

2nd September 2008

Ineke Ogilvy  
Program Manager  
IPART  
PO Box Q290, QVB Post Office  
NSW 1230

Dear Ineke,

**Palm Beach – Ettalong Service special review for fare increases**

Palm Beach Ferry Service is requesting a Special review for the fare increase to IPART for the Palm Beach - Ettalong Service on the basis of higher running costs. This service is in direct parallels with the Manly Jetcat and Parramatta Rivercat services run by Sydney Ferries Corporation both of which are currently reviewed as a special service.

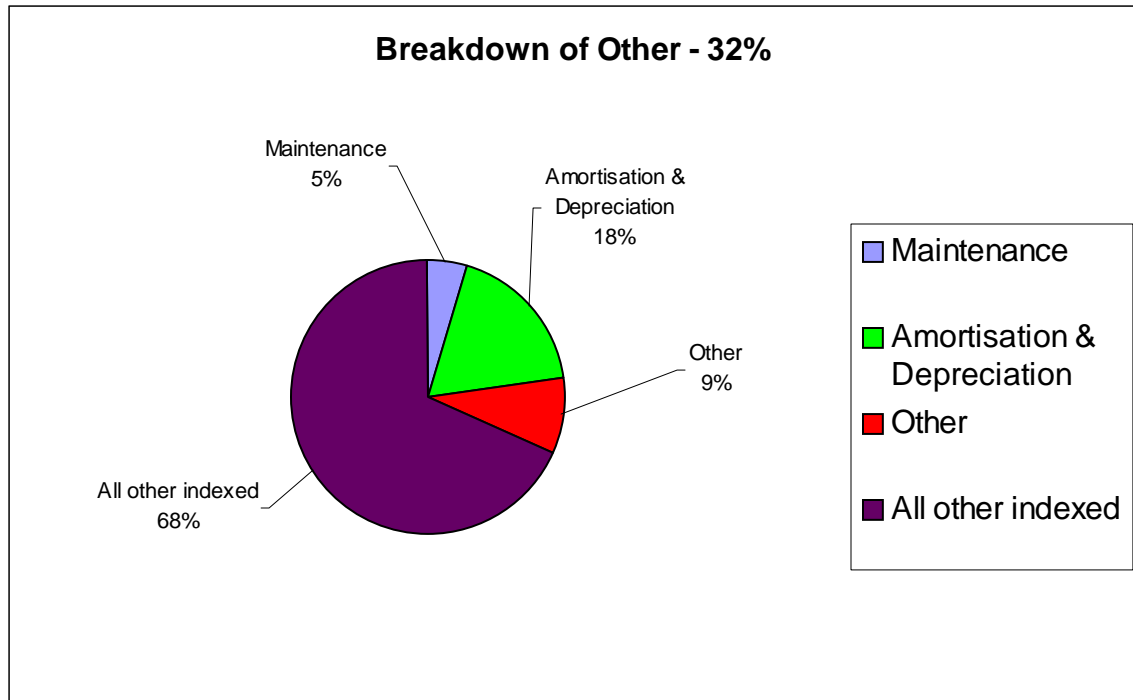
The service requires a high speed catamaran ferry to maintain the timetable and safely navigate through the open waters of Broken Bay (Similar to Jetcat service). These requirements in turn translate to higher expenses such as fuel costs. This service requires a more complex vessel than the standard services and therefore maintenance and replacement costs of a vessel are substantially higher than a regular service.

The fuel expenses for this high speed service represent 20% of all operating expenses. This greatly differs from the ordinary private ferry services in NSW where fuel represents 12% of their operating expenses.

	<b>Ettalong Service</b>	<b>Normal Service</b>
Wages	35%	40%
Fuel	20%	13%
Insurance	2%	6%
Interest	11%	4%
Other	32%	37%

\*Please note that the average normal service percentages have been calculated including the Ettalong Service figures.

\*There are items that contribute to the make up of the Other category that require consideration as separate factors when considering increasing fares. These 3 items are directly linked to the costs of providing a suitable vessel for the service. Please see below graph.



I request that for this service a change to the index or inclusion of provision occur so that it contains components such as

1. A half yearly fuel price review.
2. Weighting adjustment for expenses
3. A formula included which represents Capital for replacement vessels
4. Rounding of recommended fares to \$0.50 in the interest of labour productivity.

In order to provide safe and reliable vessels to service the run the maintenance costs for the 12 months ending 30/6/08 were 5% of the total running costs of the service. In addition to these routine maintenance costs the vessels undergo a major overhaul every 3 years, the cost of amortising these overhauls coupled with depreciation costs over the life of the vessel, being 13.33 years totals 18% of total cost of running the service.

I trust the tribunal will see the need for the Ettalong service to be reviewed as a special service in light of the figures that I have provided.

If you require any further information please contact me directly

Kind Regards,

Matthew Lloyd  
 General Manager  
 Palm Beach ferry Service