

Action for Public Transport
PO Box K606, Haymarket NSW 1240
www.aptnsw.org.au

2 October 2008

Mr. James Cox
Chief Executive Officer
Independent Pricing and Regulatory Tribunal of NSW
PO Box Q290
QVB Post Office NSW 1230
transport@ipart.nsw.gov.au

Dear Mr. Cox,

**2008 Review of Private Ferry Fares
Submission by Action for Public Transport**

Introduction

Action for Public Transport opposes the significant increases in fares sought by the Commercial Vessels Association (CVA) on behalf of its members. Our submission is also critical of the substandard proposal provided by the CVA to the Tribunal. They have not provided sufficient information to allow the Tribunal to follow its own guidelines in reaching a decision.

The Fares Proposal

We regard the increases sought by the CVA of 8.7% for all runs except the Ettalong service, and 11.34% for the Ettalong service as excessive. Increases of this scale would impact negatively on commuters who rely on these ferry services, and as a consequence will reduce the return on capital for the operators. These increases are way in excess of the 1.33% rise granted to private ferry operators by the Tribunal last year.

Stakeholder Impact

The Tribunal's report of last year's determination notes (p.38) consideration is given to the impact of the decision on stakeholders. IPART considers –

The protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standards of service

The need to maintain ecologically sustainable development

The social impact of the recommendations

The effect of any pricing recommendations on the level of Government funding

Action for Public Transport supports the application of each of the four criteria in assessing the fares proposal by the CVA. Many of the operators have some element of monopoly power, particularly Palm Beach Ferries. We believe that competition would result in lower prices and higher standards of service.

The need to ensure that development is ecologically sustainable has been highlighted by the release of the Garnaut Review of Climate Change policy. We believe that substantial increases in private ferries fares will make this form of transport less attractive, diminishing the capacity of the transport sector to reduce greenhouse gas emissions. Climate Change is a critical issue and urgent action is required to reduce dependency on private motor vehicle travel.

We believe the social impact of the proposed fare increases is adverse. The increases sought are in excess of movements in the CPI and wages growth. For many passengers, this means cutting expenditure in other areas in order to pay higher transport fares.

Given the poor financial performance of the private ferry industry, there is likely to be a need for increased government assistance. The fare proposal by the CVA will not alleviate this problem in any way.

Action for Public Transport is of the view that the fares proposal would have adverse effects on stakeholders. We are concerned that the CVA submission fails to address these considerations.

Palm Beach Ferries Submission

We query claims made by Palm Beach Ferries in their separate submission supporting an increase of 11.34% in fares. Their Ettalong – Palm Beach service cannot be benchmarked against either the JetCat or Parramatta RiverCat services operated by Sydney Ferries. The JetCat operates as a premium service and passengers are offered a cheaper alternative – the Manly Ferry. The JetCats use over 300 litres of fuel an hour, considerably more than vessels operated by Palm Beach Ferries, and have higher crewing levels. The Parramatta RiverCat is currently a tourist and leisure service, and there are cheaper alternative train and bus services. Sydney Ferries offer a wider range of tickets than Palm Beach Ferries.

The Ettalong – Palm Beach service is both a commuter and leisure service, but there is no equivalent alternative. The submission omits discussion of the need to dredge around Ettalong Wharf so the service can continue to operate. The operator has indicated that it expects local and state government to pay for this work. Palm Beach Ferries also omit to mention that patronage has fallen on their Ettalong – Palm Beach service over the last year.

Palm Beach Ferries are part of the Riverside Marine Group, a fact omitted from their submission. This would enable them to better contain costs, and they ought to have the resources to provide a detailed submission to the Tribunal. This requires further investigation.

The Role of the CVA Cost Index

Action for Public Transport supports the concept of an industry specific cost index for private ferry services. However, the failure of the Commercial Vessel Association to provide an industry overview means the fare review process lacks transparency. The Tribunal's own fact sheet for the review of private ferry fares (September 2008 p.4) states –

In many of the other industries that IPART regulates, it undertakes a detailed examination of the costs faced by each individual business and forms a view on the efficiency of past and forecast expenditure before deciding on appropriate price changes. Such reviews are comprehensive and tend to require substantial input from the regulated business. IPART has previously decided that this approach would be overly costly for the small private ferry industry and has instead decided to use a cost index to calculate fare changes.

The industry's reluctance to provide adequate information is thwarting the use of this cost index as a useful tool. The industry seems to be exploiting the process to gain the maximum fare increase regardless of the impact on passengers and other stakeholders.

Future viability of the industry

The CVA has provided no detail on the viability of members' businesses. From previous forum discussions at the Tribunal, we know that the industry is experiencing declining performance. Many businesses have been listed for sale. Our understanding of the situation faced by the private ferry industry is they are facing rising costs and experiencing falling patronage at the same time. The future viability of private ferry operators is in question.

Action for Public Transport considers that the transport services provided by CVA members are valuable. We are concerned that those services will cease if the businesses of operators fail. We ask that the nine factors IPART nominate in their September 2008 fact sheet be extended to include a tenth factor, industry viability in both the short and medium term.

Recommendations

Action for Public Transport requests the Tribunal -

- Seeks detailed information from CVA members of their financial viability;

- Asks the CVA to provide detail on the stakeholder impact of any increase in fares;

- Support in principle the continued use of the CVA cost index;

- Consider contractual change for private ferry companies, with all revenue going to the Ministry of Transport which would pay operators a fee for provision of services, in a similar manner to the private bus contracts.

Conclusion

The submission by the Commercial Vessel Association fails to establish a case for the significant rise in fares sought. The Tribunal cites nine factors upon which it will base its determination. We have asked for a tenth factor to be added, viability of operators, reflecting the very poor financial performance of the industry. We ask that the Tribunal seek further information from the industry before formal consideration is given to the fares proposal. We would be happy to provide comment once this additional information has been made available to stakeholders.

Yours faithfully,

Graeme Taylor
Action for Public Transport (NSW)
Ph. 02 9248 1637 (Work)