

**INDEPENDENT PRICING AND REGULATORY TRIBUNAL**

**PUBLIC FORUM FOR THE REVIEW OF FARES FOR PRIVATE FERRIES  
AND THE STOCKTON FERRY FOR 2015**

**Tribunal Members:  
Dr Peter Boxall AO, Chairman  
Ms Catherine Jones, Member**

**Members of the Secretariat:  
Mr Hugo Harmstorf, CEO  
Ms Fiona Towers  
Mr John Smith  
Ms Jenny Suh  
Ms Yan Cheung**

**At**

**IPART Offices, Level 8, 1 Market Street, Sydney**

**On Tuesday, 4 November 2014, at  
10.00am .04/11/2014 1  
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1 OPENING REMARKS

2  
3 THE CHAIRMAN: Good morning. Thank you all very much  
4 for coming. My name is Peter Boxall and I am the Chairman  
5 of IPART and with me is my fellow tribunal member,  
6 Catherine Jones.

7  
8 I would like to welcome everybody and thank you very  
9 much for making time to attend this morning. Today's  
10 public forum relates to our draft decisions on maximum  
11 fares for 2015 for private ferries and the Stockton ferry  
12 in Newcastle.

13  
14 For several years, IPART has recommended or determined  
15 how much maximum fares for ferry services can change based  
16 on changes in operators' costs. We measured this amount  
17 using ferry cost indices.

18  
19 This year is the first time we have assessed the  
20 efficient costs of providing ferry services. We used the  
21 building block approach for that analysis, which is the  
22 approach we use in reviewing Sydney Ferries and other  
23 public transport fares. Our draft decisions are based on  
24 how current maximum fares compare to efficient fares.

25  
26 We think it is timely to assess the efficiency of  
27 current maximum fares to help ensure passengers pay fair  
28 prices to use ferry services and to enable ferry operators  
29 to sustain their business over the long term.

30  
31 Today's public forum forms an important part of the  
32 public consultation process that the tribunal undertakes.  
33 To make our draft decisions, we have considered a lot of  
34 information, including expert advice on efficient costs  
35 from Indec Consulting. In making these decisions we have  
36 also sought to balance the impact on ferry operators and  
37 passengers. We are keen to hear from stakeholders,  
38 particularly ferry operators, on our analysis and draft  
39 decisions.

40  
41 Shortly, John Smith from the IPART Secretariat will  
42 provide an overview of the draft decisions and the approach  
43 we took to make these decisions. Then David Gotze from  
44 Indec Consulting will provide an overview of the advice  
45 they provided for this review.

46  
47 Following this, there will be an opportunity for

1 stakeholders to ask questions or comment on the draft  
2 decision.

3  
4 We have a transcriber present to record the  
5 proceedings and the transcript will be publicly available  
6 within a week. So that we can have a complete record,  
7 please introduce yourself when you start to speak.

8  
9 With that, I invite John to make a short presentation,

10  
11 IPART PRESENTATION

12  
13 MR J SMITH: Thank you, Mr Chairman. Under our draft  
14 recommendations, maximum fares in 2015 will increase by  
15 30 cents for Central Coast Ferries, Clarence River Ferries  
16 and Brooklyn Ferries. This brings the rounded master fares  
17 to \$7.80, \$7.60 and \$6.70 respectively.

18  
19 Maximum fares in 2015 will remain unchanged for  
20 Matilda Cruises services, Church Point Ferry Service, Palm  
21 Beach Ferry Service and Cronulla and National Park Ferry  
22 Service. Under our draft determination, the maximum fare  
23 for the Stockton ferry also remains unchanged at \$2.60.

24  
25 As mentioned, this is the first year that we have  
26 estimated the efficient costs of providing ferry services  
27 and we have determined an efficient fare for each ferry  
28 operator.

29  
30 Why have we taken this approach? The question was  
31 raised in a submission this year - what was the original  
32 basis for the master fares? Are master fares to which we  
33 have been applying the cost index at the right level to  
34 begin with? Our approach this year seeks to answer this  
35 question.

36  
37 We have estimated an efficient fare that allows ferry  
38 operators:  
39 to recover the operating costs of running the business  
40 efficiently;  
41 to earn a fair return on capital invested in the  
42 business, including depreciation on this capital; and  
43 to undertake prudent capital expenditure, for example,  
44 to replace an old ferry.

45  
46 An efficient fare is one that allows passengers to pay  
47 a fair price for using ferry services and allows ferry

1 operators to sustain their business over the long term.  
2  
3 We estimated efficient fares using a building block  
4 approach. In this approach, we build up the revenue  
5 required by a business to recover the efficient costs of  
6 providing regulated ferry services to the standard set out  
7 in their contracts. We have used forecasts of operating and  
8 capital expenditure and provided allowances for taxation and  
9 working capital.  
10  
11 Ferry operators need to earn revenue to cover their  
12 total efficient costs. Some of this revenue is provided by  
13 the government through payments for concession fares or  
14 school travel. Some operators also receive viability  
15 payments. The remainder of the revenue requirement comes  
16 from passengers through fares.  
17  
18 The building block models take into account a lot of  
19 information on costs, revenues and patronage and we are  
20 keen to hear from operators on the inputs that we have used  
21 in our model.  
22  
23 Once we had estimated an efficient fare for each operator,  
24 we compared that with the current maximum fare. Where  
25 the current maximum fare was the same or higher than the  
26 efficient fare in 2015, our draft decision was to leave the  
27 current maximum fare unchanged. Where the maximum fare  
28 was lower than the efficient fare, we increased the current  
29 maximum fare using our ferry cost index plus an additional  
30 10 cents.  
31  
32 We have aimed to be conservative in transitioning  
33 towards the efficient fares in order to balance the impact  
34 on ferry operators and customers.  
35  
36 Where fares have increased this year, part of the  
37 increase is due to the ferry cost index. This year the  
38 slow ferry cost index increased by 2.7 per cent and the  
39 fast ferry cost index increased by 2.8 per cent. This is  
40 slightly higher than the results last year where the slow  
41 ferry cost index increased by 2.4 per cent and the fast  
42 ferry cost index increased by 3.2 per cent. As can be seen  
43 by the table on the slide, that is mainly a result of the  
44 fuel inflator being much higher than it was last year.  
45  
46 We took a slightly different approach in recommending  
47 that fares remain unchanged for Matilda Cruises. Matilda

1 Cruises' current fares are currently well below IPART's  
2 maximum fares. In our view, the market-determined price is  
3 likely to be an efficient price and, therefore, consistent  
4 with our framework for other operators, we have decided to  
5 leave the current maximum fare unchanged in 2015. Given  
6 that Matilda Cruises is subject to competition from other  
7 ferry operators and from different forms of transport, we  
8 have recommended that Matilda Cruises' two ferry services  
9 not be subject to price regulation.  
10  
11 In future reviews we propose to consider further the  
12 transition of master fares towards the efficient fares. We  
13 will consider whether to resume using ferry cost indices or  
14 to continue to freeze fares. We will take into account  
15 changes to patronage and costs, changes to any government  
16 payments, including viability payments, and developments in  
17 competition from other forms of transport on the relevant  
18 ferry routes.  
19  
20 We propose to continue undertaking our mid-year fuel  
21 cost review for private ferry operators. Where fuel prices  
22 change by more than plus or minus 10 per cent, we will  
23 consider whether it is appropriate to make any adjustments  
24 to our maximum fares.  
25  
26 Finally, in our review next year, we intend to apply  
27 our revised approach for estimating external benefits.  
28 External benefits for private ferries might include avoided  
29 road congestion costs or avoided pollution costs relative  
30 to travel that had been taken by a private vehicle. We are  
31 currently undertaking a review of external benefits and  
32 this review will help us to determine the level, if any, of  
33 the government subsidy justified for ferry services.  
34  
35 THE CHAIRMAN: Thank you, very much, John.  
36  
37 I will now ask David Gotze from Indec Consulting to  
38 provide an overview on their advice on efficient operating  
39 and capital costs.  
40  
41 INDEC CONSULTING PRESENTATION  
42  
43 MR D GOTZE: Thank you, Mr Chairman. Indec was  
44 retained and this was our brief: to forecast the efficient  
45 operating and capital cost for each private ferry service  
46 operator and route, and the Newcastle to Stockton Beach  
47 ferry service, for each of the three calendar years from

1 2015 to 2017.  
2  
3 The brief also specified that we should:  
4 Identify the causes of any cost inefficiency;  
5 Identify technical, managerial constraints or  
6 government policy that may prevent ferry  
7 operators from achieving efficient costs; and, finally,  
8 Identify opportunities for patronage growth and  
9 changes to timetabling and services to drive cost  
10 efficiencies.  
11  
12 For the purposes of this review, a test of efficiency  
13 required an assessment of operating and maintenance and  
14 capital expenditure from a least cost perspective over the  
15 lifecycle of the assets.  
16  
17 Turning to data and assumptions, we were provided survey data  
18 from the Centre for International Economics, and a CIE  
19 report dated October 2013. The data therein was based on the  
20 2012-2013 financial year. By way of background, that was  
21 uplifted to 2014 by indexation of 3.9 per cent. The data  
22 set was augmented further by clarifications and further  
23 information provided by the private ferry operators.  
24  
25 We also referred to our previous reports, which was  
26 particularly important because some of the data was not as  
27 detailed as previous surveys. So for cost splits, for example,  
28 between the fast ferry and slow ferry services, we used similar  
29 ratios that we had uncovered in our surveys in 2008.  
30  
31 There are a few assumptions in the analysis and  
32 observations in the review that we conducted. The  
33 assumptions are listed in the public report and I would  
34 certainly be happy to answer any questions on those  
35 assumptions.  
36  
37 The approach taken was that we first did a review  
38 of the Centre for International Economics' data. We  
39 identified the data gaps - I have mentioned one of those  
40 before already - and we formulated some questions to be  
41 asked of the operators to augment the data and to clarify  
42 certain aspects of the CIE data.  
43  
44 We then contacted operators to seek additional data in  
45 order to meet the brief and to clarify some of the data in  
46 the CIE data sets. I want to thank the operators for being  
47 as cooperative as they have been and for being so

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1 forthcoming with the additional information that we were  
2 looking for.  
3  
4 Next we populated the data analysis model with  
5 2012-2013 opex and capex data and operational data. As  
6 I said, we indexed by 3.9 per cent in those columns to  
7 bring them to 2014 dollars. We reviewed the results and, as a  
8 result of that, we also further contacted operators for  
9 further clarification following that analysis.  
10  
11 We then conducted the normal standard ratio analysis  
12 that we do to determine efficient costs and determined what  
13 we thought would be efficient opex and capex.  
14  
15 The second-last step was to identify causes of any  
16 cost inefficiencies and technical and managerial  
17 constraints and, of course, government policy and we looked  
18 at opportunities for patronage growth and changes to  
19 timetabling if there were any to drive cost efficiencies.  
20  
21 Finally, we prepared two reports, a confidential  
22 report for the Tribunal, and a public report, which  
23 I believe has been distributed to you all.  
24  
25 One of the key things that we uncovered in this survey  
26 was that, based on the data that we were provided, the  
27 utilisation of the assets was relatively modest in terms of  
28 the take-up of capacity. This slide shows the weekday  
29 loading for all private ferry operators excluding Stockton.  
30 The next slide shows the weekend loading, which shows a  
31 slightly higher peak loading than during the weekdays.  
32  
33 On this slide for Stockton, as you can see there is a  
34 very low capacity utilisation. I hasten to add that this  
35 is based, as we would have pointed out in the public  
36 report, on the data that is acquired on a quarterly basis,  
37 so it may still be that on some days of the year, the  
38 capacity loads are much higher than that, but we have not  
39 been able to get that data.  
40  
41 Our summary of the findings in terms of opex is that  
42 all operators do not exceed reasonable efficient costs but  
43 two and you can see which ones they are on the slide. We  
44 believe Stockton does exceed reasonable efficient costs and  
45 so does Cronulla.  
46  
47 We then also assessed the replacement costs. I have

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1 to say we took some very conservative estimates for  
2 replacing ferries and allowed for some spares to be part of  
3 the replacement strategy. Certainly some of the figures  
4 that we have allowed for replacement ferries are  
5 somewhat above what has been reasonable market expectations  
6 in terms of buying new ferries, but we make the point that  
7 we have based this on normal market conditions not  
8 depressed market conditions.

9  
10 Of course, we understand that some of the operators  
11 may well be able to buy ferries cheaper than what we have  
12 indicated here and that is an acknowledgement we have put  
13 in our report.

14  
15 We have also allowed for engine rebuilds and mid-life  
16 overhauls. We have put a long-term schedule together to  
17 look at the whole-of-life costs. Basically the table that  
18 was included is really for 2015-2017 and not beyond.

19  
20 Other considerations were that we believe that there  
21 is some opportunity in some areas to rationalise services  
22 to more closely follow demand or match demand, but, as  
23 I said, based on reported data that we were provided. The  
24 average is provided by the operators not the daily data  
25 which we do not have.

26  
27 There were no apparent redesign options that we could  
28 uncover during the term of this review to materially  
29 improve cost efficiency or grow ferry patronage. We think  
30 it is a fairly mature market in most areas and believe that  
31 changing service frequencies or in other ways redesigning  
32 the services provided would not yield a material increase in  
33 patronage, but we have not uncovered that.

34  
35 So subject to more detailed analysis, especially  
36 verifying the full extent of the seasonality in demand -  
37 I think you will find in the public report there is a  
38 seasonality graph of quarterly data which shows a fairly  
39 significant seasonality - an opportunity does exist for  
40 some operators to procure smaller ferries more commensurate  
41 with demand. They would be more economical to run, in our  
42 view, with their passenger carrying capacity being closer  
43 to level of demand of each time of day.

44  
45 With respect to Stockton, we did see that a general  
46 rethink of services may be warranted. Again this would  
47 have to be subject to further detailed analysis of daily

1 data, but we think that there may be an opportunity to  
2 provide that service on a continuous loop, similar to  
3 Brisbane River ferries. Very much smaller ferries could  
4 run more frequently. The crossing is a very short  
5 crossing. As a result, of course, the company suffers from  
6 quite a lot of layover time and other what we would call  
7 inefficiencies, if you like.

8  
9 As I said, any service redesigning requirement would  
10 require extensive modelling and a detailed review,  
11 including a cost benefit analysis, which is certainly  
12 beyond the scope of this review. Thank you.

13  
14 THE CHAIRMAN: Thank you very much, David.

15  
16 GENERAL DISCUSSION

17  
18 THE CHAIRMAN: I will now invite questions or comments  
19 from the table and also from others in the room. Please  
20 identify yourself and the organisation with which you are  
21 affiliated for our transcriber. Would anybody like to go  
22 first with some opening comments?

23  
24 MR C CAMPBELL: My name is Callum Campbell and I am  
25 from Fantasea Cruises. There is one issue that we highlighted  
26 or identified in the report and the calculations in regards  
27 to repairs and maintenance as a cost against the asset  
28 value. From our indications, as our ferries grow older, the  
29 repairs and maintenance costs escalate. Also, our insurance  
30 companies and surveyors expect us to spend 10 per cent at  
31 least as repairs and maintenance on our vessels against the  
32 asset base. Just looking at our figures for our business,  
33 it appears that those costs are almost half of what we  
34 provided as our costs for the last financial year.  
35 I wondered where you found that calculation.

36  
37 THE CHAIRMAN: Would you like to answer that, David?

38  
39 MR GOTZE: In our analysis we have not just taken into  
40 account last year but all financial years. Yes, we did  
41 notice there was a significant increase in last financial  
42 year; however, as I said, we looked at the average of  
43 I think three or four years, or five years even.

44  
45 The other thing is that the provision made in the  
46 report was for all these ferries to be replaced with new  
47 ferries. I understand what you are saying about the 10 per

1 cent and we would have to take it on notice.  
2  
3 MR CAMPBELL: Further to that, I have noticed that the age  
4 that you have allowed for replacement vessels is 20 years.  
5 For an aluminium fleet, I think that is ambitious. The  
6 standard of aluminium nowadays compared with 10 or 15  
7 years ago is not the same quality. Obviously we try to provide  
8 safe and clean vessels, but 20 years time, I think --  
9  
10 MS GLEEN Twenty-five  
11  
12 MR CAMPBELL: Twenty-five, potentially I think that is  
13 reaching too far.  
14  
15 THE CHAIRMAN: On the repairs and maintenance, there is  
16 one thing to keep in mind. If we are modelling that you  
17 will replace your ferry with a new ferry, then there would  
18 be depreciation and the new ferry would be included in the  
19 cost. Whereas, if you, as a business person, elect not to  
20 replace your ferry but continue to maintain the old ferry,  
21 then your maintenance could well be above the cost. In a  
22 sense, because we have modelled in the replacement of the  
23 ferry, that cost is actually built in to the efficient cost  
24 in another way.  
25  
26 MR CAMPBELL: Right.  
27  
28 MR GOTZE: Mr Chairman, in the report we have allowed - as  
29 we did in 2008 and 2009, both in the report to IPART and to  
30 the ministry - 15 years for fast ferries and 25 for slow  
31 ferries. We made no distinction whether the slow ferries  
32 had an aluminium hull or not. We do know that fast ferries  
33 generally have aluminium hulls and we understand the  
34 design life is 15 years.  
35  
36 THE CHAIRMAN: I think you are saying, Callum, that with  
37 an aluminium hull slow ferry, you think 25 years is a bit  
38 old.  
39  
40 MR CAMPBELL: Yes.  
41  
42 THE CHAIRMAN: All right, we will take that on board.  
43  
44 Who would like to go next? Richard, do you want to  
45 add anything?  
46  
47 MR R STOCKLEY: Yes, thank you. Richard Stockley from

1 Brooklyn Ferries. There are a couple of points I would  
2 like to raise. First of all, my opinion of what has been  
3 done this year is that it is a very good step. I actually  
4 did raise the question about how the original master fares  
5 were set. Just on a cursory analysis of route length and  
6 patronage, particularly amongst the slower ferries on the  
7 smaller routes, there was a bit of a disparity in the way  
8 the price has been set. I think the results have come out  
9 well.  
10  
11 With respect to the efficient fares that have been  
12 sort of indicated, specifically I am speaking for our  
13 service here, we are still substantially lower than what  
14 that efficient fare has been calculated at. I understand  
15 there cannot be a massive hike in price, but I think that  
16 opens a window for a discussion on a funding model to be  
17 changed through Transport similar to the way the bus  
18 services are changed. You cannot have a massive hike. You  
19 will just lose patronage straight away. I think there is  
20 more discussion to be had around what can we do and what is  
21 happening for next year's review.  
22  
23 I have another point with respect to the asset or the  
24 capex figures that have come into it and again I am  
25 speaking for our service individually. There is a problem  
26 with expenditure models in comparison to the contract term,  
27 as in length, that is supplied by Transport. We are on a  
28 two plus one, plus one, so a total contract of four years.  
29  
30 Our expenditure figures forecast by Indec and IPART  
31 would exceed actual route turnover on a yearly basis by  
32 about 50 per cent, so it makes it very difficult to address  
33 that issue of replacement of ferries.  
34  
35 Furthermore on that part, and coming back to the  
36 efficient cost that has been calculated, with our service,  
37 and I presume a lot of the other smaller sort of family-run  
38 businesses that are out there at the moment, in particular  
39 since we took over about two and a half years ago, we have  
40 eliminated three full-time equivalent wages that were being  
41 paid and may have resulted in the previous operator going  
42 into liquidation.  
43  
44 A lot of those roles now are being filled in our case  
45 by me. I currently pretty much run what were three staff  
46 positions. I presume that is the case for all the other  
47 guys here too where you have family members who are

1 carrying out maintenance, management, accounting and that  
2 sort of thing. That sort of does indicate that there is a  
3 bit of a gap that needs to be filled to ensure that a ferry  
4 service can actually run as a stand-alone business without  
5 relying on charter income or other sorts of income. There  
6 needs to be a way of setting a limit there which says,  
7 "This service will hold itself above water under any  
8 circumstances whilst providing the income that is necessary  
9 to forecast for fleet renewal or purchase of other  
10 ferries."

11  
12 What we have done, in our case, is we have taken two  
13 older ferries. They are actually quite old ferries. They  
14 have both had 60 to 65 years in service. We have spent  
15 considerable amounts of money bringing those up to current  
16 standards and doing full refurbishments, but to turn around  
17 and forecast for a ferry replacement based on our turnover  
18 and contract period would just be impossible. Again, it  
19 opens up a discussion for how, in our case - and I presume  
20 in other cases - you can ensure that the income from a  
21 business can sustain that business without relying on  
22 additional outside sources.

23  
24 THE CHAIRMAN: Thank you very much, Richard.

25

26 Do you want to say anything now, Anthony, or do you  
27 want to wait a little while?

28

29 MR A WING (Transport for NSW): I am happy to comment  
30 after everyone else has spoken.

31

32 THE CHAIRMAN: All right. Let's hear from Penny and/or  
33 Simon.

34

35 MS P GLEEN: I am Penny Gleen from Church Point Ferries.  
36 I would like to thank David and his staff for the amount of  
37 work they put into their report.

38

39 I do have a couple of comments. Firstly, with regard  
40 to the efficient costs, being a small business and working  
41 in a very constrained environment with very constrained  
42 profits, by necessity those costs are extremely efficient.  
43 I do understand that you have built in a bit of a buffer  
44 there because you appreciate that particularly the labour  
45 costs are not always up to what Richard was saying and that  
46 the labour costs are actually higher than stated.

47

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1 There are probably a lot of other areas where the  
2 labour costs or the general costs for running a ferry  
3 service are not fully stated. It is certainly not always  
4 run in a manner that is as professional as we would like  
5 because we just do not have the revenue to cover that.  
6 I would like to make that quick point about the cost base.

7

8 THE CHAIRMAN: Can I say there, Penny, that we did spend  
9 quite a bit of time on that. As you point out, the cost  
10 that we have used is the cost of labour in the labour  
11 market based on award wages and things like that. We know  
12 that some of the smaller operators use family time, your  
13 own time. In the end we decided to go with the award-based  
14 approach to provide a bit of a buffer and to try to put it  
15 on a stand-alone business basis, where, in the event you  
16 had to hire labour, you would have a chance of doing so.

17

18 MS GLEEN: I do appreciate that, but there are a lot of  
19 other costs. I don't want to get into the nitty-gritty of  
20 various things but I think you will find a lot of people  
21 work from home and do not have an office base. We cannot  
22 afford to rent out an office for our staff to be in so we  
23 work from home.

24

25 As Richard would say, there are just an awful lot of  
26 small things. For example, with the uniforms that are worn  
27 on our ferry service, we would like to renew them more  
28 often, but that is one of those costs that is not really  
29 related to safety and it is not really related to how the  
30 service is run. There are a lot of little things like that  
31 where we try and keep the cost as efficient as possible.  
32 It is not just wages or office space, there are all sorts  
33 of thing like that.

34

35 THE CHAIRMAN: And I think you had another point.

36

37 MS GLEEN: Yes. With the efficient capital costs, I would  
38 make the point that for engine rebuilds and replacement,  
39 generally this is done on engine hours rather than engine  
40 life span. We have calculated an engine rebuild at 10,000  
41 hours and then replacement at 20,000 hours, which works out  
42 at two and a half years and five years rather than,  
43 I think, six years and 12 years. There is a lot of  
44 difference there, I would suggest. Also the costs allowed  
45 in our case are a bit low.

46

47 THE CHAIRMAN: The costs of what, sorry?

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1  
2 MS GLEEN: The costs of both the engine rebuild and engine  
3 replacement are low in our case.  
4  
5 THE CHAIRMAN: This is all good stuff. Don't hold back  
6 because you think it is too nitty-gritty  
7  
8 MS GLEEN: It is about half the costs of our engines. We  
9 have been allowed about \$20,000 and we would estimate to  
10 replace two engines would be more like \$50,000. That is  
11 the cost of two engines, the labour and the parts for all  
12 the connecting bits that go with it.  
13  
14 Another point that I would make is that I would agree  
15 with what Callum was saying about the useful economic life  
16 of boats. The question of 15 years for fast ferries and 25  
17 years for slow ferries is a tricky one given that some of  
18 them are very historic, but I think with an aluminium  
19 catamaran hull, or even a monohull, 25 years could be  
20 looking a little bit optimistic.  
21  
22 In terms of the replacement cost for depreciating a  
23 spare ferry, I would suggest that this is based on the  
24 expectation of gaining charter work for a back-up ferry or  
25 a spare ferry. In some cases this may be valid, but in  
26 other cases there may not be a large market for charter  
27 work in the areas that the boats operate. That is my first  
28 point.  
29  
30 Secondly, to have a charter boat, generally you need  
31 bathroom facilities, food preparation areas, chairs,  
32 tables, a bar perhaps for service of drinks or alcohol or  
33 tea and coffee. You need to have power for music. Our  
34 boats have none of these. They have bench seating. For a  
35 small ferry with bench seats, no bathroom, which is a  
36 back-up, to try and get charter work in a market that is  
37 almost non-existent is very difficult and I would suggest  
38 that that would be the same for some of the other ferry  
39 services.  
40  
41 There are some ferry services which may be able to  
42 gain some charter work over the Christmas period and times  
43 like that. However, as I have said, it would be something  
44 that is very dependent on where the operator is and what  
45 sort of vessel the operator has available.  
46  
47 The Church Point Ferries' owners throughout the years

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1 have always found that there is really no market and we  
2 have never tried - one operator did try to get into that  
3 market with very little success.  
4  
5 The other thing is that means that instead of buying a  
6 small ferry to use on your ferry service, you are not - you  
7 are buying a charter vessel and the two in our mind are a  
8 rather different kettle of fish.  
9  
10 MS SMITH: Can I just confirm you are referring to our  
11 decision to include 50 per cent of the spare ferry on a  
12 regulatory asset base?  
13  
14 MS GLEEN: I am sorry, could you say that again?  
15  
16 MR SMITH: Your comments were in regard to our decision  
17 to include 50 per cent of the spare ferry in the regulatory  
18 asset base.  
19  
20 MS GLEEN: Yes.  
21  
22 MR SMITH: Based on, I presume, that you cannot use the  
23 spare ferry for other things?  
24  
25 MS GLEEN: Yes, that's correct. I would say that it  
26 should be 100 per cent of the spare ferry's depreciation  
27 costs.  
28  
29 THE CHAIRMAN: Yes, Richard?  
30  
31 MR STOCKLEY: I would like to add to the point that Penny  
32 was making. Again we all have a secondary ferry but, as  
33 Penny actually said to me in a phone call the other day,  
34 our ferries are more like a bus that floats on the water.  
35 We are not running around in limousines or something like  
36 that. We use our ferries to transport people. We have  
37 ferries that are specifically designed for nothing more  
38 than picking people up to go from point A to point B.  
39  
40 The market for having a 21st party or a buck's party,  
41 or something like that on one of our vessels, does not  
42 exist. You will also find in all of these areas that there  
43 are other charter operators who to do specialise in those  
44 services. So the market is not there nor is the design of  
45 the asset we are utilising again consistent with that  
46 concept.  
47

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1 THE CHAIRMAN: Thanks, Richard.  
2  
3 Did you have anything else, Penny?  
4  
5 MS GLEEN: The only other comment I had was really  
6 regarding the IPART draft report. With the building block  
7 approach that you have, the revenue requirement is great.  
8 My comment is that on the revenue from fares, just about  
9 every ferry service that operates discounts for its regular  
10 users. We have some sort of Ferry10 of set-up. I think  
11 that that needs to be looked at for our revenue from fares.  
12 I know I will be sending my figures to John Smith shortly,  
13 and it may be bigger or smaller for different ferry  
14 services, but it would make a significant difference.  
15  
16 THE CHAIRMAN: I will ask John to comment on that.  
17  
18 MR SMITH: Thanks, Penny. Yes, it has been brought to our  
19 attention that some adult tickets in particular are  
20 discounted under a Ferry10 type of ticket. We do not have  
21 information on the number of trips taken under those  
22 discount tickets, as you mentioned. We are keen to hear  
23 from each operator and for them to provide information on  
24 the numbers of trips on those discounted tickets.  
25  
26 THE CHAIRMAN: Thanks, John.  
27  
28 Is there anything else at this stage?  
29  
30 MS GLEEN: No, Mr Chairman. Thank you for your patience.  
31  
32 THE CHAIRMAN: No, you are most welcome.  
33  
34 Rick, could you give us a rundown on Stockton.  
35  
36 MR R BANYARD: Thank you and thank you for holding this  
37 hearing. I think it is an important part of the system.  
38  
39 I would start off by saying that the Stockton ferry is  
40 not a business and it should not be considered by IPART to  
41 be a business unlike some of the other operators. It is  
42 not a business because Stockton ferry is effectively a  
43 public transport facility that is set to do a specific  
44 task. The business, as such, is integrated into Newcastle  
45 Buses. It is part of the Newcastle Buses and part of State  
46 Transit's whole bus arrangement, so to identify it as a  
47 business and to try to extrapolate information on it on a

1 business basis is very difficult.  
2  
3 I notice in your report you made some comments about  
4 having difficulty coming up with the patronage figures.  
5 I suggest that there is a lot more information about the  
6 patronage figures than your report indicated. I think you  
7 only go back two years or something and you said you  
8 couldn't find the ones before. There have been patronage  
9 figures put forward in previous hearings and in previous  
10 reviews of the facility, and I think I have been making  
11 comments for about five or six years in this regard - so  
12 there are some more.  
13  
14 The difficulty with the patronage figures is who  
15 counts them. The reality is nobody counts them. It is a  
16 bit like the whole of the bus fleet; in the Newcastle area,  
17 there is no counting done of anything. They don't count  
18 the trains, they don't count the buses - they don't count  
19 anything.  
20  
21 One of the reasons for that is that basically there is  
22 not the infrastructure such as turnstiles and the like to  
23 automatically record the numbers of people. As people get  
24 off the ferry down here at Circular Quay, the machine does  
25 it for you. We do not have anything like that. The only  
26 person who can do any counting is one of the crew on the  
27 ferry. The crew members generally are too busy tying up,  
28 untying, doing their other functions to really keep an eye  
29 on exactly how many people are coming on and coming off.  
30  
31 The other complication is that basically there are no  
32 tickets sold. Although you can go on to the ferry and pay  
33 the boy the money for the fare and he sticks it in his  
34 bumbag, most people do not have a ticket. They do not have  
35 a fare because their ticket is part of one of the other  
36 tickets. I can buy a ticket here at Central Station and  
37 hop in the train for a day out. I find the ferry along the  
38 waterfront and I think "Oh, I'll go for a ride on the  
39 ferry." I hop on the ferry and the ferry fare is there; it  
40 is integrated into the price of the ticket sale that  
41 I bought at Central. So there is no account of me and my  
42 family or whoever getting on and getting off the ferry.  
43  
44 I also note that this report that we went through this  
45 morning only had the Stockton ferry patronage for weekdays.  
46 Where is the document for the weekends? The Stockton ferry  
47 is unique in that it has a large number of people on a good

1 weekend who can use it because they want to get to the  
2 other side of the harbour.  
3  
4 In my submission, I suggested that the Stockton ferry  
5 is not actually a ferry service; it is basically a floating  
6 footpath, which is quite different from some of the other  
7 ferries that operate. You could hardly call the ferry that  
8 goes from Circular Quay up to Parramatta a floating  
9 footpath. The Stockton ferry is crossing a narrow little  
10 piece of waterway directly, as straight as it can go, from  
11 one side to the other and doing it as often as it can. In  
12 theory there is a timetable for it to go backwards and  
13 forwards, but the timetable is almost the time it takes to  
14 go backwards and forwards and it basically runs as a loop  
15 backwards and forwards all the time. The ability to adjust  
16 the delivery of its services is pretty limited because it  
17 just can't go backwards and forwards as it also needs a bit  
18 of buffer time because we have big ships coming in and out  
19 of the harbour. When the big ships come in and out of the  
20 harbour, the ferry has to fiddle around while the ship  
21 passes so it can go backwards and forwards, so really there  
22 is not room for anything different.  
23  
24 The Stockton ferry also does not provide services on a  
25 24-hour a day basis, which is really what the community  
26 needs and it is very important. At weekend and late night  
27 times a bus service is run. The bus service takes about  
28 half a week to get there - you might as well catch the  
29 ferry in the morning - because it has to go right down to  
30 Kooragang Island and right around, and I think that is  
31 about 12 or 14 kilometres. Are those figures for that  
32 service counted and added to the patronage figures for the  
33 ferry? I suggest not.  
34  
35 I notice that also you have excluded the school  
36 students as ferry passengers in the numbers. I do not  
37 think that is reasonable. A large number of school  
38 students use the Stockton ferry to get across on the  
39 floating footpath.  
40  
41 I also tie this issue of the public service to Roads  
42 and Maritime or whatever they call themselves now. They  
43 run a lot of car ferries which get cars across a river or a  
44 creek. Up at Wisemans Ferry, car ferries get you across  
45 the Hawkesbury River. They don't charge a fare. They  
46 don't come to IPART and ask to have a fare set for their  
47 service; yet we have a fare for the service on the Stockton

1 ferry.  
2  
3 THE CHAIRMAN: I will get John and David to respond on  
4 patronage ticket sales and those other points you have  
5 raised, Rick, which are all relevant. On scheduling, that  
6 is an issue for Transport for NSW, for the government, so  
7 we can ask Anthony Wing to make a comment on that.  
8 Basically that is --  
9  
10 MR BANYARD: Fare scheduling?  
11  
12 THE CHAIRMAN: No, the scheduling for 24 hours a day -  
13 sorry, the timetable scheduling. That is driven by  
14 government policy and I am sure Anthony could make a  
15 comment on that.  
16  
17 You made a point about treating the ferry like a  
18 business. You also made the point in your submission that  
19 it is like a floating footpath. Richard made the point  
20 earlier that ferries are like a bus in water, and I agree.  
21 But, when, for example, we were asked to recommend the  
22 maximum fares for Sydney Buses, we use a building block  
23 approach there and we think that it is consistent to use a  
24 building block approach for Stockton ferry, even though it  
25 is run by the government bus service as opposed to private  
26 operators because capital has to be outlaid for the  
27 ferries, people have to run them and manage them and  
28 everything like that. It is basically run by the taxpayer.  
29 It is run by the government and funded by the taxpayer.  
30  
31 We think that is reasonable when we are asked to  
32 recommend the maximum fare, and in the case of Stockton to  
33 determine the maximum fare. We need to look at what it  
34 costs to deliver the service and we have tried to make an  
35 estimate of what would be an efficient cost. We think in  
36 the case of Stockton, the actual cost to deliver the service  
37 is greater than the efficient cost. Nevertheless what  
38 we are trying to do is to determine a maximum fare which  
39 is consistent with an estimate of the efficient cost.  
40  
41 I just wanted to clarify that. Given your interest,  
42 you are probably well aware of that, but I thought I should  
43 clarify that.  
44  
45 MR BANYARD: May I make a couple of comments?  
46  
47 THE CHAIRMAN: Sure.

1  
2 MR BANYARD: Given that we do not know the number of  
3 people that are using the ferry and it is fairly difficult  
4 to get that number, we don't know what the revenue is, so  
5 we don't know whether the costs are actually exceeding  
6 their revenue or not because the line looks very low.  
7  
8 THE CHAIRMAN: Yes.  
9  
10 MR BANYARD: On your building block model, in my view,  
11 there is a square missing. Particularly in terms of  
12 Stockton's case, there should be another box on the revenue  
13 side of the fare because the ferry is responsible for  
14 driving a large amount of economic activity particularly in  
15 Stockton. If the ferry did not operate, half the shops in  
16 Stockton would go broke and would shut, so the ferry drives  
17 that. The fact that the ferry is causing or creating a lot  
18 of revenue and business activity and enjoyment, all of  
19 those things should be added into the revenue side of the  
20 ferry, if you get what I am trying to say.  
21  
22 THE CHAIRMAN: Yes, I get it. Why don't I ask John and  
23 then David to respond to some of those specific points  
24 which are all relevant and then we will take it from there.  
25 John?  
26  
27 MR SMITH: There are a couple of issues. The first thing  
28 was the patronage data. We undertook investigations, and  
29 we had discussions with Transport for NSW, to get all the  
30 patronage data that was available for Stockton. In our  
31 view, we got all the information that is available and, in  
32 our view, that is also the best information that we have  
33 available.  
34  
35 To clarify the approach with school student travel,  
36 the patronage figures for school student travel are  
37 notional figures because, under the school student travel  
38 scheme, there is a payment made to operators based on the  
39 number of passes on issue. We have taken account of the  
40 revenue that operators would receive from school student  
41 travel. It is just that the patronage numbers are notional  
42 in our analysis, not actual.  
43  
44 I think you also had a question about utilisation for  
45 Stockton ferry on the weekends which I will refer to Indec.  
46  
47 MR GOTZE: We did actually look at the weekend loadings,

1 and sought data from the Stockton ferry on that. There is  
2 an increase in the average peak load during the weekends  
3 compared to the weekdays.  
4  
5 To give you an idea, the average for the year is  
6 5.8 per cent for weekdays and it goes to 11 per cent on  
7 weekends, that is 11 per cent capacity on weekends, and  
8 they are 200-seat capacity ferries. That is one point.  
9  
10 The other thing with respect to patronage is that we  
11 have conducted a number of audits in the past for Transport  
12 for NSW particularly on the SSTS and we find them to be  
13 quite accurate. There is in fact a contractual obligation  
14 on the Stockton ferry to report its patronage on a  
15 quarterly basis and we have found no evidence that it was  
16 incorrect; that is, that data that is reported to the  
17 department.  
18  
19 THE CHAIRMAN: Thank you, David.  
20  
21 Anthony, would you like to say something and then,  
22 Rick, you might like to come back.  
23  
24 MR WING: Thanks, Mr Chairman. I guess we have two  
25 different roles in respect of this matter. With respect to  
26 the private ferries, Transport for NSW ultimately  
27 determines the private ferry fares, but we seek advice from  
28 IPART every year and we are very pleased and grateful for  
29 that. IPART runs a good public process and it is good to  
30 have that hearing about things such as costs. Given we are  
31 going to get a report from IPART, I do not want to talk  
32 about the details of that. I am looking forward to the  
33 report.  
34  
35 I would note that private ferry operators do rely on  
36 fares to keep their businesses viable, so we certainly  
37 support the work that IPART is doing to have another look  
38 at the master fares. The current ones are not enough to  
39 properly cover costs and they need to be re-examined and we  
40 support that.  
41  
42 With respect to the question about the long-term  
43 viability of ferries, yes, we are quite happy to discuss,  
44 I guess, out of session or separately, questions about  
45 models for private ferry operators. I think IPART already  
46 has quite a lot of data which would be useful for that  
47 discussion, so we might have that discussion particularly

1 once the report has been made public.  
2  
3 With regard to the Stockton ferry, of course we are in  
4 a very different situation. State Transit is the actual  
5 operator, Transport for NSW will not get any say on the  
6 Stockton ferry's maximum fares. We are told them by IPART  
7 and we are bound by them, so we look forward to hearing  
8 what State Transit's maximum fares will be.  
9  
10 With respect to some of the broader questions that  
11 have been raised about the Stockton ferry by Rick and by  
12 Indec, firstly, as far as the scheduling goes, yes, we  
13 obviously look at service planning all the time. If there  
14 is demand, we would think about running it longer hours for  
15 or different hours, but that would just depend on demand at  
16 the end of the day.  
17  
18 With regard to the questions on some of the proposals  
19 about running a different business model that Indec has  
20 raised, obviously that will not really affect the fares  
21 because if IPART finds that our costs are inefficient, we  
22 will not get to recover the fares anyway. But it does  
23 affect the taxpayer, so we do care strongly about that and  
24 we will bring that back to our service planners and our  
25 operational experts and have a look at those proposals.  
26  
27 The only other thing I will say on the patronage  
28 counts is that, yes, they get audited from time to time;  
29 however, yes, I agree there are difficulties in counting  
30 patronage when the people that are counting them are also  
31 doing other jobs. There is no doubt about that. We hope  
32 that not just here but across the network, the introduction  
33 of electronic ticketing will also greatly improve the  
34 accuracy of some of the patronage counts we have as well.  
35 Thank you, Mr Chairman. That is all I want to say.  
36  
37 THE CHAIRMAN: Thank you very much, Anthony.  
38  
39 Rick, do you have any follow-up comments at this  
40 stage?  
41  
42 MR BANYARD: Yes, thank you. Patronage numbers is a  
43 serious issue. What we believe is the right patronage  
44 number, despite what the others have said, does not seem to  
45 stack up when you look at the annual returns and other  
46 documents and whatever and the fact that they are blended  
47 into a business.

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1  
2 The actual patronage numbers are not available for the  
3 ferry as a unit. I still maintain that they cannot be  
4 counted because there is no facility to count them. I ask  
5 if there are figures available, can the figures for the  
6 patronage numbers and the average fare-box revenue be  
7 incorporated in the final report so that we can clarify  
8 this once and for all. I have brought it up before, as you  
9 know, and other people have, and the numbers are just not  
10 there. There have even been attempts, I understand, to  
11 give the information and they have not been successful.  
12  
13 The fare has to be efficient, as you pointed out in  
14 your paperwork. In the case of the Stockton ferry, I would  
15 argue that an efficient fare is one that promotes  
16 patronage, stimulates economic activity and assists  
17 tourism. Those are very important ingredients and they are  
18 slightly different from the ingredients that drive the  
19 other ferries. I know others think it is important too,  
20 but in Stockton's case it is really important.  
21  
22 I used the term "floating footpath", which you picked  
23 up on. I still cannot understand if the RTA can put your  
24 car across a river for nothing, why can't the Stockton  
25 ferry go across the river for nothing?  
26  
27 I would argue that there would be considerable  
28 efficiency gains in actually eliminating the fare  
29 altogether. The fare is quite small, the security risks  
30 and all the other costs - collection things, the banking,  
31 the change, the paperwork and everything - for the amount  
32 of revenue is really quite small. If there was no fare,  
33 the patronage would go up significantly. The patronage  
34 would go up very significantly, so the whole thing would  
35 serve its role better as a public transport facility if you  
36 were running it free.  
37  
38 It is bit like having the fare-free zone for the buses  
39 around town. How come you can go from one end of Hunter  
40 Street to the other end of Hunter Street for nothing but  
41 you can't go across the water? It does not seem to fit  
42 into the arrangements.  
43  
44 THE CHAIRMAN: Just on that, that is a pretty radical  
45 proposal. That is a proposal that would have the Stockton  
46 ferry like public roads where there is no user charge for  
47 using public roads.

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1  
2 MR BANYARD: Well, it should be, that is exactly the  
3 point, and in Stockton's case it is really important.  
4 I was at a Planning Assessment Commission meeting the other  
5 day about the new ammonium nitrate plant. It was pointed  
6 out repeatedly by speakers that the only escape route out  
7 of Stockton is the ferry across the harbour. That is the  
8 only way out if there was a catastrophe at the ammonium  
9 nitrate plant. This is a real issue if you are going to  
10 talk about reducing the size of the ferry, as has been  
11 suggested. It is potentially there for a major evacuation  
12 role and that is important.

13  
14 THE CHAIRMAN: The point I want to make is that the  
15 proposal you are putting forward, which is to have the  
16 Stockton ferry free and be like a public road at no user  
17 charge, is a policy issue for government. That will be  
18 reflected in the transcript. We will refer to the  
19 substance of your submission in our report. If Transport  
20 for NSW wants to take that up, it is open to them to take  
21 it up with the minister. The point is at the moment that  
22 government policy is to have a charge for Stockton ferry  
23 and, as you know, it is our job to determine that charge.

24  
25 MR BANYARD: I understand. In the transcript, obviously  
26 now because we have been talking about it, it will show up  
27 yet again, but it is an issue that I think perhaps could be  
28 highlighted in the final report; namely, the actual option  
29 of not having a fare for the Stockton ferry because that  
30 would make it similar to the car ferries and the government  
31 has that policy.

32  
33 I would like to make another comment about having  
34 smaller vessels to do the job. The Stockton ferry is a  
35 fairly sizeable vessel, and that is important. We get  
36 large school groups, for example. They all turn up at the  
37 ferry wharf in one hit. They all turn up in one group to  
38 get on the ferry to go across the other side. If you had  
39 the smaller vessel and you had one teacher with a group of  
40 kids, who would wait for the next ferry? There would be  
41 all sorts of issues relating to that.

42  
43 Particularly on northern side of the ferry route, the  
44 issue is that the ferries basically meet the bus services.  
45 Although there are some people who live within walking  
46 distance of the ferry and there are some park and ride  
47 facilities, a large number of people also use the buses and

1 the buses have to connect. If you want to up the ferry  
2 patronage, fix the buses - that is the bottom line - and  
3 have more park and ride and a few other things like that.  
4 There are lots of ways of fixing the ferry service.

5  
6 I am glad that you have addressed the issue of having  
7 two ferries that are identical and one sits in the shed all  
8 day and laughs and has a sleep while the other one does the  
9 work. That is just not reasonable. It was reasonable in  
10 the past when it was the only vessel of that size in the  
11 harbour that was registered and capable of doing the work  
12 as a fill-in; but we now have other vessels that could be  
13 used as a fill-in and in an emergency. We also have the  
14 facility of using the buses in an emergency if something  
15 was to happen.

16  
17 THE CHAIRMAN: Do you want to pause for a minute?

18  
19 MR BANYARD: Yes, I'll leave that for now, thank you.

20  
21 THE CHAIRMAN: Thank you very much, Rick. Is there  
22 anything else?

23  
24 MR STOCKLEY: I have three quick points. First, I don't  
25 quite understand from Rick's presentation the idea of  
26 patronage numbers not being recorded fully. I was under  
27 the impression, especially with water transport, that it  
28 should be a major safety matter for operators to know how  
29 many people are on a vessel at the time it is on the water.  
30 If you have a bus accident, you are on land; if there is a  
31 catastrophic failure of a ferry, we are talking about the  
32 necessity to be able say there were 50, 100 or 200 people  
33 on that vessel at the time it occurred.

34  
35 The operator of the Stockton ferry run should be  
36 addressing that issue for safety concerns to start with.  
37 There should not be any reason not to know how many people  
38 are on a vessel that is on the water. Maybe the number of  
39 people on board might not be being reported as ticket  
40 sales, but they should have that data available to be  
41 addressed.

42  
43 Rick brought up another point on the building block,  
44 and I think it was a good point. Part of the building  
45 blocks for the revenue side, and I presume it comes into  
46 the external benefits area, is the effect or the influence  
47 on local businesses. A lot of the small ferry services

1 operate in small environments. There are businesses that  
2 operate because people are being transported to those  
3 localities. That could be something to address in the  
4 study in general as to what effect a ferry service provides  
5 to other local businesses, apart from the pollution and  
6 environmental things like that.  
7  
8 The final point, and this has been touched on a couple  
9 of times, is that especially with our smaller services, we  
10 do operate in a very confined situation where patronage  
11 numbers are pretty much captive from the area and they are  
12 set. To swing those numbers either way is quite difficult.  
13 Again with a large fare increase, you would see a  
14 percentage drop-off. The only real way to increase  
15 patronage numbers would be to lower fares, but that does  
16 not seem possible whilst maintaining an efficient business  
17 or a business that is standing on its own unless there is  
18 support externally from Transport for NSW, or something  
19 like that, to provide the extra revenue that would be lost  
20 by dropping those fares. That is about it, thank you.  
21  
22 THE CHAIRMAN: Thank you very much, Richard.  
23  
24 I want to ask would anybody from the floor like to  
25 make a comment or ask a question? No?  
26  
27 David, would you like to say something?  
28  
29 MR GOTZE: Yes, thank you, Mr Chairman. If it is okay  
30 with you, I thought I would clarify a couple of issues that  
31 were raised.  
32  
33 THE CHAIRMAN: Yes, please, go ahead.  
34  
35 MR GOTZE: The first one was to do with charter work. In  
36 the public report, as there is in the confidential report,  
37 there is a reference that we expect only 5 per cent of  
38 revenues to come from charter. In many areas the charter  
39 opportunities are quite restricted, so it is acknowledged  
40 in the report, and in the public report.  
41  
42 Another issue that was raised was to do with the  
43 contract period and we do agree. We have put this in as a  
44 government policy constraint. We have said that five years  
45 is not enough, let alone one or two. I think that making  
46 capital decisions would need a more continuous government  
47 contract of some sort to have the confidence to invest

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1 \$1 million in something like a new ferry, so that is a  
2 really valid point.  
3  
4 With Church Point and the comment about engine  
5 rebuilds, I want to clarify the amount that is being  
6 allowed here, and I am sorry that the public report may not  
7 have the same level of detail as the confidential report.  
8 The \$20,000 is for a general sort of refurbishment. We  
9 have allowed \$50,000 each per engine rebuild. That may  
10 still be inadequate, but I thought I would clarify that  
11 point.  
12  
13 MS GLEEN: I would think that that \$20,000 is probably  
14 okay for the rebuild, but the \$20,000 that is for the  
15 L Duck refurbishment in 2017 would actually be an engine  
16 replacement.  
17  
18 MR GOTZE: So, sorry, the timing of the engine replacement  
19 we had beyond 2017, so maybe make the point that it should  
20 be based on 10,000 hours?  
21  
22 MS GLEEN: Yes.  
23  
24 MR GOTZE: And we will take that on notice, Mr Chairman.  
25  
26 THE CHAIRMAN: Thank you, David. Thanks, Penny.  
27  
28 Are there any other comments? Would people like to  
29 may any other comments before we wrap up? Yes, Rick.  
30  
31 MR BANYARD: In the draft determination, you have  
32 side-stepped the issue of the truncation of the rail line  
33 into Newcastle. I pointed out in the submission that the  
34 truncation of the rail line into Newcastle is likely to  
35 significantly reduce the ferry patronage.  
36  
37 Whilst we do not know the exact reduction that will  
38 occur, the minister has come out in parliament and said  
39 that the number of people which will be carried when the  
40 light rail is put in place is likely to be 23 per cent down  
41 on the current patronage. That will obviously flow on and  
42 result in the ferry patronage going down. Given we have  
43 having buses replacing the trains as an interim step and  
44 some of the consultants who have done the book work have  
45 suggested that the reduction could be as high as 60 per  
46 cent, perhaps you need to check those figures a bit and  
47 maybe not just try to step over it because it is likely to

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1 be a real issue in the next few years.  
2  
3 THE CHAIRMAN: That is a good point. So that is saying  
4 that we might have overestimated the patronage because we  
5 have not taken into account those issues. Let me pass over  
6 to John.  
7  
8 MR SMITH: In our approach to future of reviews, one of  
9 the things that we will take into account is changes to  
10 patronage. If Stockton's patronage is affected by any  
11 transport decisions, we would take that into account in our  
12 decisions in the future reviews.  
13  
14 MR BANYARD: Yes, but in the report that you have written  
15 to date, you have actually stepped over it and you have  
16 formally said that you are not taking the truncation into  
17 account. I am suggesting that you need to.  
18  
19 MR SMITH: There are other government decisions that are  
20 outside IPART's control, but in terms of the patronage, in  
21 our analysis we have used the most recent patronage in our  
22 current decision. The future decisions will take into  
23 account updated patronage.  
24  
25 THE CHAIRMAN: I think what you are suggesting, Rick, is  
26 that we should take account of the impact on patronage for  
27 2015; is that what you're saying?  
28  
29 MR BANYARD: Yes, probably 2015, 2016, 2017 until the new  
30 system is set up.  
31  
32 THE CHAIRMAN: The point is that, unlike a lot of other  
33 determinations we do, we actually do this every year. So  
34 for 2015 we have used patronage based on past patronage.  
35  
36 MR SMITH: Up to 2014.  
37  
38 THE CHAIRMAN: Up to 2014. For 2016, 2017 and 2018, we  
39 will get to that. We will get to 2016 next year. Are you  
40 suggesting, given your superior local knowledge, that there  
41 is likely to be an impact on patronage in 2015, which is  
42 next year?  
43  
44 MR BANYARD: Well, the minister has announced the train  
45 ceases on 26 December this year. So on 27 December, there  
46 will be a reduction.  
47

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1 THE CHAIRMAN: We will take that point on board, thanks.  
2  
3 MR BANYARD: That's it, thank you.  
4  
5 CLOSING REMARKS  
6  
7 THE CHAIRMAN: Anybody else? Any last comments, or  
8 questions? No?  
9  
10 It remains to thank you all very much for  
11 participating. I think it has been a very good session  
12 and we appreciate very much your contribution, especially  
13 as we changed our approach this year in terms of trying to  
14 calculate the efficient costs of operating for each of the  
15 operators that we have been reviewing.  
16  
17 A transcript of today's proceedings will be available  
18 on our website in a few days. Just a reminder that  
19 submissions on our draft report are due on 21 November.  
20 We will, of course, be taking into account all the points  
21 that have been made today and which will be transcribed,  
22  
23 Given the tight time frame, though, we may not be  
24 able to accept late submissions. So submissions are due on  
25 21 November, and we will provide our final report to  
26 Transport for NSW in mid-December.  
27  
28 Thank you all very much for coming. Have a nice day.  
29  
30 AT 11.15PM, THE TRIBUNAL WAS ADJOURNED  
31 ACCORDINGLY  
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