

INDEPENDENT PRICING AND REGULATORY TRIBUNAL

PUBLIC HEARING INTO FARES FOR BUSES ACROSS NSW, PRIVATE
FERRIES AND NEWCASTLE FERRY SERVICES

Tribunal Members

Dr Michael Keating AC, Chairman
Mr James Cox
Ms Sibylle Krieger

Held at the offices of IPART,
Level 8, 1 Market Street, Sydney, NSW, 2000

On

Thursday, 6 November 2008 at 2.00pm

.6/11/08 1

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1 OPENING COMMENTS

2
3 THE CHAIRMAN: Good afternoon, everyone. I would like to
4 welcome you to this hearing on buses and ferries. My name
5 is Michael Keating and I am chairman of the tribunal. With
6 me are my fellow tribunal members. Jim Cox, to my left, is
7 the chief executive of the tribunal, and Sibylle Krieger,
8 on my right, is a part-time member. We also have Ms Ineke
9 Ogilvy, from the secretariat, who is sitting at the corner
10 of the table.

11
12 Thank you all for coming today, and I would like to thank
13 those of you who have made submissions. We do depend
14 very heavily on the advice that we get in the submissions
15 and indeed on the question of the principal components in
16 those submissions.

17
18 The purpose of this hearing is to assist the tribunal
19 in its deliberations on fare charges on bus services
20 operating across New South Wales and for private ferries
21 and the public Newcastle ferry services.

22
23 The tribunal expects to release its final decisions on
24 these issues in mid-December of this year for buses, but as
25 soon as late November for ferries. New fares will apply
26 from early January 2009 for buses, and we are aiming for
27 early December for private ferries.

28
29 As you will appreciate, we won't be making any
30 decisions today; rather the purpose of today's hearings is
31 for us to hear what you have to say. We do expect that we
32 will be assisted by what you have to say in helping us
33 consider the various issues including those canvassed by
34 submissions by the Minister of Transport, the Bus and Coach
35 Association and the Commercial Vessel Association and, of
36 course, other stakeholders.

37
38 This is a public hearing and it forms part of a
39 public consultation process the tribunal is required to
40 undertake. As you will have already observed, there are
41 transcribers here to record the proceedings and the
42 transcript will be publicly available on the IPART website
43 in a few days time. For the record, I would ask, when
44 those of you in the audience wish to speak, that you
45 introduce yourself, and it is important for all of us to
46 speak slowly and clearly.

47

.6/11/08 2

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1 The hearing will be conducted in three sessions.

2 The first session deals with bus fares in the
3 Sydney metropolitan region and in outer metropolitan
4 areas including Newcastle, Wollongong, the Blue Mountains
5 and the Hunter Valley. The second session considers fares
6 for bus services in rural and regional New South Wales;
7 in fact, all areas that are not covered in the first
8 session. The third session is on fares for private ferry
9 services and also the fares for the Newcastle (Stockton)
10 ferry.

11
12 Each session will commence with a presentation of the
13 fare proposal that we have received. After that, there
14 will be presentations from the organisations and
15 individuals who are sitting around the table here.
16 Following each presentation, the tribunal members and,
17 importantly, the secretariat, may ask questions of the
18 presenter. Before I conclude each of the three sessions, I
19 will invite comments from those of you who are sitting in
20 the back of the room.

21
22 I think the only thing that remains before we get
23 started with the first presentation is that it would be
24 helpful if people around the table were to introduce
25 themselves and their organisation, starting with the
26 Ministry of Transport.

27
28 MS QUILTY: Joanna Quilty, Ministry of Transport

29
30 MR NICHOLLS: Andrew Nicholls, Ministry of Transport.

31
32 MS REILLY: Catherine Reilly, Ministry of Transport.

33
34 MS OGILVY: Ineke Ogilvy, IPART secretariat.

35
36 MR MILES: Allan Miles, Action for Public Transport.

37
38 MS EDMONDS: Samantha Edmonds, NCOSS.

39
40 MR BANYARD: Rick Banyard from Newcastle and I am a
41 member of a number of organisations up there.

42
43 THE CHAIRMAN: Thank you. We will move to the first
44 session.

45

46

47

.6/11/08 3

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1 METROPOLITAN AND OUTER METROPOLITAN BUSES (INCLUDING NEWCASTLE)

3
4 THE CHAIRMAN: This session will be concentrating, as I
5 have said, on Sydney metropolitan and outer metropolitan
6 bus services. The tribunal, in this case, will make a
7 determination on maximum fares for these services. Buses
8 in these areas are run by a mix of government and private
9 operators. The Ministry of Transport pays the operators to
10 run bus services and the ministry then keeps the fare
11 revenue as a means of reducing the overall cost to
12 taxpayers.

13
14 In effect, the IPART determination determines the
15 distribution of payment between taxpayers and passengers,
16 but the total amount the bus operators receive is
17 determined by their contracts with the Ministry of
18 Transport.

19
20 Joanna, I'd like to ask you to present the proposal by
21 the Ministry of Transport for the metropolitan and outer
22 metropolitan bus services.

23
24 MS QUILTY: Thank you. The ministry's submission on
25 behalf of the government proposes a fare increase of 5.45
26 per cent for metropolitan and outer metropolitan bus fares;
27 that is, the single fares and the TravelTen products, with
28 a slightly higher increase to apply to the TravelPass
29 product. The increase would also apply to Newcastle Buses
30 given that it is part of the outer metropolitan area.

31
32 We argue that these increases are justified primarily
33 on the basis of increases in the cost of providing
34 services. It is basically the amount that we have forecast
35 that operator payments will need to increase by once we
36 subtract the anticipated farebox income as well as other
37 revenue that operators earn.

38
39 We think that the increase or the proposed increase is
40 further justified on the basis that government is
41 continuing to make a significant investment in a range of
42 service improvements. We further argue that with the costs
43 of providing the recently introduced discounted private bus
44 weekly that the government has introduced, the proposed
45 increases will largely maintain the relativities between
46 what the taxpayer contributes and what the passenger
47 contributes to the cost of providing services. If the

.6/11/08 4

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1 increases are approved, taxpayers will contribute 63.3 per
2 cent to the cost of providing the bus services and
3 passengers will contribute 36.7 per cent.

4
5 On that issue, it should be noted that the 36.7 per
6 cent is the average level of farebox cost recovery across
7 both metropolitan and outer metropolitan areas. Not
8 surprisingly, the average level of cost recovery in outer
9 metropolitan areas is actually considerably lower than for
10 metropolitan areas. I think it is about 14.9 per cent.

11
12 In terms of the cost of providing the services for
13 2008-2009, the gross cost of providing metropolitan and
14 outer metropolitan bus services is forecast to be
15 \$948.1 million, which is an increase of about 5.5 per cent
16 on the previous year.

17
18 The key cost drivers that contribute to this are
19 basically these: we anticipate a 4 per cent increase in
20 service payments which cover wages and bus maintenance.
21 We anticipate a 6.8 per cent increase in the fixed payments,
22 which are generally to cover depot and office rent,
23 depreciation and new bus payments. We anticipate an
24 increase of 3.9 per cent in patronage payment, which is
25 basically a payment per passenger head to encourage
26 patronage growth, and we anticipate an increase of 11.5 per
27 cent in fuel payments. Those are the increases that we
28 expect, and they average out at 5.5 per cent overall.

29
30 In terms of the service improvements that I mentioned
31 earlier on, the government is continuing to roll these out
32 and they are actually having an effect. We have seen, on
33 average, about a 3 per cent increase in patronage over
34 2007-2008.

35
36 Some regions in particular have experienced high
37 patronage growth; for example, region 4, which is in the
38 Hills district, has had growth of about 13 per cent. That
39 is largely because of additional services that we have put
40 on the M2 corridor. That corridor alone has had a 17 per
41 cent increase in patronage.

42
43 The integrated bus networks are continuing to be
44 rolled out. We have introduced integrated networks in two
45 areas since 2006. From August this year, another two
46 integrated networks have been introduced. For the
47 remainder, there are, I think, seven where we have either

.6/11/08 5

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1 commenced consultation or we are about to do that with a
2 view to bringing in the integrated network in early 2009.
3 Then for the remaining four, I think that consultation will
4 get under way next year and they will be implemented by the
5 end of 2009.

6
7 When we do introduce such a new network, which is
8 basically designed to provide more direct linkage between
9 key patronage generators and take people to where they want
10 to go, initially, there is often a bit of a decline in
11 patronage as people adjust to the new services and get used
12 to them, but then we generally see some quite significant
13 patronage increases once the network gets bedded down and
14 people get used to it. For example, in region 13, there
15 has been an increase of almost 19 per cent since it was
16 introduced. In region 10, we have seen an increase of
17 around 7 per cent since we implemented the new service
18 plan.

19
20 Quite recently, Newcastle Buses themselves have
21 undertaken a comprehensive review of their bus network.
22 That has been with a view to improving connectivity between
23 major hubs such as the university and the hospital,
24 removing some duplication of services, and attempting to
25 provide faster more direct services.

26
27 That review process included quite extensive community
28 consultation with a lot of brochures distributed and
29 community submissions received. That revised network was
30 originally going to be introduced in October, but at the
31 time, the decision was taken to delay it until the end of
32 November because the HSC was about to start and it was just
33 felt that that would be an added stress on some students
34 and it was better to delay that introduction.

35
36 A much broader integrated network review that will
37 include Newcastle Buses will commence in 2009, but it will
38 also focus on the private operators in that area. So the
39 Newcastle review that is taking place and is due to be
40 implemented shortly will lay the groundwork for that much
41 broader review that will be commenced next year.

42
43 The government has continued to implement its bus
44 priority program. The biggest ticket item that occurred in
45 2007-2008 was the North-West T-way connecting Rouse Hill,
46 Parramatta, Blacktown and surrounding areas and providing
47 services up to every five minutes during the peak period.

.6/11/08 6

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1 I guess that is sort of at the high end of bus priority,
2 but other measures such as bus-only lanes and bus bypass
3 lanes are also being implemented as part of the
4 \$235 million program that the RTA manages.

5
6 In terms of the impact of bus priority on improving
7 services, some evidence that came out of some of the bus
8 priority measures we put in place during World Youth Day is
9 interesting. When we did before and after trials of how
10 bus services were tracking, it showed that, because of the
11 bus priority measures, Elizabeth Street buses were, on
12 average, 38 per cent more reliable, George Street buses
13 were, on average, 16 per cent more reliable, and buses
14 returning to Druiitt Street where they weren't previously,
15 were on average 5 minutes quicker. I think that shows that
16 these measures can in fact have quite an impact on bus
17 travel times.

18
19 Initiatives like the prepay only bus services are also
20 helping to support service reliability and reduce time
21 spent at bus stops. So far, we have 39 routes that are
22 prepay only. They have led to something like a 6.6 per
23 cent reduction in cash fares on Sydney buses and also an
24 increase in boardings, or certainly they have contributed
25 to that increase in patronage. A further three prepay only
26 routes are planned for implementation before the end of the
27 year.

28
29 The government is also continuing to invest in new
30 fleet. In 2007-2008, \$12.2 million was spent procuring
31 294 new growth and replacement buses in metropolitan areas.
32 People might be aware that, recently, an additional
33 300 buses was announced to be delivered from 2009, 100 of
34 those have been allocated to the north-west area and 40 to
35 the south-west. State Transit is also trialling some new
36 high-capacity metro-style buses between Leichhardt,
37 Kingsford and the city.

38
39 As I have already mentioned, a private bus weekly
40 ticket has been rolled out from October. This provides a
41 discount of 20 per cent relative to 10 single trips and it
42 is now available on Sydney's private bus services.

43
44 Basically the government's view is that the fare
45 increases that it is seeking are modest and will help to
46 meet the growing cost of providing bus services. In terms
47 of the impact of the fare increase, adult single fares will

.6/11/08 7

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1 increase by 10 cents for the first and second fare bands,
2 20 cents for the next two fare bands and 30 cents for the
3 remaining fare bands.

4
5 For TravelTens, the rise would be 80 cents for the
6 first fare band, \$1.60 for the next three, and \$2.40 for
7 the highest fare band. This maintains the 20 per cent
8 discount on TravelTen products relative to single fares.

9
10 The private bus weekly will increase in line with the
11 change to single fares while maintaining the 20 per cent
12 discount. For the T-Way 10 product, we are proposing that
13 it be reduced in price so that the discount is 20 per cent
14 relative to single fares and is consistent with other
15 discounts offered.

16
17 On the Sydney TravelPass, we are proposing an increase
18 in price to bring the discounts available on those products
19 closer to other discounts or closer to that 20 per cent
20 mark. We are proposing that the two-zone TravelPasses
21 increase by \$2, that the red, green, yellow and pink
22 TravelPasses increase by \$4 and that the purple, blue,
23 orange and Pittwater passes increase by \$6. As I mentioned
24 previously, the 5.45 per cent increase would apply to
25 Newcastle Buses fares as well.

26
27 To conclude, the government believes that the increase
28 it is seeking is fair and reasonable given the general
29 increase in the cost of providing services and also
30 acknowledging the government's ongoing investment in
31 service improvements and noting that the increase will
32 maintain the relativities between what passengers and the
33 taxpayer contribute to the provision of services.

34
35 THE CHAIRMAN: Thank you very much for that. Are there
36 any questions at this stage?

37
38 MR COX: I just wanted to explore, if I could, the
39 proposed increase of 5.45 per cent to make sure I've got it
40 right. As I understand it, that is the increase in costs
41 over the next year that you expect on the contract
42 payments.

43
44 MS QUILTY: That's right.

45
46 MR COX: So that was where the 5.45 per cent comes from.
47 It occurs to me that the number of services provided will

.6/11/08 8

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1 also increase next year and perhaps we should allow for
2 that in deciding what the fare increase should be. That
3 leads to two questions: what increase in services are you
4 expecting and should we make an adjustment on that so costs
5 are constant on a per unit basis?

6
7 MS QUILTY: It is on the basis that it will be within our
8 existing resources and that the same level of services will
9 be provided. We have had to approach treasury on a
10 year-by-year basis to argue for increased services, so we
11 don't know until we go through that process what the
12 increase in services will be. Certainly the case for the
13 integrated network reviews and the roll-out of integrated
14 network plans has had to be within existing resources. So
15 we are operating on that basis, and that was the basis of
16 our submission.

17
18 MR COX: In other words, you planned for no growth in
19 services in this 5.45 per cent?

20
21 MS QUILTY: No, we haven't.

22
23 MS REILLY: Generally with the process of developing
24 integrated network plans, if the plan does require
25 additional kilometres or vehicles, and usually they do, we
26 go back to government with the proposal and that is ticked
27 off. So for the first year, the government meets the full
28 costs of providing those additional buses and kilometres.
29 Then the practice has been that we come to IPART to seek an
30 increase for subsequent years.

31
32 MS QUILTY: With regard to the 300 buses that were
33 announced on Friday, obviously that announcement has not
34 been captured in our submission as it was only a couple of
35 days ago.

36
37 MR COX: I think we might follow up on that in discussions
38 with you because I think it is an important point.

39
40 MS QUILTY: Sure.

41
42 MS KRIEGER: I have one question: when we deal with rail,
43 there is a great deal of information publicly available
44 about service KPIs in rail. Based on what you said, there
45 seems to be fairly specific and particular service KPI
46 information within the department, but it is not, at this
47 stage, widely publicised. Is there a move to publicise

.6/11/08 9

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1 service information in relation to buses in the future and,
2 if so, when is that likely to occur?

3
4 MS QUILTY: We are certainly trialling an operational
5 performance regime at the moment. Because we don't have
6 integrated ticketing in place as yet, it is a manual trial,
7 but it is looking at the reliability and on-time running of
8 bus services. Once that trial is complete and we can
9 evaluate the methodology and determine what is the best way
10 of capturing that kind of information on an interim basis
11 until we have electronic ticketing, we will then also need
12 to consider how we would make that information publicly
13 available.

14
15 MS KRIEGER: The reason for raising the matter is that
16 consumer complaints about buses appears to have increased
17 but there is not a great deal of detailed information to
18 judge whether that is correct or not correct.

19
20 MS QUILTY: We certainly do publish information on some
21 bus KPIs as part of the state plan quarterly reporting
22 process, but, yes, I think it is recognised that there is a
23 need for more detailed and regular information to be
24 provided. Until we have a robust means of collecting that
25 information I guess we have erred on the side of not
26 putting that information out. As I said, we are trialling
27 this operational performance regime so I would hope out of
28 that we will soon be in a better position to provide that
29 sort of information.

30
31 THE CHAIRMAN: Just following up, I can see how issues
32 like timeliness of the service might depend on such
33 information. Some of the other issues such as breakdowns
34 and overcrowding, it is less clear to me why that would
35 depend on the availability of electronic data.

36
37 MS QUILTY: That does not depend so much on our electronic
38 ticketing system but at the moment they are self-reported
39 by operators and until we have got some more objective
40 measure of those indicators that information hasn't been
41 publicly available.

42
43 THE CHAIRMAN: I think I am right in saying this, correct
44 me if I am not, that is that even for the state-owned buses
45 that information is not available. I suppose I wonder why
46 or when? You have had state-owned buses for a long time.

47

.6/11/08 10

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1 MS QUILTY: Yes, you are right, the information isn't
2 available. I think the message from the government is we
3 need to be open and accountable in making this sort of
4 information available. That is something we can look at.

5
6 MS OGILVY: You have proposed 5.4 per cent increase to
7 single bus fares but larger increases to TravelPass fares.
8 Have you calculated the weighted average increase in
9 fares you are seeking?

10
11 MS QUILTY: I don't think we have. IPART usually does
12 that for us.

13
14 MS OGILVY: And my second question: you said that the
15 increases would keep the relativity between taxpayer and
16 passenger funding the same. Can you just confirm that you
17 have factored in the 3 per cent increase in patronage
18 growth into that?

19
20 MS QUILTY: We did, yes.

21
22 MR MILES: Allan Miles, wearing two hats, first from the
23 Commuter Council. Kevin Parish rang me this morning and
24 asked me - he said he agrees with the Action for Public
25 Transport submission but didn't mention anything about
26 Newcastle - and he asked that I advise:

27
28 The Commuter Council basically supports the submission by
29 Action for Public Transport. As well, the council supports
30 the decision by the Hunter Commuter Council that passengers
31 should have the choice of purchasing either time-based
32 tickets for government bus services or distance-based
33 tickets for all services. In general, however, the council
34 believes that the Government should honour pre-election
35 undertakings that fares should not increase by more than
36 the CPI.

37
38 That is the end of his message. That is not my
39 message, I am just passing that on. I am not in a position
40 to answer questions on that. You can try me.

41
42 THE CHAIRMAN: I think it is self-explanatory. You can
43 make some comments wearing your other hat.

44
45 MR MILES: Yes. I thank Joanna for her summary. In
46 general, in the big submission I made, we generally
47 commended the ministry for all the new buses, the new bus

.6/11/08 11

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1 priority, the pre-paid buses and the Route10 - that is
2 the metro bus. I do not want to go into all that.
3
4 I will read from a prepared statement. The executive
5 summary of APT's formal submission to this review contains
6 14 one-line points. We commend certain changes such as the
7 new private bus weekly ticket and the establishment of a
8 fixed city wide discount of 20 per cent on all ten trips.
9
10 We tolerate, without actually endorsing, small price
11 rises in most tickets. We accept with patience the
12 Government's adherence to the current fares and ticketing
13 system with all its limitations, always looking hopefully
14 to a new dawn tomorrow.
15
16 But some proposals we absolutely reject. Our
17 strongest opposition is to the rate of the popular
18 TravelPass ticket, an unjustified and completely
19 unjustifiable assault. The TravelPass has been stalked by
20 the government for over ten years now, at one stage even
21 trying to exterminate it by separating the bus and rail
22 components into two different tickets. The reason for
23 this loathing is the addiction of the Minister, abetted by
24 IPART, to demand cost recovery to pay for distance fares.
25 This is the accountant's approach, charging for journeys as
26 if they are some desirable commodity.
27
28 The ministry and IPART should start from the base of
29 what fares should be charged to ensure that Sydney's
30 transport network, both roads and public transport,
31 functions at an optimum level.
32
33 The standard discount for other pre-paid multi-ride
34 tickets is 20 per cent and APT has no problem with that.
35 The attempt to apply this discount to TravelPasses evokes a
36 range of adjectives, including illogical, inaccurate,
37 ingenious, impossible, and many others which politeness
38 forbids.
39
40 Sydney commuters can choose from a range of nine
41 TravelPasses covering various zones. Quite correctly the
42 price of each should be compared with the price of
43 alternative tickets and also bear some relationship to
44 other prices in the family of TravelPass tickets. But
45 additional considerations in truth - the convenience and
46 the captive expenditure of the TravelPass appeal to the
47 user, and the provider, the operator, has a customer who is

.6/11/08 12

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1 committed to using the service just like a phone plan.
2
3 The ministry, in its attempt to calculate the
4 so-called discount offered by the current TravelPass
5 prices, has in most cases embellished the likely usage
6 pattern of the ticket by a computer and in a few cases
7 blatantly overstated it. By our calculations the
8 Ministry's figures for the so-called discounts on the red,
9 green and two-zone TravelPasses are reasonable. Those for
10 yellow, pink and purple TravelPasses are a little too high.
11 And for the Orange TravelPass they are inflated. With the
12 blue and Pittwater TravelPasses they are grossly exaggerated.
13
14 This is not the place to quote detailed figures
15 although from the list in front of me the single fares
16 rise, as Joanna said, by an average of 5.5 per cent for the
17 TravelTens. The lowest increase for TravelPass is 6 per
18 cent. And there is 6, 8, 8.5, 10.9, 10.5, 9, 11.5, 15 and
19 18.1 per cent for the blue TravelPass, none of which were
20 mentioned by Ms Quilty.
21
22 This is not the place to quote detailed figures but
23 the errors from the ministry fall into four categories: A.
24 Using fares from railway stations at the outer edge of each
25 zone to calculate the rail content. B. Assuming that all
26 users in a particular zone will use a ferry when most would
27 not, the ferry fare being much higher than bus or train
28 fares. C. Assessing the likely travel pattern of only one
29 person in the back-of-the-envelope modelling instead of a
30 range of users and then finding an average. And D.
31 Failing to include a penalty cost of the second flag fall
32 when people change modes.
33
34 These alleged high discounts are important because
35 they are the basis for the outrageous fare increases sought
36 by the ministry for the TravelPass figures. We trust that
37 IPART's talented and independent staff will restore the
38 calculations to reality and maintain parity of any
39 TravelPass increases with those of other tickets.
40
41 I didn't want to go through all the other stuff
42 because generally I agree with what is proposed. It is all
43 in the submission.
44
45 THE CHAIRMAN: It is TravelPasses that is your particular
46 bugbear? I wonder if the ministry would like to comment on
47 the TravelPass issues.

.6/11/08 13

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1
2 MS QUILTY: Only to say regardless of our modelling I
3 think it is generally accepted that the TravelPass product
4 is more generously discounted than other products and that
5 it is not equitably available.
6
7 MS REILLY: I would just refer to our submission. The
8 examples that we used were based on an assumption that if
9 people could buy an alternative product, or combination of
10 products, that would be cheaper, they were most likely to do
11 so, so that is how we came up with the range of likely
12 travel scenarios using the TravelPass product. I consider
13 that to be quite a reasonable approach.
14
15 THE CHAIRMAN: If I am understanding this correctly, what
16 you are proposing now is to rectify too big a discount in
17 the past?
18
19 MS QUILTY: Yes, we are attempting to bring it closer to
20 the 20 per cent discount that is available on other
21 products but we are certainly not suggesting you go there
22 in one leap.
23
24 THE CHAIRMAN: I will turn the question on its head, then,
25 Mr Miles. If we presently had a 20 per cent discount
26 across the board, would you be arguing in favour of
27 TravelPass having a bigger discount than the rest?
28
29 MR MILES: Our point of view has always been that it is
30 not possible to say what the discount on TravelPass is.
31 The price of a TravelPass is the price of a TravelPass, not
32 the price of a loaf of bread and a pound of butter and all
33 this sort of thing. It is not its component parts.
34
35 As I think I said in the big submission, the price of
36 a Swiss army knife is the price of a Swiss army knife, not
37 the cost of four blades, two screwdrivers and a nail file.
38
39 I do agree that it should bear some relationship.
40 Obviously you can't have a TravelPass that is cheaper than
41 ten single tickets, but we need to look at TravelPass as,
42 some people say that should be the base fare and people pay
43 penalty fares because they haven't got one. I will not go
44 that far.
45
46 THE CHAIRMAN: But you do accept that people should not
47 be able to travel cheaper on a TravelPass than they could on

.6/11/08 14

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1 using a single mode of transport?
2
3 MR MILES: I accept that they should be able to travel
4 cheaper on a TravelPass than using a TravelTen because most
5 people who have a TravelPass change modes, and the
6 TravelPass, or a weekly rail ticket, there is always a flag
7 fall component there, so when you get out of a bus into a
8 train, or even a second bus, you are hit with the \$2.50
9 flag fall, I think it is. So a 20 per cent discount is not
10 applicable to the ticket. It should be higher than that,
11 if you calculate it. Another point is that in the blue
12 TravelPass and the Pittwater TravelPass, the calculation
13 given included in each case a ferry trip and I don't think
14 anybody on a Pittwater TravelPass would use a ferry. They
15 would use an express bus to town. And people with blue
16 TravelPasses, a lot of them live at La Perouse, so I don't
17 agree with your calculations.
18
19 MS RILEY: I guess I have to reiterate, our starting point
20 was you would not buy a TravelPass if you weren't making
21 those trips because you could do it cheaper through a
22 TravelTen or some other form of product. That basically
23 was our starting point for the modelling and for the
24 assumed discount rates that would therefore apply. While I
25 accept that some people would buy a TravelPass for
26 convenience only, we had to start somewhere and so our
27 assumption was it had to be cheaper or you would not do it.
28
29 MR MILES: My main objection is to the inclusion of the
30 ferry.
31
32 MS REILLY: That was the way it became cheaper for a blue
33 TravelPass, that they must be using ferries because
34 otherwise it would be cheaper to buy an alternative
35 product.
36
37 MS QUILTY: Unfortunately we don't have the travel data.
38
39 MS REILLY: It is difficult to make these assumptions.
40
41 MR MILES: Last year I managed to get from the overall
42 figures what percentage of people used ferries and buses,
43 or maybe the year before, and made quite a comprehensive
44 case as to what the average user would use. It is very raw
45 data you are using to say that someone would use eight
46 single bus trips and two single ferry trips into the CBD. It
47 is not modelling but back-of-an-envelope guessing.

.6/11/08 15

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1
2 MS REILLY: We are all guessing when it comes to the
3 TravelPass.
4
5 MR MILES: TravelPass has been around for 20 years, you
6 should not be guessing now.
7
8 MS REILLY: Without some sort of electronic ticket that
9 actually show us what people are using, it is difficult.
10
11 MR MILES: TravelPass has a stripe on the back.
12
13 MS REILLY: That is correct.
14
15 MR MILES: And has had for many years.
16
17 MR COX: It seems to me in many ways the key to this
18 argument is the data, and you seem to think it is
19 inappropriate that someone who gets the bus to the train
20 station, then takes a train, to pay a flag fall component
21 for each part of the journey - that is what I understand you are
22 saying - but can you explain why you believe that?
23
24 MR MILES: Because it is not the consumer's fault that he
25 lives at Concord and that he can't get a bus to the city
26 and has to catch a train. That is the travel pattern
27 imposed on him by the government's transport system,
28 therefore there should be only one flag fall when you get
29 on the first bus or train.
30
31 MR COX: Your definition of equity is rather to do with
32 the costs of providing different sorts of journeys?
33
34 MR MILES: IPART and the ministry like the word equity, so
35 yes, it is a matter of equity.
36
37 THE CHAIRMAN: In that case, we will move to Ms Edmonds.
38
39 MS EDMONDS: I would just like to acknowledge that NCOSS
40 welcomes this opportunity to be able to comment on current
41 services. We are committed to social justice and ensuring
42 that the rights and needs of socioeconomic and
43 disadvantaged people are addressed and met.
44
45 We express our concern that public transport fares
46 continue to increase in real terms, exacerbating the
47 financial pressure on low to moderate income households.

.6/11/08 16

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1 We consider that a fare increase cannot be justified. We
2 also submit that if there is a fare increase, the average
3 weighted increase should not exceed the increase in CPI
4 over the last 12 months.
5
6 We believe that the cost of service improvements
7 should not be wholly recovered from the farebox.
8 Improvements to bus services with broad external benefit
9 are applicable to the community generally, including
10 improved availability of access to essential services. We
11 also note that aside from external costs, the external
12 financial benefits of an efficient bus system must also
13 be taken into account in any review.
14
15 We also recognise the high costs involved in providing
16 bus priority infrastructure. However, such infrastructure
17 should be seen as an improvement of the transport system
18 itself and not just a benefit to fare paying bus
19 passengers.
20
21 We also argue that a holistic fare policy is necessary
22 for the transport system. This should take into account
23 the overall efficiency and effectiveness of the system and
24 the role that it plays in addressing issues of climate
25 change and we encourage the ministry to engage with
26 industry on reduction of emissions policy. However, we
27 would also like to state that we are strongly opposed to
28 any ticketing or fares policy that is distance-based as
29 opposed to zone-based fares and the flag fall charges
30 associated with mode change.
31
32 Distance-based fares impact most significantly on many
33 low income households who, as a result of housing
34 associated costs, are forced to live at great distances
35 from Sydney.
36
37 In conclusion, I would like to note that our position
38 around fares has been consistent since our involvement at
39 IPART inquiries and has not changed and that we would also
40 like to endorse the submission of the APT.
41
42 THE CHAIRMAN: You have quite correctly pointed to
43 external benefits of public transport, in this case buses.
44 The proposal, of course, would maintain the present rate of
45 cost recovery, which is consistent with the system as a
46 whole, a bit over 40 per cent?
47

.6/11/08 17

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1 MS REILLY: 36.7.

2
3 THE CHAIRMAN: That means that there is something around
4 60 per cent plus which is not cost recovered and the argument
5 for that would be that they are external benefits of that
6 order of magnitude. The intention is that the level of
7 cost recovery would stay the same, which means that in
8 effect it is accepted that the external benefits rise
9 proportionately, so that unless you have strong reasons for
10 thinking that the external benefits are rising more than
11 proportionately with the new services, et cetera, to
12 maintain the status quo might be seen to be a reasonable
13 proposition, unless there was strong evidence that the
14 external benefits were rising faster.

15
16 MS EDMONDS: I guess overall, yes, in terms of maintaining
17 it, it is a fair proposal, but our concern is increases
18 beyond CPI, which seems to be a reasonable method of
19 adjusting fares. But also that because of the external
20 benefits really in a way there should be perhaps greater
21 funding from the government to cover those costs and
22 meeting that difference rather than putting that difference
23 onto the passenger.

24
25 THE CHAIRMAN: The problem is that most of the funding
26 is from the government, and that is in recognition of the
27 external benefits, so I suppose I still say that unless you
28 can show the external benefits are increasing
29 disproportionately, until we know more about the external
30 benefits than we currently know, maintaining the status quo
31 seems reasonable.

32
33 With reference to CPI as a standard, CPI of course is
34 an average of a vast number of individual price increases.
35 It is in the nature of things that inevitably there will be
36 some prices increasing faster and some slower. There would
37 not be an average if there were not as many above as there are
38 below. In that context, I might be able to show that the
39 price of milk is rising slower than the average, so what
40 should IPART do, should we say, push the price of milk up?

41
42 It goes to the nature of different products, that some
43 can be expected to rise faster than others. It is a broad
44 generalisation, productivity gains through history being
45 bigger in relation to goods production than in relation to
46 service production. Transport, not entirely, but largely
47 transport is a service industry. There is a capital

.6/11/08 18

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1 component. It is a heavily service industry and so I am
2 not always surprised that the cost of transport, in
3 particular buses, which is perhaps the least capital
4 intensive type of public transport, would rise faster than
5 CPI, the same as I am not surprised if various goods rise
6 slower than CPI.

7
8 MS EDMONDS: I guess we will have to continue to debate
9 that. Our position has always been that in real terms it
10 has increased exponentially and that the CPI -
11 acknowledging that there are differences but people's
12 salaries don't increase at that rate, they increase at the
13 CPI.

14
15 THE CHAIRMAN: People's salaries have increased markedly
16 faster in the last decade. The pension has been indexed
17 and increased markedly faster.

18
19 MR BANYARD: Before I start, it is important to raise a
20 couple of things, and it particularly came to me when the
21 ministry gave its presentation and Joanna constantly
22 referred to Newcastle Buses. Newcastle has a totally
23 different arrangement with buses compared to what you have
24 got in Sydney.

25
26 If we were to look out the window here we would
27 basically see blue and white buses travelling with fairly
28 large numbers of people in them, ordinary buses and a lot
29 of people on the footpath. If we go out here at 5 o'clock
30 when we finish there would be a peak hour. And if we came
31 in here at 8.30 in the morning there would also be a peak
32 hour. Newcastle basically has no peak hour. It has very
33 few people on the footpath, in terms of the numbers you get
34 down here, and we have a large number of blue and white
35 buses operating along the same roads and in the same areas
36 as we have yellow buses, green and yellow buses, blue
37 buses, in other words, we have a number of them.

38
39 Newcastle bus and ferry services, it gets a bit hard
40 to differentiate, but Newcastle State Transit buses only
41 service about half the Newcastle area and only service
42 about 200,000 people compared to about 550,000 people,
43 being the generic big circle of Newcastle in wide terms,
44 and in which we have got about four major operators, Toronto
45 Bus Services, Blue Ribbon, et cetera.

46
47 So we have got a totally different thing. Pretty well

.6/11/08 19

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1 all of the operators serve the university, which is one of
2 the key places. Buses come to the university from as far
3 as the Central Coast, from up the valley, and from up Port
4 Stephens way, so we've got this integration and so our
5 circumstances and arrangements there are totally different
6 and I have a feeling it is not really appropriate for the
7 tribunal to be determining the situation in Newcastle
8 because you are comparing apples with or oranges.
9
10 I think that perhaps the arrangements for the Hunter
11 should be looked at as one separate unit and totally
12 separately. We have also got the situation where we have
13 got the only ferry that is operated by a bus operator
14 operates in Newcastle, so Newcastle's ferry figures are
15 included in the State Transit figures for Newcastle. So
16 that is the starting point.
17
18 The second thing I wanted to comment on is that in the
19 terms of reference there were no terms of reference
20 published on IPART's website except for one of the
21 proposals, that effectively we are looking at
22 affordability, quality, social aspects, environmental
23 safety and public funding. The emphasis seems to be on how
24 we make passengers pay more rather than how do we get the
25 costs down and how do we tailor the bus services to match
26 the needs of people.
27
28 The presentation from last year from myself and from
29 Throsby Forum concentrated on some suggestions, some
30 alternate arrangements and ways of doing things. We were
31 also promised, and it is reported in the transcript, that
32 we would have a review of the buses last year. That review
33 still has not occurred. It is still not finalised. The
34 date for the implementation of it has been put back yet
35 again to the end of November. It is quite likely it will
36 go back even further. There is little information around
37 and I suspect there will be a large amount of noise from
38 the community ones it becomes properly public.
39
40 The other changes since last year are that the
41 distance from the routes has increased, there have been
42 changes in the regulations to make it so that the distance
43 from a person's house to the bus route is now basically
44 twice as long as it was when we considered this operation
45 last year. So the service quality has gone back.
46
47 As far as Newcastle is concerned, there has been

.6/11/08 20

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1 virtually no improvement in the standards and facilities
2 around. I provide a new photo of the same view I presented
3 last year, which on that front of that I have handed around
4 is Newcastle's primary bus stop. That is the bus stop at
5 Newcastle station at about 8 o'clock at night, and that is
6 disgusting.
7
8 Looking at State Transit's annual return, I wonder
9 whether it is true, accurate, false or what it is because
10 when they published that annual return, they actually
11 published a different set of figures from what had been
12 published in previous returns. I wrote to various people
13 to get an explanation of it and to date I have not been
14 able to get an explanation of it.
15
16 Last year we were talking about Newcastle Buses
17 running at a loss and therefore they needed a fare
18 increase. The reality is, according to State Transit's
19 figures, that Newcastle Buses last year made quite a hefty
20 profit, so I don't think that is very satisfactory.
21
22 I would like to refer to some tables and charts that I
23 have given you. Looking at passengers carried, we have
24 about 8 million kilometres carried, about 12 million
25 passengers, and that is our basis. About 50 per cent of
26 the passengers are school kids, so about 4 million are on
27 school passes, and that is our group.
28
29 That has a major implication with the most recent
30 government announcement on rearranging the free school
31 travel arrangements. I ask: what will be the impact if
32 these patrons have to pay fares, because that would have a
33 major impact on the whole scenario, and is IPART going to
34 determine the school travel fare?
35
36 The second compound thing we have in Newcastle's case
37 is what we call a fare-free zone. It carries about
38 1.4 million passengers, although they don't count them
39 properly. There are no true and accurate published figures
40 for them, but the best guesstimate is around 1.4. That
41 fare-free zone operates basically within the CBD of
42 Newcastle. That means you can jump on a bus and travel
43 around Newcastle without paying a fare at all. If the
44 fare-free zone gets the chop in some of the current
45 government chops, what impact will that have? If there is
46 going to be a fare charged within the fare-free zone, will
47 IPART determine that fare?

.6/11/08 21

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1
2 The way we see it, Newcastle operates with a great
3 waste of services. I will give you an example, and this is
4 just a random example. At 5.20 on Tuesday night of this
5 week, Hunter Street, the main street of Newcastle, had
6 17 buses travelling west in a space of three minutes, and
7 all the passengers would have fitted on one bus. Why is
8 the Ministry of Transport paying for 17 buses when one
9 would have been sufficient? I think that is a fairly
10 serious issue. That issue can be solved in two ways.
11 First of all, if you cut out the buses, you will reduce the
12 frequency, and that is not what we want. The alternative
13 is to start thinking about using different size buses.
14
15 Newcastle could operate on a fleet of minibuses. If
16 you look at the fuel consumption, the minibuses would use
17 about a quarter of the fuel that the big buses use. You
18 would save about \$5 million on the cost of fuel out of
19 Newcastle's \$45 million budget simply by operating little
20 buses.
21
22 Then there is the environment. A typical Newcastle
23 bus uses about 45 litres of fuel for every 100 kilometres
24 travelled. A typical minibus will use about 10 litres.
25 A modern car, like the typical small town car, uses about
26 6 litres. Clearly the big buses that we are driving around
27 in are not environmentally friendly at all.
28
29 If we look at the emission levels that come from the
30 new Volvo buses that have "environmentally friendly"
31 written on top of each bus, they are just not
32 environmentally friendly when they have only 1.5 people in
33 the bus for every kilometre they travel.
34
35 In capital cost terms, the new Volvo buses are costing
36 about \$500,000 each and new minibuses are costing about
37 \$50,000 or \$60,000. There is a huge saving to be made
38 there. If you consider that in the capital cost over a
39 10-year period, you can see it makes a very significant
40 difference. I would suggest to you that if you go back to
41 the cost of a fleet of 170 small buses instead of the big
42 stretch limos that we have, you would end up saving about
43 \$750,000 a year in fleet replacement costs.
44
45 Some people say that you can't operate the buses like
46 that and that we need the big buses. That is what we are
47 constantly being told; yet if you walked out in the street

.6/11/08 22

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1 and look at any bus you like, you would be flat out finding
2 a significant number of people in any one of them. At one
3 stage of the game, when they had trouble operating the
4 buses, they used a ute as a bus service to travel around
5 Newcastle and pick up people.
6
7 The second conclusion I make is that fleet operating
8 costs are grossly excessive. The buses and services are
9 grossly oversized. The environment is being harmed. The
10 government is wasting huge dollars and the people of
11 Newcastle are not being served. Noelle Egeressy might make
12 a comment relating to the outer area and the quality of
13 service from the people's point of view.
14
15 I would like to make nine recommendations and I have
16 put them on the sheet here; namely, that 100 of the
17 existing buses be returned to Sydney on 1 January 2009 and
18 150 standard minibuses be purchased and placed into
19 operation by 1 January 2009; that a further 150 minibuses
20 be delivered to Newcastle by 30 June 2009 and that all the
21 rest of the large buses be returned, other than the ones
22 that have been demonstrated to be absolutely essentially
23 needed.
24
25 The frequency of all services scheduled for the
26 30 November introduction should be doubled. They have cut
27 most of our services down. In the service review, they
28 seem to have been cut down to hourly services. With these
29 extra buses, you could double the services to half-hour
30 services.
31
32 We need to do something to satisfactorily meet the
33 needs of disabled people in Newcastle. It is well and good
34 to have buses driving around the streets for the disabled,
35 and we are getting more of them than we had in the past,
36 but we don't have any bus stops for the disabled. They
37 can't get on the bus. If they manage to get on the bus,
38 they can't get back off it. That's not good enough. The
39 way to handle that is to make a special provision for
40 disabled people.
41
42 The seventh recommendation is that there definitely be
43 no fare increase, and the eighth recommendation or comment
44 here is that the fare increases last year be refunded to
45 passengers by deducting the additional revenue collected
46 from this year's determination given that the basis of last
47 year's calculation was unsound. The ninth point is that

.6/11/08 23

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1 the safety and infrastructure be greatly improved.
2
3 I would put forward that all of these measures can be
4 easily funded from the savings that are achieved. The
5 bottom reason is that last one on your sheet. We simply
6 cannot afford to have the buses driving around empty like
7 they are all the time. You have only 1.5 passengers per
8 kilometre travelled. That is the state of Newcastle Buses.
9 If you had a minibus, you would have 14 seats in the bus
10 and would only be using 1.5 of the seats, but in the case
11 of the bigger buses we are using 1.5 of the seat and we
12 have a 55 people capacity - 42, 43 seated plus the
13 remaining standing.
14
15 Why should Newcastle Buses pay fares to operate a
16 stretch limo fleet that does not operate user friendly
17 services? Why should the Ministry of Transport get a fare
18 rise and government funds to promote a service that
19 promotes inefficiency, waste and environmental harm? Thank
20 you.
21
22 THE CHAIRMAN: Thank you. Perhaps I should just correct
23 one thing. When you say there are no terms of reference,
24 this determination is being conducted under an act of
25 parliament.
26
27 MR BANYARD: I am aware of that, but on the IPART website
28 where you give us the information to help equip us to be
29 here, there were terms of reference in that material for
30 only one of the sections, not all three. I did draw that
31 to Ineke's attention a few weeks ago. I just think it
32 should be recorded. That's why I raised it.
33
34 THE CHAIRMAN: I understand. You have made some
35 interesting suggestions about minibuses against stretch
36 limousines, to use your terminology. I would be interested
37 if the Ministry of Transport was able to comment.
38
39 MS QUILTY: I want to clarify that our proposed fare
40 increase applies to metro and outer metro bus services
41 which include Newcastle. I don't know whether you were
42 thinking that some of the private operators in the Hunter
43 area weren't included in our proposal.
44
45 MR BANYARD: That's why I raised the point. You made
46 that comment, but that needs to be made absolutely clear. Are
47 you including Newcastle State Transit operation and Hunter

.6/11/08 24

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1 Valley buses and Toronto bus services and Port Stephens bus
2 services and Blue Ribbon bus services and Sugar Valley
3 because that is the total unit?
4

5 MS QUILTY: That's right. Our proposal is intended to
6 apply to all operators under metropolitan and outer
7 metropolitan contracts. I think all of those operators are
8 in the area --
9

10 MR BANYARD: So, in Newcastle's case, all of those
11 operators will be operating under exactly the same fees,
12 charges and terms and conditions?
13

14 MS QUILTY: No. We are suggesting that the 5.45 per cent
15 increase apply, but we recognise that Newcastle has a
16 different fare structure and the proposal doesn't suggest
17 that that should be changed.
18

19 MR BANYARD: That's an issue that is a real deterrent to a
20 number of passengers. If you hop on a blue bus, you pay
21 one fare, but if you hop on a yellow bus, you pay another
22 fare, and you could be travelling across the same section.
23 That is just not on.
24

25 MS QUILTY: As far as I know, and I have been advised, the
26 revised network will be implemented on 30 November. It was
27 delayed for good reason. It was ready to go, but because
28 people were starting the HSC the day it was going to be
29 rolled out and it was after a long weekend, it was felt
30 that there would be too much confusion and added stress for
31 those students. So the next available opportunity was at
32 the end of November.
33

34 MR BANYARD: Noelle might remember exactly, but I believe
35 when we had the original meeting with the buses after the
36 review last year, we were told that the new routes and
37 whatever would be in operation in March.
38

39 MS QUILTY: Sure, and I think there have been delays, not
40 just with that network review but with others. I have it
41 on good advice that 30 November is --
42

43 MR BANYARD: We have more paperwork than we have ever
44 had.
45

46 MS QUILTY: Exactly. That is a sign of progress.
47

48 MR BANYARD: At least something is happening, but it

.6/11/08 25

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1 didn't happen in the year in which you got the fare
2 increase paid for, and that was my last point.
3
4 MS QUILTY: I think I have already indicated that this
5 network review is a revised network review, so it is not
6 the major network review that is planned to get underway
7 next year. I am hoping that you had an opportunity to make
8 your views known for this smaller review. I also hope that
9 there will be further opportunity, once you have seen the
10 new network and how it's going, to then have input to the
11 next round of consultation which will be focusing not just
12 on Newcastle Buses but also on the private operators up
13 there as well, and that is scheduled for next year.

14
15 The only other comment I would make in terms of
16 smaller buses is that while I know you would think that
17 there would be cost savings from using smaller buses, in
18 fact it tends to be the case that that is not so. There is
19 still a need for buses in the peak period to carry a larger
20 capacity, particularly if they are getting schoolchildren
21 to and from school, so you would need an additional fleet
22 of smaller buses, which would then have additional costs
23 associated with them.

24
25 One of the biggest components of the costs associated
26 with bus services is labour and driver wages. They would
27 remain the same whether you had a big bus or a smaller bus.
28 The savings that you would think might come from using
29 smaller buses in fact don't prove to be there.

30
31 MR BANYARD: May I comment on that?

32
33 THE CHAIRMAN: Yes.

34
35 MR BANYARD: Number one is the wages; the wages will
36 change, and they will change significantly because you
37 don't need a person licensed to drive a 17-tonne bus to
38 drive a small bus. It is a lower licence grade and
39 therefore those people are more available in the community.
40 Also it will be a different level of staffing and therefore
41 the different level of staffing will allow for adjustments.
42 There will be a huge change in the capital costs and the
43 costs of actually providing the service. In Newcastle's
44 case, the wages are about 50 per cent of the total
45 operating cost of Newcastle Buses, but there certainly can
46 be some significant changes.
47

.6/11/08 26

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1 The sheer waste of resources seems to be the real
2 bottom line of this thing. You have asked for basically
3 11 per cent. You said that the fuel costs have risen by
4 11 per cent and that is one of the justifications for
5 increasing the fare structure. However, they have only
6 risen 11 per cent because of the vehicles that we are using
7 and they are continuing to be grossly oversized. I don't
8 think you would notice any B-Doubles pulling up the front
9 here to deliver a parcel to this office. It would be
10 brought by a guy on a bike, a guy on a pushbike or a guy in
11 a small van. A B-Double semitrailer does not turn up to
12 deliver one small parcel, but that's the scenario we have
13 up there.

14
15 You also made reference to peak times. Tell me when
16 the peak times in Newcastle are because nobody else can.

17
18 MS QUILTY: I was talking about the schoolchildren --

19
20 MR BANYARD: Even the minister can't even tell us when the
21 peak times are.

22
23 THE CHAIRMAN: Can I just say that, from the tribunal's
24 point of view, obviously a critical issue is is the service
25 constrained at peak time by capacity or not. If it is
26 constrained, then the point that you need a big bus because
27 it is full at peak times obviously carries weight. On the
28 other hand, Mr Banyard says there is not any peak loading
29 factor.

30
31 From our point of view, and we're not going to settle
32 that question in this review, the way we are looking at
33 buses really means that we don't have much of a fix on the
34 efficiency of the system. We are getting some data, and we
35 discussed earlier how we would like to get more data on the
36 service quality, but we don't have much of a fix on the
37 efficiency of the system.

38
39 That was, of course, the situation with rail until
40 this year. We have done a lot of work in terms of trying
41 to get a better handle on the efficiency of the rail
42 system. Our draft examination suggested considerable
43 savings could be possible and we reduced fares consistent
44 with those potential savings.

45
46 We don't do that in the case of buses, but that is an
47 issue that we have in mind without necessarily saying we

.6/11/08 27

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1 want to adopt something like we did with rail. There are
2 difficulties in doing that, but we are interested in
3 pursuing the issue of what extra information we could get
4 on efficiency of the system. However, we won't be able to
5 do it in this review.

6
7 MR BANYARD: Service quality and costs are related. I
8 could give you an example which relates to, some would say,
9 the sizeable loads of schoolchildren, as you suggested. If
10 you have, say, 30 students to be transported home from the
11 school, you can send one big bus and that bus can start
12 dropping people off after kilometre number 2 and so on. By
13 the time it gets to the end of the route, it is totally
14 empty and it drives back empty.

15
16 Quality of service in that case can be improved by, in
17 fact, not letting that bus drive back empty to wherever
18 it's going. It could be put on a timetable and on a route
19 as part of that route. Presumably there are people who
20 want to get home, there are parents, shift workers, or
21 other members of the family going to visit friends, so
22 there are people who want to go back the other way. Why
23 are you driving the bus back empty?

24
25 The second thing you can do to improve the quality of
26 service in the school scenario is to have two minibuses
27 turning up to the school. The 15 students who would
28 normally be the first to get off the bus will get on the
29 first bus. That minibus then only travels half the length
30 of the route or a shorter length and goes about its
31 business to do other route services, or whatever. The
32 second minibus with the remaining students drives directly
33 to the halfway point and then drops off from the halfway
34 point to the end of the route.

35
36 That would significantly improve to the quality of
37 service to the school students who are travelling on that
38 bus route. It would significantly improve the potential
39 quality of service to the commuters of Newcastle because
40 they have additional bus services, additional routes, and
41 it would also free up another bus to allow it to be
42 programmed and scheduled to operate in an area where other
43 people will be wanting to get from one place to the other.
44 I think some significant improvements can be made in the
45 quality of service at the same time with costs.

46
47 THE CHAIRMAN: Thank you. If the tribunal don't have any

.6/11/08 28

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1 questions, I will ask if members in the audience would like
2 to make a comment.

3
4 MS EGERESSY: My name is Noelle Egeressy. I am a member
5 of the Throsby Community Forum. There was to be a Throsby
6 Community Forum submission, but frankly we just ran out of
7 time, so I'm just representing them in a less formal way.

8
9 Six years ago I moved to the Throsby area, which
10 comprises the suburbs of Carrington, Islington, Maryville
11 and Tighes Hill, because there was a good bus service - as
12 the locals said, every half hour, and it stopped round the
13 corner. I thought, "Good position." By the time I moved
14 in, that bus service had been decimated to an hourly
15 service, not really at weekends, thank you, not at night,
16 not in the mornings and not on public holidays. That has
17 still continued under the review except the route has been
18 extended. I don't know how it ever can run on time.

19
20 The show pony of this route review - not the promised
21 bus review; it is only a route review - is the bus service
22 from Newcastle station to the university, various shopping
23 centres and John Hunter Hospital. People from outside
24 can't get to John Hunter without catching two or three
25 buses. This is a show pony, but it is also a wheelchair
26 service. That is all very great if you can get to it, but
27 nothing connects. I have an hourly bus service to connect
28 with a half hourly bus service. To make any connection, I
29 would have to walk to it. I have had to walk to the
30 station because nothing would connect with the train.

31
32 To me, this is just insane. What we need is twice as
33 many small buses running at half hourly intervals and a
34 couple of big buses for state occasions, football matches,
35 and for Merewether High. They should be run efficiently
36 and they should run at the weekend.

37
38 Suburban runs have been absolutely truncated. The
39 buses are not really coming through the suburbs properly.
40 They are running around the edge. Buses going to our local
41 shopping centre now park in King Street away from the
42 actual shopping centre. We have a lot of very elderly
43 people who cannot cross wide intersections. They are a lot
44 older than me, and I am half blind. I don't know how they
45 will cope. What will they do? They cannot go by taxi;
46 they can't afford it.

.6/11/08 29

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1 Nobody has really considered the social deprivation
2 which results from what has happened. We have had great
3 trouble getting any meaningful communication with our local
4 state members and Newcastle Buses. They did come to our
5 forum and they were really savage. They couldn't give us
6 any sensible answers.

7
8 The review, as was completed much, much earlier on, is
9 really still the same review. They have tinkered around
10 the edge till they are blue in the face and they really
11 cannot do any more. There are no extra dollars to make the
12 review work. We have all these whopping great buses that
13 run when you need don't them and go to places that you
14 don't need to go to.

15
16 I will give you an example. I go to John Hunter
17 Hospital twice a week for an activity that I have to do.
18 If I drive, it takes me 20 minutes, plus the activity is an
19 hour. So it is 1 hour and 40 minutes by car. If I go by
20 my local bus and go to the main drag and wait for the show
21 pony bus, it will take me 4 hours and 40 minutes to get to
22 John Hunter to do my activity and come home. I would
23 really like to use public transport more, but I'd have to
24 have rocks in my head, wouldn't I?

25
26 I will not go into a lot of other issues, but in
27 conclusion, I will say that the Ministry of Transport
28 cannot be serious about imposing an increase in fares in
29 Newcastle. This will reduce patronage further and ensure
30 that the public transport system is less viable. There
31 should be a reduction of 20 per cent at least to reflect
32 the reduction in the service and amenities in the transport
33 system in the past six years.

34
35 I am not being funny. I come from a place where I
36 have experienced transport and it was expected that it
37 should be decent, like the Unsworth report said somewhere,
38 before it got shredded. Thank you.

39
40 THE CHAIRMAN: Are there any other comments?

41
42 MR TREVASKIS: Paul Trevaskis, Blue Mountains Commuters.
43 The local bus community, through the Blue Mountains
44 Transport Forum, introduced extra services on the Mountains
45 just prior to this new contract system. I have been asked
46 to ask the Ministry of Transport if these discount fares
47 can be extended to the Blue Mountains, as I understand this

.6/11/08 30

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1 20 per cent discount doesn't apply.

2
3 The other issue is that TravelTens and TravelPasses
4 all stop at Emu Plains. When I asked RailCorp about
5 it, they said that the ferries get a higher share of that
6 ticket and then they weren't too enthusiastic about
7 extending it to the Blue Mountains LGA. I thought that was
8 strange that there would be a state government body getting
9 a bit more of the share.

10
11 I do feel that the Ministry of Transport should,
12 through you, sir, the chairperson of IPART, look at the
13 issue of ticketing systems that stop at Emu Plains now
14 being applied to the Blue Mountains LGA.

15
16 The pensioner excursion ticket, which we had to
17 pressure the local member for Penrith to get in her area,
18 finishes up at Blaxland. Then we had to pressure the local
19 member for the Blue Mountains to extend it to the Blue
20 Mountains. It makes you start to think, "Gosh, we are in a
21 different country." That is one of the tasks we have.

22
23 We are looking at providing extra services from the
24 Blue Mountains to the Penrith LGA. Certainly there are
25 services to Penrith CBD and the Emu Plains area is serviced
26 by the Blue Mountains bus company, but we want services to
27 be extended to provide service to the university, TAFE, two
28 hospitals, and this we have found is a very hard struggle.
29 We have been trying to get this change for 10 years.

30
31 I would like to have it recorded in the IPART
32 submission that one way of increasing patronage to get
33 people out of their cars is to provide a service to that
34 area. That is our concern for the moment. At the moment
35 we are struggling to get people on to the buses. Most of
36 them are senior citizens. I have been asked this
37 question, "Paul, why aren't they using minibuses?" I said,
38 "Hang on, we do have a semi-peak period" - that's the
39 school times, virtually - "and to ask the bus company to
40 have a separate bus fleet for the other times, I think
41 would be uneconomical."

42
43 I'll leave it at that, but I would like to talk to the
44 Ministry after this meeting to find out how do we get
45 around this system. If a bus company sees the opportunity
46 to provide the service, can't we just do it?

.6/11/08 31

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1 MR BANYARD: Exactly
2
3 MR TREVASKIS: Thank you.
4
5 THE CHAIRMAN: Other comments from the floor?
6
7 MR SCOTT: Robert Scott, I have lived in Sydney all my
8 life. I travel by public transport most days, and for the
9 last 15 years until April when I semi-retired I was getting
10 two buses to work and a 20-minute to walk, or three buses
11 and a five minute walk, and a train and a bus home, so I
12 think I know a little bit about buses. I live in the
13 Eastern suburbs. I have a question and a comment: the
14 question is, the quarterly adult TravelPasses and the
15 annual TravelPasses have not been mentioned. Are they
16 being reviewed at this stage, please?
17
18 MS OGILVY: Yes, they are.
19
20 MR SCOTT: What is the proposed increase?
21
22 MS OGILVY: The quarterly and annual are based on a
23 multiple of the weekly TravelPasses, so they will have the
24 same percentage increase as the weekly TravelPass.
25
26 MR SCOTT: When Neville Wran was standing for parliament
27 the first time he proposed that bus fares and transport
28 fares be decreased by 10 per cent. He got elected. The
29 fares went down. The patronage went up. What I am
30 proposing from an individual point of view, and as I say I
31 travel on buses a lot, a lot of time is wasted where
32 drivers have to give change, the fare is \$1.80, someone
33 gives \$2, so that is 20 cents, and they might miss a set of
34 traffic lights and so therefore there is diesel into the
35 air, more pollution, and that is an extra cost because the
36 buses are wasting so much time sitting at stops.
37
38 Now I know you have got the pre-pays, and that is
39 great, it is a great move. But I think all bus fares
40 should be rounded up to the nearest \$1. That would make a
41 sizeable increase on some fares, and I have suggested 2, 3,
42 5, 5 and 6 going from the one section to the 20 sections,
43 but in return for that, to encourage people to buy tickets
44 off buses, where they don't use buses for a week at a time,
45 just the casual user, a pre-paid ticket bought at
46 newsagents for one day, two trips, you are going somewhere,
47 you come back the same day, and that would make a

.6/11/08 32

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1 concession.
2
3 So instead of being, for example, at the moment it is
4 \$4 for 6 to 9 sessions. Put that up to \$5, but make the
5 concession \$7, which you buy off the bus. So it is like a
6 mini pre-paid. That way you put the ticket in the machine
7 - it must be able to be done because you do it for
8 pensioners now, you have a day ticket for \$2.50, it goes in
9 and out of the machine any number of times - so why not
10 have a similar occasion for people who want to go
11 occasionally from point A to B on the same day, they buy
12 the ticket at the newsagency and they get a concession,
13 quicker travel, less pollution. Thank you.
14
15 RURAL AND REGIONAL BUSES
16
17 THE CHAIRMAN: I am going to move to the next session as
18 we are now well behind schedule.
19
20 The next session is on a proposed fare increase for
21 rural and regional bus services, which as I indicated
22 earlier, are the bus services operating outside the
23 metropolitan areas which we have just finished discussing.
24
25 The tribunal will make recommendations on increases to
26 the maximum fares that can be charged for these bus
27 services and the tribunal intends to do this using in
28 particular the bus industry cost index.
29
30 There have been recent changes to the contractual
31 arrangements for these services. Unlike the metropolitan
32 services, bus operators in rural and regional areas are
33 entitled to keep the fares they collect. So a fare
34 increase in this case is being sought by the Bus & Coach
35 Association on behalf of rural and regional bus operators.
36
37 The first presenter of this session will be Mr Daryl
38 Mellish of the Bus & Coach Association, who will be
39 followed by Joanna Quilty from the ministry, who will
40 present I understand some background information on the
41 contractual arrangements.
42
43 MR MELLISH: Thank you. IPART has asked Bus New South
44 Wales, as we are now called, for a submission for adjusting
45 the fare tables that apply outside of metropolitan and the
46 outer metropolitan contracted areas.
47

.6/11/08 33

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1 I would like to put on the record that we are service
2 providers, so we are indicating what our costs are. We are
3 relying on ministry and IPART regarding fares. We are not
4 the regulator. We are a service provider and we have been
5 through a two and a half year review of these services that
6 are covered by regional and rural areas. What we have come
7 up with is a review involving Ernst & Young and the
8 Ministry of Transport for the year ending 30 June, so this
9 is the year in retard, not in advance, and the cost
10 increases that have resulted from that review are 18.52 per
11 cent, which are identified in your document today.
12
13 The largest impact of these has been fuel and wages
14 and the other costs that have arisen as a result of the
15 reforms. The compliance arrangements, the air conditioning
16 arrangements, the need to pay drivers enough salary to be
17 able to get them to drive a bus is another feature. We
18 understand that IPART has been briefed by the ministry and
19 Ernst & Young in this regard and the main impact of IPART's
20 determination will be the maximum fare scales that an
21 operator can use to charge fares to the fare paying public
22 and probably the biggest impact on the operators in the
23 area of concern relates to the payments for pensioner
24 excursion tickets and half-fare reimbursements.
25
26 The contracts that we have now entered require an
27 indexation of the benchmark for these concessions to be
28 based on IPART's determination. As you probably know,
29 most of the passengers in regional and rural areas other than
30 school students are pensioners and concession holders and
31 the introduction of the \$2.50 pensioner excursion tickets
32 in regional and rural areas from January will have I think
33 a major reduction in benefit to those operators.
34
35 The proposal is for a \$2.50 unlimited travel on what
36 we call type B contracts within a 24-hour period and the
37 way that that benchmark funding for providing that fare is
38 calculated does relate to IPART's decision on the fare
39 increase.
40
41 The calculation of the 18.52 per cent was done by the
42 Ministry and Ernst & Young. A lot of the documentation
43 refers to it as being the industry's calculation, the
44 industry's submission. It is not, it is the result of the
45 reform process and it is the costs that have resulted out
46 of the significant reforms to bus services in these
47 regional and rural areas.

.6/11/08 34

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1
2 The new contracts have increased various reporting
3 requirements and there is quite a change in a number of the
4 operating factors in the contracts which I know that the
5 tribunal has received, so we are putting to the tribunal
6 that the 18.52 per cent is a proper and fair calculation of
7 the costs that we have incurred as a result of the
8 government contracts that we are bound to operate under,
9 which also relates to our formal accreditation standards
10 and our agreement with the Government that we comply with
11 the relevant award for bus drivers.
12
13 So the fuel increase and wages represents the biggest
14 component of the increase and we feel that we had no
15 option, seeing that the contract negotiations and
16 calculations by our regulator was done to arrive at our
17 cost increases for the bulk of our revenue, we felt we had
18 no option but to submit to you the same cost increases when
19 you have asked us what our cost increases are. And that is
20 the basis of our submission.
21
22 THE CHAIRMAN: Thank you.
23
24 MR COX: First of all, you said something which I hadn't
25 heard before and seems to be quite important, and you might
26 perhaps want to explain it further, and that is the
27 extension of the passenger concession fares for these rural
28 and regional areas. As I understand it, that will come
29 into effect from 1 January, is that right, for the whole of
30 non-metropolitan New South Wales?
31
32 MR MELLISH: The Minister's announcement, which was a
33 press release I think a few months ago, indicates that all
34 type B contract services, which we used to call the
35 commercial contract regions, so it is not the dedicated
36 school bus services but it is the town services operated by
37 what used to be called commercial operators, and any
38 pensioner on a B service that links with another B service
39 will be able to transfer on those services without paying
40 another \$2.50.
41
42 MR COX: Thank you for that. Secondly, I think we do have
43 to ask you about the 18.52 per cent increase. It does seem
44 a very large increase, and some people will pay it, but as
45 I understand it there is a general cost of inflation
46 contribution of about 11 per cent and then a specific
47 contribution because of the contract arrangements, yet 11

.6/11/08 35

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1 per cent does seem a very high measure of general cost
2 increase for the bus industry, for reasons we heard
3 earlier.
4
5 Would you like to comment further on why that is, if
6 you like, a reasonable estimate of the cost increase of the
7 industry aside from any special arrangements made for the
8 introduction of the new contracts?
9
10 MR MELLISH: The capital component is 1.82 per cent of the
11 18.52 per cent. The people costs are 8 per cent. The bus
12 insurance and registration is 0.19 per cent. The fuel is
13 6.93 per cent. The bus repairs and maintenance is 0.97 per
14 cent, which totals 18.52.
15
16 You know that the main contributors to that level have
17 been the 11 per cent wage increase, and that was a 7 plus 4
18 to ensure that we were able to get drivers in country areas
19 and to create parity with the rest of the metropolitan
20 area. The fuel adjustment was the fuel in that period
21 using the FuelTrac data agreed between the ministry and the
22 industry. I am not sure if I have given you the detail you
23 want, but we think the costs are reasonably explained in
24 the ministry's calculations and they are reasonably
25 comprehensively reported.
26
27 MR COX: Perhaps it is something we should follow up with
28 the ministry and yourselves just to give ourselves some
29 comfort.
30
31 MR MELLISH: Okay, I appreciate that.
32
33 MS KRIEGER: Can I just ask a question of clarification.
34 You talk about a wage increase of 11 per cent, 7 plus 4,
35 and that this is driven in large part by the need to be
36 able to find drivers in the country. Has there actually
37 ever been a shortage of drivers in the country?
38
39 MR MELLISH: Yes, when we have our regular meetings with
40 our branches the ability to get a driver to take a vehicle
41 out is the biggest concern to service continuity that we
42 have in the industry. Higher than fuel costs and higher
43 than capital has been the ability to get drivers.
44
45 MS KRIEGER: And you also referred to questions of parity
46 and all drivers being on the equivalent of the award
47 applicable to I assume metropolitan drivers; is that right?

.6/11/08 36

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1
2 MR MELLISH: Yes, that is right.
3
4 MS KRIEGER: Where did that come from?
5
6 MR MELLISH: The wage increase was negotiated between the
7 Transport Workers Union and the industry and supported by
8 the government in the funding model, so it is an award that
9 has been registered in the Industrial Relations Commission
10 and those that are non-constitutional corporations are
11 based on the state award, those that are constitutional
12 corporations are covered by collective agreements
13 underpinned by the state award.
14
15 MS QUILTY: Firstly, to give some background to the new
16 contracts and arrangements that are being rolled out in
17 rural and regional areas as part of our rural and regional
18 bus reform program, as Daryl has indicated what were
19 previously called commercial contracts have been replaced by
20 what we are calling type B contracts.
21
22 The funding arrangements that underpin these haven't so much
23 been completely overhauled but more updated. These
24 types of contracts remain net cost contracts where the
25 operator takes the risk on patronage, which is different
26 obviously to how the arrangements work in metropolitan and
27 outer metropolitan areas.
28
29 Having said that, a large part of the transport task
30 in rural and regional areas for these operators is
31 transporting school students under the school students
32 transport scheme and on average 85 per cent of operator
33 costs are covered by payments from the ministry under the
34 school student transport scheme.
35
36 As part of the updated funding arrangements, we have
37 updated the cost index that is used to determine the
38 payments that we make to operators under that scheme. It
39 has been updated to include the additional requirements on
40 operators that are now in place, some because of the new
41 contracting arrangements and others because of the new
42 requirements to do with safety and accreditation.
43
44 As Daryl has indicated, we engaged Ernst & Young to
45 assist us in developing those new funding arrangements and
46 it was the detailed work and analysis that they did, in
47 conjunction with the bus industry, that identified that

.6/11/08 37

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1 cost increases of about 18.52 per cent needed to be
2 applied.
3
4 That is by way of background in terms of how our new
5 contracting arrangements work.
6
7 I should also say that we have actually decoupled the
8 SSTS payments that the Ministry makes to operators under
9 contract B from the IPART fare determination process.
10 Those payments will be reviewed annually and industry
11 specific indices applied to determine how much they should
12 increase by each year.
13
14 Having said that, the Ministry's submission does not
15 actually recommend to IPART what fares passengers should
16 be paying. We just note that the Bus and Coach Association
17 will be bringing forward its proposals and we suggest that,
18 in determining the changes to fares, there are obviously a
19 range of issues that have to be considered, the fact that
20 they are net cost contracts, that fare increases need to be
21 fair and reasonable and social impacts need to be
22 considered as well as the actual cost increases that
23 operators are facing and also there will be additional
24 costs to government from fare increases because our
25 payments for half fare concessions and pensioner travel
26 will be based on what the fare that applies is.
27
28 THE CHAIRMAN: I might just try to clarify a couple of
29 things. You said that the school students SST --
30
31 MS QUILTY: SSTS.
32
33 THE CHAIRMAN: That you envisage that the system will
34 involve the ministry making a separate payment to the bus
35 operators to cover those students and in the future that
36 would be indexed by the same index as Ernst & Young has
37 just developed or will there be another index again?
38
39 MS QUILTY: They took the existing BICI and updated it to
40 reflect that there are now some additional requirements on
41 bus operators and they also identified industry-specific
42 indices that would now be applied on an annual basis, so it
43 was a tinkering with the BICI.
44
45 THE CHAIRMAN: Basically we have a BICI that has been
46 updated by Ernst & Young. I guess the question for the
47 tribunal is how far it should be bound by an index which

.6/11/08 38

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1 was developed by a group of people which the tribunal had
2 nothing to do with. If you took that to its logical
3 conclusion it could dispense with the tribunal, we could
4 hand it over to this group of people who to the best of my
5 knowledge don't go through a public process in doing their
6 work. Whereas in the past the tribunal has seen reason to
7 diverge from indexes developed by other people, both
8 because of concerns around about whether the weights are
9 right in the components of the index or for that matter
10 whether the source of the information is sufficiently
11 independent regarding the component costs.
12
13 I don't want any of this to sound like we have already
14 made up our mind, we have not, but it is an issue as to how
15 helpful it is on the one hand if we have uniformity of
16 indexes for IPART to be bound by an index that is developed
17 elsewhere or if we have uniformity, everybody else should
18 be bound by the index that IPART develops, or we just go
19 our separate ways. So we have one index for one type of
20 passenger and another index for other types of passengers.
21
22 I can see a certain principle value in terms of
23 uniformity, probably uniformity around the best possible
24 price index, and we will certainly reflect on that and we
25 will probably inform you as to our thinking when we make
26 our recommendations in due course.
27
28 MR MELLISH: Can I just emphasise again that with this
29 pensioner excursion ticket, there will be a lot of travel
30 undertaken where we won't collect a fare, and that is a
31 benefit to the community and that is why the decision that
32 you make here will have a very big impact on the viability
33 of the operators because of the commitment to that ticket.
34 That is a very important point to make.
35
36 MR MILES: I wasn't going to speak on that, but can I ask
37 a question, though, Mr Chairman: you said that you were
38 disappointed that the Ministry --
39
40 THE CHAIRMAN: I didn't say disappointed.
41
42 MR MILES: You were concerned that the Ministry was
43 involved in making an index that you were not involved in.
44
45 THE CHAIRMAN: No, I just noted that.
46
47 MR MILES: But the ministry has its own for State Transit

.6/11/08 39

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1 buses and you weren't involved in that either.
2
3 THE CHAIRMAN: No, what I am getting at, just for
4 clarification, is we are being asked to endorse in our
5 recommendation, in our determination, work that we were not
6 involved in. The ministry obviously has developed its own
7 index for this purpose, I am not questioning that for a
8 minute, but I think it is a different thing when we are
9 asked to endorse that and people have to pay higher prices
10 where IPART was not involved.
11
12 The point of having IPART involved is that it is an
13 independent price regulator and my question is how
14 independent are we if we were not involved in developing
15 something that we are being asked to endorse. It may be
16 that we can satisfy ourselves that we agree with it but
17 18.52 per cent is a very big increase.
18
19 MR MILES: The same as the blue TravelPass.
20
21 THE CHAIRMAN: You are asking us to look at that too.
22 And we will.
23
24 MR MILES: These indexes, every year they seem to change,
25 so it does not seem to be much of an index. An index
26 should be constant. Yet every year for that and the
27 ferries the index seems to change. What benefit is it?
28
29 THE CHAIRMAN: I think we will get to ferries shortly but
30 hopefully we are working our way towards something which
31 will stand the test of time.
32
33 MR MILES: I was not going to say anything, but since you
34 asked me.
35
36 MS QUILTY: Can I just add that with the updated BICI that
37 has been applied to determine our SSTS payments, as I said
38 earlier with rural and regional reform we didn't want this
39 complete drastic overhaul of the system, we just wanted to
40 update it, so we did take the BICI as the starting point.
41 But I think it was recognised from the beginning that in
42 relation to student transport really what the government is
43 doing is purchasing capacity. It may do that by this
44 notional per head payment but in fact it is purchasing
45 capacity for the transport of those school children and it
46 is simply the starting point that we took to work out what
47 the payments for that would be.

.6/11/08 40

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1
2 MS EDMONDS: We weren't going to comment either. I was
3 leaving it more to people who have a greater knowledge of
4 rural and regional areas, but one issue I wanted to note
5 was that especially in rural and regional areas for the
6 proposed increase that really there will be a potentially
7 serious impact on low income users and this may justify a
8 fare increase that is actually lower than the demonstrated
9 costs of the industry. We ask IPART to consider that.
10
11 MR BANYARD: I would like to make some quick comments.
12 Regional and rural buses must tie in with the metropolitan
13 services so you look at it in a full regional perspective.
14
15 In the case of the regional perspective that I come
16 from, Newcastle is one of the cities in that location and
17 the whole of the Hunter Valley is the area. That is where
18 the people commute within that area, so I think that when
19 determining the fares and determining the arrangements, we
20 need to look at the big picture preferably like on a
21 regional basis, even if you can't go on a statewide basis.
22
23 Uniformity of fares is therefore important because
24 people, when they are travelling, aren't really interested
25 in what colour the bus is or who owns it or where it came
26 from or where it lives at night, all those sort of things,
27 all they want to do is be able to get on the bus say from
28 Singleton and travel to Newcastle. If they go from
29 Singleton to Newcastle that will be a number of buses of
30 different operators, different contractual arrangements,
31 different behind the scenes set up. The passengers don't
32 care. But they want to be able to go from one place to the
33 other and they expect that if they can get on a bus and go
34 from point A to point B that they can also get on a bus and
35 go from point B to point C under similar terms and
36 conditions, so TravelPasses, daily excursion fares,
37 standards of fares should all have some commonality,
38 otherwise you are just making it very confusing to people.
39
40 The services also need to be integrated and I guess
41 they are probably prepared to pay a bit more money as long
42 as they can get from A to B without massive delays,
43 interruptions, non matching of things.
44
45 The integration of the service and the connectivity
46 are really important. We should not overlook the fact in
47 rural areas that public transport is a necessity and buses

.6/11/08 41

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1 are frequently the only form of public transport there is.
2 You cannot catch a train from Dungog to Singleton. You can
3 do by going to Newcastle and all the way back again, but
4 those sort of combinations are just not on, whereas there
5 are bus services that run in those areas and potential for
6 a lot more bus services to run given the right opportunity.
7
8 So buses are really the only form of transport and the
9 only competitor to buses in most cases is cars. And there
10 is a lot of cost to running a car. I will give you a
11 couple of examples of the mish-mash where it is difficult
12 for people --
13
14 THE CHAIRMAN: Just bring it --
15
16 MR BANYARD: Just two conclusions. If you are catching a
17 bus from a Newcastle suburb and you want to go to Fern Bay,
18 which is up Nelsons Bay way, and you decide to use the
19 ferry, you get the State Transit bus to the ferry terminal,
20 the ferry across to the ferry terminal, then a private bus
21 the other side. You can't buy one ticket that takes you
22 the full journey from say Kotara to Fern Bay or something
23 like that. That is just not right. Not only that, you are
24 lucky if the bus meets the ferry at both ends.
25
26 THE CHAIRMAN: I think that example is relevant to the
27 previous session.
28
29 MR BANYARD: I believe it is important in determining the
30 fares that people --
31
32 THE CHAIRMAN: You are talking about fares for buses that
33 are not relevant to this situation.
34
35 MR BANYARD: No, I am talking about the buses from the
36 Stockton ferry towards Nelsons Bay are not covered under
37 the session that we were talking before, they come under
38 the rural fares, as the Singleton buses I talked about.
39 And I will give you another example before I conclude, the
40 situation where the bus operator wants to run a service
41 between Cessnock and Morisset because Cessnock is the wine
42 country and Morisset is where the train is, people can't
43 get there, the operator has been trying to do it, and it
44 just doesn't happen. I think that is an important point,
45 and the fare structures then need to cater for that growth
46 in allowing operators to actually put in place transport
47 links that are desperately needed in a fully integrated

.6/11/08 42

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1 transport package, thank you.
2
3 THE CHAIRMAN: Any comments from the floor?
4
5 MR TREVASKIS: I would like you, Mr Chairman, to clarify
6 something. IPART sets the bus fares. The payment for the
7 schoolchildren and the \$2.50 ticket is worked out on the
8 indices or a system which is based on the fare structure
9 that you establish for the normal user; is that correct?
10
11 THE CHAIRMAN: I don't know. I say that because, as I
12 understand it, the government works out its own method of
13 determining the schoolchildren's fares. It is nothing to
14 do with IPART.
15
16 MS QUILTY: The purchasing capacity to provide transport
17 facilities has been decoupled
18
19 MR TREVASKIS: What I'm looking at, Mr Chairman, is that
20 the ageing population has this beautiful \$2.50 ticket. I
21 can go from Glenbrook to Stockton on a \$2.50 ticket. As
22 the ageing population increases, will we get to the stage
23 where the ministry, all of a sudden, before an election
24 decides, "This bill is getting too high." They have set
25 \$700 million for the schoolchildren. You begin to wonder
26 whether perhaps we should start thinking a bit more
27 laterally. I have had pensioners saying, "Paul, it's too
28 cheap. It should be five bucks."
29
30 I'll keep quiet now, but I will address it to the
31 Ministry of Transport because it is something we need to
32 look at. Thank you for the time.
33
34 MR MELLISH: Mr Chairman, I probably do need to clarify
35 that the pensioner excursion ticket in the country areas
36 will not be usable in the metro and outer metro area. We
37 are calling it a different thing. It has different
38 criteria. It is not something where you could use a
39 country service and then come into the city and use it in
40 the city. It is a different product.
41
42 MR BANYARD: That's the problem.
43
44 PRIVATE FERRY SERVICES AND NEWCASTLE (STOCKTON)
45 FERRY
46
47 THE CHAIRMAN: I think we might now move to the third
session, which is the private ferries.

.6/11/08 43

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1
2 MS TOWERS: Mr Chairman, David Gotze got stranded in
3 Melbourne so he will be on the speaker phone.
4
5 THE CHAIRMAN: Thank you. So the disembodied voice you
6 can all hear is Mr David Gotze. Mr Gotze has been a
7 consultant to IPART on the question of the weighting of the
8 ferry cost index. I will ask him to speak in due course.
9
10 As you are probably aware, in the past, the tribunal
11 has used the index called the Commercial Vessel Association
12 Cost Index to calculate the changes the fare changes. This
13 year, the ministry also asked the tribunal to use this
14 index to calculate the fare change for the Newcastle
15 ferries.
16
17 In response to concerns from private ferry operators,
18 about the index, the tribunal engaged Indec Consulting -
19 that's Mr Gotze at the other end of the phone line -
20 firstly, to review the costs of operators and to make
21 recommendations on the weighting of the costs index; and,
22 secondly, whether more than one index is needed. I think
23 that was in response to the ferry owners themselves who
24 have taken a view that the fast ferries use considerably
25 more fuel than what I will call the slow ferries. That is
26 not regarded as a put down --
27
28 MR TAYLOR: Less fast ferries.
29
30 THE CHAIRMAN: -- but the underlying cost factors of the
31 two types of ferries is different. So Mr Gotze and Indec
32 Consulting were asked to advise us on that also. Indec's
33 report was released last week. Actually the tribunal is
34 currently seeking submissions on the recommendations it
35 contains. Indeed, while time is short, and we are sorry
36 about that, we are asking for submissions by Wednesday,
37 12 November. That is very soon. It is less than a week
38 away, just under a week away.
39
40 I think it is fair to say that the advice that Indec
41 has sustains the view of the ferry owners that there are
42 two types of ferries and we had better distinguish the two
43 types of ferries.
44
45 I will now ask Mr David Cribb from the Commercial
46 Vessel Association, if he would like to speak to his
47 submission, and I will ask Mr Gotze after that.

.6/11/08 44

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1
2 MR CRIBB: Thank you, Mr Chairman. Good afternoon
3 everyone. We are happy with how the process has gone this
4 year. Whilst we are still unhappy with IPART's use of
5 global inflators for items in the CVA cost index, we
6 acknowledge IPART's willingness to address the issue if the
7 industry inflator is significantly different from the
8 global one.
9
10 We are pleased that IPART will be able to complete its
11 work before the end of November allowing for a price
12 increase this year by December1 rather than January1 of
13 next year.
14
15 THE CHAIRMAN: I am sorry to interrupt you, but that is an
16 aim not a guarantee.
17
18 MR CRIBB: All right. We are pleased with IPART's move to
19 get the index reviewed at short notice this year rather
20 than waiting until next year. We are pleased with the
21 outcome of the review done by Indec and hope that IPART
22 will adopt its recommendations. We are working on what
23 inflators may be appropriate for the additional expense
24 items that have been identified.
25
26 We have received some comments about the size of the
27 increase that we have sought this time, which is 8.5 per
28 cent or so for slow ferries and a bit more than 11 per cent
29 for fast ferries. These two amounts are merely the result
30 of applying last year's cost increases to the items in the
31 index; namely, labour, fuel, insurance, interest and all
32 others. In particular, fuel and interest rose
33 significantly in the last 12 months. At the time that our
34 submission was prepared a couple of months ago, these had
35 risen 39 per cent for fuel and 11 per cent for interest.
36
37 Last year, IPART's recommended rise was only 1.33 per
38 cent because of the fall in fuel prices in the year before
39 the increase. An average of the 8.5 and the 1.33
40 percentage, it is just under 5 per cent or close to the
41 present level of the consumer price index balanced out over
42 those two years.
43
44 In conclusion, we are happy with the way the process
45 has gone this year. We look forward to the final
46 recommendation and we hope it reflects the outcome of the
47 Indec review. We hope too that it does not involve a

.6/11/08 45

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1 discount for labour productivity, which you would not be
2 surprised it hear. We think that is not justified on the
3 evidence we have submitted this time.
4
5 That is all I have to say about our submission,
6 Dr Keating. I do have some comments to make about the
7 Action for Public Transport submission, but maybe I should
8 wait until we have heard from Graeme Taylor.
9
10 THE CHAIRMAN: I think so. I'll ask Mr Gotze now.
11
12 MR GOTZE: May I first I apologies for not being there in
13 person. Unfortunately circumstances beyond my control - a
14 faulty aircraft, I believe - kept me from being here.
15
16 We conducted the survey by issuing a survey form to
17 seven operators. Five of those operators responded to the
18 survey. One of those operators provided separate survey
19 data for both its slow and fast ferry operations. If you
20 like, we had four slow ferry responses and two fast ferry
21 responses, with five responses from operators.
22
23 We established that the most appropriate method of
24 establishing the weight was on the basis of weighted
25 averages rather than the simple average, the weighted
26 average being an average which takes into consideration the
27 size of each operator.
28
29 We also confirmed the concerns by the industry that
30 there were, in fact, quite marked differences between
31 operators of fast ferries and slow ferries and we therefore
32 confirmed and recommended that two separate sets of
33 weights be applied.
34
35 We have also established that slow ferries typically
36 operate at speeds of less than 10 knots and fast ferries
37 typically operate in the range of 18 to 25 knots. With
38 respect to ferries operating between those two speed
39 ranges, we would suggest that maybe allocation of ferries
40 to a weight category would be conducted on a case-by-case
41 basis; that is to say, ferries that operate between 10 and
42 18 knots.
43
44 We have included in our report a table with the
45 outcome of the survey, the weights for slow ferries and
46 fast ferries and compared those with the current weights as
47 they apply today.

.6/11/08 46

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1
2 We were asked and have in fact provided some further
3 details on the other categories. We have really
4 concentrated on the most material items, those being
5 maintenance, depreciation and amortisation, berthing and
6 mooring fees and then the remainder, the balance. That
7 provides everyone with a little bit more definition of what
8 was in the very substantial cost category called "Other
9 Costs".
10
11 With respect to comments on the table that we have
12 appended to our report, it should be noted that the fuel
13 costs are net of fuel excise rebate. As you are probably
14 aware, that federal rebate policy will be in force for some
15 time, but it might be subject to change in the future.
16
17 I would also like to point out on amortisation of
18 goodwill. There were one or two operators who reported it.
19 Amortisation of goodwill has been removed for the purpose
20 of this analysis on the basis and on the assumption that
21 goodwill is generally amortised associated with purchasing
22 a business.
23
24 For the purpose of this analysis, the capital costs of
25 fast ferry operators has been normalised. There was quite
26 a variation between the operators that reported, primarily
27 because one of those operators operated quite an old fleet
28 that had been fully depreciated and the other one operated
29 a relatively more modern fleet. So we have put a capital
30 cost in which we thought was more sustainable in the long
31 run and reflected what we would regard as the typical
32 average depreciation and interest costs associated with the
33 fast ferry operators. With respect to the slow ferry
34 operators, the capital costs are as reported.
35
36 We were asked to have a brief look at suitable
37 inflators for the "Other Costs" category items that have
38 now been separated out, but we have as yet not been able to
39 find a suitable inflator other than the default inflator
40 used by IPART at the moment, and that is the CPI.
41
42 I think that probably summarises our report.
43
44 THE CHAIRMAN: Thank you for that. Are there any
45 questions or comments for Mr Gotze?
46
47 MR BANYARD: I would like to ask a question in relation to

.6/11/08 47

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1 the Stockton ferry. The Stockton ferry has two ferries.
2 It uses only one. In other words, it has a50 per cent
3 utilisation. How did you take that into account?
4

5 MR GOTZE: For the purpose of this report, Stockton ferry
6 was not taken into consideration. So the survey sample
7 includes only the results of private operators. There were
8 some differences between the Stockton ferry services and
9 the other private operators. Unfortunately there was
10 insufficient time to clarify all the issues surrounding
11 those differences.
12

13 MR BANYARD: So, in future, if an operator has more
14 than one ferry or a number of ferries and has a low
15 utilisation level, will the utilisation level be taken
16 into account?
17

18 MR GOTZE: The survey results are based on the number of
19 operators for slow ferries, and the number of ferries
20 operated by those operators varies between them, so I think
21 that what we have here is a relatively representative
22 sample, if I can say that.
23

24 THE CHAIRMAN: I might try and help clarify things for
25 you. In the first instance, we use an index to work out
26 the change in the fare, not the absolute fare. What we are
27 trying to do in building an index is to work out how much
28 fares should be changed.
29

30 In that sense, we are not trying to work out whether
31 Stockton, or indeed any other ferry company, is efficient.
32 We are just working out how much their fare should change
33 given the change in the inputs. I suppose you could start
34 on the premise that if the existing fares are about right,
35 how much should they go up because of increases in costs?
36 We are looking at the change, not the base.
37

38 What we do have to do, however, to look at the change,
39 is to work out what are the appropriate weights in
40 proportional terms for the different components of costs.
41 That is what the Indec consultancy was heavily about -
42 looking at different weights.
43

44 When it came to the case of the Stockton ferry, we
45 were not satisfied with the information we got. That was
46 partly because the shortage of time meant it was going to
47 be difficult to become satisfied. I am not saying we

.6/11/08 48

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1 couldn't become satisfied; I am saying that, in the time
2 available, we were not satisfied. Therefore, we did not
3 include Stockton in developing the average weights and
4 index.
5

6 What I think I can say is that our present thinking is
7 that we would index or, if you like, change the Stockton
8 fares by the average of the appropriate index for the other
9 comparable ferry companies. For what it is worth, I think
10 that will produce a lower or lesser rate of change than if
11 Stockton had been included on the basis of the information
12 we got.
13

14 Just while I am intervening, I think everyone has
15 received this fact sheet. In the fact sheet on the ferry
16 index, you should find table2. That summarises, first of
17 all, the Commercial Vessel Association's proposal, which,
18 as we were reminded, for slow ferries is an8.5 increase
19 and an11.1 per cent increase for fast ferries. We
20 re-weighted the index weights with still the same indexes -
21 is that right?
22

23 MS TOWERS: The same inflators.
24

25 THE CHAIRMAN: We re-weighted the index weights - with
26 the same inflators but with Indec's recommended weightings
27 and we got 7.5 rather than 8.5, David, and10.7 rather than11.
28

29 MR CRIBB: Yes, I saw that.
30

31 THE CHAIRMAN: I thought I'd better clarify that for
32 people as well.
33

34 MR CRIBB: I picked that up.
35

36 THE CHAIRMAN: I thought you would; it is just that it
37 wasn't referred to in your presentation.
38

39 Mr Taylor?
40

41 MR TAYLOR: Thank you. I have several quick points to
42 raise to, hopefully, encourage discussion. Firstly, at the
43 outset, we believe that the proposal for both slower and
44 faster ferries is really excessive. It is way in excess of
45 the CPI. We are concerned that the process seems not to be
46 focused enough on stakeholder impact, particularly in the
47 information provided to the tribunal by the Charter Vessel

.6/11/08 49

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1 Association. We do, however, support the role of an
2 industry-specific index because we believe that this
3 industry needs to go through a period of some
4 transformation in terms of updating capital equipment and
5 meeting new marine regulations that are significantly
6 differentiated from other industries.
7

8 We are also deeply concerned about the future
9 viability of the private ferry operators. They do not seem
10 to be surfing the wave of popularity that we see in rail
11 and bus. They seem to be going backwards in terms of
12 patronage and we feel that they are a little behind the
13 ball game in terms of the types of services that they are
14 providing; namely, the capital equipment and the ticketing
15 options available. We have seen the extension of TravelTen
16 discounts to private bus service operators, and the private
17 ferry industry still seems a long way off being able to
18 meet this or to provide an equivalent.
19

20 We believe that a slightly more holistic process needs
21 to be applied in that the tribunal needs, in its
22 considerations, to factor in the viability of the industry,
23 and whether operators will simply become unviable and need
24 to sell their businesses because they simply can't turn a
25 dollar because any increase in fares will simply discourage
26 patronage.
27

28 THE CHAIRMAN: Can I try and understand. You're
29 concerned about the financial viability?
30

31 MR TAYLOR: Yes.
32

33 THE CHAIRMAN: But you think the fare increase is
34 excessive?
35

36 MR TAYLOR: Yes. My understanding, and David might be
37 able to confirm this, is that, in the last year, Matilda
38 Cruises have lost 10 per cent patronage and the Ettalong to
39 Palm Beach ferry service, 14 per cent. I have seen the
40 figures somewhere, but I couldn't find them this morning.
41 They are from the top of my head.
42

43 MR CRIBB: I didn't bring that information with me, I'm
44 sorry, Mr Chairman.
45

46 THE CHAIRMAN: That's all right.
47

.6/11/08 50

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1 MR TAYLOR: Those sorts of drops in patronage are
2 significant. I think they say that there is some problem
3 in terms of the services meeting the public's expectation.
4

5 THE CHAIRMAN: On the face of it, unless you think the
6 price elasticity of demand is higher than one, then a fare
7 increase would improve financial viability. I know of no
8 mode of transport anywhere where it has been shown the
9 price elasticity of demand is higher than one. Without
10 picking on ferries in particular, I know of any number of
11 studies which suggest it's less than 0.5, but I know of
12 none which suggests it is higher than one. On the face of
13 it, unless you have evidence to the contrary, a fare
14 increase would improve their financial viability.
15

16 MR TAYLOR: Ferries traditionally serve two markets. They
17 serve the commuter market, where obviously there would be a
18 low elasticity because people have to get to work. Then
19 there is a substantial leisure market where there is a much
20 higher elasticity. People look at the price and decide
21 whether the trip is worth it. It is more discretionary.
22

23 THE CHAIRMAN: I accept it as a hypothesis; I don't know
24 of the evidence that supports the hypothesis. That the
25 leisure market has a high elasticity, I don't have any
26 evidence that supports that hypothesis.
27

28 MR TAYLOR: Reason would dictate that it is discretionary
29 travel.
30

31 THE CHAIRMAN: Yes, except that quite a lot of
32 discretionary travel involves the tourists who are
33 determined to catch the Illuka-Yamba ferry, but the real
34 cost was getting to Yamba and the cost of the ferry is
35 pretty incidental compared with the cost of their getting
36 to Yamba. Similarly for Matilda, I imagine the cost for
37 many of its patrons is getting to Sydney from London, and
38 then they think, "We have come this far. We'll have to go
39 on the harbour." I just don't know about the evidence --
40

41 MR TAYLOR: It depends how far people have travelled to
42 reach the ferry. Yes, your leisure market is obviously
43 segmented. There are people who have flown around the
44 world and nothing will stop them.
45

46 THE CHAIRMAN: That's right.
47

.6/11/08 51

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1 MR TAYLOR: There are people who just want a weekend
2 excursion, but if they think the fare is too expensive,
3 they will stay home and watch the footie.
4
5 THE CHAIRMAN: I don't know what the passenger
6 composition is, but --
7
8 MR COX: And it would be different between different
9 ferries as well.
10
11 THE CHAIRMAN: Yes, it would be.
12
13 MR TAYLOR: The CVA would serve their purpose if they
14 could provide further information to support what they are
15 saying in their submission.
16
17 THE CHAIRMAN: I suppose, from our point of view, we
18 would be wondering why the CVA would want to commit
19 harakiri by asking for a fare increase that would drive them
20 out of business. Perhaps you can answer that, David.
21
22 MR CRIBB: Is it appropriate to answer that question,
23 Mr Chairman, and make some other comments on what
24 Graeme said?
25
26 THE CHAIRMAN: I think so, yes.
27
28 MR CRIBB: Thank you. At this point, you have just asked
29 me to comment in relation to the viability of the industry
30 which Graeme commented on. The CVA and the operators
31 have been concerned for about three years about the ongoing
32 viability of the industry because we all suspected that
33 costs were rising faster than fares were likely to rise and
34 that, at some day, the lines would cross and we would not
35 be profitable any more.
36
37 In 2006, when new bus contracts came to light - the
38 so-called bus model where the government retains the
39 farebox and pays the operators to run the business - the
40 industry asked the Ministry of Transport if new contracts
41 could be negotiated, not necessarily a bus contract but
42 some kind of new contract. The answer was yes, and we had
43 hoped to have them finalised by the end of this year, but
44 there has been a bit of a hold-up with the change of
45 Minister and other things that have happened in recent
46 times. We are confident from our recent conversations with
47 the Ministry of Transport that the new contract will be

.6/11/08 52

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1 forthcoming soon. That, hopefully, will address the
2 viability problem which Graeme has quite rightly
3 identified.
4
5 Can I make some other comments about Graeme's
6 presentation?
7
8 THE CHAIRMAN: Yes.
9
10 MR CRIBB: In relation to the excessive fare increase that
11 Graeme commented on, I think I addressed that in my earlier
12 remarks about the fact that we got a 1.33 per cent increase
13 only last year, and this year we are seeking around 8 per
14 cent for the slow ferries, which is really just the outcome
15 of applying the inflators to the elements in the index. It
16 is not something we have dreamt up or something that is in
17 any way a mystery.
18
19 In relation to stakeholder information, as far as
20 information generally is concerned, there is a comment
21 in the Action for Public Transport submission which said
22 that the industry is reluctant to provide adequate
23 information. That is not the case. The industry has
24 provided everything it has been asked to provide and will
25 continue to do so.
26
27 MR TAYLOR: If I can interrupt, David, my point was that
28 the tribunal is required, as part of its process, to review
29 stakeholder impact. The tribunal has to consider that as
30 part of its deliberations.
31
32 MR CRIBB: I guess, with respect, that is the tribunal's
33 problem. We have provided all the information we have been
34 asked to provide, including the service information in
35 summary form which the operators are required to report to
36 the Ministry of Transport on a quarterly basis. This
37 relates to the number of cancelled services, the number of
38 services running late and other information about major
39 changes to their business - timetable changes or that kind
40 of thing.
41
42 If the tribunal would like us to provide more
43 information and it is available, we will definitely provide
44 it. I think this year we have provided all we have been
45 asked to provide.
46
47 I am pleased to note that Action for Public Transport

.6/11/08 53

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1 is supportive of the index approach. Future viability I
2 have just touched on.
3
4 In relation to capital equipment that David Gotze was
5 talking about, that is a bit tricky because there are
6 some people who operate ferries that are less than ten
7 years old and there are some people who operate ferries
8 that are 75 or 100 years old and part of the joy of riding
9 on that service is these beautiful maintained old ferries,
10 so we will come to that in the next few months, if we don't
11 do so before the end of November, but that will be worked out
12 somehow.

13
14 Just a final comment I noted here from Graeme was that
15 in relation to TravelTens, as far as I know all the
16 operators offer a FerryTen type product of their own
17 initiative, whether it is 10 or 15 or a week or whatever it
18 is, it varies a bit, but they all offer a discount on their
19 full adult fare as a consequence of paying the up front
20 amount for the multiple ticket.

21
22 MR TAYLOR: Could details of those FerryTens or Ferry15s be
23 included next time so that we know in future years what is
24 available.

25
26 MR CRIBB: Certainly.

27
28 MR TAYLOR: Because it seems to be coming an industry
29 standard with the extension of TravelTens to private buses.

30
31 MR CRIBB: Certainly.

32
33 THE CHAIRMAN: I will just make two comments. Some of
34 the information I think might be quite difficult to get, the
35 nature of the passengers and so on, how many commuters,
36 where they are tourists what sort of tourists were they,
37 and so on. IPART has separately run surveys of who uses
38 public transport and things like income levels and so on.
39 But the sample sizes are not sufficient that we could get
40 useful information from. We do not get proper information
41 for private ferries but we do get information for public
42 ferries here in Sydney. For example, we know that on
43 average ferry passengers have higher incomes than rail
44 passengers, who in turn have higher incomes than bus
45 passengers, that is what our survey information tells us,
46 which, when you think about it, should not really surprise
47 you.

.6/11/08 54

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1
2 So I just make the point that some of the information
3 we would like would be very difficult to get in terms of
4 the impact of price increases for private ferries on
5 passengers, just what are the circumstances of passengers,
6 that would be difficult to get even though in
7 principle we would like to take that into account, just the
8 social impact.

9
10 If you are right, that a lot of the travel is
11 discretionary, then almost by definition that makes it less
12 urgent travel and therefore perhaps we would not take as
13 much notice of it as what we, for want of a better phrase,
14 would describe as non-discretionary travel.

15
16 MR TAYLOR: The Lane Cove service operated by Matilda
17 probably fit into the standard analysis of public transport
18 Sydney, but the regional services are very localised and
19 localised in impact.

20
21 THE CHAIRMAN: I am aware, because I was a ferry traveller,
22 that there are some people who commute backwards and
23 forwards, but I suspect the majority are tourists.

24
25 Does the Ministry want to make any comments?

26
27 MS QUILTY: Andrew Nicholls is going to make a few
28 comments on behalf of the Ministry.

29
30 MR NICHOLLS: Our comments are fairly simple and
31 straightforward and have been somewhat covered in the
32 previous discussions.

33
34 In relation to the presentation from Indec, in our
35 submission we don't recommend a specific fare for the
36 Stockton ferry. We have proposed that the ferry fare, the
37 Stockton ferry fare, should be in line with the CPI cost
38 index. This is consistent with the approach that was used
39 last year and it had some level of support at the hearing
40 last year.

41
42 Obviously there has been continued cooperation from
43 Newcastle Buses and Ferries in the Indec process but, as we
44 heard a minute ago, given timeframes and given some of the
45 discrepancies and the kind of information that is provided,
46 that hasn't been picked up in this round and so obviously
47 that is something that in due course we will need to look

.6/11/08 55

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1 at. But in the absence of any other particular cost index
2 at this stage that is the index that we are still proposing
3 to put to IPART to be guided by in terms of it setting the
4 Stockton ferry fare.

5
6 THE CHAIRMAN: Just a quick question. As you will have
7 divined, if you didn't know before, ferry providers would
8 like the date of effect to be 1 December. Is that
9 proposition also for Newcastle?

10
11 MR NICHOLLS: I think we want it in line with the
12 Newcastle Bus and Ferry.

13
14 THE CHAIRMAN: You prefer to go 1 January?

15
16 MR NICHOLLS: Yes. It would presumably be picked up in a
17 determination process because it is a government-owned
18 enterprise as opposed to private ferries.

19
20 THE CHAIRMAN: The methodology would be the same but
21 the date of effect different?

22
23 MR NICHOLLS: Yes.

24
25 MR BANYARD: I do not think it needs to be tied to the
26 Newcastle Buses fares. After all, when the price of ferry
27 changes on Sydney Harbour for commercial ferries and it
28 gets the publicity in the general media, and the statewide
29 media the same thing, I do not believe that there would be
30 any drama, any problem, in setting the fares for the
31 Stockton ferry in line with the other ferries at the same
32 time.

33
34 MS OGILVY: You would like the fare increase to be --

35
36 MR BANYARD: Uniform with the others. It is a big step
37 forward to get Stockton ferry considered along the lines of
38 the other ferries because effectively it is a private ferry
39 owned by a public operator. That may change in the future.
40 It is appropriate that it be dealt with as a unit and
41 priced accordingly. The complication to that, or the issue
42 with that, relates to how the ferry fare is going to be
43 integrated with the wider fares, TravelPasses, day
44 excursions, et cetera.

45
46 MR NICHOLLS: The only comment I would make on that is
47 most ferry operations around New South Wales are fairly

.6/11/08 56

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1 much stand-alone and so if the fare increase is going up in
2 Bundeena, for example, the day that happens is not
3 particularly important or relevant in terms of when it
4 might go up for the Stockton ferry, whereas if the
5 Newcastle Bus fares are going up on a different day then
6 potentially commuters are going to be confronted with a
7 fare increase to get to the ferry wharf on a different day
8 from the day they would get it on the Stockton ferry, so
9 there is a greater degree of integration within the
10 Newcastle area.

11
12 MR BANYARD: Taxi fares and train fares all change on
13 different dates.

14
15 THE CHAIRMAN: We are moving to a system where train
16 and bus fares will change on the same day, the beginning of
17 January, and that will help.

18
19 MR COX: There is one you mentioned earlier I think it is
20 perhaps worth getting you to comment on for my benefit, if
21 no-one else's. I suspect the answer to this question is in
22 your submission but I would like you to crystallise it.
23 You said you hoped that IPART would not include a
24 productivity adjustment this year round. Could you explain
25 the basis for that view?

26
27 MR CRIBB: In our report we collected information from the
28 private ferry operators about the number of employees and
29 the number of passengers. In the months of December and
30 May, being a summer month and a winter month, in 06/07 and
31 December and May in 07/08, which is the year immediately
32 prior to our submission being made, the number of
33 passengers went down slightly from 136,000 to 133,000 in
34 the two months. The number of full-time equivalents went
35 from 47 staff to 47.8, so our suggestion is that in that
36 period there has not been an increase in labour
37 productivity but a slight decrease because the staff have
38 gone up very slightly and the number of passengers has gone
39 down very slightly.

40
41 Why the number of staff went up is very difficult to
42 determine because the 47.8 is made up of a lot of
43 part-timers and some administrative people, very few
44 administrative people, mostly crew. It might have
45 something to do with timetabling and there was not enough
46 time to analyse it, but that is the gross picture.

.6/11/08 57

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1 MR COX: You do not feel there is any scope for the
2 industry to make further savings in labour costs?
3
4 MR CRIBB: How long have I got? The number of crew is
5 determined by New South Wales Maritime and they are the
6 majority of the employees. The number of administrative
7 staff in all the companies varies from one person part-time
8 who is not paid anything in Central Coast Ferries, has a full
9 time job in the hospital there, to other family members and
10 other staff who never amount to more than one per company.
11 It is very difficult to see how those numbers could be
12 reduced.
13

14 I really do not think there is much flexibility. All
15 the companies do some marketing to try to increase their
16 passengers. They all service mature communities where the
17 population is not growing and the only way they really put
18 icing on the cake is to operate other services beside the
19 ferry service such as charters and cruises, and nobody in
20 the room has access to this information except me, but if
21 you take my word for it, in the submissions that were made
22 to Indec in relation to the assessment of the index Indec
23 called for revenue as well as cost items but only reported
24 cost items to IPART, which is all that was meant to be, but
25 I can assure you that all the ferry operations on a
26 stand-alone basis, without the charters and cruise
27 operations, are either losing money or breaking even. So
28 they are unlikely to be able to do much to improve that
29 situation in relation to staff or passenger numbers.
30

31 THE CHAIRMAN: I just want to come back to one point you
32 made earlier regarding the weights table. You referred to
33 the fact that some of the ferries are new, some are
34 historic vessels, and people enjoy them for exactly that
35 reason. It can still be appropriate to adjust the capital
36 structure. We are not trying to decide, if you like, what
37 is efficient, whether they should be old or they should be
38 new, but where the company is making no allowance for
39 depreciation, for whatever reason, that would be
40 understating the capital from our point of view.
41

42 MR CRIBB: We agree with that.
43

44 THE CHAIRMAN: And I think David Gotze can speak for
45 himself, but that would be why that adjustment was made,
46 because we are trying to get, if you like, a set of weights
47 for a combination of businesses which are as best we can

.6/11/08 58

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1 judge efficient.
2

3 MR CRIBB: Yes, fair enough.
4

5 THE CHAIRMAN: That is why that was done. Is that a fair
6 comment, David?
7

8 MR GOTZE yes, it is, and if you like I can add something
9 to it. It is very unlikely that a fast ferry would live
10 100 years. The life expectancy of a fast ferry has been
11 quoted as something like 20 years. The reason for that is
12 increased speed puts quite a lot of stress on the hull and
13 they literally only last for that sort of period, so it is
14 very unlikely you would have a 100-year-old fast ferry.
15 The fast ferry is the only category in which we looked at
16 capital cost.
17

18 THE CHAIRMAN: Thank you. Are there any comments or
19 questions from the rest of the room?
20

21 MR MILES: One of the last statements you made about most
22 of the ferry operators surviving on charters and cruises, I
23 presume that the labour, put it this way: is the labour
24 involved in those mixed in with the labour required for
25 running the schedule services?
26

27 MR CRIBB: Yes, it is true that the same masters and
28 deckhands operate both kinds of operations but from the
29 point of view of analysing the ferry fare application, or
30 submission, the full-time equivalent staff are only for the
31 ferry part of the operations. The extent that one person
32 does 40 hours a week, 20 of which is driving crews
33 operations and 20 hours is driving ferries, only the 20 is
34 counted in the crew numbers that I was talking about
35 before.
36

37 MR MILES: This is not part of the question but I presume
38 the ferry runs scheduled services in the peak hour, then
39 they run a cruise, and get back by 3 o'clock?
40

41 MR CRIBB: They usually do it with a spare boat. Rick
42 Banyard mentioned that Stockton has two boats but only
43 operate one at a time. Most of the operators have a boat
44 which is a back-up ferry boat in case the main
45 ferry boat is unavailable for maintenance reasons, in which
46 case they don't operate the cruise that day, but otherwise
47 they operate the two boats doing the two different things.

.6/11/08 59

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1
2 THE CHAIRMAN: Thank you.

3
4 I would like to bring the proceedings to a close and
5 thank you all very much for your assistance today. I just
6 remind you that the submissions on the Indec report, which
7 only concerns ferries of course, are due in on Wednesday 12
8 November; and that a transcript of proceedings will be
9 available on the IPART website within the next week.

10
11 Once again, thank you all very much.

12
13 AT 4.45PM THE TRIBUNAL ADJOURNED ACCORDINGLY

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