

**INDEPENDENT PRICING AND REGULATORY
TRIBUNAL**

**REVIEW OF FARES FOR PRIVATE FERRIES AND THE
STOCKTON FERRY REVIEW OF FARES FOR METROPOLITAN
AND OUTER METROPOLITAN BUS
SERVICES**

TRIBUNAL MEMBERS

**DR PETER J BOXALL AO, CHAIRMAN
MS FIONA TOWERS, A/CEO
MR SIMON DRAPER
DR PAUL PATERSON**

**Held at the Offices of IPART Level 8, 1
Market Street, Sydney**

On Tuesday, 15 October 2013 at 10am

1 THE CHAIRMAN: Good morning and welcome. My name
2 is Peter Boxall and I am the Chairman of IPART. I would like
3 to welcome you all here today and thank you very much for
4 taking time to attend today's public hearing.

5
6 In this joint session, we are looking at the maximum
7 fares for private ferries and the Stockton ferry, as well
8 as metropolitan and outer metropolitan bus services. With
9 me today are my fellow Tribunal members Simon Draper
10 and Paul Paterson.

11
12 Today's hearing provides both you and us with the
13 opportunity to consider the issues relating to our reviews
14 of fares for these services. The hearing is broken up into
15 two parts. Ferries will go first, followed by buses.

16
17 With respect to the hearing process, the IPART
18 secretariat will run through some introductory comments at
19 the beginning of each session, and then we will hear from
20 people who are present. Following that, the secretariat
21 will summarise the next steps for each review.

22
23 This is a public hearing and forms part of the public
24 consultation process for this review.

25
26 Transcribers are present to record the proceedings,
27 and the transcript will be publicly available. So that we
28 can have a complete record, please introduce yourself when
29 you start to speak and also speak clearly.

30
31 The first session is about maximum fares for private
32 ferries and the Stockton ferry. In August we released an
33 issues paper about the review and commissioned consultants
34 to investigate the cost structure of private ferries and
35 the Stockton ferry.

36
37 Today we are going to provide an overview of the
38 consultants' findings and discuss our preliminary thinking
39 in response to those findings and our analysis.

40
41 With that, I invite Jennifer Vincent from the
42 secretariat to start with a short presentation.

43
44 MS VINCENT: As Peter mentioned, we released an issues
45 paper to kick the review off in August. In that issues
46 paper, we explained that because it was five years since we
47 last reviewed the structure of the two indices, this year

1 we would have a major review of the indices to see whether
2 they were still the best way to set fares from year to
3 year.

4
5 As part of that major review, we asked economic
6 consultants, the CIE, to survey ferry operators about their
7 costs and cost structures and make recommendations about
8 the form of regulation.

9
10 CIE has submitted its final report to us. We will
11 release the report on our website in the next couple
12 of days, but I would like to ask Laura Cassar from the CIE
13 to make a brief presentation with an overview of the
14 report's findings to the hearing today, and then afterwards
15 I will talk through our thoughts on the findings and what
16 we might do about them.

17
18 MS CASSAR: As Jennifer mentioned, we looked at the cost
19 structure for private ferries and the Stockton ferry
20 service. The key elements that we were reviewing were that
21 we wanted to compare the cost weights under the indices
22 against the historical data that we collected, so we
23 surveyed the seven private ferries and got financial data
24 for the past five financial years and we also surveyed the
25 Stockton ferry service.

26
27 As I said, the first thing was to compare the cost
28 weights as they stand and also to assess how well inflators
29 that are applied to those cost weights match the historical
30 costs provided. We also wanted to assess alternative forms
31 of regulation, if necessary, and also look at the capital
32 cost measures that were in the indices.

33
34 In terms of the key findings that we have found, the
35 first one was that the fast ferry and the slow ferry cost
36 indices didn't reflect the cost data provided for the past
37 five years.

38
39 In terms of the inflators, with the exception of the
40 fuel inflator, the inflators didn't align very closely to
41 the reported historical data. There was a lot of
42 variation.

43
44 We also found that just looking at the fast ferry and
45 the slow ferry cost indices over the past five years, they
46 tracked quite closely to each other, and despite there
47 being quite different composition in terms of cost weights

1 applied to cost items, they were moving in a very
2 similar and pattern in total.

3
4 Then we looked at the alternative simpler forms of
5 regulation and found that actually they give a similar
6 result to these cost indices, so maybe we should be
7 investigating them a little bit further.

8
9 Just in terms of the alignment, these are the weighted
10 average cost weights based on the historical data we were
11 given compared to IPART's current fast and slow ferry cost
12 indices.

13
14 As to key items where there is a bit of a difference -
15 you will see that in the labour cost for the fast ferry
16 cost index, which are the two columns on the right, there
17 is about a 10 percentage point difference there. Also with
18 the interest cost for fast ferries, there is obviously
19 a difference there from 7.8 to zero. Repairs and
20 maintenance and also ferry depreciation and amortisation
21 were key cost items where we found that the cost indices
22 differed from the historical cost data collected.

23
24 This next slide shows the six slow ferry operators and
25 how much variation there is across those against the slow
26 ferry cost index. It makes it quite difficult to apply
27 a uniform cost index when there is such variation.

28
29 There is a very similar story for the fast ferry cost
30 index as well. There are only two ferry operators
31 providing fast ferry services, but still there are
32 differences that can be seen.

33
34 This is the key finding that we found with the fast
35 and the slow ferry cost indices. They are composed
36 differently. There are different cost weights applied to
37 different cost items, but, yes, in total over the past
38 five years they did track a very similar path. So that may
39 raise whether or not there is a distinct difference in
40 total.

41
42 We looked at the inflators. There are eight cost
43 items in the cost index, and the relevant inflators are
44 listed alongside them. Labour is a wage price index, and
45 so on. For the majority of the inflators, we did not find
46 a clear relationship, with the exception of the fuel index,
47 which did capture industry trends. Otherwise, there was

1 just so much variation across the operators, the inflator
2 just wasn't picking up the movements.

3
4 This slide is looking at the fuel inflator. You can
5 see the actual cost is the dotted blue line. The fuel
6 index based on financial year fuel prices does pick up
7 industry trends. It doesn't necessarily capture the exact
8 level, but it does see the movements. Fuel prices are
9 quite volatile, so it is important to be able to pick up
10 that volatility where possible.

11
12 The two key findings we had from those previous slides
13 were that really the cost weights were not matching the
14 historical cost data. The inflators were not necessarily
15 picking up the movements in cost, either.

16
17 So if you consider alternative forms of regulation,
18 there were two that we looked at, which were a CPI only
19 approach, where you adjust total cost by CPI each year.
20 That takes away the requirement for cost share weights and
21 finding relevant inflators. We also looked at a CPI plus
22 fuel index, because we did find that the fuel inflator was
23 picking up industry trends, so we could isolate out the
24 fuel costs and index by change to fuel prices and then the
25 remaining total costs by CPI.

26
27 This is what you get if you compare those two
28 alternative forms to the current slow and fast cost
29 indices. You can see that the four estimation approaches
30 gave similar results. They are all the solid lines. The
31 dotted line was the actual cost data that increased quite
32 significantly in 2011-12 and 2012-13, which none of those
33 approaches did pick up. In terms of what approach we used,
34 you can see the approaches were giving a similar result.

35
36 We also had a look at capital cost measures.
37 Currently the indices include two capital costs -
38 depreciation and amortisation, and interest payments. They
39 don't actually include a return on equity. So we looked at
40 two alternative approaches - capital measure A and capital
41 measure B.

42
43 Measure A is based on the book value and the
44 depreciation provided by the operators and then
45 a 7 per cent return. Measure B looked at, instead, the
46 replacement cost of the existing fleet and the depreciation
47 based on the stated economic life by all the operators.

1
2 If we used those two approaches and adjusted the total
3 cost index, these would be the weights that would be
4 applied to the remaining cost items. The first six cost
5 items were part of the previous indices, and then capital
6 replaces the depreciation and the interest cost.
7

8 The first two columns obviously are the slow and the
9 second two columns are the fast, with the two separate
10 measures.
11

12 If we combine that with the alternative forms of
13 regulation and we say possibly we want to adopt a CPI and
14 a fuel index approach, then we need to weight the fuel
15 versus all other costs, and these would be the weights that
16 would be applied, the first column being fuel and the
17 second column being all other costs. And we looked at an
18 all operators cost index if we were to remove a fast and
19 slow or to still maintain a slow and a fast.
20

21 There was not much difference across the "slow" and
22 the "all", but then the fuel is still a little bit high for
23 the "fast".
24

25 All of that previous work looked at whether or not we
26 had the costs right and whether or not we were picking up
27 the changes in costs over time correctly, but it was not
28 necessarily looking at whether or not we had the actual
29 level of costs right in the first place. So we estimated
30 the cost recovery for the different ferry services. We
31 looked at the operators providing slow and the operators
32 providing fast and then Stockton separately.
33

34 We can see that the operators providing fast services
35 are achieving a cost recovery from fare revenue. However,
36 the slow ferry operators are achieving about 90 per cent
37 cost recovery. Then Stockton is a little bit lower, at
38 just under 70 per cent.
39

40 So they were all our key findings. If you have any
41 questions, let me know, otherwise I will pass it back to
42 Jennifer.
43

44 MS VINCENT: Thank you, Laura.
45

46 In my presentation, I will be looking at what we think
47 CIE's findings might mean for IPART and the way that we set

1 private ferry fares and the Stockton ferry fare and seeking
2 some feedback from you, the stakeholders, on your views.
3

4 I might just start by summarising our current
5 approach, which uses a slow ferry cost index and a fast
6 ferry cost index to estimate cost changes for the past year
7 for each of those business types. There are six slow ferry
8 operators and two fast ferry operators, and yet only seven
9 ferry operators overall. That magic of maths is brought to
10 you by the fact that one operator has both slow and fast
11 ferries, so they are included as effectively two separate
12 businesses in the two indices.
13

14 When we take an indexing approach to setting fares,
15 all indexing approaches are based on trying to estimate the
16 changes in costs from year to year. Our current indices
17 assume that the cost structures of fast and slow ferry
18 businesses differ enough from each other that their costs
19 can move quite differently from year to year, although as
20 CIE found when they looked at it, the outcomes you get
21 aren't necessarily all that different.
22

23 The basket of cost items in each index and their
24 weightings should be as close as possible to the actual set
25 of cost items each business has, but because it is averaged
26 across the businesses, it is unlikely to be identical to
27 any one business and, again, the slide that Laura had
28 showed the variation around the average for the businesses.
29

30 Then we choose the inflators so that they are ideally
31 a close match to the efficient change in costs for each
32 item from year to year. We use independent inflators such
33 as those calculated by the Australian Bureau of Statistics,
34 because they are transparent, verifiable and simple to
35 access.
36

37 Now, it's been five years since we established the two
38 separate indices and, as I mentioned, we got CIE to collect
39 cost information to determine whether the indices needed
40 re-weighting and then to support our decisions about
41 whether the indices were still the best way of setting
42 fares.
43

44 Just to summarise what CIE found, our current approach
45 hasn't been particularly close at estimating changes in
46 each cost item when compared to the costs that were
47 reported by the operators. It has not been particularly

1 close at estimating total changes to costs, particularly
2 for fast ferries when compared to the costs reported by
3 operators. There's a lot of variation between the cost
4 structures of the seven businesses which makes
5 a one-size-fits-all solution particularly difficult.
6 Despite the different compositions, the slow ferry cost
7 index and the fast ferry cost index have given very similar
8 outcomes since 2008. A simpler single index would give
9 similar results to the current approach but wouldn't
10 address the divergence from reported costs. But whether or
11 not this is a problem for fares actually depends on whether
12 the level of fares was right to start with, and the cost
13 recovery analysis, which was Laura's last slide, suggests
14 that slow ferry fares may be too low for full cost recovery
15 from fares and fast ferry fares may be at least sufficient,
16 and possibly too high, with a big caveat here that we
17 haven't investigated whether the reported costs are
18 efficient.

19
20 So what does that mean for our fare-setting
21 methodology? In 2009 Indec did a study of financial
22 viability of the private ferry industry and their findings
23 there tend to back up the view that fare levels were too
24 low for cost recovery for slow ferries, but adequate or
25 better for fast ferries, which might lead you to think
26 perhaps we should have some catch-up on fares for slow
27 ferries, but we have previously seen that increasing fares
28 significantly in an attempt to improve cost recovery for
29 slow ferries might backfire, as it did in 2003 when fares
30 caught up by up to 30 per cent and then the following year,
31 operators reported that total revenue actually decreased.
32

33 We also note that most slow ferry operators receive
34 supplementary payments from Transport for NSW which, in
35 effect, bridge that gap as a taxpayer subsidy for some of
36 those operators' costs. So if we were to increase maximum
37 fares to allow slow ferry operators to improve their cost
38 recovery through fares, we would also recommend that the
39 government reconsider the viability payments.
40

41 I also have a slide which shows that over the past
42 10 years fares have already been increasing at a rate above
43 inflation and above bus fares, which we similarly set with
44 a cost index. You can see there private ferries is the red
45 line on top; then the yellow line is the bus industry cost
46 index; below that, the Stockton ferry comes next; and then
47 the rate at which CPI has been increasing is that bottom

1 line. So private ferry fares have already been increasing
2 at above the rate of CPI.

3
4 In looking at the method that we use to recommend
5 private ferry fares, we can compare that to the way that we
6 set fares for other forms of public transport, such as
7 Sydney Ferries, rail and bus, in which we make an
8 assessment of the efficient costs of the business,
9 including a reasonable return, then we work out a fair
10 share of those efficient costs for the government to pay on
11 behalf of the public, based on our assessment of the
12 positive externalities generated by the service, and we set
13 fares on the basis that passengers pay for the rest of
14 efficient costs. Any inefficient costs are the
15 responsibility of the owner to either eliminate or make
16 a decision to subsidise. Of course, for public transport,
17 the owner is the government.
18

19 In order to apply this kind of method for setting
20 fares for private ferries and consider the appropriate
21 amount for passengers to be paying through fares, we need
22 two crucial pieces of information that we don't currently
23 have: what are the efficient costs of the business and what
24 are the positive externalities of the services, if any?
25

26 So what are our options going forward? We could
27 continue to apply an index or indices to existing fare
28 levels and then it is a matter for the government to decide
29 whether or not to keep paying viability payments to make up
30 any shortfall. We could update the weightings in the
31 existing fast ferry and slow ferry cost index using CIE's
32 data for the cost weights that currently exist. The
33 preliminary results for that would give a 2.3 per cent
34 increase for slow ferry fares and a 2.2 per cent increase
35 for fast ferry fares. Or we could switch to a simpler slow
36 ferry cost index and fast ferry cost index, or combine the
37 two, using just fuel and "all other costs" as the two
38 items, which Laura presented as well. You get very similar
39 results. Whether they are split into two or combined into
40 one, the result for both the slow and fast ferries would be
41 a 2.3 per cent increase using that methodology.
42

43 I think at this point we would like to ask
44 stakeholders whether they think there is a need to maintain
45 the separate indices for fast and slow ferries, or whether
46 there is any advantage in continuing to try to construct
47 a basket of items rather than moving to a simplified

1 approach, given what has been indicated by CIE in its
2 findings and the matters I have discussed.

3
4 THE CHAIRMAN: Thank you very much, Jennifer and
5 Laura. So, comments from around the table and questions:
6 who would like to go first? Graeme?

7
8 MR TAYLOR: Graeme Taylor, Action for Public Transport.
9 Jennifer, thank you very much for that very insightful and
10 detailed overview of the indices. It tells a story that
11 the indices have not worked terribly well.

12
13 I would like to start the debate around the table -
14 and I would certainly like to hear from Anthony - that we
15 need to take a more holistic approach in the regard that
16 there are taxpayer subsidies going to these companies; they
17 have various costs and their viability is poor. I think
18 that it would make more sense and we would get a better
19 outcome, both for the operators and for the wider
20 community, if we moved to a system where operators were
21 paid a fixed cost for every service operated, as is the
22 case at Sydney Ferries, and the fare revenue went directly
23 to the ministry. That way, we could avoid the unfortunate
24 side effects of fare increases, as we saw in 2003.
25 Repeating that is in nobody's interests. It is not in the
26 interests of the operators; it doesn't serve the interests
27 of the community. So we need a deeper, more-thorough
28 rethink of how the industry is structured so that the
29 operators can be viable and successful in what they do and
30 so the community can have an affordable and efficient
31 public transport system.

32
33 THE CHAIRMAN: Thank you very much, Graeme. Any
34 other comments around the table? Rick.

35
36 MR BANYARD: Thank you. I particularly want to make
37 comment in relation to the Stockton ferry, because I'm
38 a Newcastle person and that's what I'm representing.
39 I represent quite a number of groups around the Newcastle
40 area.

41
42 With the Stockton ferry, it operates as part of
43 Newcastle Buses. Therefore, it becomes very difficult to
44 extract proper costs and revenue figures and things,
45 because they are bound up within the Newcastle Buses and
46 Ferries report, and that flows on also into State Transit's
47 annual reports, and whatever, when they all tend to get

1 lumped together. That's not a good thing, and I believe
2 that one of the things that you should probably say in your
3 determination is that Newcastle ferries, if it's going to
4 operate and be assessed as an individual business, needs to
5 keep individual business records that can be put on public
6 record.

7
8 The second thing that is really critical about
9 Newcastle and the Stockton ferry is that the ferry is
10 effectively an essential service. The ferry should operate
11 24 hours a day, seven days a week, 365 days a year. It
12 doesn't. It doesn't run services through the night.
13 Through the night there is a very scant bus service that is
14 provided that provides a very long way around to get
15 around - half an hour, 40 minutes, just to travel
16 a distance to get around from one side to the other.

17
18 There is need for it to operate 24 hours a day,
19 because vandalism and other damage to the city is caused by
20 people who are hanging around and can't get home, and they
21 are not prepared to take the bus journey on, and if they
22 take the bus journey on they usually cause a fair bit of
23 damage to the bus, and maybe that cost should be added to
24 the ferries' cost.

25
26 The other key part is that the Stockton area basically
27 only has one way in and one way out, and that is over the
28 Stockton Bridge. That is surrounded by considerable
29 industry. Some of the industries are fairly volatile and
30 can cause a lot of problems, such as the Orica plant that
31 is in the way, and it is quite conceivable that the only
32 entry and exit into Stockton could be blocked by the
33 roadways not having an access to it, and, therefore, the
34 community believes that the Stockton ferry should be part
35 of the evacuation plan for the area in the event of
36 necessity to evacuate it, because you have two wharves on
37 both sides, you have the two ferries that belong to the
38 system and a number of other vessels that are registered in
39 the port now as public passenger vehicles. So they are
40 a couple of really important things that stand the ferry
41 apart.

42
43 Another problem is, or another issue is, that the
44 costs with the Stockton ferry appear to be inflated
45 considerably because it has two vessels. One vessel sits
46 tied up all day while the other one goes out to do some
47 work. Now, the argument historically has been that you

1 have to have two vessels, because if one breaks down or one
2 is undergoing maintenance, or whatever, there is no other
3 vessel, and there weren't other vessels in the harbour.
4 There are now other vessels in the harbour that are
5 registered in survey to carry public passengers and,
6 therefore, they could be obtained at short notice by the
7 ferry operator to in fact provide a replacement vehicle, if
8 necessary, or they could go to plan B and use the terrible
9 buses to go around.

10
11 You are using plan B down here on your light rail
12 because it is broken. Not a desirable way of fixing the
13 problem, but it gets you through that emergency.
14

15 Where there is planned maintenance work and the ferry
16 actually goes out of town to be serviced for extended
17 maintenance, two or three months duration maintenance, last
18 time it went to Port Macquarie. When it went up to
19 Port Macquarie there was no emergency replacement ferry
20 tied up at the wharf having a sleep while the other was
21 working. So the argument and the justification for having
22 two ferries is quite stupid, and it certainly would
23 definitely inflate the costs of doing it. You don't have
24 this building and another one over the road here just in
25 case we can't sit here after morning tea, and that is about
26 the way the game is being played. It is just not on. It
27 wouldn't be repeated in any other industry.
28

29 That flows on to another part which I guess relates to
30 the revenue options, that the ferry services up there are
31 not making money when they should be. There are huge
32 operations for that second ferry to be put to work to earn
33 extra revenue. There are potential tours of the harbour
34 and charter operations in the harbour. When we have had
35 the cruise liners come to town we have brought ferries from
36 Sydney and from Pittwater up to Newcastle to provide
37 services for the cruise liners when they have come. The
38 Stockton ferry stays tied up having a sleep.
39

40 There is no promotion for the ferry. That ferry has
41 a huge tourism potential and it's not advertised, it's not
42 promoted. You can't find a glossy brochure in any place in
43 Sydney here to encourage people for a lovely train trip to
44 Newcastle to then hop on the Stockton ferry and go and
45 explore. It doesn't exist. So they are missing huge
46 amounts of potential revenue. So, therefore, what they are
47 doing is they are spreading their costs and their fixed

1 costs of that business over a little outfit that is only
2 working part-time. That's, to me, a real issue, and
3 I would say a few other comments at another stage.
4

5 THE CHAIRMAN: Okay. Thank you very much, Rick. That's
6 very interesting. Anthony, do you want to say something?
7

8 MR WING: Thank you, chairman. Anthony Wing,
9 Transport for NSW. I would just like to say a few words
10 about our role in this particular matter. Ultimately the
11 government has made it clear that Transport for NSW puts
12 the customer at the centre of everything we do. That is
13 essentially the guiding principle for what we do.
14

15 In this particular case, most of these ferry operators
16 that we are talking about today, other than the Stockton
17 ferry, are commercial operators. They set their own fares,
18 subject to a regulated maximum. Transport for NSW
19 provides some funding - for example, to pay for the cost of
20 concessions and school transport. Transport for NSW also
21 sets the maximum fare on advice from IPART, in this case,
22 other than, of course, with the Stockton ferry, where we
23 set the fares under maximums set by IPART.
24

25 Given that we will get independent advice from IPART
26 on this, I don't wish to make comments about the details of
27 how you are going to set the fares or the actual fares, but
28 we are very happy to provide any information or factual
29 information as requested by IPART at any stage.
30

31 THE CHAIRMAN: Thank you, Anthony. You also make
32 the viability payments?
33

34 MR WING: Yes, that's correct.
35

36 THE CHAIRMAN: Okay. Anybody else?
37

38 MR MILES: Just a brief one. Allan Miles, Action for
39 Public Transport. I forget whether it was Jennifer or
40 Laura who mentioned that they were looking at the external
41 benefits of the private ferries, if any. I think that's
42 a very sad way of going about things. In the bus paper,
43 one of the research companies wanted to estimate external
44 benefits for each mode separately, but at page 34 of your
45 book you say:
46

47 *On further consideration, IPART has decided*

1 *that it would be more consistent to*
2 *consider the external benefits of all modes*
3 *of public transport simultaneously.*
4

5 So I don't see why they need to work out what the external
6 benefits of a few private ferries are. They should all be
7 together. Thank you.
8

9 THE CHAIRMAN: Okay. Thank you, Allan. We will get to
10 that issue in the bus paper, later. Anthony?

11
12 MS HAWORTH: Anthony Haworth from Captain Cook
13 Cruises and also the Commercial Vessel Association.
14

15 One thing that has a very big impact on the private
16 ferry operators' fares and revenue, and so forth, is the
17 impact of competition in public transport. The
18 fare-setting process for, say for example, Harbour City
19 Ferries is done on a very different basis to the
20 fare-setting process for private ferries, in that the
21 fundamentals behind it are vastly different. There is the
22 measure of public good which is taken into account with
23 Harbour City Ferries, and the fact is that with private
24 ferries we don't receive those payments that, in effect,
25 subsidise businesses, and yet our fares are constrained.
26 Even though we might have a maximum fare which is being
27 offered, which might be equal to or higher than a public
28 ferry fare, a Harbour City Ferries fare, we're not able to
29 charge it because we are in a competitive environment.
30

31
32 Likewise, we are in a competitive environment with
33 buses, with trains, with other modes of public transport,
34 because people tend to choose a service which suits their
35 budget as well as the convenience factor.
36

37 So all of those things come into play, and I would
38 just like to pick up on Graeme's comment about moving to
39 a situation where you might make a complete payment to an
40 operator to run a private ferry service and let them go off
41 and run the service on the basis of receiving a full
42 payment for it, like Harbour City Ferries perhaps is.
43

44 That would result in a better service. There is no
45 doubt about it. You would end up with higher-quality
46 boats, more frequency, quite possibly a better public
47 transport system. But it would be more expensive, because

1 it would mean that the government funding component would
2 have to be larger, which isn't necessarily a bad thing from
3 a private ferry operator's perspective, but it's another
4 consideration that needs to be put into the pot.
5

6 Private ferry operators are generally operating
7 businesses on the smell of an oily rag. The private ferry
8 operation that we run at Captain Cook Cruises is part of
9 a larger operation, therefore, its viability is assisted by
10 virtue of the fact that the vessels that are being used for
11 the private ferry operation are also being put to use
12 throughout the day and the night, if they can be, for other
13 services - tourist services in the main.
14

15 What that does is supplement the income that the
16 private ferry operation generates to make it, as a whole,
17 a viable operation. And, likewise, most of the other slow
18 ferry operators and other private ferry operators run their
19 businesses the same way in order to be viable, because they
20 are only, at best, barely viable.
21

22 So it is a business which relies very heavily on owner
23 operators, generally, because of that fact, because they
24 can't manage high overheads; the businesses can't stand
25 high overheads.
26

27 The current circumstances around deregulated services,
28 like the ones that are going on at Manly at the moment, are
29 an interesting model and another way forward for private
30 ferry operations. What they do result in, with careful
31 planning, is improved services, but only during certain
32 periods of the day that are viable, because it's only by
33 operating at discrete periods where there is high demand
34 that you can actually run a viable ferry service, because
35 they are inherently very expensive services to operate.
36

37 So there is good and bad in all of those things. The
38 deregulation of the timetable, and so forth, means that the
39 travelling public doesn't have as much frequency, and that
40 leads to the issues that I think Rick mentioned, where you
41 don't have frequency of service, but if there are other
42 alternatives in terms of public transport, then that really
43 isn't or shouldn't be a consideration, or need not be
44 a consideration, perhaps.
45

46 I think the important thing to focus on is providing
47 safe, efficient ferry services. Government's role should

1 be to facilitate the private sector, to be able to help
2 them to achieve that end, in our view.

3
4 THE CHAIRMAN: Thank you very much, Anthony.

5
6 MR TAYLOR: Could I make some comments in response?

7
8 THE CHAIRMAN: Indeed.

9
10 MR TAYLOR: Anthony, I want to make some comments in
11 response to your comments. Firstly, our notion of
12 restructuring industry is really founded also on the idea
13 of extending Opal to all private ferries so that passengers
14 no longer need to worry about the cost of the service; they
15 simply need to choose the most suitable service. In fact,
16 we have written to the government and asked them to extend
17 Opal to private ferries. We maintain strong support for
18 the government to do so.

19
20 I am glad you mentioned the presence of deregulated
21 services on Sydney Harbour between Manly and Darling
22 Harbour. The problem that we have with those services is
23 the narrow range of hours. We have a situation now where
24 peak times in terms of ferries do fall outside the commuter
25 peaks - weekends, Sundays. These are busy times, and we
26 see a lot of operators, particularly Harbour City Ferries,
27 having full services from very early in the morning with
28 commuters, to tourists in the middle of the day, to having
29 a second commuter peak.

30
31 So we are very much in favour of longer hours of
32 operation. We see an enormous demand for tourists and
33 visitors to travel from Darling Harbour to Manly, and we
34 would prefer that that service operated longer hours to
35 meet the public demand and to make sure that those people
36 are not clogging Military Road at weekends, which is
37 proposed to become a 24-hour clearway at weekends to deal
38 with the volume of traffic.

39
40 We would rather they were on those ferries travelling
41 from Darling Harbour to Manly and not clogging the road
42 system. In fact, the traffic in Sydney at weekends is now
43 even worse than it is on weekdays, and we see that ferries
44 and all modes of public transport have an important role in
45 addressing that emerging problem here in Sydney.

46
47 THE CHAIRMAN: Thank you, Graeme. Penny?

1
2 MS GLEEN: I agree with what Anthony has been saying,
3 thank you.

4
5 MR BANYARD: I would like to add a couple of things.
6 I think it is important to note what Anthony said, that
7 they are using the tourists' activities to help the
8 viability of their ferry. In Stockton's case, we are not.
9 On the other hand, Stockton is providing basically
10 a backwards and forwards service all day during the time in
11 which it operates.

12
13 There are a lot of good things about the Stockton
14 ferry. The vessel is good. The master of the vessel and
15 the deckhands do an excellent job. So I am not saying it's
16 all bad.

17
18 On the issue of the payments - the payments seem to be
19 a method of encouraging inefficiency, not encouraging
20 efficiency. You are going to keep paying the operators to
21 keep on having this service, chugging backwards and
22 forwards all day, every day, just doing the same tomorrow
23 as they did yesterday and the day before and the day after.
24 That is not the way the market works. I don't think it's
25 the way any business works any more. It's time that they
26 took the bullet and did it.

27
28 I think that IPART should also give serious thought to
29 whether there should be a fare on the Stockton ferry at
30 all. I would argue that the fare should be zero.
31 I mentioned the comments in my submission that the fare
32 should be zero. There are two very good reasons for it.

33
34 One is that RMS, with their car ferries that they use
35 to get across the rivers, like up at Sackville and other
36 ones, don't charge a fee. It's free. They provide that
37 service to allow people to get from one side of the river
38 to the other. Some of the services that they provide to
39 get from one side to the other are shorter distances than
40 the go-around distance for Stockton. So I think that is
41 one aspect of it.

42
43 The second aspect in favour of no fees is if you
44 encourage patronage on the ferry, you are likely to
45 encourage patronage on the transports on either side - the
46 bus services that run from the ferry to Fern Bay and up to
47 Nelson Bay and other places, and the trains and the buses

1 on the Newcastle side.
2
3 You also have to remember that a large number of
4 people who are catching the ferry are already using
5 a ticket that doesn't require them to pay for a ticket on
6 the ferry. They have a Funday Sunday ticket, for example.
7 They don't then pay a fare on the ferry at all.

8
9 So you have all these costs involved, which are
10 blowing up your cost index without actually collecting revenue
11 that is really probably better off for the whole system.
12 If you looked at the whole system collectively, it would
13 probably be better to abandon the fare and the fare revenue
14 collection totally.

15
16 THE CHAIRMAN: Thanks very much, Rick. Are there any
17 questions or comments from the audience?

18
19 MR PAUL TREVASKIS: I am Chair of the Integrated
20 Transport Forum for Blue Mountains. I am not speaking on
21 behalf of the forum, because we haven't approached that; we
22 have other heavier issues at the moment.

23
24 But as a personal issue, I have a family at
25 Stockton. I can pay \$2.50 at Glenbrook and I can go to
26 Stockton. As Rick says, virtually it's for nothing,
27 really. When you look at the fare for the ferry, if the
28 ferry doesn't get any money out of that particular one,
29 I begin to wonder about our approach of this \$2 fare across
30 the board - I feel we're getting it too cheap.

31
32 I would like to see the result of the report, because
33 what are we going to do for the future, with an aging
34 population, where we have to keep subsidising the \$2.50 for
35 such large distances and you can get on the train at Orange
36 for \$2.50 and go to Stockton or Scone?

37
38 I begin to wonder. I do appreciate the work that
39 IPART does, but looking at costing, have we made that
40 too complicated? Do we send a couple of people into the
41 ferry office to look at their cost receipts and look at the
42 hard core information; do we do that, or do you rely on
43 information from the ferry operators, whether it be the
44 transit authority or the private ferry companies?

45
46 THE CHAIRMAN: We engaged CIE to survey the costs of
47 the ferry operations.

1
2 MS VINCENT: I think that might be a good lead-in to the
3 next option that we have to discuss. The first option was
4 to just continue applying the indices to existing fares.
5 The second option is what would you do if you wanted to
6 actually adjust the fare levels to better reflect
7 passengers' fair share of efficient costs.

8
9 Some of the things that Rick was talking about in
10 terms of the cost of maintaining a spare ferry, such as how
11 you manage regular maintenance and so on, are the quite
12 detailed questions that you would have to look at if you
13 did do that sort of study of efficient costs to work out
14 what your actual level of efficient costs was and then how
15 much of that should passengers pay. Or you could have an
16 approach where you had some kind of estimate of the
17 efficient costs and the externalities.

18
19 I have a couple of questions here. Is there actually
20 any robust and reasonable way to estimate efficient costs
21 and is there any robust and reasonable way to estimate
22 externalities for private ferries and the Stockton ferry?

23
24 Alternatively, our usual approach for much bigger
25 industries is to do this kind of detailed study of
26 efficient costs and externalities, which is actually
27 a fairly resource-intensive and intrusive exercise for
28 operators and for IPART. It is not cost free by any means.

29
30 A further question is if we are looking at adjusting
31 fare levels, given the experience back in 2003, we are
32 interested in knowing what stakeholder experience is in
33 relation to higher fares and whether they reduce patronage
34 and therefore total revenue.

35
36 If we are looking at adjusting fare levels as well, we
37 have mostly been discussing the slow ferry services, where
38 there is evidence that they are not fully cost recovering.
39 On the other hand, could it be appropriate to freeze fast
40 ferry fares this year? Two of the three routes are
41 currently charging well below the maximum fare already,
42 and the cost recovery evidence across both the operators
43 suggests that there is no need for increases. But we have
44 a similar problem there, that we don't have data on
45 efficient costs or externalities.

46
47 So that is the set of questions that we have for

1 option 2, which is looking at adjusting fare levels over
2 and above just an index approach.

3
4 THE CHAIRMAN: I just invite any further comments,
5 because a number of you have commented already on some
6 of these issues. Are there any further comments that
7 people would like to make?

8
9 MS GLEEN: There are, I think, six private ferry operators
10 in New South Wales. Although everyone always loves to put
11 us all together, they are actually quite different. You
12 have some ferry services where the competition may be a bus
13 service, but it's quicker on the ferry. There are other
14 ferry services where you could swim or you could take your
15 own boat. So there is a huge difference in the external
16 issues that we all have to deal with. To try to have
17 a one-solution-fits-all can be a bit difficult.

18
19 Having said that, I know that compared to Transport
20 for NSW and all of the different scenarios it has to deal
21 with, we are a very, very small part of it, so I would just
22 say that I feel - and this is just coming from the Church
23 Point Ferry Service - that setting the fares the way they
24 are so that they are pegged, we had some issues with the
25 price of fuel, which hit us all very hard, which was when
26 some of these indices were changed, and that still has
27 a bigger impact with the fast ferries than it does with the
28 slow ferries, because they have a higher fuel cost than we
29 do.

30
31 The way that it is at the moment, it seems to me that
32 it is a fairly safe way of doing it. It seems to be a fair
33 way of doing it. If some of the ferry services find that
34 they would prefer to cut their prices to increase their
35 patronage, that's great. But to have that forced upon some
36 of the other operators, it seems to me, would be rather
37 dangerous.

38
39 Also, as you may or may not be aware, one of the
40 private ferry services did go bankrupt last year, so
41 I would just ask that people are mindful of that. As
42 Anthony said, we do have a tendency to operate on fairly
43 small profit margins. Thank you.

44
45 THE CHAIRMAN: Thank you very much, Penny.
46 Anybody else? Rick and then Graeme.

47

1 MR BANYARD: As far as the higher fares reducing
2 patronage, my feeling is that in the case of Newcastle it
3 certainly does, although there are so many seasonal factors
4 and you don't have a big number of ferry services to
5 average things out. In a bus service, for example, or
6 a train service, you have a much bigger picture, and if you
7 get a series of bad weekends or something like that, it
8 doesn't show up. So that makes it very difficult.

9
10 One thing that you could do is make the payments to
11 the ferries based on efficiency payments, and if they
12 provide efficiencies and they up their act, then they get
13 more money, maybe by bigger incentive payments that come
14 from the government in one form or another. There is
15 a whole plethora of ways in which that could be done. That
16 then puts the acid on them to reduce their costs and
17 provide a better service.

18
19 So I think that efficiency payments, and then IPART
20 could also set some performance targets. If both of those
21 are there, that gives operators a goal to work to. Good
22 operators will achieve that. Bad operators won't.

23
24 THE CHAIRMAN: Thanks, Rick. Graeme?

25
26 MR TAYLOR: Could I respond to Penny's point and
27 hopefully expand upon it. Fuel prices affect private
28 motorists as they do ferry operators. If there were to be a
29 spike in fuel prices, many private motorists would be looking
30 to a cheaper alternative, to shift to public transport. In
31 fact, total vehicle kilometres in Sydney are currently
32 falling because younger people, Gen Y, are not taking up
33 the option to drive motor cars.

34
35 We need to see from government a more holistic
36 approach so that if we see a spike in fuel prices and
37 a trend from private motor cars to ferries, operators don't
38 rush to put up prices at the same time and scare away new
39 passengers. So the fuel costs need to be considered in
40 a wider perspective and we need to recognise that higher
41 fuel costs will discourage private use of motor vehicles.

42
43 THE CHAIRMAN: Does anybody else have any additional
44 comments?

45
46 MR WING: Thank you, Chairman. As I said before, because
47 we will be receiving advice on this from IPART, I don't

1 wish to comment on the particular fares issues that have
2 been raised.

3
4 I just want to put on record that during the course of
5 this, Rick did make some positive comments about the hard
6 work of some individual employees - the master and the
7 deckhands on the Stockton ferry - and I would like to thank
8 him for that and we will pass that on, if that's okay.

9
10 MR BANYARD: Yes.

11
12 THE CHAIRMAN: Does anybody else have any other comments?

13
14 MR BANYARD: There is another type of cost that IPART
15 needs to take into account, and that is the cost to the
16 passenger itself if they can't make use of the service. It
17 has been mentioned that, for example, Stockton ferry is
18 \$2.50 for a lot of the passengers and it has also been
19 mentioned that it is a 40-minute drive-around. Now, you
20 can't drive your car for 40 minutes for \$2.50.

21
22 Therefore, if the ferry isn't there to provide that
23 service that you want to get from one side to the other,
24 it's a matter of getting the car out, adding to the traffic
25 congestion and the chaos that's already there and wasting
26 40 minutes of your time, which may be your work time, and
27 therefore you are not being productive and contributing.
28 It goes on and on and on. That is an external cost that is
29 also a cost that impacts on passengers.

30
31 THE CHAIRMAN: I will call on Jennifer to wrap up on the
32 next steps for ferries.

33
34 MS VINCENT: I actually have option 3, which is
35 a light-handed approach where we essentially assume that
36 reported costs are efficient and appropriate and no
37 externalities exist, so we just put maximum fares up based
38 on the costs reported to the CIE as part of the survey.
39 That would allow slow ferry operators the opportunity to
40 fully recover all reported costs from fares.

41
42 In the past, we have said in our reviews that
43 potentially the costs of regulating private ferry fares
44 outweigh the benefits of having that form of regulation.
45 But because of the current contracting arrangements,
46 Transport for NSW is required to set fares and they ask us to
47 give advice, so we are required to give advice.

1
2 The issue about taking a completely light-handed
3 approach is that we would have to be satisfied that no
4 market power exists, because if the businesses are
5 essentially monopolists and you loosen up fares to the
6 point where there is lots of headroom to set their own
7 fares, those businesses that do have market power could
8 be put into a position where they could exploit the
9 monopoly power, spend what they like and then charge it
10 through to passengers via fares.

11
12 It is clear in some cases - there are a couple of
13 operators already charging less than the maximum - that
14 they don't have market power, but is there any way of
15 assessing whether others do or don't?

16
17 That is the final question that we have and I bring it
18 back to the point that Penny made, that the businesses are
19 all very different. We are in a situation where we are
20 trying to set fares for a very small industry in a way that
21 is cost effective for us and gets good outcomes for
22 passengers and for the industry, and it is a matter of
23 balancing all these different issues.

24
25 THE CHAIRMAN: Are there any further comments?
26 Thank you all very much for your contributions.

27
28 Are there any wrap-up comments, Jennifer, in terms of
29 what steps next?

30
31 MS VINCENT: Yes. Our next step is to issue a draft
32 report. That will be before the end of this month. We
33 will be calling for submissions on the draft report.

34
35 Late submissions may not be accepted, particularly
36 given the tightness of the time frame. We are required to
37 report to Transport for NSW by mid-December this year.

38
39 Transport for NSW then makes a decision on the final
40 maximum for private ferry services, and the Stockton
41 determination will apply from the beginning of January.

42
43 THE CHAIRMAN: Thank you. That's it for ferries, so now
44 we can move on to session 2, which is the metropolitan and
45 outer metropolitan buses.

46
47 This session is about maximum fares for bus services

1 in metropolitan and outer metropolitan areas, including
2 Sydney, Newcastle, the Central Coast, Wollongong, the
3 Blue Mountains and the Hunter region.

4
5 In late September we released a draft report and draft
6 determination outlining proposed maximum fares for these
7 services for the next four years.

8
9 Today we are going to provide an overview of our draft
10 decision and invite discussion and comment on it. With
11 that, I invite Ineke to start with a short presentation.

12
13 MS OGILVY: Under our draft decision, maximum fares
14 would increase by an average of 0.3 per cent above inflation
15 in each of the next four years.

16
17 Transport for NSW would need to decide on individual
18 fares, fare structure and ticket types. That means that
19 some fares may go up by more than 0.3 per cent above
20 inflation, provided that, on average, fares stay within
21 that limit.

22
23 We used a building block methodology to calculate the
24 fare increases. The key elements of this methodology are
25 efficient costs, external benefits and patronage growth.
26 We estimated each of these, focusing on the four largest
27 contract regions. The maximum fares that we have put in
28 the draft report are based on passengers contributing
29 40 per cent of the efficient costs and government
30 contributing the remaining 60 per cent - 40 per cent is due
31 to the external benefits of those services and 20 per cent
32 is the value of concession funding.

33
34 We focused our analysis on the four largest contract
35 regions, which are those run by STA in Sydney. These
36 regions capture most of the trips made by fare-paying
37 passengers. Including other regions would push up fares,
38 because services outside those areas tend to have higher
39 costs and lower patronage and it is current government
40 policy that the same fares apply across the regions, except
41 for Newcastle.

42
43 We estimated the efficient costs based on operator
44 costs recommended by Indec Consulting at our last review
45 and relevant costs from Roads and Maritime Services.

46
47 We have decided to undertake a review of external

1 benefits across all modes of transport together, as Allan
2 mentioned in the previous section. We received a lot of
3 comments on this issue, which we want to consider as part
4 of this broader review, and we will start that review early
5 next year.

6
7 In the meantime, we estimated external benefits by
8 rolling forward the estimate we used at our last bus fare
9 review.

10
11 We forecast patronage of bus services to grow by
12 0.8 per cent per year over the next four years. There is
13 a lot of uncertainty about what impact Opal and other
14 investments will have on bus patronage.

15
16 The Bureau of Transport Statistics estimates that
17 patronage will grow by around 1 per cent per year.
18 Historically patronage has grown by less than this,
19 averaging 0.8 per cent per year over the past 20 years.

20
21 Our draft decision is not to set fares for individual
22 tickets. We have adopted a weighted average price cap
23 instead. This means that Transport for NSW, who is
24 responsible for determining fare products, will have the
25 flexibility they need during the introduction of the Opal
26 card.

27
28 A weighted average price cap allows Transport to
29 change the fare structure, provided fares don't go up by
30 more than the limit on average. Some tickets might
31 increase by more than the price limit, provided there are
32 offsetting changes in other fares.

33
34 We have also provided the flexibility for Transport
35 for NSW to add or remove fare products and to change fares
36 more than once in a year.

37
38 The key issues for discussion are: do you support our
39 proposed multi-modal review of the external benefits, which
40 we are going to do next year? What impact do you think
41 the introduction of Opal will have on the number of people
42 using bus services? And are there any other comments or
43 questions from stakeholders?

44
45 THE CHAIRMAN: Thank you, Ineke. Are there any
46 comments or questions?

47

1 MR MILES: Just a procedural point, Mr Chairman, are there
2 going to be a series of questions like this?

3
4 MS OGILVY: No, this is it. No options for this one; this
5 is it.

6
7 MR MILES: This is it, then.

8
9 THE CHAIRMAN: Do you want to talk now or later, Allan?

10
11 MR MILES: I will let someone else go first.

12
13 THE CHAIRMAN: Rhiannon?

14
15 MS COOK: Hi, I'm Rhiannon from NCOSS. To put my
16 comments in context, I will explain that NCOSS is a social
17 justice advocacy organisation and we work on behalf of
18 people in the community and communities experiencing
19 disadvantage in New South Wales.

20
21 I will start with a comment which is, we recognise that
22 the proposed fare increases are quite modest and that it
23 will be up to the New South Wales Government once the
24 final determination is handed down, whether or not to
25 increase fares to the maximum allowable amount. We also
26 note that the New South Wales Government has said that
27 there will be no increases above CPI until there are
28 demonstrable improvements in customer service. Our
29 concern with that is - and we expressed this concern when
30 the new contracts were negotiated - that there hasn't been
31 any opportunity for consumer input into the development of
32 the contracts and the ways in which performance and
33 customer service is monitored.

34
35 So that means that it is very difficult for us and
36 other consumer advocates to understand whether or not there
37 have been improvements in customer service and whether or
38 not the improvements that are being measured are
39 meaningful, particularly for the consumer base that we
40 represent. So, therefore, we would ask for greater
41 transparency around how customer service is measured and
42 wonder whether or not there is a role for IPART to play
43 there.

44
45 I will comment on the external benefits. Yes, we do
46 support a proposed multi-modal review. In previous
47 submissions and at previous hearings we have commented that

1 we feel the current approach overlooks some of the positive
2 benefits associated with public transport, so we are very
3 glad that it is going to be reviewed.

4
5 Overall, we feel that the current approach,
6 particularly in relation to bus travel, treats travel as
7 discretionary, as something a customer can choose to use or
8 not, but this isn't always the case and for many of the
9 people we represent, buses are the only form of transport
10 available to them, because they either cannot drive or
11 cannot afford a car and they live in areas where
12 alternative modes of transport are not an option, so buses
13 are the only way in which they can access education,
14 employment, shops, et cetera. For this reason, we think
15 that buses should be seen as an essential service.

16
17 In its draft paper, IPART acknowledges the social
18 benefits associated with buses, but states that the best
19 way to achieve these social benefits is for the government
20 to consider the costs and benefits for participants with
21 limited access to other transport modes when investing in
22 bus services, and that a well-targeted concession program
23 is in place.

24
25 Our problem is that this is not currently the case.
26 We don't have a well-targeted concession program, and
27 earlier this year we published a paper identifying some of
28 the groups that are missing out on concessions and who are
29 adversely impacted as a result.

30
31 So we would also argue that by making sure all people
32 have access to affordable transport, the benefits don't
33 just accrue to those individuals but accrue to society more
34 broadly.

35
36 The final comment I would like to make is about the
37 pricing principles. In our submission we said that in
38 addition to the principles proposed by IPART, affordability
39 and encouraging modal shift should also be taken into
40 account. I have already talked about affordability, but
41 I would like to reiterate the need for IPART or government
42 to take modal shift or growing patronage into account
43 somewhere during the fare-setting process. If it is not
44 taken into account and if IPART continues to apply its
45 current process to setting fares, then any drop in
46 patronage will see fares rise for the remaining passengers,
47 which would lead to a further drop in patronage until the

1 only passengers remaining are those who have no choice but
2 to catch the bus, so, therefore, we would ask that IPART
3 reconsider this in its advice and that Transport for
4 NSW reconsider affordability and modal shift as pricing
5 principles. Thanks.

6
7 THE CHAIRMAN: Thank you very much, Rhiannon. Rick?

8
9 MR BANYARD: I would like to start off by saying that
10 Newcastle bus operation is quite different to the rest of
11 the operation, and to be considering it on a similar basis
12 to the other four majors is not really a satisfactory way
13 to do it in terms of making provisions for Newcastle.

14
15 Some of the differences include that there is a policy
16 for fare harmonisation, but in Newcastle's case, we have
17 the time-based fares, as Ineke points out. The statistics
18 appear to be that there is growth in bus services, and part
19 of that growth is an 8.7 per cent increase in kilometres
20 travelled by the service. In Newcastle, we don't have
21 growth in patronage and we don't have growth in route
22 distances. We do not have a long-term master plan. It
23 hasn't been done yet, whereas it has for the rest of
24 Sydney. In Newcastle's case, the passengers share the
25 costs. Most of the bus services in Newcastle are
26 round-the-world trips, a 40-minute trip to go 3 kilometres
27 from Tighes Hill to Carrington. That's just not on.
28 Basically, to live in Newcastle you have to own and operate
29 a car. It is not like down in Sydney here where there are
30 locations now in place where you can get away without
31 actually owning a car; you basically have to up there.

32
33 Then another big difference is that we have a huge
34 amount of shiftwork, so we don't get this difference
35 between peak and off-peak. In fact, out of Newcastle CBD,
36 there are more people who go out of Newcastle CBD in peak
37 hours in motor cars - they go out of the CBD - than come
38 in, because of the shiftwork with mine jobs and all of that
39 sort of thing. So it is really difficult, and that puts us
40 to a big disadvantage if you use the same sort of things
41 and use the big four to work it out.

42
43 I put it to you that you could actually set fares that
44 are applicable to Newcastle itself because of those
45 uniquenesses, and they will stand alone. It is not as
46 though it bumps on one to the other. And I'm not just
47 talking about Newcastle Buses, I'm talking about the other

1 private bus operators as well in that area.

2
3 The projected demand for buses - I would like to go
4 into that a little bit further. In Newcastle's case, since
5 the last fare review period, out of our around about
6 12 million passengers we have actually lost 720,000. That
7 was despite IPART saying in its report in 2008, I think it
8 is, that they anticipated a 1 per cent increase in
9 patronage and they were expecting that performance to
10 occur. We have had that; that hasn't happened. We've
11 actually gone down 1.29 per cent in that period. That's
12 a huge loss of patronage. Our patronage has got down to
13 the stage that with a standard bus we have got down to
14 1.01 passengers per kilometre travelled. That is pathetic.
15 Even in the fare-free zone - which is not the shuttle bus
16 zones that were introduced but we actually have a fare-free
17 zone operating in Newcastle, which is basically around the
18 CBD itself - that operates with no fares and still can only
19 manage 3 passengers per kilometre travelled. There are
20 some fundamental problems with the bus services in
21 Newcastle that go back to the fact that the buses don't
22 take people where they want to go; the buses don't travel
23 at the right times to match peoples' needs. You have a bus
24 that leaves at 5 to 5 when people in the big building right
25 next to the bus stop knock off work at 5 o'clock. There is
26 just issue after issue after issue.

27
28 You told the operators last time that they had to lift
29 up their act. One of them, the one that I mentioned, where
30 you said that you expected a growth of 1 per cent, they
31 haven't performed. Now, they haven't performed: what
32 are you going to do about it? You should be penalising
33 them for not meeting the target that they came into this room
34 and told you of.

35
36 Mr Rowley came into this room and also said, when he
37 was questioned about the KPIs - he promised that various
38 things would be fixed up and put on the timetables and
39 things like that, and they would be all done and all fixed
40 up within six months. Four and a half years later they
41 still haven't been done. How is a person supposed to catch
42 a bus when the bus operates and it is not even on the
43 timetable? There are some real errors.

44
45 Now, I'm not saying and I'm not trying to infer that
46 any of these sorts of issues occur down in Sydney, and
47 I don't profess to know all the nitty-gritty about the

1 Sydney service, but I have spent a fair bit of time down
2 here and whatever, but it doesn't seem to have these great
3 issues that we have in Newcastle. I will just leave it at
4 that at this point in time.

5
6 THE CHAIRMAN: Okay. Thank you, Rick.

7
8 Allan, do you want to say anything now?

9
10 MR MILES: Thank you, Mr Chairman, and thank you, Rick,
11 for telling us about Newcastle, because I know nothing
12 about it. You are the expert in that.

13
14 Action for Public Transport put in two submissions to the
15 issues paper, and most of what I would have said otherwise
16 is in that, so I don't want to go through all of that.

17 And most of what we said there has been considered in here
18 [IPART's draft report], so I'm happy with most of this as well.

19
20 But my main beef is about the Opal card and the fact
21 that the minister has been let loose to do what she wants.
22 Action for Public Transport is concerned about the
23 eleventh-hour revelation that the Opal card is not a true
24 integrated fares card. We are concerned that only
25 bus-to-bus transfers will be counted as a single journey.
26 Train-to-train transfers, of course, have had an integrated
27 fare for 150 years.

28
29 We are concerned at the minister's ridiculous
30 statements, at least three times now, that to allow through
31 fares from train to bus or from bus to ferry would somehow
32 be unfair. Now, I have no kids at school, but I still pay
33 taxes; my taxes still go to subsidise schools. I'm sure
34 people on the Bondi bus, their fare subsidises the route
35 from Warragamba Dam to Penrith. There are all sorts of
36 things. I take medicine and some people don't, but their
37 taxes pay for my medicines. So it is ridiculous for the
38 minister to say that it would be unfair.

39
40 We are concerned that none of this was mentioned by
41 the minister or by Transport for NSW in the preceding years
42 while the system was being developed. We are concerned
43 that IPART has either been complicit or at least implicit
44 in allowing Transport for NSW to perpetrate this fraud.

45
46 In the paper here [IPART's draft report] at page 47, it talks
47 about flexibility to introduce the Opal card:

1
2 *Transport for NSW will be able to make*
3 *decisions on the number of tickets offered,*
4 *frequency discounts, how the level of*
5 *electronic fares compares to paper fares*
6 *and policies for concessions and seniors.*

7
8 They certainly have taken that liberty.

9
10 We are concerned that IPART has not pushed for
11 a single fare to cover all modes, as happens in Brisbane,
12 Melbourne, Perth and any other place you would like to
13 mention.

14
15 We are concerned that only in Sydney, of all capitals,
16 can a traveller still buy a train ticket. You cannot buy
17 a train ticket in Brisbane; you cannot buy a train ticket
18 in Perth. You buy a ticket to go from here to there. If
19 you want to go from Toowong to the CBD in Brisbane you buy
20 a ticket. You can use it on the ferry, on the train or on
21 the bus. But not here. We are concerned that the Opal
22 card will never provide through fares until the fares for
23 bus, train and ferry are unified. We are afraid that IPART
24 is not pushing strongly enough for that.

25
26 We do express some relief that the fare structure is
27 not set in concrete like the mini sized tunnels on the
28 North West Rail Link, and that they can be changed by a few
29 computer programs. We also express some relief that IPART
30 has conceded, as Ineke has said, that they have rejected
31 the notion of estimating the external benefits of rail, bus
32 and ferry services individually, and it would be more
33 consistent to consider the external benefits of all modes
34 of public transport simultaneously.

35
36 So I would like to ask IPART - whether it is within
37 its powers or not - to push for a single fare, not a flat
38 fare, but a single fare to cover travel from A to B.

39
40 Also, I think from McMahons Point to Wynyard you can
41 buy three different fares - bus, train or ferry - and that
42 shouldn't happen. Until there is a single fare for all
43 modes, then the Opal card won't work properly. Thanks.

44
45 THE CHAIRMAN: Okay. Thanks very much, Allan.
46 We will take all that on board. Anthony?

47

1 MR WING: Thank you, chairman. I guess we discussed some
2 fare issues and some of the broader context. At the
3 moment, I think it is worth just mentioning some of the
4 broader contextual issues around bus services. We, as
5 I said, consider that customers should be at the centre of
6 everything. Fares are just one part of the customer
7 experience. Other things we have mentioned, such as
8 services, frequencies, et cetera.

9
10 There are a number of things that are being done and/or
11 have been done in recent times. The government obviously
12 has contracted, tendered or renegotiated contracts,
13 certainly in metro areas, for bus services and that has
14 resulted in improvements both in service numbers, new
15 buses and new customer control centres to monitor service
16 performance, although I do take NCOSS's point, their
17 question about the level of visibility that customer groups
18 would like to have over that.

19
20 We also have had fine-tuning of existing timetables to
21 improve service levels, connectivity between services and
22 connection with school times.

23
24 So all of that has been going on this year. Secondly,
25 we have had a new ticketing system, which is a single
26 ticket that you can use on all modes which avoids the need
27 to queue, therefore it is of much greater convenience.
28 Also, it is a pay-as-you-go system, so it is not necessary
29 any more for people to guess what ticket they are going to
30 need for the day; they simply pay for what they use. It
31 offers cheaper single fares than the equivalent MyZone
32 fares, and of course a weekly travel reward, which is that
33 once you have done eight journeys for the week, the rest of
34 the journeys for that week are free.

35
36 There have been some questions or comments, I suppose,
37 about the changes between services - so currently at the
38 moment, of course, on both MyZone and Opal, if you change
39 from bus to train, the same thing is happening on both,
40 although you do get the travel rewards, the free after
41 eight in a week travel reward applies across all modes, and
42 the additional benefit for bus customers is that, of
43 course, now when they change from bus to bus within
44 60 minutes it will be treated as a single journey. So it
45 is an additional benefit there.

46
47 The third thing that has been rolled out, of course,

1 is real-time customer information, which may not sound like
2 much, but there was clearly a demand. I don't have the
3 numbers in front of me, but there was a very large number
4 of downloads and usage of that. That has provided
5 real-time information for customers of bus services and
6 other services.

7
8 The fourth, of course, is that at the end of last
9 year, Transport published its Integrated Disability Action
10 Plan which has over 150 actions across all modes of
11 transport to improve accessibility on all modes, including
12 buses, for people with a disability. Those various actions
13 are gradually being implemented as we speak. So I just
14 wanted to record that. Thank you, chairman.

15
16 THE CHAIRMAN: Thank you very much, Anthony.
17 Any other comments? Paul?

18
19 MR TREVASKIS: Thank you, Mr Chairman.

20
21
22
23
24
25
26
27
28
29 What I'm interested today to find out, through IPART,
30 is the various publications you have had, which we haven't
31 had the opportunity to look at, especially with fares; the
32 effect of Opal on the system, because we are not used to
33 tagging on, tagging off. When the commuters get off the
34 train, they prefer to run up the stairs, whatever, to meet
35 the family and go home, and even some to greet their
36 dogs on the platform, but I digress.

37
38 What I'm interested in is the introduction of Opal:
39 will it make it easier or not? We get the impression with
40 the Opal there will be the obligation on the pensioner to
41 tag on and tag off, which we don't have to do now.

42
43 So rather than burble on, I would like to get more
44 information on this fare structure, especially the effect
45 of Opal, because it is slightly different but the same.
46 I use the bus quite often from Penrith to Glenbrook, and
47 you notice that most of the passengers are pensioners. So

1 just how do we adjust to this to get improvement? I will
2 leave it at that, because I was trying to get out of this
3 transport business, and it looks as though I'm back in.
4 Thank you.
5
6 THE CHAIRMAN: Indeed. Thank you. Anthony, maybe
7 you could just give a few more comments on Opal?
8
9 MR WING: Yes, certainly. Look, I guess the benefit is
10 the need not to queue to buy tickets. That has clearly
11 been considered.
12
13 MR TREVASKIS: Which we don't do now; we don't queue
14 for tickets.
15
16 MR WING: I guess many customers who use it do queue
17 for tickets.
18
19 MR TREVASKIS: Not in the mountains, it's not a large
20 population.
21
22 THE CHAIRMAN: I think what Anthony is saying is that for
23 many customers, this is a benefit. If you don't queue now,
24 then it is not a benefit, but I am sure that there are
25 others that he is going to outline.
26
27 MR TREVASKIS: All right, anyway, what are the other
28 advantages?
29
30 MR WING: We have had customer trials initially, for
31 example, in rail on the eastern suburbs line, and now going
32 out to Chatswood, and we're finding very strong take-up
33 there. The feedback we are getting is very much because
34 those users who are taking it up are avoiding queues.
35
36 With respect to the existing fares for pensioners and
37 seniors, the pensioner and senior card has not been
38 released yet, but it will replicate the same fare
39 structure, so people will not pay any more than they do
40 now.
41
42 MR TREVASKIS: It looks as though I'll have to get
43 a representative from Opal to come to our meetings to
44 explain the system and how it will affect the
45 Blue Mountains.
46
47 THE CHAIRMAN: We will note that, thanks, Paul, and

1 Anthony can take it on board.
2
3 MR BANYARD: I would just like to make a couple of other
4 points. In your document, you refer to the 2021 plan and
5 the importance of it. Reducing travel time, growing
6 patronage and improving customer experience are three of
7 the core things that are in there.
8
9 In the case of the buses in Newcastle, that is just
10 not happening. I put it to you that the buses are a cost
11 and not a benefit to the community up there. Don't get me
12 wrong, we want the buses, but we want a proper bus service.
13 We want a proper efficient thing. It is not a matter of
14 using it as arguments to get rid of the buses.
15
16 But they are not taking cars off the road. You have
17 10-tonne stretch limos driving around the streets, tearing
18 up the bitumen and causing physical damage. We are
19 adding to the traffic congestion and we are adding to the
20 pollution. A vehicle that is twice the size of the largest
21 four-wheel drive, with one person in it, could hardly be
22 suggested to be benefiting the environment.
23
24 As a way forward - and I've made this suggestion at
25 previous hearings, too - the time has come to really give
26 some thought to the size of the vehicles that are operating
27 in the bus fleet in Newcastle. I put it to you that you
28 could get rid of all of the 165 buses that are in the fleet
29 and replace them with 320 Toyota HiAce buses. That will
30 still give you nine empty seats. The savings in the
31 operating costs of the big limos down to the small ones
32 will mean that you could actually double the service and
33 double the frequency for the same costs that you're doing
34 now, and that gives the people of Newcastle an opportunity
35 to catch a bus. Once you have got them back into the habit
36 of having a bus that is a safe and friendly form of
37 transport and meets their needs, I'm sure the size of the
38 buses will grow.
39
40 In the meantime, we have this issue that they didn't
41 meet the targets that they promised to do when they
42 presented to you before as the way they were going and
43 what they were going to achieve. My people are suggesting
44 that IPART puts the Newcastle bus fares back to the 2007
45 levels until they can actually turn some results in.
46
47 The final thing I would say is that you're going to be

1 busy travelling because Paul wants you to go and see him,
2 but I'm going to suggest that the Tribunal actually takes
3 a visit to Newcastle to see at first hand the position and
4 the situation and have it explained fully to you.
5 A fact-finding mission to Newcastle could be well
6 worthwhile. Thank you.

7
8 THE CHAIRMAN: Thank you very much, Rick. Ineke,
9 would you like to make any comments in response?

10
11 MS OGILVY: No.

12
13 THE CHAIRMAN: One thing that occurred to me was the
14 point that Rhiannon made about patronage growth. We did
15 take that into account in terms of the patronage growth
16 figure we are using. We're looking at 0.8 per cent. Recent
17 patronage growth in buses has been pretty flat, I think, so
18 we are trying to provide for some growth in patronage,
19 which of course means that individual fares are lower than
20 they otherwise would be.

21
22 Are there any other comments or questions before
23 I wrap up?

24
25 MR BANYARD: I would like to thank the Tribunal for the
26 opportunity that it gives to the community to allow us to
27 participate in all of the hearings that you run. It is
28 a very worthwhile form of communication.

29
30 THE CHAIRMAN: Thank you very much, Rick. I really
31 appreciate that remark.

32
33 MR MILES: Just a comment to Anthony. I do appreciate
34 all the press releases that you spouted. Transport for NSW
35 is doing lots of things for the buses. My train service at
36 the weekend improves by 100 per cent next Sunday. You
37 have done a lot towards integrating the buses and ferries to
38 make it one transport service, but I wish someone would
39 look at this business of the Opal fares.

40
41 On another point, did not IPART go to Newcastle once
42 a few years ago?

43
44 MR BANYARD: No. IPART has been to Newcastle for
45 hearings for other things, including the water hearing, for
46 example, which I think was the last one.

47

1 THE CHAIRMAN: Thank you. That concludes the session.
2 A transcript will be available on our website in
3 a few days' time. Thank you very much for your
4 participation.

5
6 AT 11.36AM THE HEARING CONCLUDED

7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47