

INDEPENDENT PRICING AND REGULATORY TRIBUNAL

PUBLIC HEARING INTO THE REVIEW OF CITYRAIL FARES  
2009-2012 - DRAFT FARE DETERMINATION

Tribunal Members

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

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

On

Monday, 17 November 2008 at 10.00am .17/11/08 1  
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1 INTRODUCTION

2  
3 THE CHAIRMAN: I would like to begin by welcoming you  
4 all to this public hearing which is being conducted by IPART as  
5 part of its review of the CityRail regulatory framework  
6 including fares to be charged by CityRail for passenger  
7 services from the beginning of next year.

8  
9 I should begin by introducing my fellow tribunal  
10 members. Mr Jim Cox is on my left. Jim is also the chief  
11 executive of IPART and the full-time member of the  
12 tribunal. Sibylle Krieger, on my right, is the part-time  
13 member of the tribunal. I probably should introduce  
14 myself. I am Michael Keating, I am the chairman of the  
15 tribunal.

16  
17 IPART is conducting its reviews under section 11 and  
18 section 12A of the IPART Act. Section 11 sets out IPART's  
19 standing reference to determine the pricing of government  
20 monopoly services. Section 12A provides for IPART to  
21 conduct investigations and make a report to the minister on  
22 matters referred to the tribunal by the minister.

23  
24 As many of you here will remember, this is the second  
25 public hearing that IPART has conducted as part of its  
26 reviews. We held a public hearing in July to discuss the  
27 key issues and preliminary views set out in the two  
28 discussion papers that were released in June.

29  
30 IPART took into account the views put forward by  
31 stakeholders on that day and through written submissions in  
32 making the draft decisions which underpinned its draft  
33 determination released in early October.

34  
35 Today's hearing provides stakeholders with the  
36 opportunity to put forward their views on those draft  
37 decisions and the fare outcomes included in the IPART draft  
38 determination. I think it is fair to say that submissions  
39 received on the draft determination to date have been  
40 critical of IPART's draft decision to increase fares. Many  
41 submissions have argued that CityRail's current level of  
42 performance does not warrant a fare increase of the size  
43 set out in the draft determination. In addition, many  
44 stakeholders have been critical of IPART's draft decision  
45 to restructure fares. Today provides an opportunity for  
46 stakeholders to explain how IPART's draft determination can  
47 be improved.

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1  
2 I would like to say up-front that IPART recognises  
3 that its review has been time consuming for the  
4 stakeholders involved. I would like to thank the many  
5 individuals and organisations that have taken the time to  
6 provide thoughtful and detailed submissions to IPART.  
7 Previous reports by IPART along with the two reports from  
8 its consultants, LEK and CRAI, and various stakeholder  
9 submissions are available to the public through the IPART  
10 website.

11  
12 Before I outline the process of this hearing, I would  
13 like to remind you all of the context in which this review  
14 has taken place, and subsequently the objectives for this  
15 review.

16  
17 Over the last few years, CityRail's costs have  
18 increased by significantly more than the rate of inflation  
19 and taxpayers have contributed proportionately more to  
20 finance these rising costs than CityRail passengers have  
21 contributed. For example, since 2001-2002, CityRail's  
22 costs have increased by 22 per cent in real terms, while  
23 fares have increased by 1 per cent in real terms.  
24 Consequently the proportion of the costs funded by  
25 passengers has also declined. This trend is not  
26 sustainable and it cannot continue especially when  
27 CityRail's costs and investment are projected to rise  
28 strongly over the next four years in the light of  
29 additional responsibilities such as the operation of the  
30 Epping to Chatswood rail link and additional rolling stock.

31  
32 Additionally, the structure of CityRail fares may no  
33 longer be encouraging efficient use of the network,  
34 efficient investment in the network and equity between  
35 different users of CityRail services. Accordingly IPART is  
36 seeking to establish, first, the efficient cost of  
37 CityRail's services based on costs that are consistent with  
38 those of best practice operators in Australia; second, a  
39 fair sharing of those costs between passengers and  
40 taxpayers based on an assessment of the external benefits  
41 from CityRail's services that accrue to all members of the  
42 community which should therefore be paid by taxpayers; and,  
43 thirdly, a fare structure that encourages efficiency in the  
44 use of the network, equity between different users of  
45 CityRail services and promotes efficient investment  
46 decisions.

47

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1 Today's discussion will focus on these three issues.  
2 However, given that the first two issues or topics were  
3 discussed as part of the previous public hearing, we have  
4 allotted more time to discuss fare structure and the draft  
5 determination outcomes. Nevertheless, the key issues of  
6 costs and cost efficiency and the sharing of costs between  
7 passengers and taxpayers are key decisions which will  
8 impact on IPART's final fare determination outcomes.  
9  
10 Before we commence proceedings, I would like to say a  
11 few words about the process of this hearing. As I have  
12 already mentioned, the agenda breaks the discussion up into  
13 three sessions: firstly, costs, cost efficiency and asset  
14 base; secondly, the external benefits of rail and the  
15 allocation of funding between users and taxpayers; and,  
16 thirdly, the structure of CityRail fares and the draft  
17 determination.  
18  
19 I will give a brief introduction at the start of each  
20 session. Then I will ask the following stakeholders to  
21 give a brief presentation for each of the three sessions in  
22 which they will set out their views on the draft  
23 determination and the decisions which underpin it. We will  
24 start each session in the following order: the Ministry of  
25 Transport; RailCorp; Action for Public Transport; the  
26 Commuter Council; the Council of Social Service of New  
27 South Wales; the Western Sydney Regional Organisation of  
28 Councils; and the Rail, Tram and Bus Union.  
29  
30 Once the key stakeholders have given their  
31 presentation, I will invite comments from the floor before  
32 we close the session. I ask that all presenters please  
33 restrict their comments to the relevant session and, as  
34 always, I ask that the presenters not be disturbed while  
35 giving their presentations.  
36  
37 As you will have noted, the roundtable is being  
38 transcribed so that we will all have a record of what is  
39 being said at the meeting and, of course, that record will  
40 be available to any member of the public through our  
41 website. Because we are making a record, it will be useful  
42 if you can introduce yourselves for the benefit of the  
43 transcribers when you start to speak, and it is also  
44 important to speak slowly and clearly.  
45  
46 I will now turn to the first session on costs, cost  
47 efficiency and the asset base.

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1 SESSION 1: Costs, cost efficiency and the asset base  
2  
3 THE CHAIRMAN: Before I ask the Ministry of Transport to  
4 step forward, I would like to say a few words myself by way  
5 of introduction to this session.  
6  
7 As you will appreciate, costs and cost efficiency are  
8 integral issues for IPART's review. IPART has previously  
9 noted that in recent years CityRail's costs have increased  
10 by significantly more than the rate of inflation and, as I  
11 mentioned a few minutes ago, taxpayers have contributed  
12 proportionately more to fund these rising costs than  
13 CityRail passengers. RailCorp has forecast that CityRail's  
14 costs will continue to increase over the coming  
15 determination period. IPART does not consider the current  
16 trend of increasing costs to be sustainable, as I mentioned  
17 earlier.  
18  
19 To enable IPART to better understand the efficient  
20 cost of providing the services, we engaged LEK to review  
21 CityRail's efficiency. Based on the submissions received  
22 to date, the issue of cost efficiency and CityRail's need  
23 to increase productivity to offset the fare increases is  
24 also a key concern of passengers and the Government.  
25  
26 IPART's draft fare decision did include substantial  
27 efficiency savings based on the recommendations of LEK. In  
28 making its draft decision on efficient operating and  
29 maintenance expenditure, IPART accepted LEK's  
30 recommendation that it is both reasonable and achievable  
31 for RailCorp to reduce CityRail's operating costs by 18 per  
32 cent per annum by 2011-2012 and to make these efficiency  
33 savings. This decision implies that RailCorp can make  
34 total efficiency savings of around \$1bn in real terms over  
35 the four years to 2012 while maintaining or indeed  
36 improving its quantity and quality of service.  
37 This will bring CityRail's costs more into line with the  
38 costs of urban rail systems in Melbourne and Brisbane.  
39  
40 LEK's report identified that a great level of customer  
41 service and security could be achieved if CityRail's  
42 existing resources were better deployed. For example,  
43 CityRail drivers spend less time driving than those  
44 employed by other Australian service providers. They spend  
45 less than 40 per cent of their shift driving trains, while  
46 Melbourne and Queensland drivers spent some 60 to 75 per  
47 cent of their shift driving trains. CityRail's overhead

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1 costs are driven by staff numbers which are much higher  
2 than other comparable operators. That is the basis why LEK  
3 recommended that CityRail can achieve an efficiency saving  
4 of 18 per cent in 2011-2012.

5  
6 It is important to emphasise that IPART does not  
7 determine government policy related to rail such as  
8 concession funding, training, crewing or indeed staffing of  
9 low patronage stations. This is the role for the  
10 Government. What IPART is doing is determining the  
11 efficient costs to which it considers passengers should  
12 contribute and the appropriate allocation of these  
13 efficient costs between passengers and the Government.

14  
15 To the extent that passengers do not benefit from  
16 these additional costs, they should not be recovered from  
17 passengers by fares. Instead, if the Government decides  
18 not to pursue these efficiency gains as a matter of policy,  
19 then these costs should be recovered from the Government  
20 and therefore ultimately from the taxpayers.

21  
22 While IPART has identified areas where it considers  
23 CityRail can make substantial savings, it should be  
24 remembered that CityRail is entering a period of high  
25 growth in efficient costs as a result of additional  
26 responsibilities such as operating the Epping-Chatswood  
27 rail link and maintaining additional rolling stock. These  
28 areas of spending will provide benefits to passengers as  
29 will the substantial capital expenditure included in the  
30 draft decision - nearly \$7bn over the next four years. The  
31 new Epping to Chatswood railway alone will cost \$2.3bn.  
32 There is still a substantial amount for other improvements.

33  
34 IPART considers that passengers should fund their  
35 share of these cost increases. What IPART's draft decision  
36 means is that passengers will be asked to contribute to the  
37 efficient costs of providing CityRail services over the  
38 next four years. Inefficient costs will either need to be  
39 eliminated through programs initiated by RailCorp or funded  
40 by CityRail's owner, the New South Wales Government.  
41 Ultimately if the efficiency savings are not achieved, New  
42 South Wales taxpayers will have to fund more of CityRail's  
43 costs, but at least we will then know why taxpayers are  
44 paying more. Importantly passengers' fares will not be  
45 increased to recover the costs of any inefficiencies.

46  
47 The other cost which has a substantial impact on

1 IPART's draft decision is the value given to the existing  
2 asset base. After reviewing the submissions and in light  
3 of comments at the July roundtable, IPART's draft decision  
4 was that an opening asset base of \$3.9 billion is  
5 appropriate. This will provide a more stable financing  
6 base for CityRail over the medium term. Furthermore this  
7 regulated asset base is clearly less than the true value of  
8 CityRail's assets, especially in terms of their replacement  
9 costs.

10  
11 I would now like to ask Mr Jim Glasson from the  
12 Ministry of Transport to give his presentation for this  
13 session, thank you.

14  
15 MR GLASSON: Just before I speak to the specifics of the  
16 first session, can I just say that - I think as most people  
17 in the room would be aware - the Minister for Transport has  
18 made two submissions to the tribunal. They are on the  
19 table outside, for people who don't have copies of them.  
20 The first one is a submission in response to the draft fare  
21 determination; the second, which was sent last week, is  
22 some clarification in relation to some of the efficiency  
23 measures resulting from the mini-budget last week and  
24 clarifies the Government's intent in relation to a number  
25 of those matters at this point in time.

26  
27 I have also today brought with me Andy Nicholls, who  
28 is my director of transport policy and reform, and he is  
29 certainly available to answer questions of detail,  
30 particularly in relation to the discussion around fare  
31 determination, which is the third session.

32  
33 Just in terms of cost efficiency and asset base, the  
34 Government is committed to improving CityRail services and  
35 driving efficiencies. The advice that was provided to the  
36 tribunal last Friday sets out the Government's current  
37 position in relation to a number of these matters.

38  
39 Firstly, in relation to rolling stock maintenance, the  
40 Government has committed to a benchmarking process  
41 against the private sector and there is agreement between  
42 RailCorp and the unions on the means by which this could  
43 proceed. The Premier has made it clear to both RailCorp  
44 management and the unions that if maintenance  
45 arrangements do not improve then maintenance services will  
46 be sought from the private sector.

47

1 In relation to train operations and crewing, the  
2 Government has considered the arguments for and against the  
3 removal of guards from trains, and has, on balance, at this  
4 time decided not to pursue this option.

5  
6 The Government has stated that RailCorp's intention is  
7 to make adjustments to train driver rosters aimed at  
8 improving productivity from 2011/2012 which will deliver  
9 cost savings of \$10 million per annum.

10  
11 In relation to improved customer service, RailCorp is  
12 implementing its Everyday Service Essentials program, which  
13 will include, amongst other things, enhanced passenger  
14 security, better utilisation of assets such as ticket  
15 vending machines, EFTPOS and other facilities to speed up  
16 ticket sales, and new arrangements to widen transport  
17 options, to make ticket sales more convenient, with an  
18 investment of \$56m over four years in that program.

19  
20 In addition, the Government is investigating improved  
21 options for the management of its cleaning services, and  
22 RailCorp are carrying out a station staff review under the  
23 terms of the recently agreed EBA to better align staff  
24 levels with demand.

25  
26 Finally in relation to RailCorp's structure and management,  
27 the Government has made very clear its decision  
28 to reconstitute RailCorp as a Government agency, rather  
29 than a State-owned corporation, that will be responsible  
30 directly to the Minister for Transport in the future, and a  
31 bill is currently before the parliament in relation to that  
32 matter.

33  
34 In relation to costs and assets, the Government  
35 believes that there would be benefits in having further  
36 discussions with IPART about aspects of the proposed  
37 fare-setting methodology as the longer-term basis for  
38 setting rail fares beyond this immediate determination.

39  
40 However, in saying that, Government supports the  
41 building block approach as the framework which guides  
42 consistent and transparent setting of future revenue  
43 requirements. Its use can help promote efficiency and  
44 service agreement through transparently examining each of  
45 CityRail's major cost drivers.

46  
47 The Government is mindful, however, that using a

1 building block approach means that the model can be  
2 sensitive to changes in costs over the longer term - for  
3 example, investment in assets, delivery of savings or  
4 changes to patronage. This sensitivity can potentially  
5 mean that future fare determinations could move markedly in  
6 line with short run cost movements.

7  
8 The Government, in this proposal, accepts the cost  
9 base drawn up by IPART for the present four-year price  
10 path, including the proposed 70:30 revenue split between  
11 taxpayers and passengers.

12  
13 The Government also proposes that the framework for  
14 determining revenue requirements should be sufficiently  
15 flexible to take into account not only the results of the  
16 building block approach but also considerations of wider  
17 external benefits, social impacts on affordability,  
18 economic conditions, transport policy and savings  
19 deliverability as determined from time to time by  
20 Government. I think at this stage, in relation to the  
21 first aspect, that's all I would like to say.

22  
23 THE CHAIRMAN: Thank you. I may have missed it, but my  
24 understanding is that Government has accepted the revenue  
25 requirement as determined in IPART's draft decision?

26  
27 MR GLASSON: Correct.

28  
29 THE CHAIRMAN: Mr Pedersen?

30  
31 MR PEDERSON: Gary Pedersen, group general manager,  
32 finances and corporate services for RailCorp. Can I just  
33 apologise on behalf of Rob Mason, our chief executive. The  
34 hearing was on the one day that he had planned for leave  
35 some time ago, so he sends his apologies, but Mr Garnham  
36 and I will represent RailCorp.

37  
38 I have a couple of slides to just pick up on some  
39 points that Jim has dealt with from a policy viewpoint.

40  
41 As everyone is aware, we've had significant process  
42 over the last six to eight weeks in working with the  
43 Government to formulate the mini-budget so far as it  
44 relates to RailCorp. As you can see there, as documented,  
45 and as Jim has mentioned, and I will just explain a little  
46 more, documented in the Treasurer's mini-budget speech  
47 there are a range of initiatives which RailCorp has

1 committed to, or Government has committed RailCorp to,  
2 which respond to a number of the areas that were in the LEK  
3 report, and I will just quickly roll through them. Jim has  
4 mentioned them just briefly.

5  
6 Rolling stock maintenance. There is a very public  
7 process under way of RailCorp working with the unions to  
8 benchmark and improve its rolling stock maintenance, and  
9 should that fail to deliver in-house the savings that we're  
10 looking for, then the intention is that that will be  
11 outsourced.

12  
13 Productivity of train drivers. Again, I think it was  
14 mentioned that the footplate time in CityRail is perhaps  
15 lower than for other networks. One of our challenges when  
16 we worked with LEK on this is that the CityRail network is  
17 somewhat unique in its complexity, and so there are some  
18 valid reasons why the percentage of time spent by drivers  
19 is not as high as some other networks, but we do  
20 acknowledge that there are improvements to be made, and  
21 that has been committed to in the mini-budget to achieve  
22 savings of \$10m per annum ongoing within a few years.

23  
24 The cleaning of trains, stations and the corridor is  
25 currently spread throughout RailCorp, and one of the  
26 strategies that we have, again endorsed as part of the  
27 mini-budget, is to look at the ability to centralise, to  
28 bring that all together and to look at the market's ability  
29 to provide those services and, to the extent that it is  
30 more efficiently provided by private sector, then we will  
31 proceed to implement that.

32  
33 Corporate and support costs. As part of the  
34 mini-budget, the Government has announced a range of  
35 efficiencies around the head office, right across  
36 Government, and that applies equally to RailCorp. We are  
37 already delivering savings as part of the EBA. Just as Jim  
38 mentioned, there are savings across stations. There are  
39 also savings of \$10 million per annum in the head office of  
40 RailCorp in corporate support functions, and the  
41 mini-budget commits us to further savings of \$20 million  
42 per annum ongoing in corporate costs and support costs in  
43 CityRail. So it is ongoing savings of over \$30m per annum.

44  
45 There are some small efficiencies in the overall  
46 scheme. They are not large, but we do believe that when we  
47 necessarily have to close the network for trackwork, there

1 are some efficiencies around the costs of bussing that we  
2 provide. That is just a few million dollars.

3  
4 There are also some benefits around improved property  
5 management. As you would be aware, RailCorp is a very  
6 significant landlord right across greater Sydney and into  
7 the country areas, and so we believe that there are some  
8 ongoing savings. So they are all savings that have been  
9 documented in the mini-budget which equate to \$65m per  
10 annum ongoing by 2012.

11  
12 In addition, not in the mini-budget but elsewhere in  
13 RailCorp's forward estimates, which have been developed  
14 since we sat down with LEK and IPART previously, there is a  
15 range of other initiatives as well, which would take the  
16 annual savings to in excess of \$100m per annum.

17  
18 As Jim indicated, the area of guards was one of the  
19 significant ones that LEK raised. The Government, and  
20 equally I think IPART, noted that it was clearly a  
21 Government policy decision, and at this stage, the  
22 Government has advised us that it doesn't wish to proceed,  
23 and so that's one of the significant differences between  
24 the LEK recommendations and the current mini-budget for  
25 RailCorp.

26  
27 As one of the points that I would just like to make,  
28 Dr Keating, in his introduction, quite correctly indicated  
29 that RailCorp's costs had been increasing in real terms and  
30 were projected to continue to increase, and that is  
31 factual. One of the points to note, though, is that it is  
32 not a static railway. We are continuing to make  
33 significant investments in an expansion of the network, and  
34 the most obvious one is Epping-Chatswood, which is due to  
35 commence operation in the first quarter of next year, which  
36 has significant additional infrastructure and operation and  
37 drives additional cost.

38  
39 We're also, as is widely known - and again documented  
40 in the mini-budget - making significant investment in our  
41 Clearways program of approximately \$2bn to improve the  
42 network.

43  
44 The PPP trains are under contract - 626 new cars -  
45 which replaces existing rolling stock but also adds growth  
46 trains to the network, so there are additional costs of  
47 maintaining and operating those as we expand the number of

1 services we will be providing.  
2  
3 We have 122 OSCARS under delivery right now, which  
4 will be finished in 2009, but in the mini-budget the  
5 Government has also announced the intention to require a  
6 further 88 OSCARS, and, again, while some of that will be  
7 replacement for existing trains, some of it is growth. So  
8 we are expanding the network both geographically and also  
9 the number of services, and that, by necessity, increases  
10 RailCorp's costs over the base that LEK and IPART  
11 considered.  
12  
13 In responding to those increased trains, with the  
14 increased power requirements we're spending significant  
15 sums on traction power supply. As we replace  
16 non-airconditioned rolling stock with airconditioned  
17 rolling stock with the latest technology, they are more  
18 demanding on power, and we are spending significant sums  
19 on increasing the network. We have new timetables coming  
20 with the introduction of the ECRL, both with the shuttle and  
21 ultimately later in 2009, which will add significant  
22 additional services - both to the ECRL services and also  
23 services to the west - and that takes additional cost.  
24  
25 Arising out of the Waterfall and Glenbrook Inquiries,  
26 Government has committed to the implementation of automatic  
27 train protection. That's a project in excess of \$500m  
28 which we're progressing, along with digital train radio.  
29  
30 Lastly, Jim mentioned what we call the Everyday  
31 Service Essentials program. It is our program to improve  
32 customer service, and there are a range of initiatives  
33 happening in that area around ticketing and passenger  
34 information, improving information on platforms and on  
35 trains, and that's also costing significant dollars. So  
36 that's just a sample of the increased costs we're  
37 incurring.  
38  
39 The last point I wanted to make, which is not on a slide but  
40 just in terms of the asset base, is, as the Government  
41 has indicated, we do accept the methodology that  
42 IPART has proposed. I would note that in the annual  
43 report, which will be tabled shortly, the current value of  
44 the RailCorp asset base, written-down value, is  
45 approximately \$17bn. So, clearly, the line in the sand  
46 plus the ECRL investment at 3.9 substantially understates  
47 where we are, but we understand the methodology and the

1 smoothing and the fact that future investments will come on  
2 board.  
3  
4 Lastly - and again Dr Keating has mentioned it quite  
5 well - our current year capital program in RailCorp,  
6 putting aside ECRL, is \$982m this financial year that we're  
7 planning to spend, and the mini-budget only serves to  
8 increase that going forward, with the investments that were  
9 announced in there. So we have a significant capital  
10 program that's growing. That's it from our point.  
11  
12 THE CHAIRMAN: Thank you very much.  
13 Mr Miles?  
14  
15 MR MILES: Allan Miles, Action for Public Transport.  
16 Those of you of my vintage will recall a song called  
17 "Bewitched, Bothered and Bewildered", recorded many times  
18 over the years, and as late as 2003 by Rod Stewart and  
19 Cher.  
20  
21 One feels the same way today: bewitched by the  
22 Government's magic, pulling railways out of a hat today and  
23 making them vanish into thin air tomorrow; bothered by the  
24 absence of any overall planning process; and bewildered as  
25 to how bodies such as CityRail, IPART and other  
26 stakeholders can possibly have any lasting and significant  
27 input into such chaos.  
28  
29 It must be very difficult to forecast costs when  
30 no-one knows what new capital works will be approved or  
31 cancelled.  
32  
33 However, in the historical context in which these  
34 reviews were carried out and the consultants' and IPART's  
35 reports were prepared, we accept the findings regarding  
36 efficient costs and the asset base.  
37  
38 We note Dr Keating's remarks about inefficient costs  
39 and that passengers should not be made to pay for projects  
40 that have little benefit to them.  
41  
42 Most of our detailed comments have been made in the  
43 various submissions that we have made, and I don't wish to  
44 get involved in detail here, so that's about all I have to  
45 say on that subject.  
46  
47 THE CHAIRMAN: Thank you very much for that.

1 Mr Parish?

2

3 MR PARISH: Thank you very much for the opportunity of  
4 coming along and saying a few words.

5

6 First of all, I have to emphasise that we are lay  
7 people and, as such, we're not expert economists or  
8 engineers or anything of that nature. Therefore, we have a  
9 lot of difficulty assessing this type of exercise, and  
10 certainly the information we provide may not be as  
11 professional as you would wish it to be, but Government  
12 established the Commuter Council back in the early 1970s,  
13 with the function of identifying and representing the needs  
14 and the wishes of commuters, and we have very little  
15 difficulty establishing what commuters feel in relation to  
16 this particular exercise.

17

18 They feel that the cost increases proposed are very  
19 excessive. In our lead-up to the last election - as we do  
20 in the lead-up to any election - we got an assurance from  
21 the Government that the fare rises would roughly relate to  
22 the CPI, and, as such, we were prepared to go along with  
23 that, but we feel that what is proposed here is somewhat in  
24 excess of that, and, as such, would cause a lot of trouble  
25 to a lot of commuters, particularly when you look at the  
26 outer areas and the incomes that the families out there  
27 receive from working - only about 50 per cent of salaries  
28 of comparable people who live in Sydney. This is because  
29 there is no work for the wives and all that sort of thing.  
30 So the guiding signal that we receive from the commuters is  
31 that we should convey that sort of information to the  
32 tribunal.

33

34 Now, I notice that the Government have stepped in and  
35 they have recommended a change in the fare scale.

36

37 THE CHAIRMAN: We will deal with the fare structure and  
38 the Government's alternative proposal in the third session  
39 this morning.

40

41 MR PARISH: Yes, all right. Okay. Anyway, we, as  
42 commuters who have a lot to do with what the public want,  
43 feel that railways perform an extremely valuable function  
44 within the community, and that that should be recognised.

45

46 Unfortunately, you could argue that they are not given  
47 enough money to do the job that they need to do, and then

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1 you could ask, "Well, where is the money going to come

2 from?", and so forth, but, irrespective of that, the

3 external benefit of rail to the community, particularly in  
4 Sydney, more than any other city in Australia, is extremely  
5 valuable, but, having said that, how to pay for it is the  
6 big problem.

7

8 I know we debated this at the round table conference  
9 previously, but I'm not convinced, necessarily, that we did  
10 get our message across as effectively as we should have.  
11 There have been all sorts of suggestions from the commuter  
12 representatives - because we have representatives from all  
13 the commuter associations throughout the Sydney, Newcastle,  
14 Wollongong areas - and they feel that for a valuable thing  
15 like the railways, there should be some way of paying for  
16 it other than through either the taxpayers' contribution or  
17 the farebox.

18

19 One of the things we've always been concerned about is  
20 the cost of actually collecting the fares. You get to the  
21 stage where the cost of collecting the fares is nearly as  
22 much as the fares that they collect, particularly on some  
23 of the small stations, and we were assured that the new  
24 integrated automated ticketing system would overcome a lot  
25 of those problems, but it doesn't look like anybody can  
26 make a system that will work.

27

28 In the other States, they have a much simpler network,  
29 and it is not the same as getting the one here in New South  
30 Wales to work. So, all in all, you have to say that our  
31 solutions aren't all that helpful to you, except that,  
32 quite definitely, I don't think any politician in the outer  
33 areas would get re-elected next time if the fares that you  
34 are proposing were introduced.

35

36 I've been through this. I've been in this business a  
37 long while, back in the 1960s. When they were trying to  
38 put the fares up then it really produced a revolution, sort  
39 of thing, and Governments got changed, and so forth.

40

41 But, having said that, we have to acknowledge that it  
42 costs money to do things and it has to come from somewhere.  
43 Certainly some of our people will have to go on the  
44 unemployment queue, because they won't be able to afford to  
45 come to Sydney under the proposals that you have put up.  
46 So it is pretty hard to really come up with a really fair  
47 system.

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1  
2 One of our fellows said, "Well, all you have to do is  
3 add 5 per cent of the cost of all the fines they issue to  
4 motorists and you wouldn't have to charge any fares at all;  
5 it would meet the whole cost." Maybe there is a need for  
6 some sort of radical thought on how you can get money apart  
7 from collecting it out of commuters or the taxpayer.  
8  
9 Certainly overseas, when you look at some of the  
10 papers we get from overseas, they have some very innovative  
11 ideas over there, like employers actually paying the fares  
12 of their staff and that sort of thing.  
13  
14 Anyway, look, thank you very much for the opportunity  
15 of saying a few words. It is an issue that we could talk  
16 for months on and not really come up with a proper  
17 solution. All I can hope is that we come up with one that  
18 meets a lot of the needs of the people.  
19  
20 THE CHAIRMAN: Thank you very much. Could I just say we,  
21 of course, would welcome alternative parties to taxpayers  
22 and passengers paying for the railways. I guess everybody  
23 would welcome it. There are opportunities for CityRail to  
24 make some revenue other than through passengers -  
25 advertising and so on - but they are not going to meet the  
26 total cost of running the railways, not that we can see.  
27  
28 I would like now to call on Ms Edmonds from NCOSS.  
29  
30 MS EDMONDS: My name is Samantha Edmonds, I am the  
31 deputy director of policy communications at NCOSS, the  
32 Council of Social Service of New South Wales.  
33  
34 NCOSS will not be making a formal comment on costs and  
35 assets. However, we will be touching on these issues  
36 within our comments on other aspects of the hearing today.  
37  
38 We are, however, pleased to note that the Government  
39 is not removing the guards from the trains, because that is  
40 certainly a big issue for many train users.  
41  
42 We would also like to note, however, that it is time for the  
43 Government, IPART and to some extent the community  
44 to move on from viewing public transport as a cost, to  
45 seeing it, instead, as an investment. It is an investment  
46 in education, in employment, in social inclusion and in  
47 social participation. Where there is fast and effective

1 transport, especially trains, businesses move, people move  
2 and communities develop. Thank you.  
3  
4 THE CHAIRMAN: Thank you very much.  
5  
6 Mr Gooding?  
7  
8 MR GOODING: Alex Gooding, executive director of the  
9 Western Sydney Regional Organisation of Councils or WSROC,  
10 in, actually, my final week.  
11  
12 We won't have a lot to say about this aspect, but I do  
13 want to touch on some of the points that have been made  
14 before. Firstly, I agree with the comments that were made  
15 by the gentleman to my right about the lack of certainty  
16 with the direction and planning of the rail network.  
17 Whilst we've heard this morning about the significant  
18 number of Rail Clearways projects that have been funded,  
19 there was also an equally large number that were cancelled,  
20 which must have ramifications for the efficiency of the  
21 system.  
22  
23 In the longer term, some of the key projects that have been  
24 cancelled above and beyond the Clearways program - for  
25 example, the northwest and southwest rail links - were not  
26 only about expanding the network but also about dealing  
27 with capacity issues within the network, and those  
28 capacities flow on, obviously, to not only the passenger  
29 levels that CityRail can carry, but also to the quality of  
30 the experience of passengers on CityRail.  
31  
32 These have implications not only for the actual fares  
33 that are ultimately set but also for commuter and community  
34 perceptions of the rail system and how it operates. Some  
35 of these are obviously more related to the externalities  
36 which will be talked about later, but they also do affect  
37 the asset base and the cost efficiency of the network.  
38  
39 We note the decision by CityRail to maintain guards in  
40 the network. We had not struck a position on that, but we  
41 had noted that the alternatives that were proposed such as  
42 the introduction of CCTV actually could have been a quite  
43 significant cost given the complexity of the CityRail  
44 network. Either way it is important, as this is a  
45 Government decision, in effect, to maintain guards. That  
46 is all I have to say.  
47

1 THE CHAIRMAN: Thank you very much.  
2  
3 Mr Morey?  
4  
5 MR MOREY: Thank you very much. The RTBU's position,  
6 looking at the report, is that we certainly acknowledge  
7 there is an ongoing increase in costs in the rail industry  
8 as a result of expanding services or developing services.  
9 We support the funding and expansion of those services.  
10  
11 One of the concerns that we have in relation to some of the  
12 things that have been put up to the Government is that it  
13 becomes an exercise in cost cutting for cost cutting's sake.  
14 There is the question of whether in fact simply cutting  
15 things and services internally within RailCorp in the  
16 long term will deliver the ongoing savings required.  
17 We would acknowledge that revenue sources coming  
18 in are limited. That does need to be explored and we need  
19 to look at how things are funded. Simply saying the  
20 Government has to pay for it all is not an answer.  
21 Similarly, the way in which we say our commuters have to  
22 pay for it all is problematic.  
23  
24 One of the things that we stated last time, and it is  
25 still our position, is that the Government needs to make a  
26 decision on the level of service that it wishes to provide  
27 to commuters and then to work back from that position. The  
28 concern we have, and it has been borne out in the last  
29 couple of weeks, relates to the ability of long-term  
30 planning by the Government - any government, I suppose.  
31 Without long-term planning, that makes it difficult to plan  
32 in the short term, to manage services and people and to  
33 provide services. Without some overall plan, I think it is  
34 very difficult to talk about cutting things here and  
35 cutting things there because you do not actually know what  
36 you are cutting for in the longer term.  
37  
38 A number of things have been said, and I will not go  
39 into great detail about this, but one of the things that we  
40 have noticed over the last six years within the rail  
41 organisations at a management level is a failure in the  
42 culture to manage change and to bring in change sensibly  
43 that meets the requirements of the business.  
44  
45 We were doing some internal stuff the other week and I  
46 noted that in 1996, rail roughly had about 15,000 employees  
47 with two general managers. In 2008, it now has roughly

1 10,000 employers with 77 general managers and 230 SES  
2 contract managers. I highlight that because there has been  
3 an ongoing attempt or there have been ongoing proposals to  
4 cut frontline services. Our position is that there have  
5 always been avenues and opportunities for reform in  
6 staffing levels as technology is brought in and as things  
7 change, but those reforms have to be sensible.  
8  
9 In relation to maintenance, and talking about  
10 benchmarking to the private sector, I note that a number of  
11 years ago, reforms were proposed in that area. They were  
12 actually paid for through an agreement, but the follow-up  
13 in relation to the provision of training to staff and  
14 restructuring in those areas did not occur. One of the  
15 great problems we see is an inability in the management  
16 culture in the organisation to actually implement the  
17 changes that meet both cost recovery and also provide  
18 services to the community.  
19  
20 We acknowledge that the building block model seems to  
21 be the sensible way to go. We do not have a great  
22 understanding of it, but from what we have looked at and  
23 from what we do understand, it seems sensible. I note  
24 that, as mentioned by the Ministry of Transport, the only  
25 problem is the sensitivity of that to rapid changes. There  
26 probably needs to be a bit more work done on how to manage  
27 those sorts of sharp changes in the short term for that  
28 model. That is basically our submission.  
29  
30 THE CHAIRMAN: Thank you very much. Are there any  
31 comments or questions? If anyone would like to make a  
32 comment or ask a question of the department and RailCorp,  
33 this is your opportunity - either from those to my left or  
34 from the rest of the room.  
35  
36 MR TREVASKIS: Paul Trevaskis, secretary of the Blue  
37 Mountains Commuters. I have a question of the director.  
38 We have heard over the period of time about procedures in  
39 the maintenance of rolling stock. Our position has for  
40 some time been that we should implement the 9000 series  
41 Australian standard specification where the standards are  
42 set, independently audited, and the rolling stock is signed  
43 out for by the responsible officer at the various depots.  
44  
45 This was proposed some years ago when they were going  
46 to build a new Tangara depot at St Marys. These standards  
47 were going to be implemented, a licensing system was going

1 to be introduced. So the electrical fitter, or whatever  
2 profession, has to sign a document, like we did in Telecom,  
3 on acceptance of material. It rested with the man who was  
4 doing the job. If it failed, you were asked why.

5  
6 I know Sydney Ferries were accredited under the 9000  
7 series. Unfortunately it wasn't policed properly and, of  
8 course, we had those failures.

9  
10 I ask the director what are the procedures that will  
11 take place in the depot to see that the standards of  
12 workmanship are adhered to, signed off and then  
13 responsibility is accepted? We now have on our fleet a  
14 number of problems, such as toilet problems. In times  
15 past, these did not happen regularly; the odd one happened  
16 over a period of time, and we have correspondence at home  
17 to prove that. My question to you, sir is: what sort of  
18 processes are you going to introduce to deal with that?

19  
20 I also congratulate IPART for saying if the Government  
21 introduces a policy which is agreed to by the people, the  
22 community of New South Wales in the electoral process, the  
23 money comes from the Government.

24  
25 Finally the association does agree with the CPI, but we do  
26 not want to be hogtied with a management system which  
27 is more or less overkill in lots of ways.

28  
29 I will leave it that. You can look at our submission  
30 to IPART on the various issues as well. We have been  
31 quoted in one of the footnotes, so we must have had some  
32 sort of commonsense approach, thank you.

33  
34 MR GLASSON: If I may suggest, Mr Chairman, I think it is  
35 more appropriate that RailCorp respond on that level of  
36 detail.

37  
38 MR PEDERSEN: Thanks for the question, Paul. Many of the  
39 things you suggest about taking responsibility for work and  
40 sign-off and qualifications to Australian standards are all  
41 eminently sensible. Everyone would be aware, I suspect,  
42 but I will just repeat it, that we have been through a  
43 process over the last year of what's known as the Clark  
44 review. There has been a review of RailCorp workshops'  
45 performance against private sector best practice, such as  
46 the things that you mentioned.

47

1 We now have a process with this Government where there  
2 is a benchmarking exercise with two experts looking at that  
3 and confirming it. There is a work program in place. I  
4 can say from a RailCorp perspective that we have endorsed  
5 all the recommendations that have been made and that need  
6 to change in the RailCorp maintenance depots. We need to  
7 get to a process where we agree that with the relevant  
8 unions by early next year. As the Government has made  
9 clear, if that happens, we will improve the practices, we  
10 will implement procedures such as those you mentioned.

11  
12 If, between us, we cannot do it and the Government has  
13 said it will outsource, we are committed to reforming the  
14 work of those depots in making sure there is appropriate  
15 training, appropriate processes and systems. The board is  
16 committed to that, the Government is committed to that. We  
17 need to work through that through to March to make sure  
18 that happens. It is an excellent question and I agree with  
19 you.

20  
21 MR FALZON: Paul Falzon, from the Western Sydney  
22 Community Forum. I have just a few comments. In other  
23 parts of the world, for example, in London, a way that they  
24 have increased the efficiency of their public transport system  
25 has been to bring their transport areas all under one  
26 particular body of control. We believe that may be a way  
27 to increase efficiency in the rail network. Especially as  
28 we move towards integrated ticketing, it is particularly  
29 important for one body to coordinate those particular  
30 programs.

31  
32 Another point I would like to make in relation to that  
33 first point would be that the long-term planning is  
34 critical for the CityRail network. In Western Sydney, a  
35 lot of our members are particularly upset that the  
36 south-west and north-west rail links will not be put in.  
37 This is a huge concern to them.

38  
39 It is very important to look at the costs of providing  
40 these services, but it is also important to look at the  
41 other things which will occur by not providing these  
42 particular services in the long term. I suppose I will  
43 mention that in the next section in terms of externalities.

44  
45 We also support the proposal to invest in guards. We  
46 see them as particularly important on the CityRail network  
47 improving the level of security and convenience for people

1 with disability issues.  
2  
3 It was of particular concern that the Government  
4 announced in the last mini-budget that they were not  
5 funding the duplication of the Richmond line. That will  
6 impact upon the efficiency of the rail network. The  
7 Clearways program is particularly important. The rail  
8 network, as we have heard today, is so complex, any  
9 particular area which is not supported through that  
10 Clearways program will have large ramifications to the rail  
11 network.  
12  
13 We also support keeping those frontline staff. As we  
14 heard from the union today, they are the face of the  
15 CityRail network. A lot of our member organisations see  
16 their role as particularly valuable and important for the  
17 functioning of the rail network. Thank you very much.  
18  
19 THE CHAIRMAN: I do not know whether RailCorp wants to  
20 comment on that. You are not obliged to.  
21  
22 MR PEDERSEN: No, I don't think so. I am not sure that  
23 there is anything there that we can comment on.  
24  
25 THE CHAIRMAN: Are there any more comments from the  
26 floor? I might move to the next topic. Before I do, I will  
27 clarify one thing on behalf of IPART. IPART accepts that  
28 passenger security is an important objective of a rail  
29 system. The view we put forward, on which we have not  
30 really got evidence of a change, is that you can get the  
31 same degree of passenger security or even improved  
32 passenger security in a variety of ways apart from guards.  
33 Other rail systems in the world typically do not have  
34 guards but they do have, for example, a lot of security  
35 officers who walk through the trains. Arguably that  
36 provides more security than someone sitting in the guard's  
37 compartment in a train.  
38  
39 SESSION 2: External benefits of rail and the allocation of  
40 funding between users and taxpayers  
41  
42 THE CHAIRMAN: Let me turn to the second topic. I do  
43 appreciate Mr Parish's comments about the difficulties with  
44 some of these subjects. They are difficult for us too, I  
45 might add. That is why we get consultants. It seems that  
46 on external benefits we all have a view, whether we are  
47 expert or not.

1  
2 One of the most interesting things is how most of us,  
3 including me, thought the external benefits were actually  
4 higher than we could actually measure. Now that we have  
5 them, we can understand why the answers came out the way  
6 they did, but a sort of common presumption is that they  
7 tend to be higher than we actually found.  
8  
9 Our starting point is that because CityRail benefits  
10 both passengers and the wider public, it is appropriate  
11 that the funding of CityRail comes from both passengers and  
12 taxpayers through Government subsidies. It is common for  
13 urban rail systems around the world that taxpayers pay the  
14 majority of the funds, as indeed we have proposed here in  
15 Sydney.  
16  
17 In order to get a better understanding of what is the  
18 appropriate ratio, it is one thing to say, "Yes, the  
19 taxpayers should pay most of it." In terms of setting  
20 fares, you need to tie it down to how much taxpayers should  
21 pay and how much passengers should pay. To get a firmer  
22 handle on that we, in IPART, have attempted to estimate the  
23 extent to which the wider public benefits. That is what is  
24 typically termed the external benefits, when we  
25 investigated that, but we found that it was primarily  
26 reduced road congestion. It is not only made up of the  
27 reduced road congestion. When we investigated it, we did  
28 find that reduced road congestion was by far the biggest  
29 external benefit. We did find others.  
30  
31 Our draft report largely accepted our consultant's  
32 advice on the value of the external benefits. In taking  
33 these values into account - there were a number of factors  
34 such as CityRail's forecast passenger over the  
35 determination period and the value of people's time - we  
36 did change what the consultant told us because we used  
37 different forecast passenger growth. It was a bit higher,  
38 and the external benefits depend quite heavily on the  
39 number of passengers, for obvious reasons.  
40  
41 We also put a higher value on people's time. When you  
42 are thinking about congestion, it is the time that is  
43 wasted on congestion that you value. We put a higher value  
44 on people's time. That led to us to adopt to a range of  
45 \$1.8 to \$1.9bn for the external benefits over the next four  
46 years of the regulatory period.  
47

1 Let me emphasise that these external benefits include  
2 the avoided costs of road use, which is congestion, as I  
3 mentioned. They also included the avoided costs of air  
4 pollution and greenhouse emissions, and we did consider the  
5 benefits from increased safety, particularly road safety -  
6 we did consider that - and, frankly, we did not find they  
7 made that much difference.

10  
11 In response to the draft report, stakeholders have  
12 submitted that IPART has not adequately considered the  
13 external benefits associated with improved mobility. IPART  
14 acknowledges that CityRail services improve the mobility of  
15 those who can access its network, particularly those who do  
16 not have access to private forms of transport.

17  
18 IPART also acknowledges that access to affordable  
19 public transport is important for disadvantaged groups, who  
20 are somewhat less likely to be able to access other forms  
21 of transport. However, IPART considers that most of the  
22 benefits associated with improved mobility are private  
23 benefits - that is, they accrue to the individuals  
24 concerned rather than the community as a whole; therefore,  
25 they should not be considered in calculating the value of  
26 the external benefits of CityRail.

27  
28 Stakeholders also submitted that IPART did not  
29 consider the agglomeration benefits generated by CityRail  
30 services, and we were invited to consider the Eddington  
31 transport study that was undertaken in the UK. We have  
32 gone back and re-examined this issue. We have reviewed the  
33 findings of the Eddington transport study, and indeed a  
34 similar study undertaken in Victoria in relation to the  
35 East-West link in Melbourne. What we found is that while  
36 the Eddington transport study provides some interesting  
37 results, it did in fact confirm CRAI's view that the  
38 benefits are not readily quantifiable. More important than  
39 that is that the role of transport services in attaining  
40 agglomeration benefits is not really a proven factor. It  
41 is easy to think of examples, as indeed in those studies,  
42 of agglomeration benefits which have emerged which have  
43 had nothing to do with the rail service.

44  
45 IPART considers that its estimate of the value of the  
46 external benefits of CityRail is substantial, particularly  
47 those related to avoiding congestion costs. However, it

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1 recognises that this value - this is what I have been  
2 getting at - is probably not as high as many stakeholders  
3 presumed it to be, including me before I looked, and there  
4 are several reasons for this.

5  
6 Whilst CityRail plays an important part in meeting the  
7 transport needs of Sydney - and indeed you're right; more  
8 commuters travel by public transport in Sydney than any of  
9 the other Australian capital cities - nevertheless, private  
10 motor vehicles are still the most popular form of  
11 transportation in Sydney, and by far. For example, more  
12 than 70 per cent of workers use private motor vehicles to  
13 commute to their work in Sydney.

14  
15 Most of the external benefits associated with the  
16 avoided road congestion are generated by passenger journeys  
17 to and from the CBD in peak periods. The avoided  
18 congestion on roads, other than those in the CBD or leading  
19 to and from the CBD and outside of the peak periods are in  
20 fact likely to be very small, due to the lesser role  
21 CityRail plays in Sydney's non-CBD transport task. In fact  
22 CityRail plays a pretty small role in the non-CBD transport  
23 task and most people in Sydney do not work in the CBD.

24  
25 While CityRail's external benefits are substantial,  
26 they still fall short of its fund or somewhat short of its  
27 funding needs. Therefore, passengers - and remember  
28 passengers do receive a private benefit from their travel -  
29 as well as taxpayers must share the funding of CityRail  
30 services. The decision we need to make in IPART is how the  
31 funding is split between those two groups, passengers and  
32 taxpayers, with the caveat that if CityRail can raise some  
33 extra revenue through business services, that will reduce  
34 the benefit. I have already suggested I don't think that  
35 will come anywhere near attending to the funding task.

36  
37 IPART's draft decision was based on its views of the  
38 efficient costs of providing the CityRail service, the  
39 value of the external benefits from CityRail services, the  
40 affordability of the fares and the level of patronage.  
41 IPART then found that passengers should contribute around  
42 30 per cent of the efficient costs of providing CityRail  
43 fares, with the Government paying the remaining 70 per  
44 cent. Such a funding split means that, on average, fares  
45 will have to increase by 12 per cent in real terms over the  
46 next four years.

47

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1 This funding split means that additional Government  
2 expenditure on improving or extending rail capacity such as  
3 another rail line similar to the Epping-Chatswood rail link  
4 may involve higher fares in the future. They may involve  
5 higher fares if there is not a significant increase in  
6 patronage or unless it were established that the new  
7 investment justified a higher ratio of taxpayer funding  
8 because of its exceptionally high external benefits.  
9

10 Some stakeholders have indicated a belief that this  
11 funding share is incorrect and that the Government funding  
12 should be greater than 70 per cent. As I have already  
13 said, we agree it is important that the Government should  
14 share the cost of providing CityRail services in  
15 recognition of the wider public benefit such as reducing  
16 congestion, pollution, et cetera; but it is also important  
17 to recognise that Government funding of CityRail could have  
18 alternate uses, such as health and education. The bigger  
19 the subsidy to CityRail, the less that can be spent on  
20 health, education and other services to lower income  
21 households. In effect, every dollar spent on CityRail is a  
22 dollar that is not spent on other Government services.  
23 Equally, the Government has made it very clear that extra  
24 tax and borrowing is not the answer. The Government was  
25 saying that as recently as last week - it did have some  
26 extra tax, but not much.  
27

28 It is also important to recognise that additional  
29 Government funding to CityRail through higher Government  
30 subsidies may not always be the best way to reduce  
31 congestion or greenhouse emissions. There are other ways  
32 to reduce congestion such as buses, for example. We need  
33 to remember that rail accounts for only 4.5 per cent - I  
34 repeat 4.5 per cent - of passenger journeys in Sydney. The  
35 impact of rail is fairly modest when it comes to reduced  
36 congestion. It does reduce congestion over the Sydney  
37 Harbour Bridge. We acknowledge that; it reduces it  
38 massively, but that is not all that you would take into  
39 consideration.  
40

41 It also needs to be remembered that passengers derive  
42 benefit from using CityRail services; therefore, it is  
43 appropriate that they fund CityRail's costs through the  
44 fares that they pay. In the current environment, where  
45 even efficient costs are increasing, it is appropriate for  
46 passengers to fund their share of these cost increases.  
47

1 What IPART has done in its draft decision is ensured  
2 that passengers contribute only to the efficient costs of  
3 providing CityRail services and inefficient costs have not  
4 been passed on to passengers.  
5

6 Mr Glasson?  
7

8 MR GLASSON: That is a very good overview of the whole  
9 discussion around external costs and external benefits. I  
10 don't wish to re-cover that ground. The Government does  
11 welcome IPART's work in this difficult area. It is, I  
12 suppose, in some ways a watershed that this discussion is  
13 taking place. It is a difficult area and it is not a  
14 precise area. There will be debate. I think we recognise  
15 that that debate will exist, it will go on over time, but  
16 this is something that will also refine itself over time.  
17

18 The Government does currently note the external  
19 benefits and it does support those by the level of subsidy  
20 that it currently pays to RailCorp to operate its CityRail  
21 services.  
22

23 At this point in time, the important thing to note is  
24 that the Government is supportive of the discussion around  
25 external benefits and it also accepts in terms of the  
26 current draft determination the allocation of 30 per cent  
27 to the fare-paying passenger as a fair payment towards  
28 those efficient costs when they are measured in that way.  
29

30 THE CHAIRMAN: Thank you.  
31

32 Mr Pedersen?  
33

34 MR PEDERSON: Thank you. I think this is the one point  
35 where we will all agree this is a difficult area, and, as  
36 Jim said, certainly RailCorp has done a lot of work, and  
37 I will hand over to my colleague, Barry Garnham, to talk  
38 about it a little more. Certainly we're broadly supportive  
39 of the tribunal's findings in this area. One of the key  
40 things from our point of view is the greater certainty and  
41 clarity it provides in terms of future fares. Almost  
42 regardless of the finite detail, the fact that we're taking  
43 a step to give us greater certainty is certainly welcome.  
44

45 Lastly, it is one that I often see misquoted in the  
46 paper, and I know you have gone to great lengths to make it  
47 clear, but the fact that debates around efficiency do not

1 impact on what the commuter pays but is a matter between  
2 RailCorp and the Government, as it should be, I think, is a  
3 very important step and one that we're very supportive of.  
4 So with those few words of introduction, I will hand to my  
5 colleague, Mr Garnham, who has a couple of slides to take  
6 you through a little more information.  
7  
8 MR GARNHAM: Barry Garnham, group general manager,  
9 product development, RailCorp. As my colleague has said, we  
10 generally are supportive of the case put forward by IPART  
11 regarding the allocation of costs, efficient costs, between  
12 the commuter, or the passenger, and the Government.  
13  
14 IPART recognises that the CityRail system does provide  
15 significant contribution to the overall economy of Sydney,  
16 through reduced road congestion, reduced greenhouse gas  
17 emissions, road maintenance and traffic accidents, and, as  
18 the chairman pointed out, we do carry more people over the  
19 Bridge than the road lanes do.  
20  
21 There are many benefits being generated by increasing  
22 the rail journeys, particularly to work. It is not an even  
23 spread. So, for instance, although we have 4.5 per cent of  
24 journeys by rail, 47 per cent of work journeys to the CBD  
25 in the morning are by rail, and that is where a mass  
26 carrier, such as a rail system, scores significantly.  
27  
28 In fact, that is something which is growing all the  
29 time. Patronage has grown significantly over the last  
30 three years. After plateauing for a time in the early part  
31 of this decade, growth has been quite significant.  
32  
33 This has been the result of a number of things. First  
34 of all, there has been the success of the Government's  
35 metropolitan strategy, in encouraging both employment and  
36 housing around rail stations, and so we have seen  
37 significant growth along the existing rail network.  
38  
39 There has been growth of particularly white-collar  
40 employment in the Sydney CBD. There has been a significant  
41 improvement in reliability of rail services since first of  
42 all the December 2005 timetable and then the  
43 following May 2006 timetable.  
44  
45 Normally, it has been suggested that there has been an  
46 increase following increase in petrol prices, but I think  
47 it is important to understand that this growth is not, as

1 I said earlier, evenly distributed across all parts of the  
2 network. Growth has mainly come in the existing  
3 metropolitan area and not in the outer suburban areas. The  
4 main growth areas have been along the western corridor,  
5 following the success of the growth around stations.  
6  
7 Some of those lines are more capable of dealing with  
8 capacity than others. For example, the significant growth  
9 on the Bankstown line can be coped with by existing  
10 capacity there, whereas the western corridor, particularly  
11 as it comes through Town Hall and goes over the Bridge, is  
12 already at capacity, and several other lines are very close  
13 to that position at the moment. So that is going to  
14 require some degree of future investment, and that needs to  
15 be recognised as well.  
16  
17 We have a number of programs in place, from a tactical  
18 perspective, which is what can we do in the immediate short  
19 term in order to provide more reliable services and  
20 additional services; to the medium term of providing,  
21 again, more services on the lines that we already have; to  
22 the longer term of trying to see how the system can be best  
23 enhanced.  
24  
25 So, currently, as the new OSCARS come on, we will be  
26 able to provide more services, and these will be  
27 incorporated with the opening of Epping-Chatswood line.  
28  
29 The completion of the current Rail Clearways program  
30 will see us able to provide more reliable services by  
31 removing a number of difficult operations, which will again  
32 provide more capacity to the system.  
33  
34 We have, as I said, the OSCARS currently being  
35 delivered and the Government's recent announcement of  
36 increasing this order, and that we have 626 PPP carriages  
37 currently on order to replace existing non-airconditioned  
38 carriages and also to provide additional growth for the  
39 system. We've introduced a number of processes on stations  
40 to encourage people to make use of the unused capacity on  
41 actual trains and to encourage people to join and alight  
42 from trains more efficiently. I think that covers most of  
43 what we would like to say in this area.  
44  
45 THE CHAIRMAN: Thank you very much. You will recall  
46 that RailCorp itself did a study of external benefits, or at  
47 least some staff did; I'm not sure if it was an official

1 study. My recollection of that is that it produced a  
2 significantly lower estimate of the value of the external  
3 benefits than our study has shown.

4  
5 MR GARNHAM: I think I would have to get back to you. I'm  
6 not sure if it is significantly less, but --

7  
8 THE CHAIRMAN: It was about 1.3; about a billion.  
9 Admittedly, that was an earlier period. We all agree,  
10 external benefits grow. But it was substantially less. It  
11 is a difficult area, as has been emphasised, and I'm sure  
12 there will be further estimates made of external benefits,  
13 including by IPART in four years time. But I just mention  
14 that, that you were lower than us a few years ago.

15  
16 MR PEDERSON: If I could respond to that - and I'm not  
17 aware of the specifics of that - certainly in terms of our  
18 review of that work and the work that IPART has done, as  
19 I said at the start, we're broadly in agreement with the  
20 nature and extent of the benefits. We could all debate the  
21 minutiae of it, but we're not unhappy with what IPART has  
22 come forward with at this stage.

23  
24 THE CHAIRMAN: Mr Miles?

25  
26 MR MILES: Thank you, Mr Chairman. Before I go into my  
27 prepared screed, I would just like to comment on a few  
28 things that Mr Garnham has said. I'm not sure that all  
29 those figures and projects would make any difference to the  
30 external benefits. He said that patronage growth is high -  
31 that was the curve that was going upwards - but has the  
32 market share increased - in other words, has that taken any  
33 more cars off the road - or has the number of cars been  
34 growing at the same rate as the rail patronage?

35  
36 Secondly, Mr Garnham said that growth has not  
37 increased in outer areas because the rail network is not so  
38 intense there. That gets back to the Government always  
39 promising everything but delivering nothing in these areas.

40  
41 Similarly with the Epping to Chatswood line, the main  
42 benefit of that will probably be taking people off the  
43 buses and putting them onto trains, and I'm not sure that  
44 the number of people being transferred from cars to train  
45 would be significant. Again, I don't have any figures to  
46 back this up; it is just my comment.

47

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1 I think earlier Dr Keating said that CityRail only has  
2 4.5 per cent of the total transport movement in Sydney -  
3 I'm not sure whether that's all over Sydney or in peak  
4 hours or what - and therefore maybe the external benefits  
5 claimed by groups like us were overstated. But I'm just  
6 wondering if the rail lines that are planned have that  
7 factor taken into them - in other words, when a rail line  
8 is planned, does the cost:benefit ratio include the number  
9 of passengers which would be taken out of cars and buses  
10 and onto rail?

11  
12 Getting back to my prepared speech, as has already  
13 been stated, IPART is well aware that there is a wider  
14 range of external benefits beyond those quantified in its  
15 papers, and we are a bit concerned that they seem to have  
16 said, "It is all too hard so we won't quantify them."  
17 Again, most of this has been gone through over the last  
18 12 months in various submissions and discussions, but this  
19 is a quote from our own October paper:

20  
21 APT has tried to get IPART to recommend  
22 further research into the external benefits  
23 of CityRail services to maximise the value  
24 of the external benefits that would  
25 minimise any fare increases.  
26 Instead, IPART has concluded that because  
27 the benefits are not readily quantifiable  
28 and agglomeration benefits not proven, they  
29 will be ignored. We think that is the  
30 accountant's approach: if you can't  
31 measure it accurately, you can't take it  
32 into account.

33  
34 The Sydney Morning Herald editorial on 15 October, said:  
35  
36 Yet the State Government has not been able  
37 to escape the blinkered view of New South  
38 Wales Treasury which focuses on the  
39 financial costs of rail and not its wider  
40 community benefits.

41  
42 Dr Keating mentioned the difference between public  
43 benefits and private benefits, and the same argument was  
44 used in the IPART Review of Registered Clubs, which is  
45 sitting in the rack outside if anyone cares to look at it.  
46 There is a very fine line between what is a community  
47 benefit and what is the private benefit of someone who can

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1 get a plate of bangers and mash for \$2.50, but we still  
2 take the view that the mobility of people is of importance  
3 to both themselves and their well-being, and if they are  
4 visiting relatives, friends, at home or in hospital, that  
5 is an added community benefit.  
6

7 I'm sure that IPART and CityRail know where to find on  
8 the Internet all of the various studies that have been done  
9 into external benefits and the values of them and the types  
10 of values, so there is no need for us to go further into  
11 that here. Yes. That's all, thank you.  
12

13 THE CHAIRMAN: I might just take the opportunity to  
14 clarify one thing for you. When we measure the external  
15 benefits, we factor in expected growth of patronage. The  
16 external benefit will then go up, even if the number of  
17 people, number of passenger journeys, is going up even  
18 faster. There still would be an increase in the absolute  
19 value of external benefits, and we would allow for that.  
20

21 Further, we would give a greater weight, I believe, to  
22 where the passenger journeys occur, because that's the  
23 whole point of the traffic flow analysis on which our  
24 studies are based. When a passenger shifts from a car onto  
25 a train and so doesn't drive over the Sydney Harbour  
26 bridge, that gets a higher value because, of course, there  
27 is less congestion than if they decided to get public  
28 transport, say, from Liverpool out to Macarthur, because  
29 that wouldn't relieve congestion very much at all. So  
30 I just clarify that aspect for you.  
31

32 MR MILES: All right. I'm glad I have drawn that out.  
33

34 THE CHAIRMAN: Yes. I won't repeat myself. Mr Parish?  
35

36 MR PEDERSON: Chairman, could I just interrupt for a  
37 moment? I need to exit, I have another appointment  
38 downtown, so I will leave the third section in the capable  
39 hands of my colleague. I apologise for that.  
40

41 THE CHAIRMAN: Yes.  
42

43 MR PARISH: Thank you once again. We have never been  
44 convinced of this 30 per cent contribution by commuters  
45 and 70 per cent payment by the taxpayer. That would seem  
46 to us to be a Government decision rather than a decision  
47 that a tribunal should make. But, anyway, having said

1 that, the benefit of the railways is a lot more, I believe,  
2 than the indirect or external benefits that have been put  
3 to the tribunal to date. You've only got to recall the  
4 strikes at different times that we've had. It just  
5 completely shuts Sydney down. Sydney won't operate without  
6 the rail system. As such, you would have to say the  
7 external benefits are far more than the 70 per cent that  
8 are being shown there.  
9

10 Now, I would presume all you people are fairly  
11 familiar with a report called the Christie Report, that  
12 looked into the mobility needs of the people of Sydney and  
13 reported that if we improved mobility by a better railway  
14 system, or whatever, Sydney would become a much more  
15 efficient city and a much better place to live in.  
16

17 That report, of course, is pretty detailed, and no  
18 doubt it is receiving a lot of consideration, but, for  
19 example, it was put to us that not building the Rouse Hill  
20 railway, or the northwest railway, would cost Sydney more  
21 than building it: in other words, the contribution to  
22 Sydney as an internationally competitive society would be  
23 improved by having a railway line to Rouse Hill, even  
24 though the external report on it says there are not enough  
25 people living out there to justify it.  
26

27 So it is our view that that goes to reinforce what we  
28 were saying, that I would say probably a 25 per cent  
29 contribution by users is more appropriate than a  
30 30 per cent.  
31

32 There are other ways of looking at it, of course.

33 I went to a seminar not so long ago where it was estimated  
34 that if the speed of the trains, say, from Sydney to  
35 Gosford was improved by 30 minutes, it would reduce the  
36 demand on what they call the F3 by close to 20 per cent.  
37 So there are other benefits, like land use and pollution -  
38 all these factors would be reduced if we could get more  
39 people to use the railways.  
40

41 On the other hand, one discussion that we had with one  
42 of the railways senior officials, Dick Day, who is retired  
43 now, was that the difficulty is that you couldn't go ahead  
44 with plans to get the people to use the rail line, because  
45 you just haven't got the capacity to do so. So you would  
46 have to look at the whole land use planning and the whole  
47 structure of transport to work out where we go.

1  
2 Now, it is pretty obvious, if you try to put the fares  
3 up, the number of people using the service is going to  
4 drop, unless you do something like when the Department of  
5 Transport brought a guy over from France here, what, about  
6 20, 25, 30 years ago, or something, to look at the  
7 advantages of speeding up the railway system and improving  
8 frequency, and he said that their estimate over there was  
9 that you can get substantial increases in the use of public  
10 transport if you can make the service sufficiently frequent  
11 and sufficiently fast. It seems pretty obvious that Sydney  
12 has a pretty slow system, and that there is room there to  
13 get more people and actually charge them more, and they  
14 would accept the higher charges if they got a much faster,  
15 more frequent system.  
16  
17 When we do studies on motorists as to why they travel  
18 by car, the general answer is they get from home to work  
19 more quickly, or work to home more quickly; it is more  
20 convenient because they can select the time that they want  
21 to travel, basically; but it is sort of conceded that if  
22 you made the railway services very frequent and if you made  
23 them very fast, you would get a lot more people on to rail  
24 and they would be prepared to pay a higher amount.  
25  
26 One of the people that addressed us from State Rail  
27 said that if you did it properly you would get to the stage  
28 where the rail would make a profit just out of fares and  
29 wouldn't require any contribution from the taxpayer. So  
30 all of these things have really got to be taken into  
31 account when you look at the factors that you have got  
32 listed there in section 2, but as to how you do this is  
33 well beyond me.  
34  
35 I am just saying that I am not necessarily convinced  
36 that the 70:30 is the right proportion, based on the  
37 factors that we're operating under now - the speed of the  
38 timetable and the frequency of the trains. I think that is  
39 all I can contribute at this stage.  
40  
41 THE CHAIRMAN: Could I draw your attention to the CRAI  
42 study, on which our work was based. That study is based on  
43 the most extensive travelling data flow information that we  
44 have in Sydney, and it did actually model the situation if  
45 there was no rail - a permanent strike, if you like. One  
46 of the things that really surprised us, I think, was that  
47 it made a difference, obviously, but how for so much of

1 Sydney it made very little difference. That's what is  
2 surprising. That's why we have started to try to  
3 understand why.  
4  
5 A second comment is that I lived in Paris for a long  
6 time and I enjoyed the public transport system there.  
7 I also know that it is the most densely populated city in  
8 the western world - it is more densely populated than  
9 New York, which is the second most densely populated city.  
10  
11 You can run a very high frequency system and afford to  
12 pay for it when you have that density of population.  
13 No-one enjoys a house and garden there, et cetera; they all  
14 live in apartments. They don't have that sort of amenity  
15 of life when they go home from work that we are used to.  
16 At the same time, you will in find Paris that the  
17 Government is paying - I can't give you the exact figure,  
18 but I think it would be paying - 70 per cent of the costs  
19 of their rail system also. It is that sort of ball park.  
20 They have a much more dense population. With every rail  
21 system in the world, the Government is paying the majority  
22 of the costs, and I don't know of any that is making a  
23 profit.  
24  
25 Ms Edmonds?  
26  
27 MS EDMONDS: I would just like to start by saying there  
28 cannot be a distinction between users of the CityRail  
29 system and taxpayers. Users are also taxpayers and many  
30 tax payers are users, and both benefit from having a  
31 reliable, efficient, affordable rail transport system,  
32 whether or not the taxpayer actually uses that system.  
33  
34 It could also be reasonable to say that I'm a taxpayer  
35 and I use the rail system, therefore, I pay for  
36 100 per cent of the system, regardless.  
37  
38 Personally, I would prefer that my taxes paid for the  
39 full 100 per cent, and that way I wouldn't have to come up  
40 with the additional 30 per cent out of my own daily living  
41 expenses. However, this is probably a bit of a dream in  
42 the sky and there are a range of other options to fund the  
43 system, some of which have been raised here today.  
44  
45 The external benefits of a good public transport  
46 system, and in this case a rail system, are not easily  
47 measured. While some things may be quantifiable, such as

1 congestion, other things about quality of life, for  
2 example, social connection, are not. I note that IPART  
3 does tend to ignore many of the external benefits of the  
4 system which are absolutely essential to people's lives.  
5 For example, access to health services. I acknowledge that  
6 IPART sees this as a private benefit, but a child unable to  
7 get to school, a person unable to access a health service  
8 and a person who can't get a job soon becomes a public  
9 issue.  
10  
11 A recent report from the Victorian Transport Policy  
12 Institute - Evaluating Transportation Equity speaks of  
13 vertical equity, and I quote:  
14  
15 Vertical equity (also called social  
16 justice, environmental justice and social  
17 inclusion), is concerned with the  
18 distribution of the impacts between  
19 individuals and groups that differ in  
20 abilities and needs, in this case by income  
21 or social class.  
22  
23 By this definition, transport policies are equitable  
24 if they favour economically and socially disadvantaged  
25 groups, therefore compensating for overall inequities.  
26  
27 Policies favouring disadvantaged groups are called  
28 "progressive", while those that excessively burden  
29 disadvantaged people are called "regressive". This  
30 definition is used to support affordable modes, discounts  
31 and special services for economically and socially  
32 disadvantaged groups and efforts to ensure the  
33 disadvantaged groups do not bear an excessive share of  
34 external costs such as pollution, accident risk and  
35 financial costs.  
36  
37 However, it is also about enabling people on low  
38 incomes or who are socioeconomically disadvantaged to have  
39 equitable access to the same external benefits that people  
40 who are advantaged can have from access to public  
41 transport, specifically rail.  
42  
43 So what are these external benefits? Rail services  
44 can be more comfortable and accessible for some passengers.  
45 Something we've been told frequently is that it is easier  
46 for older people and people with a disability to travel on  
47 rail services, particularly for longer periods. It is

1 easier to manoeuvre wheelchairs and walking frames within  
2 train carriages, it is easier to carry luggage, and there  
3 is generally more foot room, et cetera, which can work  
4 better for people with some medical conditions.  
5  
6 Rail systems also contribute to social capital. One  
7 of the external benefits of a rail system is social  
8 capital, and I will just refer to a BITRE document that  
9 describes social capital as "a resource inherent in  
10 community relationships and networks." Potentially, it can  
11 be used by individuals and communities to achieve social  
12 and economic outcomes.  
13  
14 Social capital is a multifaceted concept which can be  
15 measured using a mix of subjective and objective  
16 indicators. The range of indicators that can be used  
17 includes measurements of trust, social participation,  
18 volunteering and community support. It means that it is  
19 rarely uniformly high or low in a region. Rather, most  
20 regions will display strengths or weaknesses with respect  
21 to social capital. Therefore, a person's place of  
22 residence exerts a significant influence on the level of  
23 social capital resources which may be drawn upon within  
24 that community, and this includes access to transport.  
25  
26 Another external benefit is social inclusion, and that  
27 is the benefit of being able to be included within society  
28 rather than being excluded from it, and there are a range  
29 of issues that fall under this heading. In general, access  
30 to services remains one of the key external benefits that  
31 NCOSS finds itself advocating for.  
32  
33 One of the strong indicators of poverty is the ability  
34 of people to take advantage of basic services such as  
35 health, community support, shopping, banking, et cetera.  
36 Interestingly a significant proportion of people we  
37 encounter who have difficulty accessing services cite  
38 transport as a key barrier.  
39  
40 In terms of employment, for example, dislocation from  
41 affordable public transport can contribute to the inability  
42 of a person to secure and hold down a job. A report from  
43 the English Social Exclusion Unit indicates that up to  
44 25 per cent of young people aged 16 to 24 reported that  
45 transport problems had affected their decision not to apply  
46 for work, and NCOSS has frequently come across this issue.  
47 This is highlighted by a statement in 2001 by GROW, which

1 is the Sydney Area Consultative Committee, to improve the  
2 access of young Western Sydney job seekers to employment in  
3 eastern Sydney. Unsurprisingly effective use of public  
4 transport, where it was available, was found to be part of  
5 the solution.

6  
7 NCOSS has previously done a comprehensive report on  
8 the transport needs of people living in residential aged  
9 care or, as they are more commonly known, nursing homes  
10 and hostels. Residents of nursing homes and hostels often  
11 have limited means with the majority of residents paying up  
12 to 85 per cent of their income to stay there.

13  
14 This report found that residents typically had \$10 or  
15 less a week to spend on transport. Many have to make their  
16 own arrangements to get to health-related transport and,  
17 because of the lack of other forms of accessible transport,  
18 people in residential aged care facilities tended to rely  
19 on friends and relatives to get to medical appointments.  
20 People in nursing homes and hostels are routinely missing  
21 health-related appointments because of transport  
22 difficulties.

23  
24 A recent interview on radio 702 with researchers from  
25 the University of Sydney mentioned that having social  
26 contact and being active seemed to be two of the key  
27 elements in preventing and maintaining wellbeing and  
28 delaying dementia. The cost of dementia has been estimated  
29 as follows: the total financial cost in 2002 was \$6.6bn -  
30 over \$40,000 per annum per person with dementia. By 2051  
31 dementia's financial impact will be 3.3 per cent of gross  
32 domestic product - hardly a private impact. Loss of  
33 earnings from loss of employment and absenteeism is also  
34 estimated at \$355.3m per annum - again a private issue  
35 having a much greater public impact.

36  
37 This alone far exceeds the \$1.7bn that the IPART  
38 report applies to the external benefits of CityRail.  
39 Although we acknowledge that CityRail will only be one part  
40 of that particular system.

41  
42 NCOSS and the NSW Cancer Council have also developed a  
43 report called "No Transport, No Treatment" which speaks  
44 further about the external benefits of public transport to  
45 people.

46  
47 I was going to talk about congestion, but we have

1 pretty well covered that.

2  
3 I have also mentioned, the economic external benefits  
4 of public transport especially rail, but there is also  
5 access to education and employment and therefore economic  
6 opportunities. It impacts on business activity, property  
7 values and economic development in the area and, of course,  
8 the distribution of expenditures and employment - who gets  
9 contracts and jobs? - are all external benefits.

10  
11 At the end of the day there are many and varied  
12 external benefits provided by a rail system and not all of  
13 these can be quantified economically. So does that make  
14 them worthless? I think not. After all what does the  
15 Mastercard ad say - "Some things are priceless." The  
16 benefit of being an included and socially and economically  
17 engaged participative member of society in whatever way we  
18 can should never be subsumed to be the bottom line or  
19 ignored.

20  
21 THE CHAIRMAN: Mr Gooding?

22  
23 MR GOODING: Thank you. I will not add a lot to what has  
24 been said about the issue of externalities. One of the  
25 factors that I was not sure had been considered in looking  
26 at the congestion cost is what policy options would be  
27 available to the Government within the rail system. In  
28 other words, would a government just do nothing, would a  
29 government invest in substantial rail infrastructure or  
30 would it invest in additional buses? There is a range of  
31 policy options which have considerable infrastructure costs  
32 associated with them.

33  
34 In essence, when you look at the fact that CityRail is  
35 responsible for 47 per cent of the AM peak journeys, just  
36 coming into the CBD alone, you would virtually have to  
37 double the existing road infrastructure to achieve anything  
38 like the efficiency that CityRail brings to the CBD.

39  
40 The other thing I would question is the assumption that  
41 these congestion costs are relevant only in terms of the CBD.  
42 There are obvious flow-on effects elsewhere. The fact that  
43 Parramatta continues to expand and is already suffering from  
44 congestion in the morning peak, even with CityRail services  
45 underscores the fact that the whole policy that forms  
46 the basis for the metropolitan strategy would be  
47 considerably undermined by the removal of CityRail

1 services.

2

3 I note what the draft determination says about the  
4 agglomeration benefits and the fact that IPART believes  
5 that they may have been somewhat overstated. However, I  
6 would point to the fact that I think it would be much more  
7 difficult for Sydney to maintain, for example, its global  
8 city status if there was a perception that it was extremely  
9 difficult to do business here because of the additional  
10 costs involved because of congestion, which is already  
11 emerging as an issue in relation to Sydney.

12

13 The other aspect of this, which has also been touched  
14 on, is the issue of the speed of CityRail services relative  
15 to private vehicles and the impact that this would have on  
16 congestion costs. One of the problems is that the CityRail  
17 services have in fact been slowed down to achieve greater  
18 reliability. One wonders what the calculations would be  
19 like if you could apply the same sort of differential that  
20 applies, for example, in Perth, particularly on their  
21 newest rail line relative to travel times on the competing  
22 motorway. Whilst that is probably not a realistic  
23 comparison, it says something as to the implications of  
24 travel times.

25

26 Whilst we understand the basic strategy and the  
27 structure of IPART's proposal, we think there are a number  
28 of these issues which have not been perhaps adequately  
29 considered in arriving at that increase.

30

31 THE CHAIRMAN: Thank you. I want to make it clear that  
32 by mentioning the fact that the study we commissioned did a  
33 model with no CityRail, that in no sense means that we  
34 thought it would be a good idea not to have CityRail. Of  
35 course it is a good idea to have CityRail. What is  
36 interesting, though, was that it gave us a better  
37 understanding of the benefits of CityRail, and let me  
38 emphasise that \$1.8bn is a lot of money. It is lot of  
39 money.

40

41 Mr Morey?

42

43 MR MOREY: Thank you. I do not want to add too much  
44 more.

45 The main issue we saw out of the external benefits was in  
46 relation to the way in which fares would be structured for  
47 people in low socioeconomic or disadvantaged groups. How  
48 external benefits are calculated is significant in the way

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1 in which prices are set particularly for those groups.

2

3 One of the fundamental things for us in the next  
4 session in relation to changing of fares and increasing of  
5 fares is how that is spread across the different groups and  
6 how in fact different groups are taken into consideration  
7 when those fares are set. There will be arguments about  
8 what is considered, what is not considered, how you put the  
9 figures together and the like. Substantially from our  
10 perspective, we see the external benefits more about how  
11 you actually set fare costs for those groups and justifying  
12 the differential in that.

13

14 THE CHAIRMAN: We will get to that in a minute. I will  
15 give people in the audience a chance to comment, if they  
16 wish.

17

18 MR FALZON: I have a few comments. There was a figure  
19 cited that about 4 per cent of total journeys were taken on  
20 CityRail. In Western Sydney, where the north-west and the  
21 south-west rail lines have been cancelled, those who  
22 probably wanted to catch the train in the future cannot now  
23 do that. As we all know, the average train takes about  
24 1,200 people out of their cars freeing up the road for  
25 other vehicles. Our simple point is that if the service is  
26 not there, people cannot use that specific service to get  
27 to where they want to go.

28

29 We are particularly concerned about valuing the  
30 community health benefits of CityRail and all public  
31 transport. Those who have been watching the television  
32 recently would have seen the Federal Government's health  
33 campaign asking people to get up and move and walk and the  
34 obesity epidemic is costing this country billions, and it  
35 will cost a lot more. Anything that improves people's  
36 access to rail is particularly important.

37

38 Also I didn't really understand the issue of public  
39 transport and the external benefit that it gives to  
40 particular land holdings. We believe that the land value  
41 does increase with greater access to public transport. In  
42 our submission, we outlined our particular points of view.  
43 We think that is important to increase the value of the  
44 external benefits of looking at the public transport.

45

46 In particular, for Western Sydney, rail is important,  
47 but we also have to look at the nature of public transport

.17/11/08 41 SESSION 2

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1 holistically. We need to look at how buses meet trains and  
2 the way that the provision of parking at railway stations  
3 affects patronage. There is an argument that providing  
4 excessive parking at stations undermines the bus system.  
5 Why is this important to the external benefits? It is  
6 because it makes it harder for people to access CityRail  
7 services; therefore, it is important to look at the  
8 provision of buses and parking and the impact on rail  
9 services in that holistic way.  
10  
11 It is important to understand that inter-relationship  
12 and also the external benefits that may be provided through  
13 more people catching the train. If you have been keeping  
14 abreast of the local newspapers and the Sydney Morning  
15 Herald, you will know that there is not enough parking at  
16 stations; therefore, we need to increase bus services to  
17 the stations so that people can actually use the trains.  
18  
19 Another kind of rhetorical question which I thought  
20 was particularly appropriate to bring up at this session  
21 today is: can you actually live without a car in Western  
22 Sydney? Most people who live in Western Sydney often own  
23 two or three cars. That is because the provision of public  
24 transport is inadequate. Even if they did want to use  
25 public transport, for example, they probably couldn't do  
26 so.  
27  
28 We agree with NCOSS regarding the externalities for  
29 community health and wellbeing.  
30  
31 Thank you very much for the opportunity to comment.  
32  
33 MR TREVASKIS: There is a population of 74,000 in the Blue  
34 Mountains LGA. Currently 17.5 to 18 per cent use rail for  
35 their journey to work. I think there could be some  
36 modification to that because there has been an increase in  
37 the number of people travelling to Penrith and Parramatta.  
38 They are not all going to the Sydney CBD.  
39  
40 When the petrol price went up to \$1.50, there was not  
41 a great mass exodus from road to rail. It did not seem to  
42 make any difference at all. The local bus company has told  
43 me that it is flat out carrying four or five passengers on  
44 most of its services. We have been doing our level best to  
45 improve the services to the Penrith LGA, which is very  
46 difficult.  
47

1 What amuses me too is that the Government still  
2 insists on giving the cash back on the M4. That was a  
3 decision by the Government some four or five years ago  
4 because it did not want to upset the local population.  
5 When you get to pollution and congestion --  
6  
7 THE CHAIRMAN: Can I ask you to be fairly brief because we  
8 are way over time.  
9  
10 MR TREVASKIS: How do we attract more people onto rail  
11 when we know all the costs that are incurred when they are  
12 using their cars? That is the big task, and how we do  
13 that - well, we are going to try.  
14  
15 THE CHAIRMAN: Thank you. As I mentioned, we are a long  
16 way behind schedule, so I might move to the next session.  
17  
18 SESSION 3: Structure of CityRail fares and draft fare  
19 determination  
20  
21 THE CHAIRMAN: As we discussed in the previous session,  
22 IPART's draft decision was to transition to a user share of  
23 around 30 per cent of the cost of providing CityRail  
24 services. That meant, on average, fares would increase by  
25 12 per cent real over the next four years.  
26  
27 While the user and government share of funding  
28 influences the average increase in fares, the increase in  
29 individual fares is influenced by the structure of  
30 CityRail's fares. IPART has previously noted that the  
31 structure of CityRail fares may no longer be encouraging  
32 efficient use of the network, efficient investment in the  
33 network, and equity between different users of CityRail  
34 services.  
35  
36 As part of its review, IPART examined the current  
37 structure of CityRail fares to see if it could be improved  
38 for the benefit of passengers, the Government and  
39 ultimately the taxpayers who fund a significant proportion  
40 of CityRail's costs.  
41  
42 Our draft decision was to change the current fare  
43 structure so that fares, in our view, better reflected the  
44 different costs of providing services to passengers over  
45 different distances and at different times of the day and  
46 week.  
47

1 IPART's draft decision was to implement a uniform  
2 distance based fare structure comprising a fixed flagfall  
3 of \$2.50 and a variable distance based charge of 9 cents,  
4 rising to 10 cents per kilometre by 2011/2012. As part of  
5 this distance based fare structure, frequency discounts  
6 would be transitioned towards a constant 20 per cent  
7 discount which would be consistent with the frequency  
8 discount for Sydney bus tickets. I might add that our  
9 draft determination did not get anywhere near the 20 per  
10 cent consistency, but it made some progress towards it.  
11 The discounts on TravelPass products would also be brought  
12 into line with those of the other periodicals.

13  
14 IPART's draft decision was to increase the discount on  
15 return distance based tickets that are purchased in the off  
16 peak. We wanted to increase that from 30 per cent to  
17 50 per cent, and the off-peak discount ticket would be  
18 valid on any regular CityRail service except those arriving  
19 at Central Station between 7 and 9.30am and those leaving  
20 central between 4 and 6.30pm.

21  
22 IPART considered that the revised fare structure  
23 included in its draft decision would promote more efficient  
24 use of the CityRail network and encourage efficient  
25 investment in the network. It would also promote more  
26 equitable outcomes between passengers travelling different  
27 distances and at different times of the day or week and  
28 between passengers and taxpayers. In addition, as I  
29 mentioned, it would begin to transition CityRail's fare  
30 structure towards one that would facilitate electronic  
31 integrated ticketing.

32  
33 Submissions on the draft determination to date have  
34 been critical of IPART's draft decision to increase fares.  
35 Many submissions have argued that CityRail's current level  
36 of performance in terms of reliability and the condition of  
37 rolling stock does not warrant a fare increase of the size  
38 set out in the draft determination. Many submissions have  
39 argued that the proposed fares would make the cost of using  
40 public transport unacceptably high with impacts on  
41 affordability and patronage. We have already heard that  
42 this morning.

43  
44 In addition, many stakeholders have been critical of  
45 IPART's draft decision to restructure fares. In  
46 particular, many submissions highlighted the larger fare  
47 increases that longer distance passengers using periodical

1 tickets would face under IPART's revised fare structure.  
2 These submissions argued that longer distance commuters are  
3 likely to face greater affordability problems than shorter  
4 distance commuters. Submissions also questioned whether  
5 increasing the off-peak discount was likely to increase the  
6 demand in peak services, noting that the majority of people  
7 are not able to alter their travel decisions due to work or  
8 family commitments.

9  
10 The Ministry of Transport has put forward an alternate  
11 proposal for CityRail's fare structure in its submission.  
12 The submission of the Ministry of Transport is available on  
13 the IPART website. I think it is available outside the  
14 door too.

15 MR GLASSON: It is.

16  
17  
18 THE CHAIRMAN: This submission suggests a higher fixed  
19 flagfall and a lower per kilometre charge for CityRail  
20 fares. This effectively would mean lower fares for longer  
21 distance commuters relative to IPART's draft decision  
22 but would mean significant fare increases for shorter  
23 distance commuters, particularly those travelling up to  
24 15 kilometres. The ministry's submission also notes that  
25 the Government is not supportive of an increase in the  
26 off-peak discount as a recent trial of a 50 per cent  
27 off-peak fare provides no indication that this initiative  
28 alone succeeds in substantially shifting commuters out of  
29 peak periods.

30  
31 IPART's draft report noted that the fare structure  
32 needs to balance cost reflectivity and the need for fares  
33 to reflect the costs of providing CityRail services, on the  
34 one hand, but we need to balance that with issues of  
35 affordability and equity between CityRail passengers, on  
36 the other hand. So we are interested in hearing from  
37 stakeholders as to the appropriate balance between cost  
38 reflectivity, equity between different CityRail passengers  
39 and affordability.

40  
41 I would now like to ask Mr Glasson to answer that  
42 conundrum for us.

43  
44 MR GLASSON: I am cognisant of time. You have given  
45 some coverage to the proposition that has been put by the  
46 minister. It comes to that second point in your terms of  
47 reference regarding equity and affordability. I think the

1 Government has no issue with the overall quantum that has  
2 been addressed in the proposal, but it does feel that the  
3 flagfall as proposed and the fixed per kilometre rate may  
4 in fact not be as equitable an outcome as may possibly be  
5 able to be arrived at and it has asked IPART to take that  
6 matter into consideration in its final determination.  
7

8 The submission goes into a lot of detail. A  
9 comparison of tables for fares over various distances is  
10 attached. We are happy to take people's questions in  
11 relation to that detail, but there is probably no purpose  
12 served now in my going through in detail something that  
13 people have available to them and can read.  
14

15 In terms of the 50 per cent off-peak discount, the  
16 Government's proposal at this time is to leave the off-peak  
17 discount at 30 per cent, but not move from the ability to  
18 use that for travel in the evening peak period. The  
19 Government's proposition, given the recent experience with  
20 the SmartSaver trial - RailCorp might like to comment some  
21 more on that - is that, at some further time, perhaps there  
22 should be a more detailed discussion around the whole issue  
23 of discounting in off-peak products.  
24

25 THE CHAIRMAN: Could I clarify one point of the  
26 Government's submission? I think I am correct in saying  
27 that the Government felt that IPART paid too much attention  
28 to getting a constant percentage increase irrespective of  
29 the distance and should give more weight to the absolute  
30 increase. Obviously, an increase of, say, 15 per cent for  
31 short distances would cost fewer dollars than an increase  
32 of 12 per cent from Newcastle to Sydney, and the Government  
33 felt that we should give more attention to the size of the  
34 absolute increase. Is that a fair comment?  
35

36 MR GLASSON: I think that is a fair comment insofar as the  
37 whole issue of equity and affordability flows out across  
38 the whole network.  
39

40 THE CHAIRMAN: I just added that because that is  
41 something we would appreciate hearing other's opinions on  
42 as well. Barry, I am happy if you want to comment on the  
43 structure of fares, which you may not want to, but do you  
44 have any comments on the off-peak discount in particular?  
45

46 MR GARNHAM: First of all, we would like to comment on  
47 the actual structure, the normal fare, the actual fare level.

1 Basically, yes, in terms of structure, we would support  
2 distance based fare structure. Experience has shown that  
3 this is a more equitable basis to determine fares for all  
4 customers. It is more reflective of costs. It is  
5 consistent with who pays for what. It would get rid of a  
6 lot of the anomalies and contradictions that exist within  
7 the existing fare structure with the different fare types  
8 and even within the same fare type.  
9

10 As part of this submission, under the current IPART  
11 process, we did introduce a SmartSaver trial on the Western  
12 line, which lasted from August through to October. It is  
13 quite interesting to see what the actual outcomes were.  
14

15 We offered a much lower discount on the ticketing.  
16 Compared with the existing 30 per cent discount, we  
17 introduced a 50 per cent discount on our single and return  
18 tickets, provided that travellers used trains that arrived  
19 in the CBD before 7.15 in the morning or after 9.15 and  
20 before 10.15 - so there was that shoulder period - and that  
21 the return tickets were not valid in the PM peak between  
22 4 o'clock and 6.30.  
23

24 We found that, on average, there were sales of about  
25 5,000 of these tickets a day. That applied far more to  
26 people who travelled after 9 o'clock as opposed to those  
27 who were travelling in the earlier time frame, and people  
28 predominantly purchased a return ticket rather than a  
29 single ticket, which meant that they planned to avoid using  
30 the PM peak.  
31

32 We found that the initial uptake was very promising with a  
33 shift from the peak to these tickets. Over 2,000 customers  
34 each morning shifted from the AM peak. However,  
35 as time went on, this had declined to only 200 in the  
36 morning peak by the time it got to the end of the trial on  
37 31 October.  
38

39 There was, first of all, a lot of interest from our  
40 customers. They were well informed on what it meant and  
41 what was available to them, but over time, they started to  
42 recognise other issues, which meant that the whole offer  
43 was less attractive. We did decide, and we found from  
44 customer feedback, that the discounts were not the only  
45 driver of customer behaviour. We found that almost all  
46 customers thought that the SmartSaver was a good idea even  
47 if it did not encourage most of them to switch to the less



1 crowded services.  
2  
3 Those customers, for one reason or another, had a  
4 regular travelling pattern. They did not find the  
5 SmartSaver attractive. That could have been determined by  
6 what time they had to be at work, the requirements of  
7 schoolchildren and other issues. They found queueing for a  
8 ticket every morning more restrictive and similarly coming  
9 home in the evening when they had to purchase a ticket.  
10  
11 It could have had a greater impact, but that is really  
12 dependent upon the level of service in the off peak, which  
13 we found was a more important issue. For that reason, we  
14 would say at this moment, taking into account the practical  
15 issues of trying to actually implement some of the PM peak  
16 restrictions, that this trial did not generate sufficient  
17 evidence that that significant discount would lead to a  
18 reduction in crowding in peak services.  
19  
20 THE CHAIRMAN: Thank you.  
21  
22 Mr Miles?  
23  
24 MR MILES: Thank you, Mr Chairman. These will just be  
25 short dot points, rather than a reasoned dissertation.  
26 Firstly, I think it is a good idea that CityRail did try  
27 the SmartSaver thing, and I suggest they go away and have  
28 another look and see what passengers really want and have  
29 another try.  
30  
31 I think the frequency of the off-peak trains is a very  
32 big thing. On the Northern Line, through Ryde and those  
33 places, there is only a train every half hour. Some people  
34 might say that is good, but I think there is more to it  
35 than just the discount.  
36  
37 An idea that was floated somewhere - maybe in an IPART  
38 discussion or something - was that rather than IPART  
39 setting maximum fares for each distance band and each type  
40 of ticket, that IPART might say to CityRail, "You can have  
41 a total revenue increase of this much, and then sort it out  
42 amongst yourself how that is going to affect each  
43 individual ticket". It was just an idea that was tossed  
44 around. It may be useful, but I can see drawbacks in that,  
45 in that it would be subject to political interference. It  
46 doesn't take into account connecting with buses and  
47 ferries, and there would be a great deal of crystal ball

1 gazing to see what the revenue of that could be. But,  
2 again, we welcome lateral thinking like this that can look  
3 at things in a different way.  
4  
5 In Action for Public Transport's submissions in the  
6 past and at the bus hearing a few weeks ago, I very  
7 strongly condemned the proposed TravelPass increases on the  
8 basis that the alleged discounts were inaccurate, and  
9 I would like to repeat that here. The inaccurate, in our  
10 opinion, discount calculations came from four categories:  
11 for the rail content, the rail content was taken from the  
12 stations on the outer-most border of the zone, rather than  
13 some sort of average middle point; they assumed that all  
14 users in a particular zone would use a ferry, when most  
15 would not; they assessed the likely travel pattern of only  
16 one person in their calculations, instead of a range of  
17 users and finding an average; and they failed to include  
18 the penalty cost of the second flagfall and subsequent  
19 flagfall when changing modes from train to bus or bus to  
20 train or whatever.  
21  
22 As well as opposing any moves to say that you can  
23 calculate a discount on a TravelPass - which we believe you  
24 can't; a TravelPass price is a TravelPass price - we object  
25 also to the way the figures were calculated.  
26  
27 In relation to the submission by the ministry about  
28 the change in the balance between flagfall and cost per  
29 kilometre, it is an interesting concept, and while the  
30 minister's intervention has been politically motivated,  
31 especially as there was a protest outside his electoral  
32 office the other day, it may not be a bad idea, but, as  
33 someone mentioned, the absolute increase on the shorter  
34 distance fares would be greater, but if it is 10 per cent  
35 it might still only be 10 cents or it might be nothing this  
36 year because of rounding.  
37  
38 We must also be careful of not saying "inner suburbs"  
39 but "short distances", because the higher fare would also  
40 affect the fares from Corrimal to North Wollongong in the  
41 minister's electorate.  
42  
43 I question one item that Mr Garnham had in his slide  
44 there - that distance-based somehow facilitates a more  
45 simple fare structure. I'm not sure how that works.  
46  
47 As a final statement, the fare system should be set to

1 maximise the efficiency of the transport system as a whole,  
2 and by "transport system" we mean not just trains, but  
3 buses, ferries and the roads; it should be set to maximise  
4 the efficiency of the transport system as a whole, and if  
5 IPART can't do that, it should tell the Government to find  
6 some other person who can do it.

7  
8 THE CHAIRMAN: Thank you.

9  
10 Mr Parish?

11  
12 MR PARISH: We've had a number of presentations given to  
13 us by RailCorp at different times over the years, and there  
14 have been some very interesting ways of encouraging more  
15 use of lower loaded trains and less use of higher loaded  
16 trains. One that we were given quite a detailed  
17 presentation on was to have sort of a flat fare system so  
18 that it didn't matter how far you travelled, you paid the  
19 same fare. Another one was to look at encouraging people  
20 who travelled on Tuesdays, Wednesdays and Thursdays to  
21 travel at least for one of those days in an off-peak  
22 period, because, as everybody who is a commuter knows, the  
23 trains are half empty on Mondays and Fridays and they are  
24 really full on Tuesdays, Wednesdays and Thursdays and,  
25 therefore, if you could get fewer people to use the peak  
26 services on Tuesdays, Wednesdays and Thursdays, and more  
27 people to use the peak services on Mondays and Fridays,  
28 there's a significant, probably, operational cost advantage  
29 in that particular area.

30  
31 I notice that nobody has suggested, on any of the  
32 submissions, that the real reason the Government is  
33 concerned about the sudden jump in the weekly ticket fares  
34 was the fact that all the electorates that are affected by  
35 it are marginal seats. But I should imagine that is  
36 probably one of the big reasons, because you are talking  
37 about the higgledy-piggledy way that the fares are  
38 structured and the advantages of uniform costs per  
39 kilometre of fares for simplification, et cetera. I have  
40 been in a lot of those exercises where a lot of time has  
41 been spent trying to manoeuvre one station into a different  
42 zone to change the fares because they need so many more  
43 votes in that particular area, and that is the reason that  
44 there is a lot of higgledy-piggledyness that goes on with  
45 the fares.

46  
47 But looking at it from the point of doing a review on

1 it, certainly the Commuter Council believes that there is  
2 justification in trying to encourage people to shift from  
3 the more heavily loaded services to the lighter. I mean,  
4 there might be advantages and disadvantages inasmuch as it  
5 could mean that a person who is on a lower wage has got  
6 less say on when he starts and when he finishes than a  
7 person who is getting a decent wage, who is usually treated  
8 with a certain amount of respect and is allowed a certain  
9 latitude when they can start work and when they can stop  
10 work. But, nevertheless, the fact is, if you can adjust  
11 your capacity to meet your loads or adjust your loads to  
12 meet your capacity, it is something that should be  
13 supported. Just how you go about it, of course, is a  
14 different situation.

15  
16 Certainly the Commuter Council supports the minister's  
17 contention that we shouldn't hit the people who are  
18 travelling the longer distance trips more than they are  
19 expecting. I know in other States they keep a uniform  
20 scale, but they don't have the same political problems that  
21 we've got in this State.

22  
23 So, yes, we would have to go along with the minister's  
24 suggestion there. That's about all I can say in regard to  
25 this particular section.

26  
27 THE CHAIRMAN: Thank you.

28  
29 Ms Edmonds?

30  
31 MS EDMONDS: I would just like to start by saying that  
32 NCOSS is generally more supportive of zone-based fares,  
33 however, we are generally supportive of the Government's  
34 suggestion about the higher flagfall and a lower distance  
35 charge and a reduction by 5 per cent per 5 kilometre band,  
36 but we would like more detail before taking an absolute  
37 position on that.

38  
39 In terms of the off-peak reduced trial, we see the  
40 system as a bit flawed. It presumes that people have the  
41 flexibility for them to travel out of peak times. However,  
42 there are barriers created by workplace expectations,  
43 expectations from customers and school times. So to say a  
44 trial failed because external impacts were not taken into  
45 consideration is not reasonable, and perhaps it needs a  
46 whole-of-Government approach to look at a better way of  
47 doing it so that off-peak travel is available to employers

1 and schools.  
2  
3 Another key factor for transport services has to be  
4 affordability. An appropriate suite of concessions for  
5 low-income users is important for any decent rail system.  
6 Although CityRail does have some concessions in place,  
7 there are some notable gaps. For example, part-time  
8 workers on very low incomes may not be eligible for a  
9 concession which may, for example, act as a disincentive  
10 for people to hold down employment.  
11  
12 There is also an increasing emphasis on shifting the  
13 costs of public transport away from government and, more  
14 often than not, increasing the cost to public transport  
15 users. Increased user-pays almost inevitably means lower  
16 affordability and a greater impact upon lower income users.  
17  
18 Over the last 15 years there has been a significant  
19 real increase in the cost of public transportation in  
20 Australia over and above the costs of other forms of  
21 transport, such as private motor vehicle usage. Between  
22 1990 and 2005 the cost of urban transport fares has  
23 increased at 2.17 times, or 117 per cent above the  
24 inflation rate.  
25  
26 Whereas internationally, heavy rail passenger services  
27 are premium priced and, therefore, not necessarily used by  
28 low-income groups, Sydney has a different characteristic.  
29 The availability of rail services to areas where there are  
30 a high proportion of low socioeconomic households, in  
31 combination with relatively affordable long-distance fare  
32 pricing, means that rail services are used by a significant  
33 number of low-income people.  
34  
35 Approximately 25 per cent of rail trips in greater  
36 metropolitan Sydney are taken by a person from a low-  
37 income household. Low-income rail users are the single  
38 largest group of all rail users. If we start including  
39 households in the next income percentile, we find that  
40 approximately 41 per cent of rail trips are taken by a person  
41 from the lowest 40 per cent of households by income.  
42  
43 But looking at the proposed pricing structure in the  
44 recent IPART report, NCOSS remains exceedingly concerned  
45 about the impact of such increases on low-income  
46 individuals and families.  
47

1 We have roughly - and I mean very roughly - estimated  
2 that a person living in Faulconbridge and travelling to  
3 Central would face an almost \$32 rise in the cost of their  
4 weekly train fare, and we used a 48-week-year on the basis  
5 that most people take a four week break and would not buy a  
6 ticket during that time.  
7  
8 While there is an example of the impact on a person  
9 with a medium wage in the IPART report, NCOSS remains  
10 concerned at the impact that such a rate increase would  
11 have on those on the minimum wage. So, for a person  
12 employed full-time on the minimum wage, which is currently  
13 \$561.72, the current weekly ticket takes about 5 per cent  
14 of their income. However, by 2012, this same ticket will  
15 take almost 7 per cent of their income.  
16  
17 I know I can hear people saying, "Why don't they buy a  
18 yearly ticket which is cheaper", however, people on this  
19 level of income are living on a very much day-to-day basis.  
20 Adding the increasing costs of food, housing, clothing, and  
21 education and there is no spare income to save for purchase  
22 of these tickets.  
23  
24 But what about people on pensions which are  
25 significantly below the minimum wage, and this is probably  
26 a good time to remind people about the various federal  
27 ministers who announced that they could not live on the  
28 pension. The Australian Council of Social Service in their  
29 submission to the pension review noted how the value of  
30 pensions has been eroded. Since June 2005, the average  
31 price of food has risen by 15 per cent, rents by 17,  
32 household energy bills by 17 per cent and fuel by  
33 41 per cent. Many social security payments are regularly  
34 indexed in line with movements in the CPI, which has  
35 increased by only 11 per cent over this period, well below  
36 rises in the cost of essentials.  
37  
38 Therefore, any price increase significantly above the  
39 CPI will have an impact on transport affordability for  
40 welfare-dependent and other low-income households. The  
41 cost of transport disproportionately affects low-income  
42 people and is related to their residential location and the  
43 provision of transport services.  
44  
45 However, quite often the argument is about cost  
46 recovery. Cost recovery reflects the principles of  
47 economic efficiency and horizontal equity, both of which

1 require that people should get what they pay for and pay  
2 for what they get, unless a subsidy is specifically  
3 justified.  
4  
5 Cost recovery justifies devoting more resources and  
6 providing better public services to wealthier individuals  
7 and groups because they tend to pay more income, property  
8 and sales taxes. However, this contradicts vertical  
9 equity, which I mentioned previously, which requires that  
10 public resources are allocated to favour disadvantaged  
11 people. A reasonable compromise between these conflicting  
12 objectives is to strive for cost recovery with  
13 non-essential goods and services, such as luxury air travel  
14 and general road use, but apply vertical equity criteria to  
15 public transport services such as rail. This does not mean  
16 that such services need to be free, but their price should  
17 reflect the user's ability to pay. So fees relative to  
18 wages or pensions or allowances can be a useful indicator  
19 of basic transport affordability.  
20  
21 THE CHAIRMAN: Can I just clarify one point in your  
22 presentation? You did a comparison of fares in the draft  
23 determination with the minimum wage which went from 5 to  
24 7 per cent. Did you allow for the minimum wage to increase  
25 over that period?  
26  
27 MS EDMONDS: Yes. We allowed a CPI increase, which it  
28 doesn't tend to go up by anyway, but we used that.  
29  
30 THE CHAIRMAN: It has been going up by more than CPI.  
31  
32 MS EDMONDS: Which is still below the cost of increase in  
33 rail tickets.  
34  
35 THE CHAIRMAN: Yes. I can understand that it wouldn't go  
36 up as fast as 12 per cent, thank you.  
37  
38 Mr Gooding?  
39  
40 MR GOODING: Thank you. I would just start off with a  
41 general observation, that WSROC had, I guess, adopted a  
42 position in its previous submissions of, I guess, "grudging  
43 acceptance", is probably too strong, but resigned  
44 acceptance of the need for increase above the CPI.  
45  
46 That was on the assumption, in a sense, that there  
47 was, I guess, a pact between the Government and the people

1 of Western Sydney and the metropolitan area more widely  
2 that if the community did its part in terms of paying  
3 higher fares, the Government would also do its part in  
4 terms of expanding infrastructure and putting in additional  
5 capacity into the rail system.  
6  
7 I have to say that, in our view, the Government has  
8 spectacularly broken their side of that equation, in terms  
9 of the deferment of those major infrastructure projects in  
10 Western Sydney, and this means that WSROC will probably  
11 need to reconsider its whole position towards the issue of  
12 fare increases. We haven't had an opportunity to formally  
13 consider this yet, and it will be up to the board and my  
14 successor, to deal with this issue.  
15  
16 In terms of what is proposed in the IPART paper and  
17 the minister's response, WSROC had argued, because of its  
18 concerns about the impact on particularly outer Western  
19 Sydney residents, for a larger discount for weekly tickets  
20 than the flat 20 per cent. We have always consistently  
21 argued for about a 25 to 30 per cent range for that.  
22  
23 We haven't, as yet, had a chance to study in detail  
24 the ministry's alternative response of the higher flagfall  
25 and slightly lower increases. I did have one question,  
26 which was about the accelerated introduction of the weekly  
27 increases. I'm not quite sure what the difference is  
28 between what the ministry was proposing and what IPART is  
29 proposing in that. Like NCOSS, we need to take that on  
30 notice and have a think about it.  
31  
32 Those issues, the fact that the people who are  
33 travelling further have often made a number of lifestyle  
34 and other investment choices based on assumptions about  
35 public transport fares, the fact that they have to travel  
36 further in often crowded conditions on trains and the fact  
37 that they have less flexibility to use the weekly tickets  
38 for journeys other than their daily commute to and from  
39 work, unlike people who might be buying tickets over  
40 shorter distances and able to use them more often.  
41  
42 The other thing is, just on the impact of the proposal  
43 surrounding the discount for off-peak, we noted in our  
44 original submission that the proposal for larger discount  
45 was in fact a reflection of the reduction allowed for  
46 in off-peak periods. I think a problem is, of course, it  
47 is hard to disaggregate whether that reduction was due to

1 the decrease in the discount for off-peak fares from about  
2 39 per cent down to about 30 per cent, or whether it was  
3 due to the reduction in off-peak services or both. WSROC  
4 has always argued very strongly that, in effect, what  
5 happened was in fact what we thought might happen, and  
6 would happen if both these measures were implemented.  
7 We've always argued that the frequency of off-peak  
8 services, particularly in the shoulder services before and  
9 after morning and evening peak, need to be improved.  
10  
11 The other side of this is the difference in the  
12 differential. It may well be that people value an off-peak  
13 fare at 30 or 39 per cent discount, which gives them  
14 increased flexibility in the evening to travel in the  
15 evening peak, as opposed to a 50 per cent discount which  
16 does not. This is probably going to be more relevant for  
17 outer-suburban passengers who probably have less discretion  
18 about the time that they can travel if they want to get  
19 home at a reasonable hour. It is one thing to embark on a  
20 15, 20, 25 minute journey at 6.30pm; it is another to start  
21 off on a journey of an hour or an hour-plus at that time.  
22 So I think the whole issue of the appropriate proportion of  
23 discount for off-peak fares, the times of the day at which  
24 they can be used and the frequency of off-peak services  
25 needs to be revisited.  
26  
27 THE CHAIRMAN: Can I just clarify one matter for you. You  
28 referred to understanding that your very reluctant  
29 acceptance of a somewhat higher than CPI increase was based  
30 on an assumption of future investment. IPART is still  
31 working its way through the announcements of last week, but  
32 I would have to say that the major investments, such as the  
33 northwest and southwest links, were never in our fare  
34 determination. They were never in our fare determination,  
35 in our expenditure. So while I'm not saying there has been  
36 no adjustment for the expenditures underpinning our fare  
37 determination, I don't think it has changed a lot.  
38  
39 MR GOODING: Of course I wasn't assuming that; I was  
40 referring to WSROC's and Western Sydney's acceptance of  
41 that.  
42  
43 THE CHAIRMAN: Yes. But in terms of the next four years,  
44 I don't think much has altered.  
45  
46 MR MOREY: The RTBU's position is that, essentially, any  
47 fare increases obviously have to be linked to an improved

1 service provision. The main concern that we had was,  
2 similar to the Ministry of Transport, that it is a  
3 percentage increase rather than a dollar increase, the way  
4 it is structured. The concern there is that it will  
5 actually create a disincentive to regular passengers who  
6 travel longer distances. The incentive then becomes for  
7 them to say, "Oh, well, we might as well get in our car  
8 like everyone else and not have to be stuck in a train with  
9 a whole lot of people crowding around you."  
10  
11 Secondly, the concern is in relation to justifying the  
12 larger increases in fares for people travelling longer  
13 distance compared to people, say, in the inner west or  
14 eastern suburbs who have a range of transport options -  
15 public busses, trains and even light rail in the inner  
16 west - who would be paying less but having increased access  
17 to better services publicly provided.  
18  
19 THE CHAIRMAN: Can I just pursue that last point a little  
20 further with you. Another way of looking at the range of  
21 choice for people in the inner suburbs versus the outer  
22 suburbs is that the price elasticity of demand is higher  
23 for people in the inner suburbs because they have a choice.  
24 While we will need to consider carefully the ministry's  
25 proposals - and we've heard enough that we need to think  
26 again about affordability - a worry is that if you go too  
27 far in the other direction, you may lose passengers off the  
28 shorter distances who will find it relatively easy to shift  
29 to another mode of transport. I just wonder how you react  
30 to that.  
31  
32 MR MOREY: I think that is a balancing act, but I think  
33 also taking into consideration the growth areas in Sydney  
34 are in the outer areas, or predominantly --  
35  
36 THE CHAIRMAN: There is a lot of in-filling going on in  
37 Sydney.  
38  
39 MR MOREY: Yes, I agree, but the expansion of people  
40 travelling to work from the Central Coast or Wollongong or  
41 further out in Western Sydney - they will be the growth  
42 areas, I think, over the next 10 or 20 years. I agree, it  
43 is a balancing act between providing a fare structure that  
44 is equitable and one that doesn't create disincentives for  
45 people who are prepared to use them and travel  
46 long-distances.  
47

1 THE CHAIRMAN: Now, Mr Gooding, you had a specific  
2 question you wanted to ask me?  
3  
4 MR GOODING: Thank you, yes. Thank you for remembering  
5 that. I note that the Government's submission says:  
6  
7 The Government's fare proposal provides a  
8 price path which transitions weekly tickets  
9 towards the benchmark 20% discount at  
10 an accelerated rate compared to the draft  
11 determination.  
12  
13 I was wondering - it was a little hard from the tables to  
14 work out what the extent of that was.  
15  
16 MR NICHOLLS: I am not sure that I have the exact figure.  
17 In both proposals, the move towards the 20 per cent  
18 discount is not reached in the 2012 year. There is little  
19 difference between our proposal and IPART's proposal. One  
20 of the parameters that we included in our modelling was  
21 obviously trying to move us as fast as possible for that  
22 outcome. The differences are fairly immaterial, but ours  
23 is marginally faster.  
24  
25 THE CHAIRMAN: It is open to anyone else including those  
26 on my left to ask questions.  
27  
28 MR TREVASKIS: I had difficulty with the original proposal  
29 by IPART to increase the long distance fares. The  
30 patronage on the Western line through to Mount Victoria, if  
31 you like, starts to taper off from Blaxland onwards. The  
32 number of passengers from whom you will get this \$2,000 to  
33 \$3,000 a year is very small. We do not want to accept any  
34 fare increases at all, but in amongst that, I have to  
35 consider the overall concessional people, those on incomes  
36 lower than \$25,000 a year. There is quite a proportion of  
37 those people - over a third of the population - in the  
38 Katoomba-Mount Victoria area.  
39  
40 After seeing the minister's submission and looking at  
41 what IPART has proposed for long distance fares, I will  
42 have to do a lot more homework now to find out just how  
43 many people will be affected.  
44  
45 The other change that has taken place, ladies and  
46 gentlemen, is the number of people getting off at Penrith,  
47 rather than travelling to Sydney CBD. It amounts to

1 roughly 100 people per train in the AM peak period.  
2  
3 I have to stop just thinking of the peak hour. There  
4 are the shift workers. There are the off-peak users.  
5 There are those who use the trains on Saturday and Sunday  
6 and the upgrading which interrupts the weekend services.  
7 On the weekends when trains are travelling, the number of  
8 families coming into Sydney enjoying the trip is quite  
9 significant. It is interesting to sit in the carriage and  
10 listen to various people talking in family groups. It is  
11 quite uplifting to see the young kids enjoying the train.  
12  
13 With due respect, I will have to go back to our  
14 members and look at what the minister has put and  
15 say, "Okay, fellows, from now to 2012, this is the  
16 structure we are looking at." But what are we really  
17 looking at? Are we looking at a CPI of 5 per cent? We  
18 know France has a CPI of 0.4 per cent. England is going  
19 down the gurgler and Italy is too. Our is 5 per cent.  
20 Will it go down to 3 or 2 or 1 per cent? It will be  
21 interesting in the next six months.  
22  
23 Thank you, Mr Chairman; you have given me another job  
24 to do.  
25  
26 MR FALZON: I would like to talk a little bit about the  
27 flagfall and the zone-based ticketing. I don't think there  
28 has been enough discussion about the different types of  
29 ticketing based systems. The Western Sydney Community  
30 Forums prefers its own base ticketing because the census  
31 data supports the opinion that roughly 60 to 70 per cent of  
32 people live, work and travel within Western Sydney. This  
33 ticketing system would encourage flexibility, convenience,  
34 and it would be affordable, I suppose, depending upon the  
35 way it was structured.  
36  
37 As an example of a trip that people might take, they  
38 might get on a bus to take their kids to school and then  
39 get on a train to go to work. They should be able to do  
40 those multi-trip activities which they can do using their  
41 cars. That has been a significant complaint with regard to  
42 people using public transport - they have to break their  
43 trip or journey to do various things.  
44  
45 As many areas in Western Sydney do not have access to  
46 rail, the product we propose would be quite flexible. If  
47 they could get on a bus that accessed the rail station,

1 they would not have to use their cars to drive to the  
2 station. It would also encourage people to not use their  
3 cars as much and it would reduce their vehicle kilometres  
4 travelled, as is in the State plan.

5  
6 I have a quick question to Jim: in terms of expanding  
7 the TravelPass scheme so that more people in Western Sydney  
8 could be encouraged to use this particular type of ticket  
9 and support the public transport system, would there be any  
10 particular barriers in doing that because we already do  
11 have a TravelPass scheme operating pretty much in the inner  
12 west and in the eastern parts of Sydney?

13  
14 MR GLASSON: The barrier to the TravelPass scheme in  
15 Western Sydney is the ticketing equipment on the private  
16 bus network, and any consideration of that would be a  
17 matter for the Government when they get to a new ticketing  
18 system.

19  
20 MR NICHOLLS: Could I add that the Government is rolling  
21 out a 20 per cent discount on weekly passes to mirror  
22 similar discounts that occur elsewhere in the network.  
23 That should be happening right now, if it has not already,  
24 happened on Western Sydney buses.

25  
26 CLOSING REMARKS

27  
28 THE CHAIRMAN: If there are no further comments or  
29 questions, I will bring these proceedings to a close. As I  
30 foreshadowed, IPART will be seriously considering the  
31 Government's proposal, which the Government believes will  
32 produce a more equitable outcome. We will be seriously  
33 considering that proposal.

34  
35 I need to remind you that IPART has to finish this  
36 whole job in the next couple of weeks because the new fares  
37 will take effect on 1 or 2 January next year. We need to  
38 produce our determination by early December, which is just  
39 a couple of weeks away.

40  
41 As I said, we will be seriously considering the  
42 Government's proposal and I think we have been helped by  
43 this morning's proceedings.

44  
45 I am conscious that this has been a big exercise for  
46 all of us, particularly the stakeholders, but also for  
47 IPART. Whether you agree with us or you disagree with us,

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1 I would like to think that we now are putting in place a  
2 much more transparent system. There was no particular  
3 rationale for the CPI plus 1 - why that as an answer?

4  
5 We have now had a careful look at the efficient costs  
6 of producing a rail service. I am not saying it is the  
7 last word, but we have had a careful look at it. We have  
8 had a careful look at what are the benefits to the  
9 community from the rail service.

10  
11 I know that some of you disagree with us, and we would  
12 attempt again to justify our views, but it is now a much  
13 more transparent process. You can say with greater  
14 authority where you think we have gone than you could  
15 when we just said CPI plus 1. That is a process that I do not  
16 think could continue in an era when RailCorp is envisaging  
17 very much larger increases in expenditure. There was no  
18 basis for the future in going forward with the old  
19 approach.

20  
21 It has been a big job for all of us, but I certainly  
22 think that we in IPART think that we are moving to a better  
23 system. I thank you all for your assistance and the  
24 hearing is closed, thank you.

25  
26 AT 12.55PM, THE TRIBUNAL ADJOURNED ACCORDINGLY

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