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August 29 2006



Ms Fiona Towers
Director
IPART
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Dear Fiona

re: Productivity – An Additional Submission

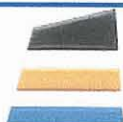
Since our recent meeting, I have read the bus and taxi references you gave me and make the observations below. I have also read the presentation on your website that we all got at the seminar. I do not understand much of it at this second reading, as I did not at the seminar. I have two years of economics in my MBA and my wife is an economist. As a consequence of the latter, we talk about things economic from time to time, eg before the recent seminar, whether they be balance of payments, infrastructure developments or productivity or more. Whilst I do not pretend to be an economist myself, I suggest that I know as much about the subject as the average person preparing submissions to IPART, at this time, for fare increases. By talking to you, I have learnt more about what to put into our submission than I did from the seminar and the subsequent reading of the overheads.

However, here we go.

Labour Productivity in Private Ferries

As most of these businesses are family owned and family members work in their business, labour costs are kept to a minimum. Here is an example.

At Central Coast Ferries, sold in April, see below, the former owner began work in the morning in time to get the ferry to Woy Woy for the first pickup at 6.45 am. Prior to starting the engine, he did his normal daily checks of oil levels in the engine, for example. He drove the ferry until late morning, handed over to a casual master until late afternoon then continued the runs until the end of the day, in the evening, at about 7.30 pm. At weekends, he drove all day for both days. During the middle of the day, from Monday to Friday, he did the necessary administration – returns to MOT, banking, BAS, ordering supplies, such as oil, attending meetings at MOT and elsewhere, etcetera. As a result of this input, most of the wages and profits accrued to him. However, he got sick of the routine and long hours and sold out after two years.



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Private Ferries and Sydney Ferries

The bus reference, as well as providing a multi-factor productivity analysis of Sydney Buses over a five year period, compares various aspects of their operation with private buses. It is appropriate for this to be done, as far as possible, as between private ferries and Sydney Ferries Corporation (SFC).

SFC recovers about **half** its costs from the fare box plus MOT subsidies for students and adult concession passengers, such as pensioners, ie its total revenue stream from operations amounts to about half its operating costs, to say nothing about its capital costs.

Private Ferries recover **all** their costs from the fare box plus similar MOT subsidies and make enough of a surplus to be able to continue in business and meet their capital requirements.

On the surface, this indicates that Private Ferries have a **higher** productivity level than their public equivalent.

Of course, the operations of each are not the same.

However, both Matilda Cruises and Palm Beach Ferries operate services on Sydney Harbour in similar conditions to those operated by SFC and charge comparable fares. Whilst their operations are not hugely profitable, especially currently with high fuel prices, they get by, recovering **all** their costs from the fare box plus MOT subsidies as above.

In addition, the seven companies in the industry sector turn over approximately \$3.5 mill pa compared to SFC's \$93.0 mill pa or about 4 percent of their public equivalent. This ought to mean that SFC has much better buying power, eg they can get all their fuel delivered in Sydney to one place compared to the seven who each have to shop locally at retail prices. It is true their labour rates are higher but these are being reflected in the market place such that private operators are having their own rates forced up (see our original submission).

Multi-Factor Productivity Analysis

It would be very useful and helpful to be able to do the public bus study on the private ferry operators. However, there is insufficient information.

Outputs – these are probably passenger journeys, maybe passenger kilometers; however, the former is probably relevant as most operators only carry passengers for one fare to one place, eg Cronulla to Bundeena, Brooklyn to Dangar Island, Yamba to Iluka; it is true that Palm Beach Ferries and Matilda Cruises take passengers to multiple destinations as does Church Point Ferries but all for the one fare; unfortunately passengers carried data is not readily available for several of the operators, primarily because of changes in ownership for five of the seven companies, in the last two years or so; the MOT is working with the industry on a regular reporting system which will ensure such information is collected and forwarded from next year but it will, obviously, take some years before such a analysis can be done

Inputs – as you know 70 percent of the industry's costs are made up of fuel, wages, interest and insurance, more details of which are provided in our main submission; the number of employees at 57.5 full time equivalents is probably stable; employee numbers vary only when additional services are added or subtracted to an operator's offering; this only happens on Sydney Harbour where Matilda and Palm Beach add or subtract services from time to time, depending on a service's viability; however, as with passenger numbers, details of these expense items over a five year period are not available; at present,



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however, Central Coast Ferries is actively considering two extensions to its service so may also require more staff in the longer term; it is also investigating the purchase of a second ferry

A Picture of the Industry

It might be of interest to Tribunal members to know a little more about the private ferry operators and their operations.

Clarence River Ferries

This business provides a ferry service across the mouth of the Clarence River to Iluka, nearly 700 km North of Sydney; the service operates every day; it employs three full time equivalent staff

The business also operates other maritime services such as towing and barge work

The business has been owned by the same family for more than 10 years

Central Coast Ferries

This service operates in the Southern-most part of Brisbane Waters, ferrying passengers Eastwards to about six destinations. The service operates every day and is timed to coincide with the arrival of trains from Sydney to Woy Woy from which it departs at the Western extremity of its route; the vessel operating the service is the newest one in New South Wales and was purpose built about three years ago for the route; the service employs three fulltime equivalent staff

The business has changed hands at least three times in the last seven years and it did not operate at all for a year or so; it was mostly recently bought and sold in April this year

Dangar Island Ferry Service

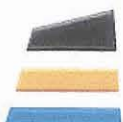
This family owned business also operates “The Last River Boat Postman”, a mail delivery and tourist service West from Brooklyn up the Hawkesbury River – a beautiful trip – which it has owned for 25 years; the ferry service has been part of their operation for most of this time although about five years ago they lost the contract for a period to another operator

The trip is quite a short one, from near the railway station at Brooklyn to the island; the ferry operates every day and on occasion also visits a location on the far side of the River beyond Dangar Island

The service employs five fulltime equivalent staff

Palm Beach Ferry Service

This business is more substantial than any of the ones above; its services depart from a wharf on the Eastern shore of Pittwater at Palm Beach, adjacent to the carpark; it services three locations on the Western Shore of Pittwater as well as providing a service to Ettalong, North toward Gosford, adjacent to Umina Beach; in addition, it operates services on Sydney Harbour under contract to SFC; after being owned for many years by a local family, the business was bought about two years ago by Riverside Marine based in Brisbane; the Sydney operation forms but one part of the 70 year old company's maritime activities around the Northern part of Australia; the services are operated every day



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This is one of the two businesses in the industry that operates fast ferries and so has a significant fuel cost increase problem; a “fast ferry” is one that operates at about 20-30 km/hr compared to the more normal speed of about 10-15 km/hr; fuel consumption increases by the square root of the speed, so twice the speed does not mean twice the fuel but four times the fuel

Palm Beach Ferries employs 22 full time equivalent staff

Church Point Ferry Service

This operation runs from Church Point wharf, adjacent to the large carpark, to several wharves on Scotland Island and a few on the mainland to the West of the island, in the National Park; its passenger mix includes a comparatively large number of school students, as does the Cronulla service; in fact, the business runs a school-student-specific service to and from Newport twice each school day; the normal service operates every day; Tribunal members might like to take the ferry to the first stop on the island, walk around it, admiring the view and the multitude of architectural styles, and return to Church Point

It has been owned by the same family for more than 10 years and employs four fulltime equivalent employees

Matilda Cruises

This business is roughly the equivalent size as Palm Beach Ferries, both being several times larger than the other five; as well as operating normal charters (such as to Homebush and back with Rugby supporters for big games), Matilda operates the “Rockets” on Sydney Harbour, which deliver services under contract to SFC, plus other services in their own right, eg to and from Darling Harbour and Circular Quay; only the SFC services are included in this submission, of course; the services operate every day

Matilda began their Rocket services in 1988 under the ownership of the founding individual who, in 1996 sold the business to Amalgamated Holdings Ltd; they in turn, deciding to exit the industry, sold all of Matilda, including the Rockets, to Captain Cook Cruises in October 2005

Captain Cook Cruises has been operating sightseeing cruises on Sydney Harbour for more than 35 years when the founder, Captain Trevor Haworth, leased and operated his first vessel; for most of that time they have been operating in Sydney from No 6 Circular Quay and, more recently, from King Street Wharf, just North of Cockle Bay’s Pyrmont Bridge, as well; they also have operations in Fiji, Cairns and the Murray River; they operate about 10 vessels on the Harbour plus Matilda’s fleet of about eight

The SFC contract ferry service employs 11.5 fulltime equivalent employees

Cronulla and National Park Ferry Cruises

This service has been operating for about 75 years and has been owned by the present proprietor for about 12 years, he having previously been an employee; whilst the operator runs a regular ferry service to and from Bundeena in the Royal National Park as his main business, he also operates cruises a few days a week within Port Hacking as well as the occasional charter

He operates every day and employs six full time equivalent staff



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Fiona, we hope this additional information is helpful and that it will support our submission for fare increases.

The additional quantitative information from Matilda and Palm Beach will be available in a day or so.

Regards



David C Cribb
Chief Executive



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