

INDEPENDENT PRICING AND REGULATORY TRIBUNAL

REVIEW OF CITYRAIL REGULATORY FRAMEWORK -
STAKEHOLDER ROUNDTABLE

Tribunal Members

Dr Michael Keating AC - Chairman

Mr James Cox

Ms Sibylle Krieger

Held at Level 8, 1 Market Street, Sydney

On Thursday, 31 July 2008, at 1.30pm

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1 THE CHAIRMAN: I would like to begin by thanking you,
2 ladies and gentlemen, for your presence today and indeed
3 I'd like to welcome you all to this public hearing which is
4 being conducted by IPART as part of its review of the
5 CityRail regulatory framework, including the fares to be
6 charged by CityRail for passenger services from
7 January 2009.

8
9 I should begin by, first of all, introducing my fellow
10 Tribunal members. Jim Cox, on my left, is the
11 chief executive of IPART and a full-time member of the
12 Tribunal and Sibylle Krieger, on my right, is a part-time
13 member of the Tribunal.

14
15 IPART is conducting its reviews under section 11 and
16 section 12A of the IPART Act. Section 11 sets out IPART's
17 standing reference to determine pricing of government
18 monopoly services. Section 12A provides for IPART to
19 conduct investigations and make reports to the Minister
20 on matters referred to the Tribunal by the Minister. This
21 meeting is to discuss issues relating to IPART's review of
22 the CityRail regulatory framework as well as the fares to
23 be charged by CityRail for passenger services from
24 January next year.

25
26 As you're all probably aware, IPART did release two
27 discussion papers in June which set out IPART's
28 preliminary views on determining CityRail's revenue
29 requirement and how it should be funded and secondly,
30 the structure and level of CityRail fares. I also released
31 two reports from our consultants, LEK and CRAI, who
32 provided advice on the total efficient costs of providing
33 CityRail services and the value of the external benefits of
34 CityRail services respectively.

35
36 IPART's discussion papers and consultants' reports, together
37 with the submissions in response to those papers, are
38 available to the public through the IPART website. The
39 Tribunal thanks the many individuals and organisations
40 that have taken the time to provide thoughtful and detailed
41 submissions on IPART's discussion papers. These papers
42 have been reviewed by the Tribunal and the Secretariat and
43 at today's meeting we will explore matters raised by the
44 Tribunal in our discussion papers and also by your
45 submissions in response to those papers.

46
47 Today's meeting provides an opportunity for

1 stakeholders to provide additional input into the review
2 process and for IPART to obtain clarification and some
3 additional detail on issues raised in submissions. That
4 might include questioning some of the propositions that
5 have been put forward by different parties. Before I
6 outline the process for this hearing, I would like to
7 remind you all of the context in which this review is
8 taking place and the objectives for this review
9 subsequently.

10
11 Over the last few years CityRail's costs have increased
12 by significantly more than the rate of inflation and
13 taxpayers have contributed proportionately more to fund
14 these rising costs than CityRail passengers. For example,
15 since 2001/2002 CityRail's costs have increased by
16 7.9 per cent in real terms per annum while fares have
17 decreased by 1.4 per cent in real terms per annum and
18 consequently, the proportion of costs funded by
19 passengers has also decreased markedly.

20
21 It is our view that this trend is not sustainable,
22 especially when CityRail's costs and investment are
23 projected to rise strongly over the next four years in light
24 of additional responsibilities, such as the operation of the
25 Epping to Chatswood rail link and additional rolling
26 stock. Additionally, the structure of CityRail fares may
27 no longer be encouraging efficient use of the network,
28 efficient investment in that network and equity between
29 different users of CityRail's services.

30
31 Accordingly, IPART is seeking to establish, first, the
32 efficient cost of CityRail services based on costs that are
33 consistent with those of best practice operators in
34 Australia and second, a fair sharing of those costs between
35 passengers and taxpayers based on an assessment of the
36 external benefits from CityRail services that accrue to all
37 members of the community and which should, therefore,
38 be paid for by taxpayers, and thirdly, a fare structure that
39 encourages efficiency in use of the network, equity between
40 different users of CityRail services and promotes efficient
41 investment decisions.

42
43 In addition, the New South Wales Government has
44 requested IPART as part of this fare review to develop a
45 more comprehensive and robust regulatory framework for
46 CityRail that will in future provide it with stronger
47 incentives to improve its efficiency and to deliver its

1 services to the appropriate standards for the least cost,
2 for the benefit of both passengers and taxpayers.
3
4 In our view, the current framework is not capable of
5 providing such incentives nor is it really providing a
6 great deal of transparency and clarity in terms of
7 accountability and responsibility. Based on IPART's
8 preliminary views of the efficient costs of providing
9 CityRail's services and the value of external benefits from
10 CityRail services, IPART considers that passengers should
11 contribute around 30 per cent of the efficient costs of
12 providing CityRail services while the government would
13 provide the remaining 70 per cent. After giving
14 consideration as to impacts on the affordability of fares
15 and the level of patronage, IPART's preliminary view is
16 that fares should increase by between 20 and 30 per cent in
17 real terms over the next four years.

18
19 In relation to the advice provided in the consultants'
20 reports and IPART's preliminary views expressed in the
21 discussion paper, I would like to begin by making a few
22 key points. First, whilst it is important that government
23 shares the cost of providing CityRail services in
24 recognition of the wider public benefits of rail, such as
25 reduced congestion, greenhouse emissions and so on, it is
26 also important to recognise that government funding in
27 CityRail has alternative uses, such as health and
28 education. That is to say, every dollar spent on CityRail
29 is a dollar not spent on health or education.

30
31 I appreciate that in some submissions that point has been
32 contested, that every dollar spent on CityRail is not spent
33 on health or education, but the reality is that governments
34 have been unwilling to raise taxation, and that has been
35 true over a considerable period of time at both Federal and
36 State levels, so in reaching our decisions we cannot assume
37 that they would be prepared to raise extra taxation, nor is
38 borrowing an alternative to financing CityRail. There is
39 a case for borrowing, but that borrowing then must be
40 serviced either through the revenue from fares or from
41 the taxpayer. Whilst there is a case for borrowing,
42 borrowing has to be serviced. The principal
43 sources of revenue for a rail service are fares and taxes
44 and the taxes come at a cost to other services.

45
46 The next point is that additional government funding
47 of RailCorp through higher government subsidies may not

1 always be the best way to reduce congestion or greenhouse
2 emissions. Quite understandably, people pointed to the
3 significant external benefits from rail and we agree with
4 that. That is how we derive the figure of 70 per cent as
5 the government's share. I think some people feel that
6 that's on the low side. We can debate that at length
7 during the course of the afternoon, but I think one factor
8 perhaps we've lost sight of is that rail only accounts for
9 4.5 per cent of all passenger journeys in Sydney:
10 4.5 per cent. The impact of rail on things like congestion
11 or pollution, or whatever, is relatively modest.

12
13 You also need to remember there are other forms of
14 public transport that in many instances better meet most
15 people's needs, especially in a city with such a dispersed
16 population as Sydney has.

17
18 A second point I think we need to note is that in our
19 discussion papers we were interested in the extent to which
20 passengers benefit from government policies in terms of
21 service improvements. It is important to emphasise that
22 IPART does not determine government policy related to rail,
23 such as concession funding or staffing of low patronage
24 stations. That is a matter for the government. IPART's
25 role is in determining the efficient costs to which passengers
26 should contribute and the appropriate allocation
27 of these efficient costs between users and government. To
28 the extent that passengers do not benefit from these
29 additional costs then arguably they shouldn't be recovered
30 from passengers via fares. If it chooses, the government
31 can make the policy, but it is arguable that it shouldn't
32 be passed on to the passengers and that instead the costs
33 should be recovered from the government and that means
34 ultimately from the taxpayer.

35
36 Alternatively, if the passengers do value these
37 services and in effect ask the government to maintain or
38 pursue policies that actually raise costs, then presumably
39 the passengers will be prepared to pay for them. They will
40 value those services and will be prepared to pay for them.

41
42 The third point I want to make is that if IPART determines
43 that passengers should contribute around 30 per cent
44 of the cost of providing CityRail services, additional
45 government expenditure on improving or extending
46 rail capacity, such as through a south-west rail link or
47 additional rolling stock, may in due course involve higher

1 fares for passengers if there are not significant increases
2 in patronage or unless it were established that the new
3 investment justified a higher ratio of taxpayer funding
4 because of its exceptionally higher external benefits.
5
6 Now turning to our proceedings, I want to say a few
7 words about the process for this hearing. The agenda that
8 was sent out to stakeholders stated that there were going
9 to be four sessions with each session focusing on key
10 elements of this review, including the approach to
11 determining CityRail's revenue requirement, the value of
12 assets for price setting purposes, the cost of service
13 provision and the potential for efficiency savings, the
14 external benefits of rail and the allocation of costs
15 between government and users and finally, the structure
16 of CityRail fares.
17
18 We are going to commence each session with a
19 presentation from the Secretariat. After each presentation
20 I will ask stakeholders at the table to provide comment on
21 the issues raised by the Tribunal in the discussion papers
22 summarised in the agenda.
23
24 The participants in the roundtable may be well known
25 to all of you but I will just run through them: the
26 Minister of Transport, RailCorp, Action for Public
27 Transport, the Commuter Council, the Council of Social
28 Services, the Western Sydney Regional Organisation of
29 Councils - no, they're not here yet - and the Rail and Tram
30 Bus Union.
31
32 Once the key stakeholders have provided comment, the
33 Tribunal may ask questions of the stakeholders and
34 following that, I'm going to invite comments from the floor
35 before we close the session. As always at our public
36 hearings, I would ask the presenters not be disturbed when
37 providing comment. This roundtable will be transcribed, as
38 you can see, so that the Tribunal and Secretariat have a
39 record of what's said at the meeting and of course that
40 record will be available to any member of the public
41 through our website in about a week's time.
42
43 Because we are making a record, it will be useful if
44 you can introduce yourselves, for the benefit of the
45 transcribers, when you start to speak and it's also
46 important that you all speak slowly and clearly.
47 Thank you.

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1
2 MR VAN DER WEYDEN: My name is Alexis Van Der
3 Weyden and I am from the IPART Secretariat. This first
4 session is regarding the approach to determining CityRail's
5 revenue requirement. IPART's preliminary view is that the
6 building-block approach to setting fares best meets the
7 objectives in this review. This involves adding up the cost
8 of providing CityRail services to work out CityRail's revenue
9 requirement and then determining how CityRail should be
10 funded; that is, working out how much revenue should come
11 from train users and how much from taxpayers.
12
13 IPART considers that the building-block approach has a
14 number of benefits. Firstly, it can encourage better
15 spending decisions through better forecasting of efficient
16 operating and capital expenditure and better management
17 of these costs, clearer performance objectives and reporting,
18 setting criteria for making sound investment decisions and
19 making a link between CityRail's revenue requirement, its
20 spending and the fares it collects. IPART considers that
21 this approach also allows for the measurement and inclusion
22 of the full economic costs and the external benefits of
23 rail in a transparent way. Other approaches used around
24 the world do not allow for this.
25
26 Based on the building-block approach, CityRail's revenue
27 requirement over the period ranges from \$2.1 billion
28 to \$2.8 billion, depending on the value of the Epping-
29 Chatswood rail link and the efficient operating and
30 capital costs. This table shows that the value of the
31 Epping-Chatswood rail link has a large impact on CityRail's
32 annual revenue requirement, particularly in the later years
33 in 2011-2012. The value of the Epping-Chatswood rail link
34 and the operating and capital expenditure forecasts that
35 underlie this table are a matter for discussion at the next
36 session.
37
38 IPART's preliminary view is that a fare determination of four
39 years from 2009 to 2012 is appropriate. In contrast to the
40 current annual reviews, a longer determination
41 will encourage economic efficiency by giving RailCorp
42 management sufficient time to implement programs
43 to achieve savings and by allowing a sufficient horizon
44 over which to monitor RailCorp's performance. It will also
45 assist with long-term planning and provide budget
46 certainty, both of which will allow for better integration
47 of operating the capital expenditure and encourage the

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1 supply of services at least cost.
2
3 It will also allow passengers to see how fares will
4 change through time, which should assist with future
5 housing and employment decisions.
6
7 IPART's discussion paper noted that fares could change
8 on 1 January or 1 July each year. 1 January would align
9 with bus and ferry changes. 1 July would align with the
10 price change in electricity and water.
11
12 IPART is therefore seeking discussion on the following
13 issues: is there support for the building block approach;
14 should the determination run for four years; and should
15 fare changes happen at 1 January or 1 July each year.
16
17 THE CHAIRMAN: Thank you. I guess the major question,
18 because I suspect the 1 January has been pretty
19 comprehensively answered in submissions in favour of 1
20 January, and I don't get a sense from the submissions that
21 there is a great deal of argument about a four-year price
22 determination - so the big issue is the building-block
23 approach. I wonder if the Ministry of Transport would
24 like to go first.
25
26 MR GLASSON: Jim Glasson, Director-General, Ministry of
27 Transport. Firstly, I think I should just point out that
28 the ministry has made a submission in response to the
29 discussion paper. I think that is both publicly available
30 on the website and is here today and I am sure people will
31 read that and have comments around it.
32
33 Just in terms of the questions arising in this first
34 session, from our assessment the building-block approach
35 appears to be the most appropriate method for properly
36 establishing the future costs of providing services and
37 encouraging efficiency, so in general terms we are
38 supportive of that approach.
39
40 In terms of the price path, the four-year term aligns with
41 government processes around the budget and RailCorp's
42 capital forecasting processes, so at this point in the
43 process that seems to us to be an appropriate time period
44 and we don't suggest an alternative at this point in the
45 process.
46
47 On the last one, we are supportive of a 1 January date

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1 and the alignment of all public transport fares on that
2 date.
3
4 THE CHAIRMAN: I was going to ask RailCorp to go next
5 but let me just say that one of the major reasons for a
6 four-year proposal from our point of view was to assist in
7 better financial planning.
8
9 MR MASON: Rob Mason, CEO of RailCorp. Clearly long-
10 term planning for us is a very, very important objective
11 and will provide certainty in times of uncertainty. At the
12 moment we are going through a period of significant growth.
13 What are we actually doing? Every day we are moving
14 nearly 1 million people on the network, nearly 300 million
15 people last year. Our drivers for the last two or three years
16 have been safety and security for our people, for our
17 customers and for our network; improving customer
18 service and reliability; becoming efficient; and actually
19 providing growth for the network for future generations.
20
21 What are our customers actually telling us at the
22 moment? They are telling us they have seven priorities -
23 that is, priorities in terms of reliability of the network,
24 and that is not just on-time running, but our on-time
25 running this year has achieved greater than 93 per cent, it
26 is also about their concerns about us managing our
27 increasing patronage.
28
29 Last year we grew overall by 5.2 per cent against an
30 historical background of just over 1 per cent, so 5.2 per
31 cent last year. In the CBD it is 6.6 per cent. So the
32 long-term planning objective you referred to is very
33 important to us.
34
35 Other things are the handling of delay and passenger
36 information, their own personal security, especially of an
37 evening peak, reducing ticket queues and handling of our
38 feedback from them.
39
40 What are we doing about this long-term planning? We
41 have already started to receive our first and second
42 tranche of Oscars. We have 80 out of 120 of the cars so
43 far. We have placed a long-term order for 35 years for 626
44 PPP trains. They provide airconditioning, they provide
45 internal CCTV, and they will be delivered between 2010
46 and 2015, a \$3.5 billion investment by the government.
47

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1 We are also ready next year to open the Epping
2 transport rail link and an integrated timetable over the
3 network, we will be completing over the next four years the
4 \$1.8 billion clearways projects, and on the safety side we
5 have significant investments in automatic track protection
6 and planning and we will also introduce digital train
7 radios, both of those many hundreds of millions of dollars,
8 so long-term planning for our effective delivery of growth
9 in the organisation with also long-term planning for
10 efficient investment is very important to us.
11

12 In terms of other things we are doing, we have ongoing
13 improvements in the easy access for customers, passenger
14 information, an average investment of \$25m per annum,
15 increased security on the networks, so we have 6,400 CCT
16 cameras, and more recently our customers will have seen
17 us trialling new things in terms of crowd management
18 techniques in the CBD stations. We have moved up our
19 on-time running for the Western line in the last six months
20 due to these new dwell time techniques, from 80 to 87 per
21 cent, and improved cleanliness of our trains.
22

23 In terms of our ticketing strategy we have tried to reduce
24 our queuing by 14-day tickets, which has been very
25 successful. Over ten per cent of our weekly ticket holders
26 have now transferred to two-weekly, the pay day ticket
27 and, as you heard last week, we are trying an off-peak trial
28 to see if we can move people from the peak to the off-peak
29 shoulder to support the movement of passengers from
30 crowded trains.
31

32 In terms of the questions you asked specifically, in
33 terms of the fare changes I think we recognise that four
34 years would be very good for us, that that long-term
35 planning you mentioned in your introduction will be very
36 good for us. Longer term planning is better for us.
37

38 Whether it be January or July, clearly from a
39 customer's point of view it would be better to be January
40 to have consistent messages for customers to understand
41 what the fares will be. Not necessarily 1 January but
42 sometime in January would help us introduce a change in
43 fares perhaps operationally achievable with less people
44 around. It is a good time in the holidays. I would not
45 say 1 January, but whatever date in January.
46

47 In terms of the building block, Gary is very

1 experienced at talking about the building block strategy.
2

3 MR PEDERSEN: Thank you. Gary Pederson, Group General
4 Manager, Finance and Corporate Services, RailCorp. Rob has
5 outlined, given the size of the capital program and the
6 asset base in RailCorp, that we are strongly supportive of
7 the building-block approach. It recognises all the
8 efficiencies that need to be made in the operations of any
9 organisation, and a railway is no different, but the size
10 of our investment base and our capital base is significant,
11 currently at \$13 billion. Replacement value is probably
12 over \$30 billion. We are spending a billion dollars a year
13 on the existing network and so the decisions we are
14 making are all very long-term decisions and so a building-
15 block approach which reflects that capital and gives us
16 incentive to manage that makes a lot of sense.
17

18 And, as Rob says, the four years is certainly preferable to
19 the 12 months by 12 months process we have been going
20 through. Typically we don't make an investment
21 decision of less than five years and often they are 10, 20,
22 30-year decisions. I recognise we will not get a 30-year
23 price path but anything that gives us more certainty and a
24 better framework for making those decisions we will be
25 particularly supportive of.
26

27 THE CHAIRMAN: Thank you.
28

29 MR MASON: If I can just add, if I can correct the record,
30 I said that the PPP trains would be delivered in 2010 and
31 2015, I meant to say 2010 and 2013. I apologise.
32

33 HE CHAIRMAN: We might ask Action for Public Transport.
34

35 MR EADIE: Thank you. Kevin Eadie, Action for Public
36 Transport. Firstly, I would like to thank IPART for
37 allowing us to join in the round table today. I hope it is
38 a reflection of the work that our Alan Miles has put into
39 our submissions over the years.
40

41 My principal aim today is to try to convince IPART to
42 perhaps go beyond its brief in its report to the government
43 and make some broad recommendations about what the
44 government might do about the pricing of transport
45 generally. We will get into that later.
46

47 Everything that Action For Public Transport has to say

1 about the issues today is on our website. Some of it is
2 outside the realm of the IPART investigation, so it is
3 worth visiting our website. I would also like to point out
4 that on IPART's website there are two submissions from
5 Action for Public Transport subtitled Alan Miles, and it is
6 the first one on your web site which is relevant to today's
7 discussion.

8
9 The only other thing I would like to say is in specific
10 response to the points on the board. Yes, we have no
11 problem with the four-year determination period and we
12 think that January is an appropriate date, for no other
13 reason that it coincides with the other public transport
14 providers and that, from a consumer's point of view, I
15 think that is far more important than any other
16 consideration. We have no comment on the building-
17 block approach.

18
19 THE CHAIRMAN: The Commuter Council.

20
21 MR PARISH: Thank you very much indeed. Kevin
22 Parish from the Commuter Council. I would also like to
23 acknowledge that Paul Trevaskas is here from the
24 Commuter Council as well. All of the members of the
25 council have put a fair bit of work into this exercise.

26
27 The commuter organisation started up about the mid 1960s
28 and that was due to fare rises. And fare rises have always
29 been a fairly hot potato among commuters. The old hip
30 pocket nerve does work pretty strongly, particularly for
31 those people whose wages aren't all that high. And I
32 acknowledge that there are as many needs and wishes from
33 commuters as there are commuters and it is very difficult to
34 come up with a consensus that fits the lot of them, but
35 there are commuters who could pay a lot more and there
36 are also commuters who can't afford the amount they are
37 paying now, so it is an issue that is very complex.

38
39 And keep in mind that we are only lay people, we are
40 ordinary commuters, and I must admit we do get a lot of
41 cooperation from RailCorp or StateRail or the Public
42 Transport Commission, whatever they have been over the
43 years, in providing information, and we acknowledge that
44 they have a lot of difficulty getting information too.

45
46 Some of these questions that are posed, particularly
47 reading through the IPART points there, a lot of the

1 answers virtually were very subjective and not ones that
2 you could put finite values on, so it is acknowledged that
3 it is a very complicated situation in determining what the
4 fares were before IPART came along, we resolved that
5 largely politically, "you support our view or we won't vote
6 for you", but nowadays we try to work within the system as
7 much as we can.

8
9 We do thank IPART for its forbearance because we don't
10 put up really good telling arguments as we really haven't
11 got the resources to put up those kind of arguments. We
12 can't go along to the railways and ask them to put up an
13 argument to justify not increasing the fares, so we have to
14 do it ourselves, which is not real easy for us. I have
15 already said that we acknowledge that it is very hard to
16 come up with a fare level that suits all because there are
17 a lot of people who can't afford what they are paying.
18 There are people who could afford a lot more.

19
20 Initially the outer areas, of course, had first class and
21 economy class, so you could separate it out to some extent
22 that way. But that meant usually that the first class
23 carriages were running around half empty and people
24 were standing all over the place in the economy class, so
25 that didn't work out too well. Certainly it is an area
26 that, even with today's debate, we are really only
27 scratching the surface of in this debate.

28
29 We fully agree with your concept that the Government
30 should pay the majority of the costs, the 70 per cent you
31 mentioned. We are not sure if 70 per cent is the right
32 one. We think it is subjective and that maybe it should be
33 more or less, but the idea, the concept of the indirect
34 benefits, the fact that you could not rate Sydney, you only
35 have to look at what happens to Sydney when there is a
36 strike on, the whole place shuts down, so railways perform
37 an extremely valuable part of our community, so thank you
38 very much for that, and I look forward to the opportunity
39 of passing on a few more comments as we go along.

40
41 THE CHAIRMAN: I might ask the union representatives next.

42
43 MR MOREY: Mark Morey, from the Rail Bus and Tram
44 Union. Fundamentally we understand the practicalities of
45 the position before us but one of the concerns that we have
46 about the current structure and model of RailCorp is, and I
47 think it is borne out in the building-block model, where

1 they are responsible for both operating and running and for
2 planning and future planning decisions that are made in
3 relation to the network and the provision of transport.

4
5 Our position more recently has been that we believe
6 that an organisation such as RailCorp should be responsible
7 for the operating and running and that such planning
8 decisions as to where extensions are put in or new rail
9 lines should be actually taken away to a more centralised
10 planning department or group that is an across
11 department approach to those sorts of issues.

12
13 We believe that one of the problems for RailCorp in
14 accounting for its ability to fund services is that it is
15 always looking over its shoulder around planning
16 decisions, what those costs will be and how they will
17 manage those costs not just in the short term but into the
18 future, I think as the Epping-Chatswood line demonstrates
19 up on the board.

20
21 The problem then becomes what drives the need for
22 cost savings. Cost savings are made in operational areas,
23 which are areas easily to be targeted through such
24 processes, and that is why I think one of the concerns we
25 have around the 30/70 is that what is in the basket to be
26 spent is still there and we are not convinced that that
27 will drive internal reform in a structure such as the
28 building block.

29
30 Fundamentally our position is that we think, I know it is a
31 policy decision for government to change the structural
32 way it operates, but essentially our position is that
33 RailCorp should be about operating and maintenance and
34 running services and that they should be governed by the
35 operation and maintenance approach rather than the
36 building-block approach.

37
38 THE CHAIRMAN: I wonder if I could just explore a bit
39 further your suggestion. It seems to me you can take a
40 view as to who is responsible for major investment
41 decisions separately from how they are paid for. So if I
42 can put it this way, you can see a regulatory framework, a
43 government framework, that might recognise some, but I
44 think you are saying all investment decisions are made
45 somewhere else. I personally wonder whether it is wise to
46 make all investment decisions elsewhere. There are
47 investments of a more minor nature.

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1
2 Even if one was to take a view that strategic investments
3 should be made somewhere else, that would still
4 leave a considerable amount of capital for RailCorp in this
5 case. The strategic investment still has to be paid for --

6
7 MR MOREY: Absolutely.

8
9 THE CHAIRMAN: -- at the end of the day and indeed there
10 is even a trade-off between strategic investment and higher
11 operations. Clearways, for example, will improve the
12 operational side of the business. So given that the
13 strategic investment has to be paid for I think the view we
14 have taken is that it is best to get all the costs on the
15 table and work out what is the efficiency of all the costs,
16 including the more strategic ones, and then work out what
17 is the fair sharing of that cost.

18
19 MR MOREY: I understand your point, that even if RailCorp
20 is making the decisions, the decisions it is making are
21 finally overseen by government.

22
23 THE CHAIRMAN: I think there are probably investment
24 decisions and investment decisions.

25
26 MR MOREY: Are you saying that RailCorp is making
27 those decisions?

28
29 THE CHAIRMAN: I think RailCorp is making some
30 investment decisions and some are probably finally made by
31 government. They are just such huge calls on the government
32 budget, things like, let's take Epping Chatswood, the line
33 out to the north-west, there is such a huge call on the
34 whole transport budget that I would be surprised if the
35 government didn't make the final decision.

36
37 MR MOREY: Absolutely.

38
39 THE CHAIRMAN: But it still leaves a lot of what I will call
40 capital which is under the control and management of
41 RailCorp and, leaving aside who should, if you like, be
42 responsible for what decisions, at the end of the day
43 someone has to pay for all the decisions and that is why
44 from the fare setting point of view we thought it is better
45 to put all the costs together, whether it is for a
46 strategic investment or for an extra guard on a train, put
47 all the costs together in one pool and then work out a fair

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1 revenue sharing system.
2
3 MR MOREY: I understand, and, yes, we should put all the
4 costs on the table. It is about how those costs are
5 allocated, who makes the decision and how they are paid
6 for. In the end they are either paid by the taxpayer or
7 there is a public/private partnership deal or something
8 like that.

9
10 THE CHAIRMAN: With a private partnership, that is a
11 form of borrowing and at the end of the day you will only
12 get a private partner if they think they will be paid fairly,
13 through fare revenue or through taxation.

14
15 MR MOREY: Not necessarily. The airport link is an
16 example where it didn't quite work.

17 **Clarification - Since the Roundtable it has been drawn to
IPART's attention that the Airport Link does not receive
Government funding.**

18 THE CHAIRMAN: Now it is being paid for by a
19 combination of fare revenue and taxation.

20
21 MR MOREY: We are probably paying for it twice.

22
23 THE CHAIRMAN: It is a different combination.

24
25 MR MOREY: Sure, if you are talking about the big pot,
26 from our position it is a big pot and the government makes
27 the decision. The decision in relation to operating costs
28 as compared to strategic infrastructure costs needs to be
29 balanced in relation to what people are prepared to pay in
30 fares and how you rate the fares against what you are
31 actually paying. If you are saying fares have to be based
32 on both the operating cost and the strategic infrastructure
33 then there is a much stronger argument to say the fares
34 should be much higher. If you are measuring the fares
35 against what you are paying to operate and maintain the
36 system, then I would argue that the necessity to increase
37 fares at such a great rate is not there. It is accounting.
38 Put three accountants in a room and you get three
39 different opinions.

40
41 THE CHAIRMAN: If the objective is to get lower fares
42 then obviously if you reduce the costs you get lower fares -
43 if that is the objective. Let me just say - we will get on to
44 this later in the day - that there is an issue about the
45 time period over which strategic infrastructure should be
46 recoverable. The Council of Social Services.

47

1 MR MUKHERJEE: Dev Mukherjee from the New South
2 Wales Council of Social Services. We don't have a specific
3 view about the building-block approach. We just seek
4 reassurance that one approach or another does not mitigate
5 against future expansion of the system and doesn't
6 interfere with I guess integrated ticketing proposals. We
7 don't have a particular view on that, we just seek a
8 reassurance that it does not impact on those things.

9
10 In terms of the date change, 1 January seems sensible
11 to NCOSS. It fits in with bus and ferry fares and
12 obviously it fits in with the way the New South Wales
13 Government budget operates, to have a four-year
14 determination period, and it also fits in with the way
15 electricity and water prices are determined. Yes, that is
16 all.

17
18 THE CHAIRMAN: WSROC.

19
20 MR GOODING: In our submission we indicated that we
21 previously had, as IPART had noted, some support for the
22 operating and maintenance cost option, but I do have some
23 sympathy with the points that Mark made. There is an
24 important issue about where these major investment
25 decisions are driven by government as part of an explicit
26 government policy and how much that is reflected
27 through in this process.

28
29 In terms of the determination period, we would favour a
30 longer run four-year determination period. The fare change,
31 again we don't have a strong view either way. We made
32 the observation in our submission that perhaps it is
33 sometimes convenient for the Government to bury all
34 these changes on 1 January when people are away on
35 holidays, when there might be less public scrutiny than
36 there might otherwise be, but that of course is being
37 cynical. On that point, we don't have a strong opinion.

38
39 THE CHAIRMAN: Perhaps I should remind you that it is
40 IPART who determines the fares. I am sure the government
41 would blame IPART, just like you would. I think we might
42 move to the next topic.

43
44 MR VAN DER WEYDEN: IPART's preliminary view is
45 that CityRail's assets should be valued using a deprival
46 value approach. This uses an estimate of the economic
47 value of the assets. IPART estimates that this year CityRail's

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1 assets are worth \$1.4 billion, significantly less than the
2 \$11.3 billion included in RailCorp's accounts. IPART's
3 preliminary view is that this approach provides the right
4 incentives for future investment, as well as providing
5 users with the right economic pricing signals regarding the
6 cost of future investment.

7
8 RailCorp is forecasting its operating and maintenance
9 costs to increase from \$1.8 billion in 2006/2007 to around
10 \$2.6 billion in 2011/2012, an increase of around
11 7.7 per cent a year.

12
13 IPART engaged LEK Consultants to estimate the efficient
14 costs for providing CityRail services and LEK found
15 that efficient operating and maintenance costs should
16 be around \$2.2 billion by 2011/2012, applying an increase
17 of 3.5 per cent per year from 2006/2007. LEK's estimates
18 included cost savings worth around 18 per cent or nearly
19 \$500 million per year in 2011/2012. To achieve these
20 RailCorp would need to undertake one-off capital
21 expenditure of \$780 million.

22
23 This table shows LEK's recommended efficient operating
24 and maintenance costs in 2011/2012 of \$2.17 billion
25 relative to RailCorp's forecast of \$2.66 billion. This
26 table shows that three largest areas of savings in terms of
27 dollars are train operations, overheads and marketing and
28 customer interface, including station staffing. LEK's cost
29 savings included transitioning for train operations without
30 train guards, as well as reduced staffing at low patronage
31 stations.

32
33 As the Chairman noted, these are policy matters for
34 government. However, if these savings are not made,
35 fares may need to rise by an extra 1.5 per cent for the year
36 to cover the additional costs. This would increase
37 operating and maintenance expenditure to around \$2.33
38 billion in 2011/2012.

39
40 LEK did not identify capital cost savings. However, as
41 noted earlier, LEK's operating estimates required
42 one-off capital expenditure of around \$780 million over
43 four years. This includes a refurbishment of Tangaras to
44 achieve rolling stock maintenance savings and installing
45 credit card and EFTPOS facilities and ticketing machines to
46 allow ticket sales at smaller stations. This would allow
47 RailCorp's total capital expenditure to exceed \$1 billion

1 in each year for the next four years. This capex, as well
2 as the value of the Epping-Chatswood rail link, would be
3 added to the overall asset base.

4
5 IPART is seeking discussion on the following key
6 issues. Is IPART's asset valuation of \$1.4 billion
7 appropriate for fare setting purposes? Should the
8 Epping to Chatswood rail link be valued at \$2.3 billion?
9 Are LEK's cost savings achievable and are passengers
10 prepared to contribute to the costs associated with guards
11 and with basic staff levels or should these be borne by
12 government?

13
14 MR GLASSON: In relation to the first question on the
15 initial capital base, whether \$1.4 billion is the correct
16 number, I think we rely substantially on the work that
17 IPART is doing in relation to that and we understand that
18 there has to be some form of starting point if we're going
19 to have a new way forward.

20
21 We are of the view that the whole asset base needs to be
22 valued on a consistent basis going forward, if we're going
23 to have a transparent and reliable base on which to move
24 forward with investment and fare setting. We note
25 RailCorp's view as to the current replacement value and
26 written down value of their asset base. We're also very
27 cognisant of the issue of how do you bring Epping-
28 Chatswood in and what do you establish as the correct
29 base, because that really is the new world going forward.

30
31 In terms of the LEK efficiency improvements over four years,
32 I think there's a clear recognition that there are government
33 policy issues involved in whether all or some of
34 those are achievable. We've simply noted in our response
35 that there are particular customer service things that
36 guards are currently responsible for in the running of the
37 railway and those things clearly need to be included in
38 your final considerations and then obviously in the
39 government's consideration of those things.

40
41 THE CHAIRMAN: Thank you, Jim. I might take the
42 opportunity to explore a couple of things in a bit more
43 detail. In your submission you have picked up on where we
44 say we will look at the prudence of capital expenditure in
45 terms of what should be maintained in the regulatory asset
46 base. I think it is worth exploring this a little bit
47 further.

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1
2 A price regulator generally has a look at the efficiencies
3 and will only pass on prices to consumers of what are
4 believed to be the efficient costs. With operating
5 expenditure that doesn't seem to give rise to much debate,
6 but the same can happen with capital investment. It may
7 be that the capital investment, at least with the
8 virtue of hindsight, turns out to be imprudent and
9 we would not normally include it in the asset base.
10 Indeed, when I look at other regulated industries, not
11 just by IPART but by other regulators in Australia or,
12 indeed, around the world, it is quite common to write
13 down investments on the ground that, with the virtue of
14 hindsight, they're no longer worth their full value.
15
16 The way of thinking about it is if the business were
17 to be sold, what would it be sold for? When we put in
18 \$1.4 billion, one way of thinking about that is what would
19 a purchaser pay for RailCorp as a going concern right now
20 and we reckon it's about \$1.4 billion. We have written
21 down, if you like, past investments on the grounds that
22 they're not delivering the return that might have been
23 expected at the time they were put into place. We can't
24 rule that out in the future.
25
26 You referred to the government subjecting all its
27 investment decisions to rigorous cost benefit analyses and
28 a government gateway revenue process. It would, quite
29 frankly, help us if those cost benefit processes were made
30 available, preferably publicly but at least to IPART if not
31 publicly, because to my mind if the investment proposal
32 comes up with a positive benefit cost ratio in net present
33 value terms and it justifies the investment, that means
34 that the sum of the future external benefits, plus the
35 expected passenger traffic revenue from that, will add up
36 to more than the costs and that's essentially what a cost
37 benefit analysis would give you. Some of that is over a
38 period of time and that's exactly, of course, what we're
39 trying to do also, to work out what the external benefits
40 are and what they're valued at and what the future fare
41 revenue will be.
42
43 If we had your assessment and, indeed, if the cost
44 benefit analysis was right, it proves to be right, then of
45 course all the investment by definition is prudent. It
46 would help us a lot if we had that.
47

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1 The other point I think that's timely to make is that
2 there's obviously a concern with writing down capital
3 investment, as we've done in terms of past investment, to
4 \$1.4 billion, but future additions then become quite big
5 percentage increases and this is a point that the union has
6 emphasised and it is a concern to us too. We are open to
7 suggestions on how that can best be handled.
8
9 One possibility in your submission, Jim, is the notion
10 that we should allow a longer period for the external
11 benefits to merge over and somehow factor that in to the
12 value of the regulatory asset base. I suppose that would
13 mean, in practical terms, instead of the whole lot coming
14 in on day one, so when Epping-Chatswood is handed
15 over, it somehow came in at a lower rate initially and built
16 up over time or something like that. That is thinking on
17 our feet a bit, but if people thought there was something in
18 that, we would think more about it. I don't know whether
19 you've got a response to that.
20
21 MR GLASSON: They're certainly interesting suggestions and
22 are things we would probably like to think more about today
23 and perhaps provide you with some further submissions on.
24 I think that that challenge of making the asset base
25 appropriate going forward is very important.
26
27 MR PEDERSON: Just on that discussion, before I start to
28 answer the questions here, I would point out in terms of
29 the cost benefit evaluation that RailCorp goes through in
30 putting together its capital program, we do in fact carry
31 out both financial and economic valuations and so we look
32 at the financial impact on RailCorp, whether the costs are
33 going to meet the revenue, et cetera, et cetera, and whether
34 there's a positive financial return just for RailCorp.
35 Importantly, we also do an economic evaluation. We do look
36 at the external benefits to the community, to the commuters,
37 to travel time and so on. That's a key consideration,
38 particularly in the major programs. I think you mentioned
39 the gateway process where above a certain level we're
40 required to put all major capital investments to
41 government and we do in that process of evaluation put
42 forward our views on what we think the benefit is to the
43 broader community. That is a process we have been going
44 through and all major investments go through that process.
45
46 In terms of your question about IPART's asset
47 valuation of \$1.4 billion, our response to that would be

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1 that this is very much an art and not a science. There is
2 not one single correct answer to it. It does recognise the
3 fact that if you look at our network today, if Bradfield
4 was here would he build the network the way it is and the
5 answer is probably not and he wouldn't have made some of
6 these investment decisions, but that's where we are.

7
8 I think a pragmatic approach which reflects that
9 that's a sunk investment and we can't influence it is not
10 an unreasonable one. The more important point is how
11 you deal with future capital investment, such as ECRL and
12 Clearways investments and so on. The question there is
13 what we want is a solution that's reasonably pragmatic,
14 that's easily understandable, but importantly, going
15 forward, sends the right signals to RailCorp and of course
16 the government about how those investments are going to
17 be made and importantly, how we recover those costs
18 either from the commuter or from the taxpayer.

19
20 We wouldn't particularly have a problem with that
21 written-down value, but recognising clearly that
22 replacement value of the assets is in excess of \$30 billion
23 today to rebuild the network the way it is and it does
24 create an interesting issue because, as I said, our capital
25 program this year is a tick under \$1 billion, just in
26 '08-'09, so we've got the sum total of our accumulated
27 investment of \$1.4 billion and we'll spend 80 per cent of
28 that this year and that's without adding in the ECRLs and
29 so on. It is an issue going forward as to how we deal with
30 that significant capital investment.

31
32 From an operator's point of view, our view is that
33 something like Epping-Chatswood should come in. It is a
34 decision made on economic grounds and the point about it
35 is from a network perspective it actually has broader benefits
36 for the whole network. It's not just a line only for people
37 travelling from Epping to Chatswood and getting into
38 the new Macquarie Park area. It is actually giving
39 benefits to the western line by freeing up capacity and so
40 on. It is a typical thing in our network that there are
41 very wide network ramifications of investments. It is very
42 hard to put those aside, so we would be supportive of
43 being included. At the end of the day where that gets to is
44 the issue of affordability and that's clearly an issue for
45 later in this process, but in principle we are supportive
46 of that.

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1 MR MASON: As the Chairman said, these are policy matters
2 for the government in terms of the savings and the guards
3 and the staffing of stations, but in terms of the changes
4 identified by LEK, these have been identified and achieved
5 by railways both in Australia and around the world. The
6 changes have been made. We've provided the numbers in
7 terms of our own building blocks or recurring costs of the
8 operation of the railway. Are the numbers of the cost
9 savings actually achievable? They're numbers that we've
10 provided in terms of how many guards we have and how
11 many trains we have and how many station staff we have,
12 so they're of the right order if these were achievable or if
13 these were implemented.

14
15 Could they be achieved in the time frame that is
16 recommended or noted? Certainly with the growth that
17 we're going through, 6 per cent per annum, releasing
18 things like trains to have modifications and market
19 capability, it would be very, very tight, I think, to achieve
20 those in four years. There are some long lead times. New
21 rolling stock is probably seven years as a lead time.

22
23 Mentioning the guards, the functions that are mentioned,
24 currently there are functions undertaken by the
25 guard that if the guard wasn't there, there would have to
26 be replacement mechanisms for delivering those functions,
27 whether they be the safe dispatch of trains or perhaps
28 assisting someone on to a train. Many other railways in
29 Australia and the world have achieved these. As I say,
30 both the guards and the station staffing numbers really are
31 matters for government policy.

32
33 THE CHAIRMAN: Thank you.

34
35 MR PARISH: I hope you'll forgive me, being a layman,
36 for asking all sorts of stupid questions, but as far as the
37 asset valuation is concerned, in the mid '70s we asked
38 these questions ourselves and the Minister - that was
39 Peter Cox at that stage - and I forget whether we had a
40 chairman or a chief executive, they changed them fairly
41 frequently, in charge of the railways, but they came along
42 and gave us a big talk on the future of the railways and they
43 said that money was going to be provided to do things
44 like replace all the wooden sleepers, put in better rails,
45 better signalling and all that, all of which would be
46 written off immediately and have zero value thereafter
47 and because they've put them, the amount of maintenance

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1 required will be practically nil and therefore, the
2 operational costs of the railways would decrease
3 enormously. We thought that was really a terrific idea,
4 but what I want to know is are we still going along those
5 lines or have we changed everything?
6

7 THE CHAIRMAN: I can't speak about that, but maybe
8 RailCorp is able to. What I would say is that the point
9 you've raised is relevant in the sense that we were working
10 in a previous session about putting all the costs on the
11 table at one time because it is possible to substitute
12 capital for operational, or vice versa. You can do no
13 investment and your maintenance goes up or you can do a
14 lot of new investment and your maintenance goes down.
15 The two are to some degree substitutable between each
16 other. That's why you want to pool all the costs at the time
17 you look at the total costs of the system and that's what
18 we're trying to do here.
19

20 MR PARISH: The other thing they said was the cost
21 anyway would be written off against freight operations,
22 not passenger operations and therefore, the cost of the
23 thing to the passenger operations would be fairly low.
24

25 THE CHAIRMAN: Yes. We are trying to identify the cost of
26 the passenger operations and get passengers to pay for what
27 they use and freight people have a separate contract.
28

29 MR PARISH: Yes. Are you taking into account how
30 much the freight people are actually paying for the assets
31 that you're trying to value?
32

33 THE CHAIRMAN: Yes, we are. We're basically trying to.
34

35 MR PEDERSON: I can help you answer that. In fact, the
36 numbers that we've given IPART are not RailCorp costs,
37 they're CityRail costs. These numbers are smaller than
38 what you'll see in the RailCorp annual report. We have a
39 separate group that manages access to freight operators,
40 other passenger operators, for that matter, and
41 CountryLink, so we actually back those numbers out. The
42 goods lines are not in here. The share of costs we charge
43 off to the freight operators is not here. This is only the
44 cost of the passenger operation.
45

46 MR EADIE: I will keep out of the economics and the
47 billions. I will just stick to the simple stuff concerning

1 passengers. From a passenger's point of view, IPART
2 might at some future date explain the link between efficient
3 costs and fares. I will throw on to the table the Woolies
4 Supermarket example, which I have here. When the cost
5 accountant at Woolies wants to reduce the cost of running
6 the business, he doesn't go down to see how much a can of
7 beans costs. He endeavours to reduce the cost of the
8 business and the price of beans may come down as a
9 consequence of that. I might have it all wrong, but I'm
10 just throwing that in as a layman's assessment of this
11 discussion. I don't see the link between fares and
12 reducing CityRail's costs.
13

14 THE CHAIRMAN: Let me try and take you through that
15 and then I'll ask you a question. Businesses, including
16 Woolworths, work on the basis of what does it cost to
17 produce a particular service or, in your example, if they
18 bought a can of beans from a manufacturer and then put a
19 mark-up on it. If they can find a cheaper manufacturer or
20 a cheaper wholesaler then they'll probably pass the cost on
21 savings to the consumer.
22

23 In a regulated industry where there is a monopoly and
24 there's not that degree of competition - and that's
25 precisely why it is regulated - general regulatory practice
26 is to work out the efficient cost of providing the service
27 and then that's the basis on which you price it. The
28 complication in the case of rail, as distinct from
29 electricity - we basically pass on the whole lot to the
30 consumer - is that here we have very big external benefits
31 which accrue to the community and we'll get to that in the
32 next session.
33

34 We are trying to assess what does the community have
35 to pay for and then the balance that the direct user of the
36 service pays on the basis of the efficient cost. I do
37 emphasise "the efficient cost". With regulated monopolies,
38 like electricity and water and so on, it is quite common
39 for the regulator to make an assessment that the present
40 actual costs are higher than the efficient costs. In this
41 case that's exactly what we've done here on the basis of
42 the LEK Consultancy report.
43

44 We have made an assessment - which, of course, is open
45 to challenge and that's why we're having these hearings -
46 of how much lower the cost could be if RailCorp, in our
47 judgment or LEK's judgment, for instance, was as efficient

1 as the Victorian metropolitan rail operator and the
2 Brisbane metropolitan rail operator. Let me just reinforce
3 that point. We are trying to make sure that we don't pass
4 on to the consumer, the passenger, costs that aren't
5 efficient. That is a big part of our business.

6
7 The question I would like to ask you concerns this:

8 we all recognise that issues of guards on trains and the
9 manning of stations is government policy: that's not at
10 issue. What is at issue in terms of IPART's pricing
11 responsibility is who should pay for it. Our preliminary
12 view has been that the passengers shouldn't be asked to
13 pay for it because the passengers didn't value the services
14 provided by the guards on trains, nor by manning stations
15 with relatively low traffic volumes. If the passengers do
16 value those services then the passengers should be able to
17 pay for them. They would be prepared to pay for them
18 because that's how we determine whether people value
19 something. If I walk into a shop and say, "It's not worth
20 it," I don't value it. If I walk in and say, "It is worth
21 it," then I pay for it. It is exactly the same here. Do
22 passengers value these services? If we passed on the full
23 costs of them, it would add to prices about 1.5 per cent a
24 year.

25
26 MR EADIE: We have devoted a page to this subject in our
27 submission, so I won't read the whole page, but I want to
28 make the distinction between guards on trains and platform
29 staff. Guards on trains are an intrinsic part of the
30 design of the 1920s and 1930s railway system design and
31 I think it would be hard to maintain the level of service,
32 for want of a better term, unless you installed some pretty
33 fancy technology to replace the guards.

34
35 THE CHAIRMAN: That is why we have the \$780 million
36 extra investment.

37

38 MR EADIE: From the passengers' point of view, our bottom
39 line is guards are at this stage of the game necessary on
40 trains. Station staff is quite a different matter. My view
41 is that stations could be maintained and could operate
42 efficiently, effectively, provided the technology, such as
43 ticket machines and public address systems and information
44 systems, was reliable. Again, in the current state of play
45 this is not the case. The technology is not reliable, so
46 you really need a human back up to support the failed
47 technology. We see guards on trains as essential. Station

1 staff could probably be got rid of fairly quickly if we had
2 reliable technology.

3
4 THE CHAIRMAN: I have two points. We're not talking
5 about getting rid of all station staff. We're talking about
6 changing the thresholds at which stations are manned.

7
8 MR EADIE: I'm speaking from the passengers' point of
9 view. Obviously, station staff have operational duties,
10 which doesn't really concern us.

11
12 THE CHAIRMAN: Yes. The other point is the \$780
13 million that was referred to in the opening remarks, that is
14 to introduce the sort of technology that would be
15 necessary if you didn't have guards on trains and you
16 didn't have as many stations manned.

17
18 MR EADIE: Thank you.

19
20 THE CHAIRMAN: What about the union?

21
22 MR MOREY: We will be a very much smaller union, I
23 suspect, the way it's going. I'm not even going to try to
24 comment on the billions and the millions because it will
25 take me where I don't want to go and I have no idea what's
26 going on there, but in relation to the staffing levels and
27 the guards, I think our position has been for a while that
28 the premise has been how do we cut costs, how do we fund
29 things and I think we went back and looked at a number of
30 reports since the 1960s on how to make the railways more
31 efficient and every report without fail was about cutting
32 staff, staffing levels and those sorts of things. Given
33 that it is an industry where there has been substantial
34 technological change and that will be ongoing, you can
35 understand and see where those changes are made.

36
37 However, I think the fundamental question that
38 probably LEK didn't ask was what is the service level that
39 people expect is provided by the rail system? I think once
40 we understand the service level people expect then we can
41 work back on how many staff do we need, what sort of
42 services do we need and how do we manage that.

43
44 Certainly there is a lot of talk at the moment around carbon
45 trading and all those sorts of things. It is about making
46 transport more attractive, expanding the number of
47 people using it and I think one of the concerns we have

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1 there is in relation to if you're trying to bring people
2 back to transport then you have to increase, obviously, the
3 infrastructure and the services provided, but the problem
4 seems to be that the infrastructure is not there because it
5 doesn't allow for the expansion of services.
6
7 We have had a timetable in place now I think for four
8 or five years that was substantially changed for on-time
9 running purposes, but I don't think it's delivering the
10 frequency of services required that meets the needs and
11 expectations of commuters. Hence, people are reticent to
12 get out of their car because their car is always going to
13 be quicker to get to their destination than what the public
14 transport is, so it's around and around in circles there.
15
16 I think fundamentally the question is not how many
17 staff can we cut but what service levels do we need to
18 provide to encourage people to catch public transport.
19 I think the discussion around guards and comparing the
20 system to Brisbane and Victoria is somewhat moot in that,
21 as my friend said, the system was set up in the 1920s,
22 there are curved platforms, there are problems like that
23 and there are also issues on stations with people with
24 disabilities getting on and off trains and the role that
25 guards play and those sorts of things. There are a number
26 of fundamental questions that have to be addressed in any
27 consideration around the staffing levels.
28
29 The other thing that I don't think LEK went into - and
30 there are a number of issues that we get through our
31 membership - is looking at the incentive to actually
32 manage the organisation better to find these sorts of
33 savings rather than the first port of call being staff. I think
34 if we look at the way in which some of the outsourcing
35 and the contracting out has gone over the last couple of
36 years, certainly reports that we get from our members who
37 are working either on track, maintenance areas, those sorts
38 of things, they're actually in a position where they're fixing
39 work that comes back that is contracted out. We say that
40 the performance of some of the contract work is at least
41 sub-par and our members are then actually doing that
42 work again.
43
44 So I think they are some of the areas. Certainly in the
45 track maintenance area, some of the private operators and
46 their work is questionable at times and again the people
47 who RailCorp employ, our members, are then going out

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1 and doing that work again.
2
3 So I think one of the things I failed to see in the LEK is
4 what is the incentive to move management I guess to
5 be more effective in the way it is managing, given also
6 that the ratio of management to staff is one of the largest
7 in Australia, if not the largest in Australia, and I would
8 say somewhat overmanaged at times.
9
10 Some of the other things that weren't taken into
11 account were also other funding options or other ways of
12 actually raising money in the system or around the system
13 that could actually fund these sorts of changes.
14
15 THE CHAIRMAN: Thank you for this. Let me just make
16 one point clear. I think we all agree we need to look at as
17 the starting point what is the level of service to be
18 provided. Essentially what we were after in the LEK report
19 was, given the standard of service, what is the efficient
20 cost of producing it. Now, on the evidence we got, we
21 didn't think that the standard of service was lower than
22 Brisbane or Melbourne. Indeed, there are certain
23 advantages Sydney has over Melbourne or Brisbane. Take
24 Melbourne, which is more immediately comparable, the
25 amount of tracks is not very different but there is 50 per
26 cent more passengers in Sydney and that prima facie is an
27 advantage, and we accept that station staff help disabled
28 people onto trains, but there are disabled people in
29 Melbourne too, so that we are trying to see how we can get
30 the most efficient staffing while maintaining the service
31 of standard or improving it, and if we can reduce the costs
32 that potentially provides more money for the sort of
33 improvements and standards of service that passengers
34 want, such as extra trains and so on.
35
36 MR MOREY: It is that premise that the first thing people
37 go for are staffing levels and then there is not an
38 expectation to be more creativity or look at some of the
39 underlying problems that just continually tick over.
40
41 THE CHAIRMAN: Well, LEK were enjoined to look very
42 closely at management and they did, they were pressured
43 to look at that area. The Council For Social Services.
44
45 MR MUKHERJEE: We wrote in our submission we don't
46 support the reduction of staff on trains or staff at stations. We
47 think consumers value those services. We mentioned people

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1 with disabilities and accessibility and that is absolutely
2 critical. You mentioned you didn't think in Victoria, or
3 in Melbourne, that people with mobility issues had lesser
4 services. That is not what we have been told by our
5 colleagues in Victoria. They seem to think that the
6 standard of service has declined. They didn't say by how
7 much.
8
9 We think it is critical that ensure there is no
10 reduction in safety or security and that, as I said before,
11 there is no reduction in accessibility. We think there are
12 some critical issues.
13
14 THE CHAIRMAN: When you think about how much the
15 standard of service has declined, would you like to think
16 about whether it is worth an extra 1.5 per cent a year on fares?
17
18 MR MUKHERJEE: I will take that on notice.
19
20 THE CHAIRMAN: That is what I had in mind.
21
22 MR GOODING: On the issue of asset valuation, again I
23 don't want to engage too much in these discussions, we
24 have already supported the notion that the bulk of
25 CityRail's assets are sunk assets, we support that broad
26 notion, and also that there should be at least a level of
27 discounting, given that it is reflecting the government's
28 policy in providing infrastructure in that area of
29 Chatswood, and whilst there are obviously operational
30 benefits, it is part of a much larger rail project and service
31 to Western Sydney.
32
33 On the issue of guards and station staffing, we don't
34 have a position on whether or not they should be there but
35 we do have some reservations about the approach to this.
36 As several people have said, the Sydney system is
37 inherently a much more complex, older system with kerb
38 platforms running almost entirely the length of trains, and
39 we made comment in our submission that installing CCTV
40 in a three-car Brisbane train with no internal bulkheads is
41 a totally different proposition to doing that in an eight-car
42 double-deck train in Sydney.
43
44 The most important thing here is not only the cost of
45 doing this, and it is not only the benefits but the public
46 perception of those benefits that is very important. So if
47 you look at the cost of just providing the facilities and

1 services and infrastructure to replace those staff, that is
2 probably a somewhat lower cost than the cost of providing
3 the facilities and services and infrastructure to meet the
4 public perception that those platforms and trains are safe
5 and that there is adequate provision and information and a
6 whole range of other things.
7
8 What I don't think any of us want is a situation where people
9 don't use public transport because they think it is unsafe.
10 We had that perception. And I am concerned if we go
11 down this route that, if you are looking to substitute staff
12 with technology, that it will create that perception that
13 we could have more people saying, well, we don't take
14 the trains after 6 o'clock because it is too dangerous.
15
16 THE CHAIRMAN: I take your point on that. I think I am
17 quoting Action for Public Transport correctly when they
18 said that in some ways security can be improved in better
19 ways than putting guards on trains - by having security
20 officers who walk up and down through trains.
21
22 MR MOREY: Last time all they did was take descriptions
23 of the people bashing passengers on trains, that is all.
24
25 MR GOODING: At the moment the guard is about the
26 only way to find out if you are on a train that is going to
27 stop at St Marys or not. There are a range of services - I
28 am not saying they are services there that we need to
29 provide - but a perception of what they don't provide. I
30 think the issue about guards versus security officers says
31 something about the nature of the network, that we have
32 to replace every guard with a security officer.
33
34 THE CHAIRMAN: Well, it says something about the
35 nature of society. I take it from that that you are happy to
36 pay an extra 1.5 per cent?
37
38 MR GOODING: No. I said that you need to factor in the
39 cost of that, building that or securing the public
40 perception, if you are going to go down this route.
41
42 THE CHAIRMAN: What I said to you is that in factoring
43 that in, our best guesstimate, I can't do better than that,
44 is an extra 1.5 per cent.
45
46 MR GOODING: To retain the current --
47

1 THE CHAIRMAN: Yes.
2
3 MR GOODING: Then I think it is a public choice issue. As
4 I said, we don't have a position on whether there should be
5 guards or platform staff or not. All we are saying is that
6 any alternative arrangement has to ensure that public
7 perception. It may be that for any number of other reasons
8 that the equation turns out different.
9
10 THE CHAIRMAN: What I am getting at is that at the end
11 of the day we will make a determination about fares where
12 we will be trying to allow for what is the standard of
13 service people want and what is the efficient cost of
14 producing that standard of service. That is how we will
15 get to it in the determination.
16
17 So it is quite important for us to try to assess via the
18 submissions and discussions like today do people value
19 extra services that guards and extra-manned stations
20 provide and how much they are prepared to pay for it.
21
22 MR GOODING: Can I put the equation another way.
23 What percentage of passengers would you be prepared to
24 lose from the system?
25
26 THE CHAIRMAN: That would be quite important, for us to
27 maintain patronage, and if we are provided with evidence
28 that would persuade us that would seriously damage
29 patronage, that would be a major factor. We will move on.
30
31 MR PARISH: Before we get off this particular part 2,
32 there was an issue that I had in my notes that does not
33 seem to appear, but this an extremely important issue for
34 commuters and does affect the asset valuation, or the
35 effective use of the assets and their efficiency, and that
36 is speeding up the train services. As you know, some 12
37 months ago or a little longer they slowed down all the
38 train services while they were overcoming some railway
39 operating problems. We were under the impression that
40 that was going to be speeded up again because when you
41 speed it up there is less congestion on the trains because
42 the trains run more frequently and there are lots of other
43 benefits, therefore it makes more use of your asset, it
44 makes more use of your staff, it makes the trains more
45 popular because they are more frequent and faster. And
46 all our surveys indicate that what commuters like is fast
47 trains.

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1
2 So I would like to put before IPART that it should be
3 taking into account and providing incentives for trains to
4 be speeded up again.
5
6 THE CHAIRMAN: I don't think RailCorp lacks incentive
7 to speed up trains, it faces physical capacity problems.
8
9 At this point I might ask my colleagues if they have
10 anything to pursue on the whole issue of costs, otherwise
11 we will make a couple of minutes available now for the
12 audience if any of you would like to raise any issues about
13 costs.
14
15 MR TREVASKAS: Paul Trevaskas, Blue Mountains
16 Commuter Transport Users Association. I ask the question,
17 you said an increase in prices from a four-year term, 20 to
18 30 per cent, which goes out to 5 to 6 per cent. Does this
19 mean this is the last inquiry we have and the next one will
20 be four years because you are going to determine the fares
21 for four years?
22
23 In relation to station staff, one of the area managers
24 in our area, rumours got around that that particular
25 manager wanted to make all our stations bus stops,
26 everything was mechanical, electronic, et cetera. We
27 object to that because the ticketing systems, if there are
28 problems, they have to open up the toilets, they have to
29 care for the station, and some of them have very nice
30 gardens, et cetera, and what annoys us, if you go back
31 through the last ten years, it is always the cleaning is
32 outsourced, the catering is outsourced, all the lower-paid
33 people, and you think, oh, gosh, here we go again.
34
35 The system at the moment is not adequate. Even on the
36 smaller stations, which only have staff on the stations in
37 the mornings, we accept that they are on the lower echelon
38 of fare reception, but even then they would like to sell
39 tickets on the station, besides tea, because they need
40 questions, they need information. So if this is the last
41 period for determination, it will be going to put pressure
42 on the commuter associations to make sure we get our
43 point across.
44
45 The last question I have is IPART prepared, with
46 RailCorp, to come to the outer areas to discuss the
47 determinations and what you are prepared to tell the

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1 public? I certainly agree with the union representative
2 about the underlying costs of infrastructure contractors.
3 We have get feedback from various people we know who
4 had to go back to cure problems that the contractors had
5 done -and that applies to Telstra too, they are in the same
6 boat, so my question is, are we prepared to pay the increase
7 in prices? We will have to investigate that.

8
9 Under the Liberal government we did pay 3 per cent
10 extra for services on the mountains. That was gradually
11 absorbed, but if you are going to ask us to do that, you
12 have to come to us and sell that issue and come up with
13 the answers of how you overcome the problems we have
14 with the stations at the moment. Thank you for the
15 opportunity to speak.

16
17 MR McKENZIE: Ed McKenzie, Blue Mountains Commuter
18 Transport Users. You were talking there about the level of
19 service, the standard of service that we are prepared to
20 pay for. From the association's viewpoint, I would like to
21 note that opinion you have drawn, have you taken into
22 effect the costs incurred of having say a non-guarded train
23 and someone falling off that train, being injured, with the
24 legal ramifications and costs of litigation, as compared to
25 what it cost to have a person actually there supervising,
26 whether that did or did not occur?

27
28 THE CHAIRMAN: We have compared the costs with most
29 other rail jurisdictions in the world and what it costs them
30 when they don't have guards on trains, which is true of
31 most rail jurisdictions.

32
33 MS LAVERTY: Sonia Laverty, from Older Women's
34 Network. It seems to us that if you want to reduce your
35 costs, you need to improve your service and get more
36 passengers. If you reduce the guards, for example, on the
37 trains, you are going to have fewer passengers. It is my
38 view that our rail services are 19th century, it is pathetic.
39 A whole lot of people can't use the service, they can't get
40 on the platforms to get on the trains, and if you have got
41 one of the highest staff ratio management structures in the
42 country why don't you look at reducing management
43 instead of guards?

44
45 THE CHAIRMAN: I should remind you, if you care to
46 look at the report, you will find that there are quite big
47 reductions in management.

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1
2 MS LAVERTY: I have looked at the report.

3
4 MR BIBBY: Paul Bibby, Sydney Morning Herald. Is it
5 okay for me to ask a question?

6
7 THE CHAIRMAN: Yes.

8
9 MR BIBBY: I just wanted to clarify something I believe
10 one of the guys from RailCorp mentioned, that talking about
11 the growth in the system and that it would be difficult to
12 roll out I think a number of the recommended changes. It
13 is a bit difficult for some of us to hear at this end and
14 could you clarify that point for me?

15
16 MR MASON: I think I said that if we were to make some
17 modifications or government policy changes then to
18 take trains out of service would be very difficult at the
19 moment because we are at the moment having increased
20 patronage and therefore we need as many trains
21 as we can on the network to move people around.

22
23 THE CHAIRMAN: I think we might move to the next
24 session.

25
26 MR MURRAY: The third session today will discuss issue
27 papers for CityRail services, in particular taking into
28 account the external benefits generated by those services.

29 As the Chairman has already stated, the benefits of CityRail
30 go beyond just users. They benefit the community
31 in general. Obviously users benefit directly, they use the
32 services, but the wider community benefits through things
33 like reduced traffic congestion, lower greenhouse emissions
34 and fewer road accidents. These are often referred to as
35 external benefits or externalities.

36
37 Given that the benefits accrue to both users and also
38 the general community, the tribunal thinks it appropriate
39 that both users and taxpayers should share the funding of
40 CityRail's services.

41
42 To better understand these issues, and in particular
43 the external benefits to the general community, IPART
44 sought advice from CRA International. A copy of that
45 report to IPART is available on our web site. The analysis
46 shows that the benefits of CityRail's services are
47 considerable. CRAI valued them at \$1.1 billion in 2006/07.

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1 Those benefits are primarily to reduce traffic congestion.
2 IPART's estimate is actually higher than this, it is \$1.6
3 billion in 2007/08, with that value increasing to a range
4 of \$1.7 to \$2 billion over the 2009/12 period.
5
6 IPART's discussion paper explains that in determining
7 how much is paid by passengers and how much is paid by
8 taxpayers, IPART intends to use a variety of information.
9 In particular these external benefits to non-rail users
10 would be very important, but there are other key issues
11 such as affordability issues and also the impact on
12 passengers through fares.
13
14 The discussion paper also highlights some other
15 options that the tribunal could use. It could set the
16 taxpayer share of funding equal to the external benefits
17 derived from CityRail or it could use the optimisation
18 approach developed by CRAI for IPART.
19
20 IPART's preliminary view, taking into account all
21 those issues, is that passengers should fund approximately
22 30 per cent, which is slightly more than what they
23 currently pay. Users currently pay approximately 26 per
24 cent. That means that taxpayers would fund the
25 remaining 70 per cent through government subsidies.
26
27 Translating to fare increases, that would equate to
28 fare increases of 20 per cent 30 per cent over the next
29 four years, then there would be the effect of increases to
30 cover inflation.
31
32 So the issues for discussion for part 3 today is, is the
33 range of \$1.7 to \$2 billion a good estimate of the value
34 of CityRail to the wider public? Is it reasonable for
35 CityRail passengers to pay 30 per cent of funding needs
36 by 2011/12? IPART's preliminary view may mean large
37 fare increases. Is this a reasonable balance between
38 passenger and taxpayer funding? If passengers pay less,
39 taxpayers will need to pay more. And, finally, how
40 should IPART take into account affordability issues?
41
42 THE CHAIRMAN: Thank you. We will start with the
43 ministry.
44
45 MR GLASSON: In relation to the specific questions, the
46 whole issue of external benefits, how they are valued and
47 then the split between the user and the general community

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1 is always going to be an issue probably of the widest
2 debate because simply deriving the valuations can be based
3 on a range of both methodologies and views as to the
4 ultimate impacts and benefits.
5
6 From my perspective at the ministry, I don't have any
7 data which would challenge as a basis the \$1.7 to the \$2
8 billion at this time. I think it is a fair starting point
9 for the broader discussion.
10
11 Likewise, in relation to the proposition that has been put
12 by IPART that the community more broadly would fund
13 the externalities and the users would pay the other charges,
14 I think as a basis for the discussion today and for your
15 further consideration before going back to the Government
16 that I think it is a fair reference point for people to give
17 views for and against what ultimately is IPART's view
18 and then the government's response to that view.
19
20 I can't predict, but I do think it is a very valid point,
21 and the point has been argued by IPART as the
22 appropriate place to base the discussion and the response
23 from stakeholders.
24
25 In relation to the issue of affordability and capacity
26 to pay, there are issues around concessions and issues
27 around off-peak fares, and those are extremely valid ways
28 to provide access around affordability, disadvantage and
29 capacity to pay. The one I think that is a little bit
30 problematic in the whole debate is the extent to which
31 some of those people with affordability and capacity to
32 pay issues are able to adjust their journey times to some of
33 those parameters that do come into off-peak fares and
34 other issues. But in general I think the responses of the
35 broader stakeholders here today are really at the core of a
36 final view on these matters.
37
38 THE CHAIRMAN: CityRail?
39
40 MR GARNHAM: Barry Garnham, Group General Manager,
41 Product Development, RailCorp. Two of the questions I think
42 we can particularly add some information to. One is, is the
43 range of \$1.7 to \$2 billion a good estimate? On the value of
44 external benefits, from the work we have undertaken, and it
45 has been obtained over the years, we would generally find
46 that the results of the IPART review are consistent with
47 ours, so we have no particular issue with those and we

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1 would be quite happy to move forward with these values.
2
3 We think over time we may be able to develop more
4 sophisticated techniques for establishing exact values of
5 these externalities and that is part of an ongoing process.
6
7 Both studies basically capture the same identified
8 externalities, which we would expect, such as road
9 congestion, air pollution, greenhouse gas emissions, noise
10 pollution, accidents and road damage, and these are just
11 generally included.
12
13 We also note from the Ministry of Transport's
14 submission that wider consideration may be given to the
15 broader economic benefits which have been included both in
16 the UK and Victoria as part of the Eddington report in both
17 areas, but that's a wider issue which may be considered.
18
19 In terms of is it appropriate for CityRail passengers
20 to contribute 30 per cent of revenue requirements, the
21 actual amount is of course for government policy. In
22 comparison with our colleagues around the world, we note
23 that in general passengers pay in the region of
24 50 per cent. That is in comparison with other operators.
25 Also, in comparison with those same operators, allowing for
26 adjustments for purchasing power parity in order to
27 ascertain equal consumer nominal value, CityRail fares per
28 kilometre are probably amongst the lowest in the world.
29
30 What we would suggest is that there is a definite
31 fare-box target which we think would come out on a
32 four-yearly program, as this will provide an incentive for
33 both management and staff to operate more commercially
34 and efficiently.
35
36 MR EADIE: External beneficiaries is something we really
37 will get stuck into. Naturally, we would like to see the
38 value of the externalities increase simply because that
39 might allow CityRail to contain fare increases. To that end,
40 I would like to suggest that whilst we commend IPART
41 for addressing external beneficiaries, we think IPART's
42 definition is narrow. For example, it doesn't specifically
43 identify the retail landholders around stations. That, I
44 would think, would be a very large chunk of money and I'll
45 use as an example the Japanese National Railways, known as
46 JR. JR builds, maintains and operates very large shopping
47 centres around its railway stations and it does that

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1 because it recognises the external benefits of the real
2 estate associated with its railway stations. I don't think
3 that's had anywhere near enough attention from IPART in
4 this case.
5
6 As I said before, I would like IPART to perhaps step
7 outside its brief and make some suggestions to government
8 and this might be one of them, that a much wider, much
9 broader assessment of external beneficiaries of all aspects
10 of the transport system be assessed by government so that
11 government is then in a position to price transport
12 generally such that the city works efficiently, not just
13 railways. Railways are a very small part of the city.
14
15 THE CHAIRMAN: Might I just follow you through on that.
16 Let me just say that there's no doubt IPART would like to
17 find as many external benefits as we can. We don't welcome
18 those rail fares and we're not in the business of trying to
19 underestimate the external benefits. Apropos of that,
20 I think we're higher than where CityRail has been to date.
21 We have been around \$1 billion. I wouldn't think there is
22 a lot of difference between \$1 billion and \$1.7 billion to
23 \$2 billion and admittedly, we have revised our estimate
24 since but we are substantially above what our consultant
25 gave us too. We have done, if you like, our own
26 assessment and varied the advice from the consultant to
27 get the estimate higher.
28
29 That isn't to say that we wouldn't look at further ways of
30 getting it higher if we're persuaded of them and a couple
31 of suggestions have been made about the Eddington
32 report, for example, and wider economic benefits in
33 terms of economic development and your suggestion has
34 been just one. I think also, if I can anticipate, some of the
35 submissions have talked about social benefits of people
36 being able to be part of the community and so on and
37 I think that's a legitimate question too. It is going to
38 be difficult to say how you value that, but it is a
39 legitimate question about how much weight we place on
40 that and certainly we're open to looking at that again.
41
42 The one thing I would say in relation to your suggestion
43 is that we think you probably have to consider the
44 external benefits as they currently are, whereas I
45 interpreted your suggestion as being where they could be.
46 That is to say, if our city's form and structure were
47 reorganised a bit, using planning and so on, then you could

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1 imagine you could significantly expand the external
2 benefits from the rail system, including devices like
3 combining rail stations with shopping centres, which is not
4 the case at present. The typical shopping centre that
5 I can think of isn't close by a railway station, but some
6 are.

7
8 MR EADIE: Westfield is an example. Parramatta and
9 Bondi Junction are pretty good examples.

10
11 THE CHAIRMAN: Both are, yes, but there are any
12 number where they're not and I suspect that that's partly
13 because the rail stations are located in areas which were
14 already highly densely populated, whereas shopping
15 centres on the whole tend to favour greenfields sites. You
16 get massive parking and so on.

17
18 MR EADIE: I'm just suggesting that there's an external
19 benefit which hasn't been drilled down to the extent it
20 might be.

21
22 THE CHAIRMAN: Yes. I think it would be possible to
23 think about how a government which is genuinely pursuing
24 public transport can look at urban planning to reinforce
25 the desirability of using public transport.

26
27 MR EADIE: I would just like you to have a second look at
28 Mr Laird's paper on road pricing. I think that provides
29 some information which, again, you might suggest to
30 government even though it is outside your present brief.

31
32 THE CHAIRMAN: Yes.

33
34 MR EADIE: Our considerations on off peak fares is well
35 covered in our submissions. I won't go into that.

36
37 THE CHAIRMAN: We will come to that later anyway.

38
39 MR EADIE: I've got that under item 3, "Funding Share".
40 Okay. There is a fundamental mismatch or conflict
41 between government policy which says it wants to get more
42 people on to public transport and a possible increase in
43 train fares of 30 per cent. I think that's a very difficult gap
44 to bridge. I may have said it before, but one way of doing
45 it is to substantially increase the value or the perceived
46 value of rail travel so that people might be prepared to
47 pay a higher price.

1
2 I am suspicious of the government's proclaimed policy
3 about getting more people on to public transport when I see
4 the likes of this morning's newspaper which says,
5 "New Tollway: An inner city tollway which will create
6 gridlock". I don't see intercity tollways as a means of
7 getting more people on to public transport. Government
8 policy here needs to be questioned. I think IPART is in a
9 position to diplomatically put that question to government.

10
11 My last point would be that there are also negative
12 external benefits which don't seem to have been taken into
13 account, even though they may have been. I would cite,
14 for example, CityRail trackwork at night, in particular
15 alongside residential areas. That's an externality which
16 has substantial negative value. Thank you.

17
18 MR PARISH: I am a little concerned that this fixed
19 30 per cent and 70 per cent ratio isn't going to create any
20 incentives for CityRail to get a bigger modal split of the
21 number of people who wish to travel. It seems to be very
22 important in the community at the moment that as many
23 people be encouraged to travel by public transport as
24 possible. If we're just going to say, "Well, you've got to
25 get 30 per cent from the fare box and the government will
26 give you the other 70 per cent", there's no real incentive
27 there to make them go beyond the limits and maybe there
28 have got to be some incentives built into it.

29
30 The other thing is why have we limited the source of
31 money to just two places, the fare-box payer and the
32 taxpayer, because just about everywhere else in the world
33 they're sourcing funds from other locations, like road
34 users, for example, that maybe they pay some sort of a
35 surcharge on their registration or something. There's no
36 question, our surveys indicate that a lot of road users use
37 the trains when their cars break down and all this sort of
38 thing and if the railway wasn't there, they wouldn't be
39 able to use it, so it is worth something to them to have it
40 there and that's only one source. There are other sources
41 as well.

42
43 They are the two things that we're a bit concerned
44 about, that this split is not going to create an incentive
45 for the railways to get people out of their cars and into
46 the trains and the other thing that is there need to be
47 more sources of money other than the taxpayer or the fare

1 payer.
2
3 THE CHAIRMAN: I will just perhaps give you some
4 assurance on those two points. First of all, a road user who
5 had to pay a surcharge on their registration I'm sure would
6 regard that as a tax, so that we're back to the point that there
7 are two sources of revenue, one is fare, the other one is
8 taxes and once you've mentioned taxes, who should pay the
9 taxes and so on: nevertheless, it is a tax.

10
11 On the question of the 30/70 split, incentives to get
12 people on to public transport - and I do emphasise that it
13 is an incentive to get people on to public transport, not
14 necessarily on to trains - I think you also need to reflect
15 on this, that we made an assessment with the externalities
16 of what are the benefits for the community of getting
17 people on to public transport and there are situations
18 where there's not a great deal of benefit in getting
19 someone on to public transport. For example, if there's no
20 congestion, it's midnight, there's no-one on the road,
21 there's no great benefit to the community of getting
22 someone on to a train at midnight, out of a taxi or out of
23 their car, because there's no-one else on the road. While
24 as a general proposition we want greater use of public
25 transport, we tried to build that in when we did the
26 assessment on the externalities.

27
28 MR O'CONNOR: Peter O'Connor from the Rail Tram and
29 Bus Union. To answer the four dot points as succinctly as I
30 can, "No", "No", "No" and "Let's talk". The questions
31 raised here - and I'm trying to simplify the specific
32 questions with some of the points that other people have
33 raised, issues that we and that others have raised in their
34 submissions - without repeating all of those in great
35 detail, I was a little bit amused by Barry's comment about
36 the consistency between the research and the RailCorp
37 figures, given that the research was primarily drawing on
38 the RailCorp figures. That consistency shouldn't be a
39 shock to anybody.

40
41 THE CHAIRMAN: Not this procedure.

42
43 MR O'CONNOR: CRAI and LEK drew pretty heavily on
44 RailCorp's estimates and then IPART added on to the 1.1 --

45
46 THE CHAIRMAN: I am sorry to be a pedant, LEK did,
47 but CRAI's was based on traffic analysis, basically.

1
2 MR O'CONNOR: Rather than split that hair, the point I'd
3 wish to make is that the "Yes" or "No" on the specifics would
4 come down to, as some of our other friends have mentioned,
5 what is considered and what has been happening
6 in a lot of the calculations here and a lot of the
7 considerations here, both in looking at the revenue and
8 then in terms of the funding and appropriate funding, is
9 what has been added and what hasn't been added.

10
11 Even on the revenue side we didn't sensibly talk about
12 other revenue sources and how the business can run itself
13 in a way that's creative, imaginative, contemporary and
14 actually looks like a business. When it suits us, we want
15 to make comparisons to Woolworths and others: you're
16 not; you're not. The beans are bad, you know, in a lot of
17 situations; the beans just don't stack up. To make that
18 analogy is false in many, many ways. We are talking
19 about a public service, we're talking about a social service,
20 we're talking about things that can't simply be costed in
21 economic or fiscal terms.

22
23 I am a little bit concerned about how lightly we've
24 moved over some of those considerations. Some of our
25 friends back here mentioned that it is not simply a matter
26 of, "If that person in a wheelchair can or cannot access
27 public transport, will we pay 1.5 per cent?" The serious
28 question is "Shouldn't we?" "Shouldn't we?" As a
29 community, as a society, why are we even asking that
30 question? That's a fairly uncivilised premise to start
31 from.

32
33 The external benefits question, the revenues, what are
34 the incentives, as our friends here said, for CityRail and
35 RailCorp to run the business differently? If they have
36 100 per cent guaranteed revenue, what business has that?
37 As you said, what business has that except a regulated
38 monopoly? Woolworths does not have that. The small shop
39 owner does not have that guarantee and that surety. Why
40 would I do it differently? Why would I not be top heavy?
41 Why would I not be inefficient? People have missed very
42 important cost savings in some of these, the cost of
43 exposed corruption within that system, the cost of other
44 management failing within that system and they're very
45 serious cost factors that we haven't included here. The
46 external benefits arguments can keep going as far as you
47 choose to take them.

1
2 It is not just about road congestion. It is about
3 what community transport facilities will we provide if that
4 person with mobility issues cannot access suitable,
5 reliable, time-effective public transport. Are we prepared
6 to move major infrastructure closer to those people, like
7 hospitals and other services, because they cannot access
8 them adequately at whatever time of day or in ways that
9 suit them?

10
11 What concerns us is not whether those things should be
12 valued at a particular rate or not, but how rigorously or
13 thoroughly they were even considered in the process. That
14 is our major concern. The topical points out there at the
15 moment are carbon trading, environmental issues, et cetera,
16 et cetera, and yet, this research doesn't seriously address
17 those issues. What impact? What cost? In a carbon
18 trading system, for example, that I don't claim to
19 understand thoroughly, where's the costing? Where is the
20 consideration in health care? Where's the consideration in
21 employment opportunities and so on and so on?

22
23 THE CHAIRMAN: Let me just pick up two of them. The
24 pollution one, yes, we did build in a carbon price.
25 We need to think some more about the carbon cost, but we
26 did build it in. Similarly with health costs and accidents
27 and so on, we did allow for that too.

28
29 MR O'CONNOR: The question back to IPART - and then
30 that will be the end of my cheekiness for now - is if the
31 assumptions are correct, if the economic reasoning is
32 correct, if we can, in fact, all come back, as you invited
33 the Ministry to do, with cost benefit analyses that say,
34 "The \$2 billion is an underestimate. The \$2 billion,
35 in fact, is not a good cost estimate. It is not appropriate
36 for the public service that is being provided," we could
37 come back and round the numbers off and neutralise
38 the cost. Are we talking about a system with no fares in
39 it based on the same reasoning, based on the same logic?
40 This seems to me seems like a convenient accounting
41 exercise: 70/30 is neat. "You meet that much. We'll meet
42 that much." If it rounds up to 100/0, will we take the
43 numbers then?

44
45 THE CHAIRMAN: You might.

46
47 MR O'CONNOR: I would.

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1
2 THE CHAIRMAN: I am seriously sensitive to the possibility
3 that we've undervalued it and so on. It is not an accident
4 that we've massaged it up, for want of a better phrase,
5 from \$1 billion to \$1.7 billion to \$2 billion, but there's
6 a huge gulf between getting from \$1.7 billion to \$2 billion
7 to what would be consistent with zero fares, that's the
8 problem. You can put in really heroic estimates for things
9 you reckon we've missed out on and you don't get zero.

10 Beyond that, I question whether you get that much
11 further. You may get further. You shouldn't think by that
12 technique that we're going to get down to 10.

13
14 MR O'CONNOR: No, I didn't think so. Look, that implies
15 an answer to the second part of the question, "Is it
16 reasonable for passengers to pay 30 per cent?" Short
17 response, "No." "Why not?" Because what improvements
18 will they gain from that? What benefits and quality
19 improvements in service and all the other issues that we're
20 talking about will they get for that 30 per cent increase?
21 The assumed answer on our part is probably not, probably
22 not reasonable.

23
24 THE CHAIRMAN: You don't think that the sort of things
25 that RailCorp presently invest in will produce passenger
26 benefits?

27
28 MR O'CONNOR: That's a bigger question than a short
29 answer would provide.

30
31 THE CHAIRMAN: That's really what you're saying,
32 because a lot of what we're talking about is justified by the
33 sorts of things that RailCorp is reinvesting in.

34
35 MR MOREY: I think the question is in relation to, again,
36 the service level and the need to invest to attract people
37 to the service and our consideration is that some of that
38 stuff should have started 10 years ago in the changes and
39 the upgrading of carriages and engines and those sorts of
40 things. The question is at what rate do you actually try
41 and accelerate and play catch up here? How much is the
42 responsibility for the commuter to fund that and how much
43 is it for government to invest in the infrastructure within
44 the constraints that they have?

45
46 Some of the thinking that we've had around that is you
47 can't put another tax on, there are those sorts of issues,

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1 and maybe the question is, which is probably broader than
2 this forum, what is the role of the Federal Government
3 now, given the tax system, in funding infrastructure in the
4 states, to maintain economies as a nation?
5

6 For us the fundamental thing is if we're playing catch
7 up for infrastructure to get people back to transport then
8 who fits the bill and what proportion of that should people
9 pay and it would be a pretty brave government that brings
10 in a 30 per cent hike before 2011, but the question is what
11 direct benefits or improvements will they see and I think
12 the new carriages and those sorts of things will be an
13 incentive to bring people back, and the air-conditioning
14 and those sorts of things, but will that be enough to
15 justify it up to 30 per cent?
16

17 MR MUKHERJEE: NCOSS generally agrees that it is
18 appropriate for the tax base to pay for consumer benefits
19 and for the passengers to pay for the rest. We quibble
20 over the 70/30 split and suggest that that's an
21 underestimate of the value of the external benefits.
22 That's fairly predictable, I suppose. We think there are
23 some benefits that haven't been included and Kevin
24 referred to them earlier. We have labelled them urban
25 planning development issues.
26

27 Importantly for us, when it comes to social services,
28 we need to put some sort of value on the social benefits of
29 connectivity for disadvantaged people, particularly access
30 to education, employment and services. Health has been
31 mentioned and that's one of many services. The cost of
32 somebody not being able to afford to go to their education
33 or training program has long-term consequences not only
34 for that person, but for society in terms of paying for their
35 unemployment benefits and other support systems. We
36 could quibble over the 70/30 to a certain degree. We don't
37 have a particular figure that we would suggest, but it is
38 probably higher than 70 per cent.
39

40 THE CHAIRMAN: Can I pursue you with a question?
41

42 MR MUKHERJEE: Yes.
43

44 THE CHAIRMAN: I think I am right in saying about a
45 third of CityRail's passengers are getting some sort of
46 discounting of their fare; that is to say, the government
47 is paying a person-specific subsidy for those people. The

1 difficulty is that if you pull down fares generally, you
2 don't just help the disadvantaged, you help people like me
3 when I travel by train. I can afford it. Isn't it better
4 to use a more targeted subsidy where you've got concerns
5 about disabled or other disadvantaged people than to pull
6 down fares for everybody, including those who can afford
7 it?
8

9 MR MUKHERJEE: Yes, it is, but the current concession
10 system doesn't cover all those in need. There are numbers of
11 low-income people who aren't eligible for transport
12 concession. One example is indigenous people from the
13 Community Development Employment Program, CDEP,
14 which is a Commonwealth program, a very small number
of people, but --
15

16 THE CHAIRMAN: Wouldn't it be better to lobby to have
17 the concession scheme cover them rather than pull down
18 fares everywhere?
19

20 MR MUKHERJEE: We are doing that at the same time.
21 However, you're always going to miss out on some people
22 I suppose. In addition, the concession fares, I assume,
23 will also go up at the same percentage rate as the general
24 fares because they're based on the full fare. If you're
25 talking about people facing a 20 to 30 per cent increase in
26 fares then that will apply to concession holders as well.
27

28 MR GOODING: First, I think it is important and useful
29 that IPART have done this exercise and have actually tried
30 to quantify this, which is obviously an extremely difficult
31 thing to do. Like some of the other speakers, we've got
32 reservations about whether this covers the full range of
33 externalities. It struck me in responding that there were
34 probably a couple of ways you could look at the
35 externalities. In other words, if CityRail were to vanish
36 entirely tomorrow, you could look at this in terms of we
37 either do nothing and just struggle on using our existing
38 infrastructure, in which case the congestion costs are
39 probably somewhat low, or we make assumptions about
40 alternative infrastructure that we would put in place to
41 say that the other existing systems, be they bus or road,
42 delivered as close a result as possible to what you have at
43 the moment.
44

45 The sorts of costs that have been thrown around for the
46 M4 eastern extension, given what the capital investment
47 required for that would be, to actually replicate that

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1 result without CityRail would be a very expensive exercise.
2 There is also the range of economic benefits that have been
3 mentioned which are particularly important in
4 Western Sydney because of the potential impact that
5 congestion has on other road users who don't have any
6 choice but to use commercial and road transport. There is
7 the issue of carbon trading. There is the issue of
8 increasing fuel costs and the dependence on petrol. There
9 is also the fact that without a CityRail system, you're
10 probably encouraging more car dependence. There is also
11 that issue of ease of access to health, education and other
12 services.

13
14 In terms of fare proportion, we have some reservations
15 about that in that context. We have particular
16 reservations around the impacts on outer suburban
17 passengers, particularly if you add in some of the
18 proposals that have been suggested around the changes in
19 weekly tickets, the recovery on that. If you run both of
20 those systems, you could have people in outer
21 Western Sydney paying 50 per cent or something more
22 than they currently do. We would be extremely concerned
23 about the implications of that.

24
25 I think the other thing too is that that would be an extremely
26 large ask if there were not significant improvements
27 in both the frequency and speed of services.

28 Whilst we acknowledge that there has been considerable
29 investment in improvements to services, those could be
30 factored around things like reliability and safety and some
31 seat capacity, the first two of which I think people take
32 for granted should be delivered as part of the rail system,
33 I don't think that you can say that the major investments
34 that CityRail has made in those areas is offset by this
35 increase, if people in outer Western Sydney were asked to
36 cop a 50 per cent fare increase.

37
38 MR COX: Thank you very much. We have had quite a bit of
39 discussion about, if you like, where fares should be going
40 and what is the share that passengers should pay and what
41 is the share that taxpayers should pay, and there have been
42 various suggestions made about benefits that we have not
43 looked at, and that is all perfectly reasonable to look at.

44
45 But I think there is the other issue, whatever the
46 target is, how do we get there? People attempted to argue
47 that fares should not increase but I think our situation is

1 that the cost of these services are in fact rising and are
2 expected to rise quite rapidly in the future. So the
3 longer you delay, the larger will be the eventual increase
4 that will be required.

5
6 I would be grateful for thoughts about not so much
7 advice about what we should do but how we should think
8 about the problem of transition to whatever level of fares
9 we think we should eventually end up with, so I would
10 appreciate advice and suggestions on that.

11
12 MR EADIE: I would just like to clarify something which I
13 think you said and that is that if CityRail is going to
14 spend all this capital expenditure in the next few years
15 and the level of service will rise, that passengers should
16 accept that a fare increase is reasonable.

17
18 MR COX: That is the premise of my question.

19
20 MR EADIE: I would like to throw a spanner in the works
21 and say that other transport agencies like the RTA justify
22 huge investments in road infrastructure on the basis that
23 it will reduce the costs to consumers.

24
25 MR COX: I think the point I am trying to make is that the
26 costs of providing CityRail services are increasing
27 rapidly. The discussion we just had suggests that it is
28 reasonable that consumers should pay some share of that.
29 There are arguments about what the share is, but they
30 should pay some share.

31
32 MR PARISH: What is increasing rapidly?

33
34 MR COX: The cost of providing CityRail services. We are
35 saying that over the next few years there will be
36 significant investment in CityRail services. I think that
37 is common ground. That adds to the cost of providing the
38 services.

39
40 MR PARISH: But CityRail services are going down, not up.

41
42 MR COX: I am saying the cost of providing the services.

43
44 THE CHAIRMAN: At least some people today expect that
45 that investment in new rolling stock et cetera will lead to
46 improved services.

47

1 MR PARISH: New rolling stock does not always improve
2 services, quite often it goes the other way.

3
4 THE CHAIRMAN: In that case we should not invest in them.

5
6 MR COX I will make my point again. Significant investment
7 is required by CityRail in the next few years. The costs
8 of providing the services will increase. We think it is
9 reasonable that passengers should pay some share of those
10 costs. There is argument about how much, but there is
11 agreement they should pay some share. So that would
12 suggest that fares need to increase. How should we think
13 about the transition to higher fares? This is your chance.

14
15 MR EADIE: I suggest you look at the RTA parallel and
16 see how that is managed.

17
18 THE CHAIRMAN: We will take a few minutes to have
19 questions from the floor.

20
21 MR WEBB: John Webb, Parents and Citizens Association
22 and Federation of Parents and Citizens of New South
23 Wales. I also live in the Blue Mountains with Paul and Ed.
24 We now have trains that run up there without toilets,
25 which is a decrease in service. We lost our 132 service. I
26 keep telling rail that. We have lost our last service at
27 night. When the services went down, our services have
28 gone down in recent years, if the services continue to go
29 down, are you going to reduce the fares, please? And the
30 timetable was the other thing.

31
32 THE CHAIRMAN: I would remind you that the Government
33 froze the fares at one period when they thought the
34 services had gone down. That may have seemed a fair thing
35 to do but it has created some of the present problems, that
36 the increase in fares hasn't matched the costs that we now
37 have, so that some of the problems such as passenger
38 contribution, which is now very markedly lower than it
39 was a few years ago, was caused by the fares freeze.

40
41 MR TREVASKAS: I would like to clarify, in your documents
42 you talk about ticketing fares. You are saying to us, go
43 back and tell your members we will pay 30 per cent on a
44 gradual, say between 5 and 6 per cent will be compound for
45 the next four years, there will be no more fare increase
46 not matter how CityRail adjusts the fare system. I sort of
47 can't relate - if you are going to toss around the

1 ticketing system, I am going to go away very confused
2 because the of the CPI, what is it, 3 to 4 per cent at the
3 moment?

4
5 THE CHAIRMAN: What we said in the report - and it does
6 not answer all your questions because this is a stage in a
7 process - was that we believed that fares on average would
8 rise by 20 to 30 per cent. We also said - in the session we will
9 come to in a minute - that we want some restructuring
10 of fares and, as the representative of the WSROC
11 pointed out, it would be possible notionally at least
12 that someone could get a fare restructure on top of an
13 average let's say 25 per cent increase and then might cop a
14 50 per cent increase hypothetically.

15
16 We can't tell you whether that will happen at this
17 stage. Let me just say that one of the reasons why we said
18 we wanted to pay a lot of regard to affordability and
19 patronage, and not just work it off a calculator, is
20 precisely because we would be concerned about the
21 a 50 per cent increase in terms of both affordability and
22 impact of the impact on patronage.

23
24 MR TREVASKAS: Can I just come back to that for a minute?
25 If you say the longer distance users may be 50 per cent --

26
27 THE CHAIRMAN: No, we are not saying maybe, it is a
28 hypothetical, a possibility.

29
30 MR TREVASKAS: I am speaking hypothetically too, if I may.
31 We are finding changes on the Mountain Western line
32 where people are not sitting in their specific seat going to
33 Sydney and return. They are using the system between
34 Katoomba, Springwood, Penrith, Parramatta and Blacktown.
35 It is changing that fast it is hard to keep up. Even at
36 the moment our association has got two Chambers of
37 Commerce, one has already joined, and another one, and
38 three other groups that have joined the association, and we
39 were able to gather them rather than have separate
40 organisations, and they are quite concerned.

41
42 The Chamber of Commerce is saying that the income that
43 is coming from the people that are living in the mountains
44 paying these fares, all that income is being spent in the
45 mountains, so that you can see we are in an era of change
46 and we will have to work between yourselves and RailCorp
47 on this ticketing fare issue because we can't come from the

1 old system where the guy was sitting in the train for four
2 hours. Some of us will not travel for those long periods
3 of time. It is fluctuating.

4
5 THE CHAIRMAN: All I can say is that the exact proposal
6 will come forward as a draft determination, then you will
7 be able to see what it applies on each line for each place,
8 and we will be spelling that out over what it will mean
9 over the next four years in the draft determination. There
10 will then be an opportunity to respond to that draft
11 determination before we make a final determination.

12
13 MR TREVASKAS: Thank you.

14
15 MR MCKENZIE: The value put up here of \$1.7 to \$2 billion,
16 from what I have done of a reading of the papers that we
17 have reviewed seems to me to be a reasonable starting
18 value but I do feel that it needs to be a value that needs to
19 be refined for future estimations.

20
21 The other point is that when looking at affordability to
22 make a change, not many years ago CityRail got up here
23 and made a statement to an IPART hearing that the average
24 income was \$70,000-odd for the users of the rail services. I
25 could date it approximately, Dr Maloney was with IPART at
26 that particular time, and I was a bit concerned about that
27 because the information we have from the Australian Bureau
28 of Statistics is that the average income up in the Blue
29 Mountains, the lower end, was about \$35,000 or less, not
30 \$70,000; and that as you go up the mountains the whole
31 economic scenario changes, the number of people per
32 household falls, their income falls and the greater their
33 ability to afford increases. There is quite a wide economic
34 profile up the mountain and to take one number and
35 apply it is wrong. There is some hokus pokus to get to
36 something like that. It is a real genuine problem.

37
38 Where the \$70,000 came from we believe, after we made
39 some inquiries, was that it was a Department of Transport
40 survey taken up on the North Shore. Whether I have been
41 given the bum's rush I don't know, but that was the
42 information I received. I viewed with a bit of concern
43 about what people can actually afford, bearing in mind the
44 costs per distance that people travel and the economic
45 environment of the Blue Mountains region, in particular
46 the upper mountains. Thank you.

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1 MR PACKHAM: Ken Packham, the News Agents Association.
2 I pick up a point on the affordability area because we can
3 encompass affordability into the attitude that we have as
4 an association. I add to that the convenience, the service
5 and patronage areas which have been discussed quite fully
6 this afternoon.

7
8 There are several hundred newsagents, in fact, who are
9 partial stakeholders today in terms of the bus, rail and
10 ferry side of life but, sadly, we are not involved in the
11 CityRail side of life. There has been an exclusion for
12 some reason or another for a long period of time.

13
14 What we would like to say is that we are fully
15 represented in all areas serviced by CityRail and we would
16 like to therefore participate in some further part to it.
17 We believe that newsagents are capable with current
18 technology of very, very satisfactorily augmenting the
19 public transport ticketing system and providing a greater
20 service. We further submit that the existing procedures in
21 place for STA ticketing through newsagents could be
22 expanded very easily to incorporate CityRail and therefore
23 provide a far better service for the commuter and therefore
24 more patronage and therefore more affordability.

25
26 We believe we can offer a high degree of customer
27 service. We believe we do it now in a number of areas of
28 government interaction with lotteries, State transit and
29 other areas. We believe there is a range of payment
30 opportunities which can be offered through newsagents
31 and we also suggest that there is an opportunity for the
32 travelling public most importantly to avoid some of the
33 queuing and ticketing problems that occur on a day-to-day
34 basis, and especially a weekly basis at rail stations, and
35 that we could cater for those people who have families, the
36 elderly, the disabled and of course most importantly, which
37 is often forgotten, the visiting public to this great
38 nation.

39
40 We saw it last week, what happened with the World
41 Youth program, that sort of thing.

42
43 CityRail would benefit significantly by establishing
44 we believe a wider channel, and there is a section coming
45 up later, I was not sure whether to speak now or later,
46 regarding the, not the cab fare but --

47
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1 THE CHAIRMAN: I ask you to bring it to a close.
2
3 MR PACKHAM: Just the matter of, in the cab, what do
4 they call that, not Cabcharge, the flag fall. The flag fall
5 issue is an important one. As you would well be aware,
6 everybody is aware, if you pay a bill at a post office, you
7 pay a flag fall. You pay a premium to pay your bill there.
8 There is no reason why, if newsagents were incorporated in
9 this, that a flag fall for that purpose, for newsagents
10 selling a product, could not be included. They could go to
11 a rail station and get it a bit cheaper, but a flag fall
12 could apply for that sort of sale. Thank you.
13

14 THE CHAIRMAN: Can I just add, a number of the
submissions
15 made to this inquiry were in favour of broadly what you
16 have proposed. The precise detail is a matter between you
17 and RailCorp. I think we might move to the next session.
18

19 MR MURRAY: The fourth and final session discusses fare
20 structure issues. It has already been discussed today that
21 CityRail is experiencing strong growth, strong patronage
22 growth, and in particular this is occurring in peak times
23 and that is having effects. It is affecting crowding, both
24 on trains and also on platforms, it is causing reliability
25 issues on certain lines and, finally, it is affecting
26 CityRail's costs.
27

28 IPART believes that the level of fares at different times
29 of the day does have some effect on how many people
30 travel during these peak times versus off-peak times.
31 IPART is considering as part of its review how peak and
32 off-peak fares should be set, whether the current off-peak
33 discount of 30 per cent is sufficient to encourage people
34 to alter their timing of travel, or is it more likely that
35 other factors such as train frequency would affect people's
36 travel choices.
37

38 It is important to note here that RailCorp is about to
39 undertake a trial in which case on certain lines there will
40 be a 50 per cent off-peak discount provided. The aim is to
41 spread some of that demand and reduce peak crowding.
42

43 Regarding the fare structure, IPART's preliminary view
44 in its discussion paper was that fares should include a
45 flag fall and a per kilometre rate, that is, it be
46 distance-based. This could involve either a fixed per
47 kilometre charge or a kilometre charge that decreases with

1 the distance travelled.

2
3 This preliminary view on the most appropriate fare
4 structure mirrors the distance-based fare structure that is
5 currently used for the majority of CityRail's tickets.
6 Weeklies, singles and returns are currently distance-based.
7 The other options that are addressed in the discussion
8 paper are zone-based fares and flat fares.
9

10 The other issue that has obviously already been
11 discussed today is the discount that is currently provided
12 on weekly and periodic tickets. The discussion paper notes
13 that this varies with the distance travelled. The outcome is
14 that for smaller or shorter distances there is a smaller
15 discount and that the longer you travel the larger the
16 discount. An example is the weekly commuter from
17 Burwood to the city receives a discount of less than 20 per
18 cent while a commuter from Wollongong receives a
19 discount greater than 40 per cent.
20

21 IPART in its discussion paper states that it is not
22 convinced that this is necessarily an equitable outcome
23 and it considers that a consistent discount should apply in
24 principle.
25

26 Moving to such a fare structure would have only a
27 small effect on single and return tickets, according to our
28 preliminary modelling. However, applying a consistent
29 discount of around 20 per cent on weekly tickets would
30 ensure that shorter distance commuters will see a lower
31 price but longer distance commuters could face substantial
32 increases.
33

34 It has again been stated by the Chairman that large fare
35 increases are not desirable. They affect both affordability
36 and patronage. IPART will consider these key issues
37 when determining how to move fares to its preferred
38 fare structure.
39

40 Finally, the issues for discussion for this session
41 are: is a distance-based fare structure the best approach?
42 How would the introduction of electronic ticketing affect
43 such decisions? For weekly and periodic tickets, should
44 everyone get the same percentage discount, in which case
45 is 20 per cent a suitable target? That is the discount
46 currently provided on TravelTens for buses. And what is
47 the right method of pricing zonal products that are

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1 currently in place such as TravelPasses? Finally, what
2 discount would encourage people to change their travel
3 time to off-peak periods; and what time limits should apply
4 to these off-peak tickets?

5
6 THE CHAIRMAN: Thank you. Again I might start with
7 the ministry.

8
9 MR GLASSON: Thank you. I am mindful of time. The
10 issues canvassed here we have covered in some detail in our
11 submission, but just in terms of our overall responses,
12 yes, we are supportive of distance-based fares as the most
13 logical approach. We are mindful, as is IPART, around
14 these issues of impacts at the extremities of the network,
15 and for the people who travel longer distances that is a
16 challenge both in terms of your final advice to the
17 government and the Government's ultimate response.

18
19 On the matter of electronic ticketing, my position at the
20 moment is that a ticketing system can deal with various
21 forms of fares and that the tables can be prepared to allow
22 for flat rates, variable rates, standard discounts and
23 variable discounts. The one comment I would make is
24 that the less complex it is, clearly it is easier to deliver a
25 workable system.

26
27 On the issue of weekly and periodicals, we think that
28 there is a need for greater consistency. Whether the bus
29 discount of 20 per cent is the right target is certainly an
30 appropriate reference point for discussion around what it
31 ought to be.

32
33 In terms of the pricing of the TravelPass and zonal
34 tickets, once you move to greater consistency inevitably
35 they have to come up for review and be part of that review
36 of both discounts and consistency.

37
38 In relation to the final question around what would
39 encourage people to change their travel times, I think
40 CityRail should speak on that because they are in the
41 process of a trial, and I understand that the outcomes and
42 the customer feedback from that trial will be fed into the
43 IPART process.

44
45 MR GARNHAM: To address those factors, particularly
46 moving passengers to the off-peak, RailCorp research has
47 indicated that fares are of course an important aspect as to why

1 people move between peak services and off-peak services but
2 it is probably not the most important factor in a decision
3 as to why people shift their travel behaviour. Frequency
4 of services is an important factor. Customers prefer us
5 maintaining a level of service frequency, so that is an
6 important area that we need to address.

7
8 Other important drivers are workplace flexibility.
9 Can you actually get to work? Will there be anyone else
10 there when you get there that you need to work with?
11 School hours, do you need to drop the children off first or
12 does that influence what time you can actually leave?
13 Collectivity with other modes, which is a long way of
14 saying is there a bus that can get you there in the
15 off-peak and, secondly, is there any car parking space if
16 you travel in the off-peak? They are all important issues
17 in trying to get people to shift from that peak demand
18 time.

19
20 In order to adjust those issues takes some time. It
21 takes us about a year to revise a timetable, it takes a
22 while to order new rolling stock, it needs some
23 considerable time to build the extra infrastructure you
24 need. We can change fares much more quickly and that is
25 the result of what we are doing at the moment with the
26 trial on the Western line, from which we will be able to
27 gauge customers' willingness to shift from the peak in
28 return for a 50 per cent discount on their fare.

29
30 That trial starts on 18 August through to 31 October
31 and we expect that up to 5 per cent of passengers on the
32 Western line may consistently move as a result of that.
33 But that will be something that we will have to find out as
34 a result of this trial and we will be able to feed that
35 information into the IPART considerations.

36
37 But we are not standing still in addressing the peaks,
38 we are increasing capacity as best we can by adding new
39 services as the rest of the Oscars are delivered and when
40 the first of the PPPs start to arrive in 2010 and we are
41 also increasing the size of trains by moving the six-car
42 sets up to eight-car sets as and when more trains are
43 delivered.

44
45 What limits should apply to the use of off-peak
46 tickets? We have to understand that the aim of P&OPs has
47 changed. We have far more people travelling later in the

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1 evening back from work. Any visitor to Town Hall station
2 or Wynyard station at 6 o'clock in the evening will see
3 considerable numbers of people there waiting for trains.
4 That needs to be reflected in whether an off-peak fare
5 should be made available at that time. Also in support of
6 the introduction of POP restrictions on tickets, there are
7 a number of other practical considerations that have to be
8 taken into account in order to do that, but we are trying
9 as part of this SmartSaver to see if that is practical and
10 workable.

11
12 The results of the SmartSaver trial may inform the
13 implementation of more appropriate peak times and
14 during this trial the effective peak periods for SmartSaver
15 tickets will be 7.15 to 9.15 in the morning and 4 o'clock
16 to 6.30 in the evening - arrival and departure at Central.

17
18 MR EADIE: There are six pages on this subject in my
19 submission. I will not read them out to you but it is on
20 our web site and on IPART's website.

21
22 There are four points I want to make which I think
23 need to be reinforced. The first one is about multiple
24 flag falls. People who use public transport are presently
25 paying a flag fall for the fare every time they change
26 mode. That is not on! We need a fare system where, when
27 you start your trip for the day, you should be able to
28 change mode freely, the same as a motorist changes the
29 direction they go on the road. We want to avoid multiple
30 flag falls. How do you do that in this exercise I do not
31 know, but it might be worth recording that for posterity.

32
33 I am also informed that Sydney is the only capital
34 Sydney in Australia which does to not zone fares. Zone
35 fares are the way to go. Whether that means abandoning
36 the kilometre charge I am not sure. I would refer you to
37 our six pages of discussion in our submission.

38
39 On electronic ticketing, it is irrelevant. The fare
40 scale is quite separate from the ticketing system. If you
41 get the fare scale right, the ticket will follow. What
42 Sydney has been trying to do is introduce a ticket which
43 will cope with everything and since T-card was abandoned
44 three months ago new tickets have multiplied wholesale.
45 The ticketing business in Sydney now is diverging rather
46 than converging. We are not dealing with ticketing here
47 but fares but it is necessary to make the distinction.

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1
2 The fourth point I make is that in civilised European
3 cities deep discounting is the norm for frequent and
4 regular users. They get huge discounts once they commit
5 themselves to public transport. Thank you.

6
7 MR PARISH: These simply straightforward looking things
8 are going to create a lot of heartburn down the track.
9 This is what got all the commuter groups off the ground in
10 the first place, the attempt to put weekly tickets up
11 substantially, and it ended up there was a change of
12 government and they decreased the weekly tickets by
13 about 20 per cent.

14
15 From what the local members of parliament tell me,
16 there's no way they're going to put up with an increase of
17 any significance in weekly tickets. It will be very
18 interesting to see what happens, to stand on the sidelines
19 and watch the bunfight. It could cause a change of
20 government fairly easily, I would think.

21
22 It is an issue that commuters are very sensitive
23 about. The old hip-pocket nerve is something that really
24 hurts, especially as a lot of our commuters are on single
25 incomes, with large numbers of kids and big mortgages.
26 Maybe they should have taken into account what their
27 tickets were going to cost in the years ahead, but they
28 assumed - and were encouraged to do so by both political
29 parties - that fares would adhere to the CPI, which means
30 that they'll get a wage increase whenever there's a fare
31 rise, so it sort of stays about the same, but if you try
32 and put their fares up substantially, it's going to create
33 some very significant problems, particularly, as somebody
34 said earlier, if you give discounts for people to change
35 their working hours then you've really got to increase the
36 costs of people who don't change their working hours in
37 order to make up for the loss of revenue.

38
39 It is the view of the Council that putting up weekly
40 tickets is going to be a very, very difficult issue.
41 CityRail came along to one of our meetings here about two
42 years ago I think and put up to us that there should be a
43 single weekly ticket for the whole of the CityRail zone
44 that would be the same. It wouldn't matter how much you
45 travelled. They actually worked it out that there would
46 probably be an increase in the profitability of the system
47 because you would get a lot more people from further out

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1 areas would use the system rather than their motor cars and
2 it would seem to work out fairly well. Maybe they should
3 be asked to go and have a look at the old figures that
4 they've produced for that.

5
6 I am not sure whether the government would pay for it or
7 not because almost immediately thereafter the next
8 general manager who came along and told us got the sack, so
9 maybe there was a problem with it. Anyhow, those are our
10 comments. It would seem that weekly tickets can't go up
11 to the extent imagined.

12
13 So far as changing over of the single and return
14 ticket to distance based, it virtually was distance based
15 and then they introduced zone tickets as you go along. In
16 other words, instead of having a small number of
17 kilometres, they had a large number of kilometres between
18 tickets and in so doing that, when you work it out, the
19 stations were in different positions within the same zone
20 and if you go and calculate it out, it gives you big
21 variations, it looks like big variations, but if you worked
22 it out and worked out the midpoint of the zone and the
23 number of kilometres or, would you believe, the number
24 of miles - it still worked with miles - it does seem to work
25 out very evenly.

26
27 THE CHAIRMAN: That is what our analysis shows. Our
28 analysis shows that the present fare structure approximates
29 what you would get with a flag fall and a distance based
30 system.

31
32 MR PARISH: That is how I understand it.

33
34 THE CHAIRMAN: That is what we found too.

35
36 MR MOREY: There are only a couple of things we wish to
37 say on that. Obviously, if you're going to expand and move
38 people to off peak and around the peak period, obviously
39 you need to increase the services and the frequency of
40 services and maybe lengthening the peak times, which you
41 have probably thought about anyway, but certainly I think
42 that would be a way of encouraging people to move out of
43 the current peak by extending that peak. The way it would
44 work is moving the flexible hours and the hours that people
45 work and it's about meeting that demand and fostering that
46 demand.

47

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1 The other question is always around concessions and
2 what the price is there set at and how they are
3 administered. That all comes down to who is paying for
4 what and where they're travelling to. That's a prickly
5 question.

6
7 The other issue I would raise is in relation to people
8 paying more for travelling longer distances. It seems that
9 the way in which public transport is actually structured
10 and the availability of it, that it is more focused on the
11 more affluent areas around Sydney as opposed to the
12 outlying areas and then attempting to sell tickets at a
13 higher price for travelling further, with less access to
14 public transport, does seem a bit harder to sell and is
15 somewhat inequitable. That would be our concern. Those
16 are our few points on that.

17
18 THE CHAIRMAN: Your last point is something that
19 weighs quite heavily with us too.

20
21 MR MOREY: Yes, it is a tricky one.

22
23 MR MUKHERJEE: It is a tricky one for us as well. We
24 think that a zone based system would be better than a
25 kilometre based system for the very reason that it's people
26 on low incomes who live out in the outer suburbs who tend
27 to travel more. I would like to reinforce a point made by
28 Action for Public Transport about flag falls for changing
29 modes. That's a big issue, particularly in those outer
30 suburbs where passengers have to change modes to other
31 train services. We don't have any particular comments
32 about off peak. We would like to see the results of the
33 trial.

34
35 THE CHAIRMAN: Can I just pursue you on one point? A
36 comment was made earlier that perhaps concessions for
37 ticket holders' entitlements should be confined to the
38 non-peak periods.

39
40 MR MUKHERJEE: The short answer to that is "No". Why
41 would you do that?

42
43 THE CHAIRMAN: Essentially, we've got a scarcity factor
44 and the system is overloaded. There's a real scarcity
45 problem there.

46
47 MR MUKHERJEE: I am sure we have all heard about

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1 university students who receive the concession fare having
2 to get to lectures at nine o'clock. What are they going to
3 do then? Drive, so adding to congestion? Not that I have
4 a particular concern about university students, but there
5 are other people who don't necessarily have much choice
6 when they use the system because of other factors,
7 particularly people who have regular medical appointments,
8 often at a particular time which is completely outside
9 their control. If it's at nine o'clock, it's at
10 nine o'clock and they have to use the system then.

11
12 MR GOODING: With respect to the distance based fare
13 system, we would like to examine a bit more the options
14 around the zone based system, particularly if the
15 complexity of the current system was an issue with
16 electronic ticketing because it perhaps might be better to
17 have a simpler basic fare structure and then look at a
18 range of other fares in terms of discounts and for frequent
19 use and so on, before perhaps looking at several of the
20 approaches to off peak fares.

21
22 In terms of the periodical tickets, to come back to a point
23 that we made earlier, we would be concerned about the
24 cumulative impacts of reducing that discount to outer
25 suburban passengers on top of the other increases,
26 especially given that a lot of those people in outer
27 suburban areas normally have to drive or take a connecting
28 bus to the station, their journey is longer and you could
29 argue that given the length of that journey in terms of the
30 environmental outcomes, they're the sort of people that you
31 would want to encourage rather than discourage from
32 using public transport.

33
34 We have argued previously for a discount probably in
35 the order of, say, 25 to 35 per cent, so we recognise that
36 at the top end of the current range it is very high, the
37 discount for those very long distances, not that I think
38 there are many people who are using a weekly ticket go
39 from Newcastle to Sydney in fact, but it is on the normal
40 system, but perhaps you could at least have a range, with
41 the higher end of that being provided as an additional
42 discount for outer suburban passengers.

43
44 We would echo the previous comments about single
45 flag fall. In terms of the off peak fares, I just want to
46 make three points on those. One is to quote, in fact, the
47 IPART discussion paper on page 36 which says:

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1
2 An effective price signal, such an
3 appropriate off peak discount, combined
4 with service quality improvements in the
5 off peak are more likely to be effective in
6 shifting the time of the demand than a
7 price signal alone.

8
9 I think that that really sums up the situation. It is not
10 just about the price, although that is an important factor,
11 it is about the frequency and quality of services off peak.
12 I think that not only the cuts to the off peak, but in
13 particular the cuts in the shoulder of the off peak will
14 have a major impact in forcing people back into peak hour
15 travel, along with the fact that people looked at the
16 30 per cent discount and concluded that that wasn't a
17 sufficient discount to compensate for the inconvenience of
18 travelling outside the peak. We warned about that in our
19 submission when the off peak fares were reviewed a
20 couple of years ago.

21
22 That is why I am a little nervous about the
23 50 per cent trial, because whilst I think we would support
24 that notion and possibly have a trade off of tighter hours
25 of availability, we would not want that to be the only
26 off-peak option available. We want the current
27 arrangements retained with that 50 per cent trial possibly
28 as an additional discount for travel in those restricted
29 periods. We would also be very concerned if it was solely
30 restricted to being available just for travel to Central
31 for that 50 per cent discount. We think you need to look
32 at other major destinations, such as to Parramatta,
33 for example.

34
35 MR COX: I just wanted to ask CityRail a bit more about
36 the trial. What do you expect to be the revenue
37 implications of the trial and will we get information from
38 the trial about those revenue implications?

39
40 MR MASON: The trial will be going for just under three
41 months, from 18 August to 31 October. We hope about
42 5 per cent - which is about \$2 million - would be the lost
43 revenue in that trial period.

44
45 MR COX: Thank you.

46
47 MS KRIEGER: Could I just ask a question related to that?

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1 If the off-peak discounting arrangements will only achieve
2 5 per cent on the line which you're trialling, when you
3 talk about extending the peak are you talking about
4 resourcing the line at peak levels of train frequency and
5 presumably recouping by increased patronage in doing
6 that? In other words, is increased resourcing, like semi-
7 peak, more important than the shift to off peak?

8
9 MR GARNHAM: Extending the peak, making it longer -
10 this is evening peak more than anything - would require
11 additional resources. There is no opportunity to reuse
12 existing assets. Yes, it will need more assets, in order
13 to accommodate it, by extending that. That will be part of
14 a program of encouraging people to move to off peak, so it
15 is not just a single strategy.

16
17 MS KRIEGER: It is a general approach.

18
19 MR GARNHAM: It is a general approach.

20
21 THE CHAIRMAN: Can I ask a follow-up question to Jim's
22 question? Have you considered the possibility that the
23 longer term pricing elasticity to demand might be quite a
24 bit higher than you discover in a two or three-month trial
25 if the discount was left in place for quite a while and
26 even more so if it was combined with better off-peak
27 services, that you might find that you lost quite a few
28 more? Even without improving the services, I imagine
29 people take a while to change their travel arrangements and
30 so on. If they think it's only going to last a couple of
31 months, they won't renegotiate their employment contract or
32 whatever; if they thought it was going to be there forever,
33 they might. With both a combination of time and improved
34 services you may get a substantially bigger effect. Have
35 you thought of that possibility and what is your attitude
36 to it?

37
38 MR GARNHAM: It is a consideration you have to take
39 into account, that the longer term would be different. The
40 practicality is that we have a set window of time in which
41 to do this in order to inform us as to whether there is a
42 short-term elasticity which is attractive and secondly, is
43 it possible that that could be extended or would that
44 improve over time. I don't think that we would be in a
45 position to have a long-term trial at this time.

46
47 THE CHAIRMAN: It does seem to me that the possibility is

1 thrown on the table that if they're valid, then you won't
2 learn that much about the overall impact in a couple of
3 months.

4
5 MR GARNHAM: I think it goes back to what I said earlier,
6 which is it is not just about the fare. It is a question
7 of are the facilities there.

8
9 THE CHAIRMAN: That is my point. Let's suppose the
10 facilities over time were improved, then that discounting
11 of fare of 50 per cent may make a bigger impact. You'll
12 find out in the next couple of months.

13
14 MR GARNHAM: Yes. I would say changing the quality
15 of the services and the facilities will make a bigger impact.

16
17 THE CHAIRMAN: What is your attitude to that? Let's
18 suppose we acted on the 50 per cent, that that was
19 institutionalised into the system. You've got then quite a
20 substantial loss of revenue, but a much more even
21 patronage. What's your attitude to that?

22
23 MR GARNHAM: I think at that point it becomes a
24 decision for government to decide how they want to apply
25 the 50 per cent difference.

26
27 THE CHAIRMAN: That's helpful.

28
29 (Laughter)

30
31 MR GOODING: It would really depend on what
32 destinations were incorporated and what the different
33 times were for that. I think that is roughly the point.

34
35 THE CHAIRMAN: We have a few minutes for questions
36 from the floor.

37
38 MR STODDART: Mr Chairman, I'm Robert Stoddart and I'm
39 here representing myself. I commute from the Central Coast
40 from Monday to Friday. I have eight pages here relating to
41 unsatisfactory train trips. On 1 January, I don't want to
42 pay any more at all. I have a number of points and I'll
43 try and get through these as quickly as possible, which
44 should address --

45
46 THE CHAIRMAN: But not all eight pages?

47

1 MR STODDART: No. On the Interurban you often can't
2 physically go and see the guard. The doors are locked.
3 Will we have the Oscars on January 1 running up to the
4 Central Coast line? The next one is the radios. We've got
5 the freights, we've got the passengers and we've got the
6 CountryLink on those lines and they all operate on
7 different radio frequencies. If this is still the case, it
8 should be changed.

9
10 I would like to see more police with sniffer dogs
11 walking through the trains rather than the transit
12 officers. Also, if there's an emergency, there should be
13 less bureaucracy with the signalling: like, not controlled
14 from Sydney. We had a situation where a freight train
15 broke down between Berowra and Hornsby and they had
16 to get approval from Sydney to go to single line working
17 so that the trains could flow. I was caught on Berowra's
18 platform for four hours waiting for this to happen.

19
20 Top marks for the fortnightly ticket, CityRail. Platforms 1 to
21 3 at Central should be used for Interurbans and there
22 should be more barriers there so we can go through.
23 That should cut down congestion underneath the bridge
24 . I think that will do, Mr Chairman. Thank you very
25 much. Thank you for inviting me along to this meeting.

26
27 THE CHAIRMAN: Thank you.

28
29 MR BIBBY: I have another question for Mr Mason. Is
30 RailCorp concerned that the 20 to 30 per cent proposed
31 increase over the four-year period could lead to a
32 reduction in patronage? With the distance based ticketing
33 are you concerned that that could also lead to a reduction
34 in patronage on some lines?

35
36 MR MASON: The fare increase decision is not our decision.
37 We will deal with what we get. Clearly, we want to make
38 sure that our customers have the most comfortable journey
39 possible. With respect to the person behind you, we're
40 very happy to take on board his concerns as to the
41 Central Coast and look at those concerns.

42
43 MR MCKENZIE: I would like to comment on this off peak
44 period. The latest NRMA Open Road happens to use the
45 phrase that the nine-to-five business hours are literally
46 locked in, or rusted in I think was the phrase they used,
47 and from my years of commuting experience, I don't see a

1 lot of change in that actual trend. We noticed it on the
2 Blue Mountains line. The only thing we have really noted
3 over the years with the more flexible times coming in, as
4 has been discussed, is that the evening peak hour is
5 tending to get longer rather than shortening off, as it was
6 when I first started to commute. Thank you.

7
8 MR TREVASKAS: Where does off peak start? A lot of
9 people are going to hospital at Penrith, say. Would it be
10 classed as off peak if they arrived at hospital before
11 nine o'clock? At the moment, the peak finishes at
12 nine o'clock in town. It was noted during the
13 Glenbrook Inquiry that at eight o'clock the tension to the
14 system dropped down. Of course, the other issue is if I
15 buy a ticket or anyone buys a ticket in the off peak to go
16 in the morning and somehow it gets delayed because of
17 situations and he/she comes home in the peak, how do we
18 police that? That's the big question. How is CityRail
19 going to police this off peak? When you get to Central and
20 you go through the gate, there's a loud buzz and the
21 transit officer comes over and says, "Excuse me, sir. Can
22 I have a look at your ticket?" I mean, you begin to wonder
23 whether this off peak and on peak and all the other peaks
24 around the place should have a different approach
25 altogether.

26
27 One last comment. All these travel passes -
28 CityHopper, et cetera - don't extend past Emu Plains.
29 We're in a dilemma there. It looks as though I'll have to
30 arrange a meeting with Mr Mason and yourself later in the
31 year to sort out all of the idiosyncrasies of the ticketing
32 system so that I can go to our members and say, "Do you
33 agree with that? If not, go and see Phil Koperberg."
34 Thank you.

35
36 MR MASON: Could I just make a point of clarification? If
37 somebody is coming down from the Blue Mountains and
38 wants to get off at Parramatta on one of the off-peak
39 Smartsavers, provided that train had been scheduled to
40 arrive before 7.15 or after 9.15 in the morning then that
41 would be a Smartsaver at Central, so that's picking up the
42 WSROC question about people getting off at Parramatta.¹

43
44 In terms of the question about which is peak and which
45 is off peak, this Smartsaver, if a train is scheduled to
46 arrive in Central Station before 0.715 or after 0.915 at
47 Sydney, if it is scheduled to depart before 4pm or after

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¹ It should be noted that the ticket will not be available on the Blue Mountains line as part of the trial, but will be available for the Western (between Emu Plains and Auburn) and the Richmond lines (between Richmond to Blacktown) during the times set out in the transcript.

1 6.30 pm, it is a schedule rather than if the train is
2 running to time.

3
4 THE CHAIRMAN: Thank you. I think we might try and
5 conclude now. It is probably worth me just sketching where
6 we go from here for people's information. The next stage
7 is a draft report, which will actually be two draft
8 reports, to be accurate. The first one will be accompanied
9 by a draft determination and that will give you fares. The
10 second one will be a draft report to the Minister on the
11 future regulatory structure. They're expected to be
12 available in mid September. The process would then be for
13 people to be invited to comment and respond to those draft
14 reports with a view to getting the final determination done
15 in time for a 1 January start, which probably means we need
16 to get it into the system in early December, which is,
17 I think, the time frame.

18
19 We have had a lot of useful discussion today.

20 Obviously, I am not going to respond definitively to every
21 suggestion that we've got because that's what the draft
22 reports will do. However, I do want to flag a couple of
23 things. We do want to think more about the valuation of
24 new investments and the asset base. I think that is an
25 issue. We are very open to thinking more about external
26 benefits.

27
28 Finally, I do want to emphasise that while we've
29 flagged an overall increase in the revenue needed to be
30 raised of 20 to 30 per cent in real terms over four years,
31 we do think that the fare structure can be improved in
32 terms of equity. We are conscious of affordability and
33 patronage issues. It doesn't make any sense to so
34 dramatically reduce patronage that you kill the goose
35 that's laying the golden egg. Perhaps the golden egg
36 needs a bit of polishing, but nevertheless, it wouldn't make
37 sense to kill the goose in terms of patronage.

38
39 They are all considerations that we will be giving further
40 thought to and for the moment you will just have to watch
41 this space. I would like to conclude by thanking you
42 all for your contributions both today and in preparing
43 your submissions and I expect that we will be getting
44 further from you when you've read our draft report.
45 Thank you very much.

46
47 AT 4.50PM THE TRIBUNAL CONCLUDED
ACCORDINGLY

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