney Ferries' cost recovery ratio was expected to increase to 58.6% in 2005/06. This year's SFC submission p.9 notes that the actual cost recovery ratio over this period was in fact 52.9%. Given projected cost increases of \$10 million in 2006-07, unless SFC can increase revenue from fares, which has been stable at approximately \$45 million for the last two years, we believe that a further decline in the cost recovery ratio is inevitable.

6. The Need to focus on Revenue Growth

The cost increases being experienced by SFC relate to fuel, labour and fleet upgrades. These costs are clearly related to achievement of the strategic objectives outlined in the submission. Given this position, SFC must explore ways to grow revenue, other than from fare increases. We believe that there are significant opportunities to grow revenue by better matching timetables to travel demand patterns and by providing more capacity on busy services.

7. Revenue Protection

SFC has a major problem in regard to revenue protection. Many passengers travelling on the Parramatta River services to Darling Harbour and North Sydney use FerryTens. These tickets are rarely checked and the rides are not deducted.

8. Safety Issues

Two major safety incidents have occurred during the 2005/06 financial year. The crash of the *Collaroy* at Circular Quay in September 2005 and the loss of control of the *Betty Cuthbert* in January 2006 were major incidents for Sydney Ferries Corporation. The resulting investigations have questioned both the level crew training and the adequacy of maintenance.

Reports on both incidents are posted on the website of the Office of Transport Safety Investigation (OTSI), and we ask that IPART consider both reports as part of this year's fare review.

9. Customer Dissatisfaction

SFC has a poor reputation for customer service. Interestingly, customer service is a key strategic objective for SFC as noted on p.13 of their submission. Infrequent ferry passengers are confounded by the difficulty of using the automatic ticket selling machines at Circular Quay. Regular passengers are offended by the indifference shown by SFC staff when service disruptions occur. Passenger complaints in 2005-06 exceeded the target of 820 by 423 or over 50%.

10. SFC's Fares Proposals

For ease of reference, we show here details of SFC's proposed new fares.

(a) Single Fares

	Current Fare	SFC Proposed 4.7% Increase	Proposed Rounded Ticket Price	Amount Increase
Inner Harbour Zone 1	5.00	\$5.24	5.20	\$0.20
Inner Harbour Zone 2	5.30	\$5.50	5.50	\$0.20
Manly/Rydalmere	6.20	\$6.49	6.50	\$0.30
Parramatta	7.50	\$7.85	7.90	\$0.40
Manly JetCat	7.90	\$8.40 (*)	8.40	\$0.50

SFC's proposed increase for Manly JetCat singles is 6.3%, not 4.7%.

Note that although the SFC submission does not specifically mention a Master Fare Scale, the application of a fixed percentage and the rounding mentioned in Section 7.2 (page 45) implies as much. APT therefore expects percentage increases in subsequent years to be applied to the unrounded fare, not the rounded ticket price.

It is difficult to establish whether a Master Fare scale already exists following the previous year's determination. The table in Section 7 of IPART's determination says that the new fares for 2006 are rounded, but it doesn't say rounded from what. Section 3 says "this increase should be broadly in line with the movement in the Sydney CPI for the 2004/05 financial year", but no precise percentage figure is given.

A history of single ticket prices and increases over the last twelve years is interesting.

	1995 Fare	2006 Fare	Proposed 2007 Fare	Increase 12 years	Increase 12 years	Average per year
Inner Harbour Zone 1	2.80	5.00	5.20	\$0.20	86%	7.2%
Inner Harbour Zone 2	2.80	5.30	5.50	\$0.20	96%	8.0%
Manly/Rydalmere	3.60	6.20	6.50	\$0.30	81%	6.7%
Parramatta	4.80	7.50	7.90	\$0.40	65%	5.4%
Manly JetCat	4.20	7.90	8.40	\$0.50	100%	8.5%

(b) FerryTen Tickets

	Current Fare	SFC Proposed 4.7% Increase	Proposed Rounded Ticket Price	Amount Increase
Inner Harbour Zone 1	32.50	\$34.03	\$34.00	\$1.50
Inner Harbour Zone 2	34.50	\$36.12	\$36.10	\$1.60
Manly/Rydalmere	46.60	\$48.79	\$48.80	\$2.20
Parramatta	52.60	\$55.07	\$55.10	\$2.50
Manly JetCat	65.60	\$69.58 (*)	\$69.60	\$3.90

SFC's proposed increase for Manly JetCat FerryTens is 5.9%, not 4.7%.

The following is a recent history of FerryTen discounts (from ten times the single fare)

	2004/05 Price	2004/05 Discount	2006 Price	2006 Discount	Proposed 2007 Price	Proposed 2007 Discount
Inner Harb. Zone 1	\$30.30	36.9%	\$32.50	35.0%	\$34.00	34.6%
Inner Harb. Zone 2	\$33.10	35.1%	\$34.50	34.9%	\$36.10	34.4%
Manly/Rydalmere	\$45.10	24.8%	\$46.60	24.8%	\$48.80	24.9%
Parramatta	\$51.90	29.9%	\$52.60	29.9%	\$55.10	30.3%
Manly JetCat	\$65.70	16.8%	\$65.70	16.8%	\$69.60	17.1%

11. Leisure Market Fares

Leisure travellers mainly pay single fares or use DayTripper tickets. APT believes that to stimulate growth in this market the cost of the DayTripper ticket, which is predominately used for travel on the Manly Ferry, should be reduced from \$15.40 to \$10.00. DayTripper tickets for a family of two adults and two children cost \$46.20, and that is before they start paying for food and the other expenses of a day out.

A cheaper ticket would attract additional patronage, possibly sufficient to erase the revenue loss. Greater sales of DayTripper would also reduce costs associated with selling single tickets.

12. The \$10 DayTripper Ticket

We realise that a \$10 ticket would not even cover the \$12.40 cost of a return ferry trip to Manly, let alone the additional cost of travelling between home and Circular Quay. However, the lower cost would improve sales, not just for the leisure market, but for people wishing to do a day's business or shopping around the city and suburbs, and who do not wish or need to use a ferry.

Such a ticket would not affect the commuter market. These people tend to buy multi-ride tickets which, in most cases, would be cheaper than five times \$10, and are always more convenient. Some multi-ride tickets can also be used seven days a week or on other forms of transport.

Examples of some return trips (at current prices) to compare with a \$10 ticket are:

Ferry – Manly to Circular Quay – \$12.40 (cash fare) – \$8.32 (FerryTen) – \$8.20 (one-fifth of a Green TravelPass)

Ferry – Parramatta to Circular Quay – \$15.00 (cash fare) – \$10.52 (FerryTen) – \$8.20 (one-fifth of a Green TravelPass)

Bus – Newport to City – \$10.80 (cash fare) – \$8.82 (TravelTen) – \$10.20 (one-fifth of a Pittwater TravelPass)

Train – Penrith to City – \$13.60 (cash fare) – \$9.60 (Off-peak Return) – \$9.00 (one-fifth of a weekly rail ticket) – \$11.00 (one-fifth of a Purple TravelPass).

The concept deserves further serious consideration, and should not be dismissed merely on the basis of perceived financial loss to any one operating authority.

In any case, the current price of \$15.40 is silly from a marketing point of view. Of what benefit is the extra forty cents? A figure of a round \$15 would be much easier to market, and a \$10 ticket even more so.

13. Commuter Fares

Commuters predominately use multi-trip, multimodal tickets. The TravelPass tickets are linked to bus fares, and in support of the APT submission to the bus review we recommend no increase in the price of these tickets. This would create an incentive for potential passengers to switch from paying high fuel prices for travel by private motor car, to use public transport. The same approach should apply for FerryTens.

The provision of human ticket sellers waterside at Circular Quay in the morning peak would greatly help commuters as they leave the wharf and struggle to use the automatic ticket machines.

14. JetCat FerryTens

These tickets are predominately purchased by commuters. This class of vessel is not used out of peak hours except for a limited weekend service. There is little opportunity to increase patronage on the JetCats as they already operate at capacity in peak hours. The only way to increase revenue is to raise fares. Given that there has not been a fare rise for two years we consider that an increase may be justified.

15. Single Tickets

While APT would like to see a move away from single tickets to other types of tickets, we believe the increase price of fuel for motorists and the consequent marketing opportunity for public transport provide adequate reason not to increase these fares.

16. Intermediate Fares

These fares cover journeys between any two wharves excluding Circular Quay. Some years ago these fares were lower than the single journey price charged for travel to the city to

recognise that the journeys were generally shorter. SFC now applies the full single fare for these journeys. We recommend the reintroduction of intermediate fares in recognition of the importance of these journeys.

17. Conclusion

We strongly believe that IPART must consider the urgent need for Sydney Ferries to better meet the expectations of regular and potential passengers in making this year's fare determination.

Please contact me if you require any further information. APT has no objection to this submission being made public.

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