

INDEPENDENT PRICING AND REGULATORY TRIBUNAL

PUBLIC HEARINGS INTO CITYRAIL FARES

Tribunal Members

**Dr Michael Keating AC - Chairman
Mr James Cox
Ms Sibylle Krieger**

**Held at IPART
Level 2, 44 Market Street, Sydney**

On Wednesday, 5 September 2007, at 10am

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1 THE CHAIRMAN: Thank you, ladies and gentlemen, I think
2 we might make a start.
3
4 I would like to begin by welcoming you all to this
5 public hearing which is being conducted by IPART into fares
6 to be charged by CityRail for passenger services from
7 November 2007.
8
9 I would like to begin first of all by introducing my
10 fellow tribunal members: Jim Cox on my left, who is the
11 Chief Executive of IPART and a full-time member of the
12 tribunal; and Sibylle Krieger on my right, a part-time
13 member of the tribunal. Also in the room are IPART
14 secretariat members, in particular Fiona Towers, who is the
15 Director of Energy and Transport, and Aaron Murray, the
16 Program Manager for Transport.
17
18 IPART is conducting this hearing under section 11 of
19 the IPART Act and section 15 of that act sets out the
20 matters that IPART should have regard to in making its
21 determination. I think section 15 has been provided to you
22 in the background information.
23
24 This meeting is to discuss issues relating to IPART's
25 review of RailCorp's CityRail fares proposal which was
26 submitted to IPART on 23 June this year.
27
28 IPART has been requested by the Premier to provide the
29 CityRail fare determination by 31 October and it is
30 anticipated the date on which any new fares will apply is
31 likely to be in November of this year.
32
33 As you are probably all aware, IPART has also been
34 provided with terms of reference to undertake an in-depth
35 review of the regulatory framework that IPART uses to
36 determine CityRail fares. IPART will make its 2007
37 decision on CityRail fares before we complete our in-depth
38 review. However, we do intend that the approach taken for
39 the 2007 decision will be broadly consistent with the
40 regulatory process used as part of the in-depth review.
41 Therefore, the 2007 decision will represent a first step
42 towards the new approach.
43
44 In practical terms, this means that both the 2007
45 annual review and the in-depth regulatory review will
46 consider the same key objectives. These objectives include
47 the efficiency of CityRail's costs; an appropriate range

1 for the allocation of costs between government and users
2 taking into account externalities; service standards; and
3 then from all that information the appropriate fares.
4
5 I am aware that a number of stakeholders have
6 questioned the timing of this 2007 fare determination
7 given IPART's decision to pursue the in-depth review of its
8 regulatory approach over the coming next 12 months. It has
9 been suggested by some stakeholders that IPART should
10 delay making a decision or approving a CPI increase until
11 the in-depth review is completed.
12
13 As a tribunal we have considered these arguments and
14 we think it is a matter of assessing the relative risks of
15 making an interim decision on fares without the full
16 information provided by the in-depth review, assessing that
17 risk against the other risk of not increasing fares in 2007
18 and the consequent impact of not increasing those fares in
19 the future. In particular the key consideration,
20 especially for customers, is the size of future fare
21 adjustments.
22
23 If we had a fare freeze until completion of the
24 in-depth review that fare freeze, like any price freeze,
25 will invariably lead to larger fare increases in future
26 years. That is the nature of a fare freeze.
27
28 On balance, therefore, we have considered that it is
29 in the best interests of both consumers and RailCorp to
30 conduct an annual fare review this year, especially in the
31 light of the relatively small increases in fares over the
32 last three years. The in-depth review will consider the
33 merits of setting a price path for CityRail over the coming
34 years. The in-depth review will identify the appropriate
35 price path taking into account the official level of costs
36 and the appropriate range of cost sharing between
37 passengers and the government.
38
39 Based on this analysis, it is expected that the end
40 point of the price path established by the wider in-depth
41 review will be the same irrespective of the outcome of the
42 2007 decision - whether we increase fares or not straight
43 away, the end point of the in-depth review will stay the
44 same and consequently the impact of any 2007 decision will
45 automatically be offset by the increases in subsequent
46 years. That is to say, if the end point, let's say in
47 2011, is the same coming out of the in-depth review, if we

1 don't increase them now there will be bigger increases in
2 following years to get to that end point and, vice versa,
3 if we increase the fares this year there will be smaller
4 increases in subsequent years from the in-depth review.
5
6 The fare proposal made by RailCorp, together with other
7 submissions, are available to the public through the IPART
8 website. The tribunal thanks the many individuals and
9 organisations that have taken the time to provide
10 thoughtful and detailed submissions on RailCorp's
11 proposal. These have been reviewed by the tribunal and
12 secretariat and at today's meeting we will explore matters
13 raised by the RailCorp proposal and by your submissions in
14 response to that proposal.
15
16 Today's meeting provides an opportunity for
17 stakeholders to provide additional input into the review
18 process and for IPART to obtain clarification and some
19 additional detail on issues raised in submissions. That
20 might include questioning some of the propositions that
21 have been put forward by different parties.
22
23 IPART will take into account all the views expressed
24 in the written submissions and at today's meeting when it
25 makes its determination on the fares.
26
27 Before we commence proceedings today I would like to
28 say a few words about the process for this hearing. We are
29 going to commence with a presentation of the CityRail fare
30 proposal by RailCorp. I will ask Mr Vince Graham to
31 present from up here in a minute. After his presentation,
32 I will ask a number of other key stakeholders to give their
33 presentations on their response to the CityRail proposal,
34 and again I will ask those people as I call them to come
35 and sit up at the table here.
36
37 Once the key stakeholders have finished their
38 presentations, I am going to invite any comments from the
39 rest of you here on the floor and, finally, RailCorp will
40 then get an opportunity to address any comments that have
41 been made by other presenters or from the floor before we
42 close proceedings.
43
44 As always, I would ask that the presenters not be
45 disturbed when making presentations.
46
47 The presentations will be transcribed so that the

1 tribunal and secretariat have a record of what is said at
2 the meeting and of course that record will be available to
3 any member of the public through our website. Because we
4 are making a record, it will be useful if you can introduce
5 yourselves for the benefit of the transcribers when you
6 start to speak, and it is also important if you will speak
7 slowly and clearly.
8

9 RAILCORP

10
11 THE CHAIRMAN: I would now like to ask Mr Vince
12 Graham, the Chief Executive Officer of RailCorp, to
13 introduce the CityRail fare proposal, thank you.
14

15 MR GRAHAM: Thank you very much, Chairman. I will
16 introduce my colleagues, Gary Pedersen, Chief Financial
17 Officer, and Barry Garnham, who is Group General
18 Manager for Development within RailCorp.
19

20 I intend in the next 20 minutes or so to provide an
21 overview of the submission that we have provided to
22 support the request for fare increases. Could I start perhaps
23 by summarising what our submission is seeking.
24

25 First of all, in terms of single fares, we are seeking
26 a 20 cent increase for journeys up to 35 kilometres ranging
27 through to 60 cents for up to 175 kilometre single journeys
28 and \$1 for single journeys beyond 175 kilometres.
29

30 You will note there on the slide that with these
31 proposals for single fare increases, 88 per cent of adults
32 who were travelling on the network purchasing a single
33 ticket will pay a 20 cent increase. The request for weekly
34 fare increases is \$2 within the zone up to 55 kilometres
35 and \$3 beyond that. Again, 77 per cent of adults who
36 purchase a weekly ticket will pay \$2 a week. Assuming ten
37 trips a week, that again translates to a 20 cent increase
38 each single journey for our weekly ticket customers. Some
39 examples of the proposed increases have been provided in
40 the submission.
41

42 If I can go on and deal with why we are seeking this
43 increase: First of all, we believe there is hard evidence
44 that the service provided by CityRail has improved and our
45 intention is to continue our focus on further service
46 improvement across the range of factors that are of concern
47 to our customers.

1
2 There has also been a very substantial increase in
3 capital expenditure specifically on the CityRail network
4 that I will deal with in a moment.
5
6 Thirdly, the cost increases over the last four years
7 of operating CityRail have increased substantially beyond
8 the 2.9 per cent fare increases that have occurred over the
9 last four years. CPI in that period has increased by about
10 10 per cent but, given that wages more generally are
11 increasing at a greater rate than CPI, our wage increases
12 over the four years of our current enterprise agreement
13 have a compound effect of around 17 per cent.
14
15 Because the farebox recovery of costs of the CityRail network
16 is about 25 per cent, that is those who use the network pay
17 around 25 per cent of the cost of operating the network,
18 and because costs are increasing at a greater rate than the
19 farebox has increased, it inevitably means that taxpayers,
20 many of whom do not use the network, are paying
21 a substantial part of the cost increases of the network.
22
23 Can I turn to some hard evidence of improvements that
24 are occurring in the service provided by CityRail to its
25 customers. First of all, on the left-hand side of that
26 overhead you can see over the past three years that the
27 reliability of the network has increased from around a very
28 unacceptable 68 per cent through to 88 per cent the
29 previous financial year, and the close of the 06/07
30 financial year saw on-time reliability finish the year at
31 92.8 per cent on the force majeure adjusted statistic that
32 we publish monthly on our internet site.
33
34 On the right-hand side of the graph is another view of the
35 delays experienced by customers on the network and what
36 that graph in blue on the right-hand side shows is of our
37 peak services Monday to Friday am and pm peak, for any
38 service that is more than 5 minutes late we record the
39 number of minutes late of that service. So, for example,
40 if a service is eight minutes late at its point of
41 destination, eight minutes gets added into this measure,
42 not three minutes, representing three minutes greater than
43 five minutes late, so it takes into account of the late
44 trains, that is, those that are more than five minutes
45 late, every minute, zero and beyond, that that train is
46 late.
47

1 You will notice in this measurement that the average
2 monthly minutes late has declined from around 30,000
3 minutes per month down to 6,500 minutes per month. Across
4 a normal 20-working day month we would operate more than
5 8,000 peak hour services that are incorporated in this
6 measure, so more than 8,000 services, registering a total
7 of 6,500 minutes late but, more importantly, the
8 demonstrable improvement in this particular measure.
9
10 Why has that occurred? The new timetables introduced on
11 September 2005 and the new timetables introduced on the
12 Illawarra line in May of 2006 have certainly aided us in
13 sectorising our network and putting in place a number of
14 logistical changes that have added robustness to the
15 network. In particular it now means that when we have a
16 delay on a particular sector of the network it does not
17 cross-infect other sectors of the network as readily as it
18 did prior to the substantial changes introduced in
19 September 2005.
20
21 We continue to focus on further improvements in both
22 of these dimensions. Our priority is focusing on
23 improvements in the reliability of our trains.
24 Approximately 30 per cent of the incidents that occur on
25 our network are in-service train reliability issues and we
26 continue with the focus, particularly in the afternoon peak
27 and particularly for the western line and northern line
28 services that start their journey on the North Shore line
29 and come across the Harbour Bridge to support afternoon
30 peak services to the west and to the north.
31
32 Following conversations at the last IPART hearing, we
33 did undertake to look at expanding the measures of
34 reliability and expanding to report not just peak hours, am
35 and pm peak, but a more comprehensive 24 hour 7 day
36 reliability performance and we have been validating that
37 measurement over the last six to eight months and we have
38 now been publishing that information on a monthly basis on
39 the Internet.
40
41 The 24 hour network-wide performance for the month of
42 July has been posted on the Internet and that has recorded
43 a 94.7 per cent reliability. Our validation to date has
44 demonstrated that the 24 hour measurement of reliability
45 will always be 2 to 3 percentage points better than what
46 the peak hour reliability will be simply because the
47 network in those off-peak periods is not trying to deal

1 with the same intensity of operation that the am and pm
2 peak services are.

3
4 It is also useful to note a couple of perhaps external
5 benchmarks to the organisation. Our colleagues who operate
6 the Melbourne suburban transport system, Connex, do
7 publish their on-time running numbers publicly on their
8 Internet site and their performance for the financial year just
9 completed was a little over 91 per cent compared to our
10 92.8 per cent, but I would add that there is a difference
11 in the measurement criteria. We measure our on-time
12 running to five minutes, Connex measures its on-time
13 running to six minutes, so even though our performance is
14 marginally ahead of its, if we too measured to six minutes
15 it would be a little further ahead than those raw numbers
16 indicate.

17
18 The Federal Bureau of Transport also now publishes
19 on-time running data for domestic aviation across all of
20 the major airline operators. They move the post a little
21 bit further and measure their on-time running to 15 minutes
22 for domestic services and their performance in the
23 financial year was 86 per cent for domestic aviation across
24 all carriers who are monitored on that statistic.

25
26 The improvement in the service levels is reflected in
27 a decline in the number of complaints that we receive from
28 our customers. We measure these complaints. Whether
29 they're received through the 131 500 line, whether they're
30 received by email, whether they're the result of
31 ministerials, they are all collected and measured and we do
32 spend some time in analysing those complaints across the
33 month.

34
35 You will notice again a fairly substantial reduction
36 in customer complaints, a direct correlation here with the
37 improvement in service reliability. We have also taken the
38 opportunity to look at all of the submissions that have
39 been made to IPART for this particular hearing. In total,
40 of the 199 submissions received, 453 specific issues have
41 been raised and we show on that overhead the top six issues
42 that have been raised by those who have made submissions
43 to IPART for this particular fare round.

44
45 The issue of reliability of service has attracted
46 56 comments in submissions and as I say, that is
47 specifically about matters relating to reliability. The

1 issue of crowding on trains is the second most commented
2 issue and clearly the delivery now underway of 122 OSCAR
3 trains, outer suburban carriages, that will cascade 12
4 eight-car trains to the suburban network, will clearly have
5 a benefit for our customers in adding capacity to peak
6 services am and pm through to the end of this year and
7 during 2008.

8
9 Forty comments about airconditioning and lack thereof
10 - I think that is reflected in the fact that a third of our
11 fleet is not air-conditioned and the seasonality of our
12 complaints regarding temperature on trains is obviously at
13 its highest in the middle of summer and the middle of
14 winter because of that lack of airconditioning.

15
16 All of our non air-conditioned trains are being
17 replaced by the contract that had already been let
18 last December for the delivery of 78 new eight-car trains
19 under a public-private structure. As I say, that contract
20 has been let and we would expect to see the delivery of the
21 first of those new trains in late 2009, early 2010.

22
23 The issue of announcements on trains is one of the areas of
24 challenge for us at this particular point in time and we
25 have undertaken a number of initiatives in the course of the
26 year to improve both on-train and on-station announcements
27 for our customers, particularly in periods of service
28 disruption. Those initiatives have gone to some fairly
29 intensive training of both station staff and train guards in
30 particular, but our customers have also commented very
31 favourably on the live announcements now for peak-hour
32 operations at Wynyard, Town Hall and Central where we've
33 moved away from pre-recorded digitised voice announcements
34 into live announcements and as I say, attracted many
35 compliments for the personalities of some of our presenters
36 who keep the public informed at those locations.

37
38 We have already announced the appointment of four new
39 sector general managers who within our service delivery
40 division will take direct accountability for customer
41 service matters, stations and train crewing across the
42 CityRail network. That network will be divided into four
43 geographic sectors and each of the new general managers who
44 will be appointed over the next two to three months will
45 take direct accountability to focus on customer service
46 improvements in their particular sector of our operations.

1 I have also presented here some results that are
2 posted on our RateCityRail.com website that has emerged
3 over the last few months. It has attracted, as you'll see
4 there, 111 members who have commented on 144 topics and
5 762 comments that we have had a look at. It is very much a
6 site where both commuters and staff of CityRail seem to be
7 willing to exchange views on a range of matters that not
8 only relate to positives and negatives about the operation,
9 but you can be entertained by their comments on
10 Big Brother, the lunar eclipse and Fathers Day.

11
12 Could I move to the capital expenditure. On the top
13 left-hand side could I just focus your attention on the
14 capital expenditure that has occurred and this is actual
15 spend, capital spend in CityRail over the last three years.
16 The 2006/2007 actual number is \$742m and if you add that
17 to close to \$900m in the previous years, you will see there
18 has actually been a \$1.6bn capital investment just in the
19 CityRail network. This doesn't encompass additional
20 expenditure in CountryLink.

21
22 We see that that \$1.6bn, if we assume 6 or 7 per cent
23 interest only on that capital, has added more than \$100m to
24 the operating expense of the organisation; again, a very
25 substantial capital investment program that has very
26 substantial implications for the operating cost of the
27 organisation.

28
29 That capital expenditure of \$742m last financial year
30 dramatically increases again this financial year to over
31 \$900m as we roll out the very substantial investments in
32 Clearways, in the finalisation of the Epping-Chatswood
33 line, of new rolling stock, station upgrades, in
34 particular, the North Sydney Station upgrade currently
35 underway, and around \$50m a year going into easy access
36 upgrades for stations across the network.

37
38 The future initiatives for further improvement in service
39 levels - the \$1.8bn Clearways program, no longer a plan
40 but physical construction is well underway, as can be
41 demonstrated today at Hornsby, at Lidcombe, at Homebush,
42 at Revesby, that program is very much underway and
43 progressively delivering 15 very significant projects that
44 will enable further sectorisation of our network.

45
46 Just to deal briefly with some of the financials,
47 I mentioned in my opening that CityRail fare increases over

1 the last four years have been well below the rate of
2 inflation and that particular diagram, in the shaded area,
3 clearly shows the real fare erosion that has occurred as a
4 result of CityRail fares not keeping pace with inflation
5 over that period of time.

6
7 In meeting the operating costs of the organisation, it
8 does mean that 25 per cent of operating costs are met by
9 passengers, around 70 per cent by taxpayers, many of whom
10 do not use the service and 6 per cent of our operating
11 costs comes to us in revenue from other sources, including
12 the revenue we collect on retail properties around major
13 stations, et cetera.

14
15 To trend that for you over a number of years, the
16 reality is that back in 2001/2002, we recovered around
17 30 per cent of our operating costs from the fare box. That
18 has declined for the financial year just finished to
19 25 per cent and we would expect that it will further
20 decline over the next year or two down to around
21 23 per cent.

22
23 Finally, could I just touch, Chairman, on the issue of
24 CityRail demographics. We have noted that in some
25 submissions the concern that has been expressed is that
26 fare increases do pose an unreasonable burden on those
27 who use the system. You will note that around 60 per cent
28 of our customers are employed on a full-time or part-time
29 basis and of those who are employed on a full-time or
30 part-time basis, that 50 per cent of those people do earn
31 more than \$50,000 per annum.

32
33 I think the importance of this information is that the
34 demographic of customers using CityRail in terms of their
35 ability to pay seems to be marginally ahead of the
36 taxpayers more generally in New South Wales. The
37 taxpayers who pay 70 per cent of the operating costs of the
38 organisation would appear to be marginally less able to pay
39 than those who actually do use the service.

40
41 I think in any argument about equity and who should
42 pay we should not lose sight of there being a champion for
43 the taxpayers who do not use the service and who currently
44 contribute about \$700 a year per household to the operation
45 of the CityRail network. Thank you, Chairman.

46
47 THE CHAIRMAN: Thank you very much. Before you go,

1 I would like to ask you one question. You referred to your
2 increase in wage costs and how they are rising faster than
3 fares are rising or, indeed, the CPI. It is not unusual in
4 transport industries that productivity, as a general rule
5 of thumb, tends to rise faster in goods producing
6 industries than in service industries. That said, this
7 Tribunal, for example, in recommending taxi fares, has made
8 some adjustment to labour costs for increases in
9 productivity. I wonder if you're able to say how far your
10 wage costs have been affected by productivity gains in the
11 last couple of years?

12
13 MR GRAHAM: When I look at the overall levels of
14 employment in, I like to use the term, "rail entities",
15 during the period of time you're referring to we've seen
16 the amalgamation of what was the Rail Infrastructure
17 Corporation and State Rail, but over that period of time,
18 if I look at the net movements in total employment levels,
19 there has been a gross reduction in the number of people
20 employed in rail entities in New South Wales of somewhere
21 in the order of a 1,300 decline in gross employment.

22
23 In terms of net employment reductions, that comes back
24 to about a net reduction of 700. Why? Because in that
25 same period of time we have lifted the recruitment of
26 transit officers from 300 to 600 and I think the impact of
27 that in terms of reduced crime on the network measured by
28 the Bureau of Crime Statistics shows that a 32 per cent
29 reduction in crime on the network is demonstrable evidence
30 of the worth of that increase from 300 to 600.

31
32 In that period of time we have also increased the number
33 of train drivers on the network from around 1,100 to
34 1,400, again a 300 increase. While we've had a gross
35 reduction of 1,300, we've added 300 transit officers and
36 300 train crew, giving us a net reduction over the last
37 four years or so of around 700 in a total employment of
38 about 14,000.

39
40 THE CHAIRMAN: Just to complete the answer to my
41 question, the output in terms of the passenger kilometres
42 has gone up.

43
44 MR GRAHAM: Comparing the 2006/2007 financial year to
45 the previous financial year, our network-wide patronage is up
46 3 per cent or eight million passenger journeys and that
47 trend would appear to be continuing I think as a result of

1 three factors: one, fuel price; two, improving reliability
2 of the network; and three, increasing levels of employment,
3 particularly in the CBD.

4
5 MR COX: Thank you for your submission and presentation.
6 I did want to ask you something further about service
7 quality. You've argued in your submission and also this
8 morning that service quality has improved. We've also
9 received a very large number of submissions that service
10 quality from the customers' point of view in fact has not
11 improved and that is something we should take into
12 account in making our decision. I would just like you to
13 comment on what appears to be the disconnect between
14 what the statistics are showing and what people are saying
15 to us in the submissions.

16
17 MR GRAHAM: I think probably the important thing is trying
18 to find an unbiased commentator in that particular debate.
19 Obviously, faced with a fare increase, I can understand the
20 reluctance of anyone to want to accept that fare increase,
21 but I would direct your attention to the submission from
22 ITSRR, which I think attaches their customer surveys which
23 are conducted independently of RailCorp. I think the
24 movement in all of the significant dimensions of that
25 survey would indicate that there has been a substantial
26 improvement in customer satisfaction measured across the
27 range of issues that ITSRR are measuring. I can present
28 the hard data in terms of the on-time running of the
29 network, of the total minutes late of the network and I'd
30 add that the on-time running data has been independently
31 audited by ITSRR as well over the last 18 months or so. I
32 think the hard evidence, both our own view and the
33 independent customer satisfaction surveys, would
34 demonstrate that sustained improvement.

35
36 As I say, we have taken note ourselves of the
37 submissions that are summarised in this presentation that
38 have been made to IPART, as well as keeping our eye on the
39 other commentary on internet sites that are relevant to
40 this issue.

41
42 MS KRIEGER: I have no questions.

43
44 THE CHAIRMAN: Thank you very much, Mr Graham and
45 your colleagues. I would like to call on Mr Allan Miles from
46 Action for Public Transport to make your presentation.

47

1 ACTION FOR PUBLIC TRANSPORT

2
3 MR MILES: Members of the Tribunal and Mr Chairman,
4 thank you for this opportunity to follow up our earlier
5 submission to the review and to comment on the issues
6 discussed in the discussion paper. Mr Kevin Parish of the
7 Commuter Council has asked that this presentation of mine
8 be made on their behalf as well and I thank them for that
9 honour. The script I'm reading from here is a slightly
10 updated version of the one that has been handed out, but
11 it's basically the same.

12
13 First, let's go back to the beginning. CityRail's
14 submission has four main points. It needs more money. We
15 agree. The money should come from us. We don't think so.
16 CityRail's improvements to date deserve a reward. Pull the
17 other leg. CityRail will spend the extra money on more
18 improvements. We've heard that one before. APT's
19 submission has responded to these points in detail, but
20 before I go into that I want to raise the discussion to a
21 higher level.

22
23 While we're here nitpicking about 20 cents in fare
24 rises, we're ignoring, as the current metaphor goes, the
25 elephant lurking in the corner. In fact, there are two or
26 three elephants in the room or at least some rhinos and
27 hippos. The first elephant or obstacle is the absence of
28 an explicit fares policy. Such a policy would give a clear
29 direction to transport authorities and a clear statement to
30 passengers about how and why fares are set.

31
32 Charges for water are set, amongst other things, to
33 encourage reduced water usage. Traffic fines are set,
34 amongst other reasons, to encourage safer driving habits.
35 A fares policy would give direction in such matters as
36 commercial practices, cost recovery, equality and
37 harmonisation, as was done with the bus fares, the ability
38 to pay, ease of use, modal shift, increasing patronage,
39 social obligations, environmental obligations, concessions,
40 et cetera. Such topics are required to be considered by
41 IPART, but outside of that there is no defined government
42 policy on fares.

43
44 The second beast in the room is the archaic fare
45 system that has remained virtually unchanged since the
46 first trains ran in 1855. On TransPerth's website the
47 ticketing page begins, "Like most of the world's major

1 public transport systems, TransPerth determines fares by
2 dividing its service areas into zones." Guess which major
3 city doesn't? In fact, guess which is the only Australian
4 capital that still sells train tickets? That's right, only
5 in Sydney can you still buy a train ticket. If a person
6 fronts up to the office at Dandenong railway station or
7 Sunnybank or Cottesloe or Goodwood railway stations and
8 asks for a ticket to town, he won't receive a train ticket,
9 he'll get a zone ticket. Only at Milsons Point station
10 will he get a train ticket.

11
12 Related to this beast is the urgent need to manage the
13 network as a public transport system, not as a patchwork of
14 public/private buses, trains, ferries, trams, et cetera,
15 which may or may not recognise each other's existence. The
16 point was made recently by the Auditor-General that the
17 system doesn't even have a marketing name. Other cities
18 have TransPerth, TransLink, Metlink, MetroTas,
19 Adelaide Metro, et cetera, but all we have is a number,
20 131 500.

21
22 The third beast is the magnitude of the task. An
23 average rise of 20 cents a trip - that's my estimate - for
24 273 million trips would produce about \$54m additional
25 revenue per year. The Christie report - Mr Ron Christie, a
26 former head of CityRail - estimates that about
27 \$12,000 million is needed over the next 10 years to bring
28 everything up to scratch. This is a very big gap and
29 trying to fill it from passengers' pockets is akin to
30 filling the boiler of 3801 with a thimble. Actually, that
31 comparison is a bit cruel and there are some
32 back-of-the-envelope jottings on the back of this paper.

33
34 Turning to the Tribunal's discussion paper, the
35 following topics have been nominated for discussion: cost
36 and cost efficiency, revenue and cost shares, service
37 standards and fares. The first one, cost and cost
38 efficiency, APT has neither the expertise nor the desire to
39 intrude upon CityRail's cost management processes. All we
40 can hope is that CityRail has the serenity to accept the
41 things it cannot change, the courage to change those things
42 it can and the wisdom to know the difference.

43
44 However, one thing we're eternally puzzled about are
45 the specific costs to improve safety and reliability. How
46 is it that slower and fewer trains cause costs to increase?
47 IPART, with the agreement of CityRail, has called in a

1 consultant to look at CityRail's accounts. Considering the
2 breadth of the consultant's agenda to investigate and
3 overhaul CityRail's cost accounting methods, one wonders
4 how much reliance can be placed on the current records to
5 determine fare increases.
6
7 Revenue and cost shares. There are two main methods
8 of raising more revenue: higher volumes and higher prices.
9 Most large businesses would opt for higher volumes, yet all
10 we ever hear from CityRail is higher prices. Where are the
11 proposals to increase patronage? It was only in the
12 closing moments of Mr Graham's address that he mentioned
13 anything about increased patronage.
14
15 There was much mention of the level of government
16 funding as if this is a taxpayer handout to rich city folks.
17 Mr Graham mentioned many times "the passengers" and
18 "the taxpayers". I think that's being a bit disingenuous.
19 Many government services attract a high level of subsidy
20 and the government chooses to do this because the
21 alternative is too awful to contemplate. If the government
22 had a fares policy, we would not be here discussing what is
23 an appropriate level of cost recovery. That was one of Tom
24 Parry's favourite questions to me each year.
25
26 Service standards. The Tribunal has noted the
27 discrepancy between CityRail's view and the public's view
28 of service standards. This is a collection of newspaper
29 headlines about rail problems over the last six months.
30 Granted the media do overreact, nevertheless, it is
31 newsworthy.
32
33 A failure rate of point 00 something in CityRail's
34 performance doesn't sound like much, but it usually
35 translates to thousands of angry travellers. If Woolworths
36 offered a 99.99 per cent reliability in the supply of my
37 favourite muesli and one day it wasn't there, that's no big
38 deal. I'd buy something else or come back tomorrow.
39 Unfortunately, it doesn't work like that with cancelled
40 trains. All the average numbers in the world won't pacify
41 a grumpy passenger. We had the report in the newspaper
42 yesterday of the regulator who said that even with those
43 two events when the Harbour Bridge trains were stuck,
44 CityRail still managed to record a fairly good average for
45 the week. All the average numbers in the world won't
46 pacify a grumpy passenger and of course CityRail long ago
47 dropped the apology from the end of its

1 cancelled-for-today-only announcements.
2
3 Fares. As emphasised previously, APT believes that
4 setting train fares, as opposed to setting public transport
5 fares, is an exercise in navel gazing and is refusing to
6 look around and see the rest of the world passing us by.
7 APT accepts that a cataclysmic change is not going to
8 befall the fare system overnight. However, perhaps IPART
9 could be both audacious and adventurous and start the
10 reform in a small way now.
11
12 Rail fares are charged in 24 small band-width
13 increments: 10 bands up to 65 kilometres, another 10 from
14 65 to 195 kilometres and another four up to 305 kilometres.
15 Note that these are distances and not concentric circles.
16 Five kilometres from Central costs the same as five
17 kilometres from Scone. IPART should consider some
18 heavy-handed slashing of the number of bands as a step on
19 the way to a true zone-fare system.
20
21 Zone fares are nothing new. I have here an article
22 from Truck and Bus Transportation, the July 1977 issue -
23 yes, 30 years ago - proposing a zoned-fare system for
24 Sydney. It was written by the late Rob Caldwell who has
25 spoken in this room. The passage of time has made most of
26 the details irrelevant, but the three objectives mentioned
27 remain firm:
28
29 The main objective of a new fare collection
30 system should be to permit the transfer of
31 passengers between public transport modes
32 without fare penalty, to simplify and speed
33 up the system of fare payment and ticketing
34 and to facilitate automation.
35
36 And all the people said "amen". The discussion paper then
37 poses three questions. Do stakeholders believe that
38 proposed fare changes will have an impact on passenger
39 levels? No, probably not. Most rail passengers are locked
40 into the trains. It could be that for some people,
41 especially part-time workers who cannot buy weekly tickets,
42 the additional cost will push them over the line of, "Is it
43 worth going to work or not?"
44
45 The majority will just soldier on and make cuts somewhere
46 else in their budgets to pay for the train fares to get to
47 work. Again, I think Mr Graham's comments on the salaries

1 of CityRail customers is slightly disingenuous. I have
2 another file showing people may well have increased
3 salaries but there are bankruptcies and mortgages and rate
4 rises and those salaries very quickly get eaten up,
5 especially for those living in the closer suburbs.
6

7 The second question was, to what extent should
8 passengers be required to pay for these cost increases if
9 they are delivering service improvements? APT believes
10 that passengers will pay for an improved service but only
11 when they get it, that they will not pay on a promise.
12 Other businesses don't expect customers to pay for
13 improvements in advance.
14

15 The third question is, are the customer service measures
16 as reported by RailCorp and provided in table 1 of the
17 discussion paper the measures that are important for
18 customers? If not, what measures would be more
19 meaningful? The tribunal has partly answered its own
20 question by an analysis of the problems in the public
21 submissions and Mr Graham has done that as well. The
22 main gripes, apart from those in the table, are skipped stops,
23 overcrowding and the older non-airconditioned trains.
24 Other common complaints are what we call "bustitution" or
25 replacing trains with buses during track work. This
26 problem is largely self-correcting because given warning,
27 people avoid discretionary travel on those days.
28

29 Also excessive dwell times at stations since the new
30 slower timetable came into being, excessive delays between
31 stations and a lack of distinction between peak and
32 off-peak reliability reports.
33

34 Again I thank Mr Graham for the news that there is now
35 a distinction between those but, if I understand it, we now
36 have a peak hour report and a total report. I think there
37 should be three reports - a peak hour, an off-peak and a
38 total, because reliability in the off-peak, where there are
39 fewer services, causes greater distress.
40

41 APT believes this review process may be flawed. After
42 last year's review, IPART requested CityRail to provide
43 additional information for this review. It is not clear to
44 us from CityRail's submission that all this information has
45 been provided. IPART should therefore declare itself
46 unable to assess CityRail's proposal. If, in the absence
47 of the desired information, IPART still wishes to allow an

1 increase, it could save a great deal of time and money and
2 get roughly the same result by picking a number from one of
3 the pieces of paper in my hat.
4

5 Back to the elephants: If CityRail's cost accounting
6 is in such a parlous state that consultants need to be
7 called in then how can that accounting be used to justify a
8 fare rise? We must wait until the consultants' findings
9 are known before we dare use the figures to justify
10 anything.
11

12 IPART has called tenders for these consultants. The
13 tender document is on the IPART website. It is quite
14 lengthy, but you should look at schedule 1, pages 18 to 22
15 or something, where it lists all the things that
16 consultants must do. It is rather frightening to think
17 that all those things need to be done to bring CityRail's
18 cost accounting up-to-date.
19

20 Any decision to change CityRail fares should be
21 deferred until the result of the 2008 review of CityRail's
22 regulatory framework is known. It is absurd that we are
23 here talking about train fares today, that we will be back
24 here in six weeks talking about bus fares and, once the
25 Walker Ferries Inquiry is over, we will be back talking
26 about ferry fares. Where is the central transport
27 authority that can manage the transport system as an
28 integrated whole? Fares should have little or nothing to
29 do with costs. The sooner that the tribunal, CityRail and
30 Treasury understand this, the quicker we can start the
31 fares reformation.
32

33 I will not go through the other details again, thank
34 you.
35

36 THE CHAIRMAN: I perhaps should just clarify a couple of
37 things. You referred to IPART calling for a consultant.
38 That consultant is to do with the in-depth review that is
39 referred to. The fundamental purpose of that is to
40 establish better the scope for efficiency improvements in
41 CityRail. Those efficiency improvements will help us in
42 assessing whether CityRail's costs are too high or could be
43 lower, et cetera.
44

45 That is the fundamental purpose. It is not to, if you
46 like, improve CityRail's cost accounting. It may be that
47 an engineering-type consultancy will identify information

1 that could be better presented, or additional information
2 that is needed, I do not rule that out, but the fundamental
3 purpose is to establish what it should cost to run the
4 CityRail type services, including by comparison with other
5 railway authorities, both in Australia and elsewhere.

6
7 Why are we interested in costs? Fundamentally we
8 don't think taxpayers or passengers should pay for a
9 service that is not efficient.

10
11 MR MILES: I agree with that.

12
13 THE CHAIRMAN: So we are interested in costs for that
14 fundamental reason. I think it is going a bit far to
15 suggest that fares should have nothing to do with costs
16 because if it had nothing to do with costs it would put
17 downward pressures on relativities. It is absolutely true
18 that fares need to reflect the very considerable external
19 benefits that a rail service delivers in terms of the
20 environment, et cetera, and that can be a very big issue in
21 trying to establish more precisely these costs in the
22 in-depth review, so there is absolutely no doubt that there
23 are very considerable external benefits. What we want to
24 do in the in-depth review is to get a better assessment of
25 their magnitude and, having done that, we do need to have
26 regard to costs and the fair sharing of the costs.

27
28 Just while I am speaking, can I also say it is not an
29 entirely satisfactory answer when you point out in your
30 presentation about introducing zone-based fare systems.
31 That has been around for quite a few years and that is an
32 issue I think again that the in-depth review will look at.
33 We will explore that. I certainly hope to explore that
34 thoroughly in the in-depth review, whether you can make a
35 change to a zone-based system so quickly, given we have to
36 report by 31 October. There is an anticipation, as I said
37 earlier, that the determination will be implemented in
38 November. Whether it will be possible in that time frame
39 to introduce a zone-based system I have a doubt, but we
40 certainly want to pursue your idea of a zone-based system
41 in the in-depth review.

42
43 MR COX: My issue is that to some extent we have a zone
44 -based system already. Your proposal is really to do away
45 with the zone-based system. In a way that is removing
46 a choice and isn't that a concern for passengers?

47

1 MR MILES: Removing a choice?

2

3 MR COX: At the moment you can have a zone-based ticket,
4 as I bought this morning. Under your system there will not
5 be that choice.

6

7 MR MILES: With a properly designed zone system, a person
8 will not need to make a choice. I do not want to propose
9 system A or system B but most zone systems make allowance
10 for people who want to make short trips where the zone fare
11 might be \$3 but their trip might only be \$1.50. Every zone
12 system in the world is different and I am sure that
13 CityRail and the Ministry and bus people can come up with
14 a satisfactory answer.

15

16 I agree that the TravelPass system is a step on the
17 way to a zone system, so is the excursion ticket, but we
18 had a case about ten years ago where CityRail and State
19 Transit wanted to split the TravelPass between trains on
20 the one hand and buses and ferries on the other, so there
21 is no guarantee that any current zone system and the
22 TravelPass arrangement would continue. Eternal vigilance!

23

24 MS KRIEGER: I have just got one question: You said that
25 fares should not be closely tied to costs. In fact, you
26 take it further and say it should have little or nothing to
27 do with costs. What do you think are the key things that
28 should be taken into account in fare setting, if you can
29 cover that briefly?

30

31 MR MILES: Most of the things that the Chairman or Mr Cox
32 said - I think they are in section 15 or 16 of the IPART
33 Act - environmental, social and increasing patronage and a
34 host of other things. I listed them on the front page -
35 equality and harmonisation, ease of use, attracting people
36 out of their motor cars, all those sorts of things, and
37 cost is just one of a dozen of those things.

38

39 If there was a zone-based system then the total fare
40 would go into somebody's pocket somewhere and be
41 redistributed on the basis of their costs, which already
42 happens with the buses in Sydney, so with a bit more
43 political will it could happen to cover the trains and
44 ferries as well.

45

46 THE CHAIRMAN: Thank you very much, Mr Miles. I heard
47 you say that you are presenting on behalf of the Commuter

47

1 Council as well, so in that case I will ask Ms Christine
2 Regan to present on behalf of the Council of Social
3 Services of New South Wales.

4
5 COUNCIL OF SOCIAL SERVICES OF NSW
6

7 MS REGAN: Good morning. I am Acting Deputy Director,
8 Policy and Communications, and it is due to a restructure
9 and inadequacies of funding that I am sad to report that
10 NCOSS no longer has a dedicated transport officer, so I am
11 here representing the position of NCOSS but I didn't write
12 the submission. I have been briefed, however, so I hope
13 that I can hold the fort well enough.

14
15 Thank you very much for inviting us here to speak on
16 behalf of the concerns that we have around potential price
17 increases. What I thought I would do is quickly go through
18 the major points again of the summary and then attempt to
19 provide some comment on each of the questions that you
20 have asked in the discussion paper.

21
22 We agree with many points made by the previous
23 speaker. Again, we oppose a price increase at this stage,
24 particularly in light of the November date for the in-depth
25 report. There is some concern that while we understand
26 that price equalisation might continue out to 2011 as you
27 have said regarding any increase now, what we are
28 concerned most about, being NCOSS, which is the Council
29 For Social Service of New South Wales is most concerned
30 about, are the disadvantaged people in the community, so
31 our concern would primarily be for low income households
32 and low income rail users. We would hate to see some
33 short-term detriment to those users particularly, as Allan
34 alluded to previously, many rely on rail as their major
35 conduit to other areas and facets of their lives.

36
37 We do not agree that there has been adequate
38 justification for a fare increase at this stage and in fact
39 we feel there is no direct relationship between the
40 proposed fare increase for rail users and promised outcomes
41 that have not yet been delivered.

42
43 We do appreciate increases and improvements in the
44 rail system but we would also not agree that fares have
45 increased lower than the CPI because we feel, even
46 according to IPART's own previous reports, that there has
47 been a large increase in public transport costs to

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1 consumers that far outstrips the CPI increase, and that is
2 contained in our submission.

3
4 We also would call for a fares policy that looked at
5 clearly articulated service quality and patronage goals and
6 we do not see those. Again we agree that you would not
7 charge consumers in advance of promised improvements.

8
9 We are also mostly concerned about affordability
10 considerations. Public transport expenses for very low
11 income people can be high for people who are not entitled
12 to concessions and we feel that there are gaps in the
13 provision of concessions in New South Wales, particularly
14 for low income working households and some categories of
15 Aboriginal people on employment projects. We also note
16 that there have been no public reporting on the two reviews
17 of concessions since the year 2000.

18
19 Clearly the point has been made about an increased or
20 adverse effect of fare increases on lower income people.
21 We have presented to IPART before on the need for a
22 cumulative effect on water rates, electricity and gas
23 because one cannot be seen in isolation to the others as
24 far as their impacts on low income households.

25
26 We were pleased to see in Mr Graham's report the
27 income structure of CityRail users but we would draw your
28 attention to those 50 per cent of people who are below the
29 average wage, many of whom will be part-time. Again, we
30 would be absolutely focusing on the hardship or adverse
31 effect that it could have on those families and their
32 employment.

33
34 We also note that there is strong existing data on a
35 tendency towards an increase in the utilisation of private
36 motor vehicles. Again, we would like to see increased
37 patronage of public transport and we would like to see
38 targets for the attractiveness and appropriateness of peak
39 and off peak rail services, which we have not seen yet.

40
41 Another important issue is the release of the New
42 South Wales State Plan. We feel that any increase in fare
43 prices should be attached or connected to the objectives in
44 the State Plan, given that the core priority is peak hour
45 journeys on a safer and reliable public transport system
46 that further connects to other priorities to improve the
47 efficiency of road networks, jobs close to home, cleaner

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1 air and progress on greenhouse gas reductions and
2 priorities such as to maintain and invest in
3 infrastructure, so we believe that any price increase must
4 be in the context of the State Plan and its targets and in
5 a fares policy that should be clearly articulated.
6
7 We also believe, as Allan has suggested, that
8 integrated ticketing does not equal fare integration and
9 the absence of fare integration can continue to create a
10 cumulative effect on rail users in low income households.
11
12 I have already challenged the CPI increases for rail
13 users but NCOSS would also suggest, and give some of the
14 answers to some of the rationale for the RailCorp proposal,
15 particularly expenditure on capital improvements. We
16 believe that any increased capital expenditure should be
17 reimbursed over time and that some of the investment costs
18 should never be passed on to rail users. That should
19 mirror the same sorts of business processes that private
20 enterprise might provide, even though we recognise that
21 RailCorp isn't a business in a conventional sense.
22 However, there could be some targets identified to increase
23 efficiency rather than reporting on past targets gained and
24 also to improve the desirability of the services.
25
26 Also we believe very clearly that long-term investment to
27 improve services must be differentiated from maintenance
28 and from the investment that aims to merely preserve
29 service reliability and service quality levels within the
30 context of a rail service. Maintenance and the investment
31 that preserves quality levels is merely a routine cost of
32 doing business.
33
34 We further note that measuring the benefit to
35 consumers of infrastructure investment in rail must be
36 weighed by the indirect benefits delivered to all community
37 members as a result of an effective rail system. While we
38 have heard a lot about what the taxpayers pay and service
39 users pay, we argue strongly that in New South Wales there
40 would be a benefit to all residents to have a good and
41 useful rail system as we have when households contribute
42 to other important infrastructure that they may not use on a
43 daily or individual basis.
44
45 We would challenge the declining levels of cost
46 recovery. We note that there has been claimed growth in
47 patronage and there has been a steady increase in farebox

1 revenue per kilometre and also there has been restructuring
2 of peak return ticket prices. However, when measured
3 against the cost increases and the growth in expenditure,
4 generally the farebox revenue contribution has been
5 increasing none the less.
6
7 We also argue that some of the recent, since 2000, CPI
8 increases that were shown by Mr Graham were as a result of
9 the actual fare freeze which was a government policy and
10 what we would say is that consumers should not bear the
11 responsibility of a government fare freeze because of poor
12 quality.
13
14 We acknowledge that there have been increases in
15 outcomes. However, we would seek to see targets that are
16 absolutely identified and defined with accountability
17 measures and reporting structures on targets for
18 improvements before any fare increases are applied.
19
20 We also, as I have said, draw your attention to the
21 dramatic restructure of off-peak return fares.
22
23 The long-term trend for CityRail fares since 1993 has
24 been substantially above CPI growth. This means that
25 despite the 2003 to 2006 fare freeze, rail fares were 19
26 per cent higher in real terms than in 1993. The
27 attribution by RailCorp of a cost for the dislocation of
28 fares with a pre-2003 price path does not appear to have
29 sufficient justification to NCOSS. We further note that
30 there has never been a price path established for rail so
31 we would argue that this has contributed to an unjustified
32 long-term, above CPI, increase in growth in fares.
33
34 Improvements in safety, reliability, passenger
35 security, service quality and operation efficiency were
36 also one of the arguments that RailCorp put forward. We
37 say there has been a poorly defined framework for measures
38 of service quality and their relationship to fare growth.
39 We would say too that the Premier's letter to IPART in 2004
40 identified a formula, that is the CPI plus x formula, which
41 states that fare increases up to CPI should be subject to
42 efficiency gains but fare increases above CPI should be
43 subject to service quality improvements.
44
45 If we accept this formula, we suggest that the
46 following principles, which we think are important, should
47 hold. Those principles are that the operating cost changes

1 are in themselves not direct grounds for fare increases.
2 That increased importance is placed on weighing the
3 CPI-based increase against possible cost efficiencies and
4 that there is an emphasis placed on identification of
5 service quality improvements.
6
7 We have an argument in the submission which I will just
8 emphasise that we do not support fare pricing as a tool
9 for improved industry performance because we are
10 concerned about the adverse effect on low income
11 households and travellers.
12
13 We have not seen any way to link service improvements
14 with fare increases unless it would be through a structured
15 fare policy, which we have already been advocating for.
16
17 We also say that efficiency gains should not be offset
18 by fare pressures. Fare increases are not a reward, they
19 should be linked in some structured way.
20
21 As far as low income passengers are concerned, 25 per
22 cent of rail trips in greater metropolitan Sydney are taken
23 by a person from a low income household earning less than
24 \$400 a week. In that case, and in light of those figures,
25 we would say that there is considerable adverse impact on
26 the use of rail and we feel that the following issues
27 effect low income users: They already have, as I have
28 discussed, a limited capacity to meet increased costs,
29 particularly from a cumulative viewpoint. Rail services
30 will be indispensable to households that don't have access
31 to private motor vehicles and they will be indispensable
32 for their access to other infrastructure such as health,
33 education and other services.
34
35 Fuel and utilities costs, electricity, et cetera, water prices,
36 will all be putting upward pressure on low income
37 households to manage within increasing resources and
38 poor fare integration continues to increase transport costs
39 for low income households.
40
41 Just in conclusion, and the final questions, some of our
42 comments just answering those would be, do stakeholders
43 believe that the proposed fare changes will have an impact
44 on patronage levels. We believe, yes, there is a need to
45 report on the effect of increases on off-peak return fares
46 which have unmeasured long-term effects of patronage,
47 long-term viability and the social impact on service users;

1 and we have not seen any of those. CityRail has not
2 provided rationale for the 2006 increases. Why? A
3 stronger effect on some distances; how increases contribute
4 to the operating costs; how patronage might be affected;
5 and how social and what are the environmental impacts of
6 the proposal.
7
8 Again I would specify that fare increases are not a
9 reward for increased service levels or efficiencies but are
10 part of a business case which we have not seen put.
11
12 The second question: RailCorp's CityRail fare
13 proposal argues that it is incurring costs which improve
14 service levels to the benefit of its passengers. We would
15 argue that past increases have outstripped CPI in real
16 terms and that this accelerated increase compared to
17 private increases in private cars. We are concerned at the
18 cumulative effect of price rises and I have just made that
19 point. Again, I point you to our argument to connect the
20 proposals or rise in costs with the State Plan priorities
21 and with real targets attached to those and that the
22 in-depth review process should report before price rises,
23 therefore aligning to long-term government policy
24 objectives.
25
26 We would also argue for IPART to consider the
27 effectiveness of the concession system for low income users
28 and on the issue of TCard and fares integration, we note
29 that there has not been significant progress and this
30 delays the effectiveness of other suggested changes.
31
32 On the third question, which is about customer service
33 measures, we would suggest that there should also be the
34 likely impacts of off-peak users taken into account, that
35 the level of fares should be part of the quality framework,
36 including affordability, that the amenity of trains and
37 crowdedness and the availability of seats, et cetera,
38 should be taken into account and we would suggest that
39 other measures should be the top six issues from the
40 complaints. In other words, the measures that they've
41 decided on should also include the top six or 10 issues
42 that come through with regular complaints, thereby
43 connecting the complaints and appeals with the measure of
44 quality.
45
46 In conclusion, we have concerns about the adverse
47 effects for low income rail users of any fare increase,

1 especially in relation to longer distances fare increases
2 above CPI over the last 15 years. We would argue, however,
3 that a well-functioning rail service is of benefit to the
4 entire community in a range of social and environmental
5 factors and that many households contribute to the social
6 infrastructure that we all require, whether or not we use
7 it on a daily basis. Thank you.

8
9 THE CHAIRMAN: Thanks very much. Perhaps I should
10 just clarify a couple of things. The Premier's letter of 2004
11 which you referred to has now been withdrawn as a
12 consequence of the formal terms of review. It has been
13 overtaken by the long-term view. It doesn't mean that we
14 should totally ignore the basic philosophy of it, having
15 regard to service qualities in setting prices, for the
16 reasons you've just given. It is no longer an explicit
17 instruction.

18
19 In your presentation you put a lot of stress on
20 affordability, particularly for low income people and
21 I want to reassure you that that is a very important
22 consideration for us. It is, however, a difficult thing to
23 assess. As you've pointed out, there is not a lot of point
24 in having a look at just a particular price increase. You
25 pointed out that we should have regard to the cumulative
26 impact of what is happening elsewhere. We can readily
27 have regard to the cumulative impact in relation to
28 electricity or to energy prices, water, as well as transport, we
29 have some responsibility for those and we've actually I think
30 responded to NCOSS on that and we will be saying
31 something more about that in our annual report.

32
33 MS REGAN: We have congratulated the Tribunal.

34
35 THE CHAIRMAN: We thank you for steering us in that
36 direction. It can raise the question, I think quite
37 legitimately, why stop at what the regulator does? At the
38 end of the day people pay prices for everything that they
39 buy and there's not much point in just focusing on energy,
40 water and transport. There are a host of other things that
41 people spend money on and indeed housing, I'm sure you
42 would agree, is probably the biggest single thing they
43 spend money on. In our assessment, we need I think to
44 have regard to a broader picture than just regulated prices.
45 I just wanted to make that point.

46
47 I have just a couple of other smaller points. You

1 have properly referred to the State plan and the desire to
2 get more people to use public transport and that is an
3 important issue. I just want to take this opportunity to
4 tell people that in doing the more in-depth review, we will
5 be letting consultants in to examine this issue of what we
6 call, in technical terms, the elasticity factor. What are
7 the responses of different groups within the public to
8 price increases, how it affects the time they travel, the
9 distances they travel, the nature of the trip, whether it
10 is a commuter trip or a more discretionary trip. We'll be
11 getting submissions on that because it is an important
12 consideration in our thinking. I will leave it there and
13 hand over to my colleagues.

14
15 MR COX: I wanted to ask a question about affordability.
16 I think you raised an important point about cumulative
17 impacts, but the difficulty I have is that expenditure on
18 fares is a fairly low proportion of the overall expenditure
19 of households. We looked at some household expenditure
20 data recently - I'm speaking from memory here, so I may be
21 wrong - which indicated that one third of 1 per cent was
22 actually spent on public transport. There are a number of
23 reasons for that. One is a lot of people don't use public
24 transport very much and another reason is concession fares,
25 but it seems to me, if it is right, that expenditure is so
26 low on public transport that having low fares will probably
27 not immediately affect low income householders.

28
29 MS REGAN: I am not familiar with the comparative
30 figures, so I couldn't confirm those, but I would say that it's
31 a conduit to other services. In my own policy area my
32 particular area of interest is older people and people with
33 disabilities and one of the issues that comes up for older
34 people over and over again in our regional and state-wide
35 planning is transport and one of the things that we find is
36 that transport is the enabling service for access to many
37 other forms of community involvement. Some are essential
38 and some are discretionary. However, for many people,
39 particularly those on lower incomes, we would also argue
40 even discretionary trips are part of social interaction and
41 it keeps society healthy and it keeps people involved and
42 participating.

43
44 At the moment, there is such pressure on comparatively
45 low income households that any increase, coupled with
46 increases in many other areas, becomes prohibitive. People
47 are starting to have to choose possibly between transport

1 and heating the house and we say in New South Wales, in
2 these kinds of societies, is that sort of decision a
3 reasonable decision that we could live with and NCOSS
4 would say it's not.

5
6 Those are the kinds of comparisons that we would be
7 making at the moment and certainly some of the comparisons
8 are of people who are in the newly emerging group, the
9 working poor, where people are actually travelling and
10 employed, but are also facing considerable financial
11 difficulty to keep things going. To take Mr Keating's
12 point, there is upward pressure on low income households
13 with respect to housing in Sydney and the metropolitan
14 area. Basically, every little bit counts.

15
16 MS KRIEGER: I would just like to follow up on this
17 question of the bracket you call "the working poor" because
18 I think you've acknowledged in your submission we don't
19 have a direct authority to set concessions, so we can't do
20 anything to determine concessions and many low income
21 people will have some concessions available to them, but we
22 are concerned about the impact on people who fall outside
23 the concession network and yet for whom public transport
24 fares may be a significant factor. Anything that NCOSS can
25 provide in that area will be very welcome.

26
27 MS REGAN: Thank you. As the figures arise, I will be
28 pleased to provide those.

29
30 THE CHAIRMAN: Thank you very much for your
31 presentation. I would now like to call on Ms Beth Eldridge
32 of the Older Women's Network.

33
34 THE OLDER WOMEN'S NETWORK

35
36 MS ELDRIDGE: My first reaction and that of the women
37 who I read the IPART inquiry to over lunch in the two days
38 I think that we had to respond was one of curiosity and then
39 mild horror because after 11 years of economic rationalism,
40 we started to feel that it had filtered down to a State
41 level. We looked at the terms of reference and we thought
42 "cost recovery".

43
44 I note on page 3 of the papers I received you said that costs
45 are increasing at a rate faster than inflation and exceeding
46 revenue increases provided through fare rises and
47 that New South Wales taxpayers subsidise 76 per cent of

1 CityRail's costs. This is public transport. It is a
2 public utility. We own it. There aren't separate
3 populations. The people who use public transport are the
4 taxpayers.

5
6 I must admit I was mystified when you said that not
7 all taxpayers use public transport. That means they choose
8 not to. Why does that mean they shouldn't have to pay to
9 support a public utility? By this logic, you could
10 extrapolate that all healthy public taxpayers shouldn't
11 have to support the health system. It seems fair. No.
12 Really.

13
14 My concern as the coordinator of an organisation that
15 represents 18 different older women's networks throughout
16 New South Wales and four wellness centres - these are
17 organisations set up to represent the rights, dignity and
18 wellbeing of older women - is that older women actually
19 make up the majority of New South Wales' aging population.
20 Actually, future projections indicate that the proportion
21 of population aged 65 years and over will double over the
22 next 50 years. In 2002, there were 26.9 per cent of older
23 women. Just one third of Australia's older people live in
24 New South Wales. That's a lot of older people.

25
26 I was thrilled to hear that you're actually spending a
27 large amount of money upgrading stations to make them
28 accessible because Australia's population is aging. We
29 need to be able to get on those trains to use them. You do
30 have to change the way that you're making these systems
31 operate. You might all be able to get up the stairs now,
32 but one day you won't be able to use Newtown Station and
33 you'll need to be able to find some way to get to that
34 station. You'll need to find a way to make all your
35 services interconnect. You'll need to make it accessible.

36
37 Those commuters who aren't using public transport,
38 those ones who choose not to use trains, are using
39 something else. They're using cars. Yes, they should have
40 to pay for that privilege and if they feel that supporting
41 the train system is a tax burden on them then you could
42 actually call it an environmental impact levy because they
43 are making a larger environmental imprint by insisting on
44 using their cars way beyond their use-by date.

45
46 We need to switch people over to using public
47 transport. The fees were never intended to reflect the

1 cost of the service. This is a public utility. The fees
2 are intended to be a contribution to the service for
3 enhancements. They're not intended to pay for the service.
4 Use them to make something nice, but they're not there to
5 pay for the service.

6
7 I often get complaints from people and it was really
8 fabulous to see that your service had improved. I was
9 thrilled. I think it's great that you went from, according
10 to the stats, 67 per cent of unreliability in 2004/2005 -
11 forgive me if I get the numbers wrong. You can tell me -
12 up to 92 per cent: that's wonderful. Over those three
13 years that's an improvement, that's great, but why when
14 we're approaching the goal of service delivery do you want
15 to up the fare for the expected service? Where is the
16 logic? Perhaps I missed something. Could you tell me
17 when the fares were lowered during that time to reflect the
18 service delivery or lack thereof? Anyone? No, I didn't
19 think so.

20
21 One of the things that NCOSS, Christine's
22 organisation, pointed out was that transport is critical.
23 It is a critical enabling service affecting older people's
24 ability to function in society. This is really important
25 and it is actually a real gender issue. Older women are
26 the social fabric holding the community together. They do
27 a wonderful thing. They're out there. They're the ones
28 who go and do - I think I've got the figures for it
29 somewhere in the miles of paperwork - something like
30 18 per cent, I think it is, of the informal child care in
31 this State. How do you think they get there?

32
33 When Christine spoke about the other measures and the
34 other benefits that you need to take into account, these
35 are the sorts of things that you have to look at. It's
36 older people who contribute to society in terms of
37 supporting the arts. Mostly it's people over 65 who get
38 out there and go to cinemas, go to theatre, go to opera.
39 They're the ones who are putting the money into those.
40 They get there using public transport.

41
42 Health. Older people need to actually attend their
43 medical appointments. They get there using public
44 transport, particularly if they can no longer drive. They
45 need to access hospitals. Most of the major hospitals are
46 located in capital cities, so they have to travel in to get
47 to them. With a lot of older people you'll find with

1 respect to their licences that they've recently gone
2 through testing procedures where they have to be re-tested
3 at different ages and there are stricter requirements
4 because of problems that older people are having. There's
5 a more stringent testing process.

6
7 What I've found throughout the various networks is
8 that women are not the drivers in a lot of older
9 households, it is the men who are the drivers and because
10 of the age differential in couples, you'll find that once
11 the licence goes, the car goes and the way that these
12 households stay connected, the way that the food comes into
13 the home, the way that the drugs come from the chemist to
14 the home, it's the women who are going out and getting
15 those things. That is how the households are staying
16 healthy.

17
18 If a woman comes in to volunteer in the network, she's
19 giving her time but she gives it in a limited period so
20 that she can go back and make sure that Ted gets his lunch
21 and I think a lot of organisations, not just ours, are
22 relying on older women to keep them running. These
23 women are travelling to and from their different
24 organisations using trains and buses, but they're using
25 public transport. They don't drive. We would be at a
26 serious loss if those fares were to increase. You said that the
27 cost is 0.13 of a per cent.

28
29 THE CHAIRMAN: 0.3.

30
31 MS ELDRIDGE: 0.3. A \$2.50 ticket for one day is
32 1 per cent of the weekly income of somebody who is on a
33 \$219 pension. Imagine what 1 per cent of \$50,000 is? How
34 would you feel if you had to pay that? You know, it's a
35 different structure. If you had to apply that to
36 everything, I think you would find your regular members of
37 the public, your 50 per cent of people who are using public
38 transport who you say could afford the cost, they would
39 start complaining too, but for older people who have a very
40 limited budget to work with this is a severe restriction
41 and although there has been no mention of the fare increase
42 for pensioners, there is always a flow-on effect.

43
44 I don't know whether you've just been coy and you
45 haven't wanted to say what you're going to do in this area.
46 We have seen that the pensioner ticket which was \$1 has
47 gone up to \$2.50. Where will it end and if there is no

1 fares policy, how do we know?
2
3 It is the philosophy behind this that wants to marry
4 the fare structure to cost recovery in the network that has
5 us concerned. This is a public utility. We are taxpayers.
6 We built the system. It is all very well to show a graph
7 of how costs have increased over the last three years, but
8 it's the fact that because the infrastructure hasn't been
9 supported and hasn't been maintained for years before,
10 you're having to spend money on the service now.
11
12 When I read that you had to spend to buy new rolling
13 stock and that this was directly going to benefit
14 passengers, yes, of course. That's rather like saying in
15 the health system we're going to have to buy hospital beds.
16 Yes, of course it has to come from the health budget; of
17 course it has to come from the transport budget. That's
18 why we have these public utilities. That's why as
19 taxpayers we pay taxes so that we can build this important
20 infrastructure that we need. That's why we have
21 telecommunications; that's why we have hospitals; that's
22 why we have schools. We pay taxes to have these systems
23 so that they're there to support us.
24
25 If we didn't want these things, we would live on a
26 deserted island somewhere or in some terrible, rundown
27 economy, but it's a strange notion that we live on some
28 other planet with some other system where the user pays
29 and then some day when you're old you'll be taken in a
30 basket to the top of the hill and left out to dry. It is just not
31 on.
32
33 We are all part of the one system, we'll all grow old
34 one day and we'll all need that public hospital one day, or
35 a hospital, lord willing, if they're still there.
36 20 per cent of older people provide support to relatives.
37 The relatives don't come to them, they go out there and do
38 it. 65 per cent of them attend cultural venues, libraries,
39 et cetera, botanic gardens, cinemas; not wildly expensive
40 things, but they get out there.
41
42 If you read through the social plan or through any
43 council plan, you'll see that one of the biggest problems
44 facing any council is social isolation for older people and
45 the way that you avoid that is to get them connected, to
46 get them married up with various different organisations
47 and keep them there; keep them connected to their group of

1 friends. If you start cutting off their transport access
2 their health goes downhill and it goes downhill fast, so
3 you might think that you're saving in one area; but it
4 costs us; it costs an enormous amount in others. I think
5 I'm done.
6
7 THE CHAIRMAN: Thank you. You said that the fees
8 should pay for the service. I don't imagine any of us think
9 that the fees should pay for the total cost of the service.
10 That is not the case at the moment and I'm not aware of
11 anybody who seriously proposes that. In fact, fees are
12 paying for about 25 per cent of the service. The service
13 has to be financed by somebody. The reality is that
14 taxpayers, a minority of whom are passengers of public
15 transport, are providing 25 per cent.
16
17 I couldn't tell you off the top of my head whether
18 25/75 is an appropriate split or not. It is an issue we
19 want to explore in a more in-depth review. As I indicated
20 earlier, we'll try to assess more precisely what are what
21 we call the external benefits in terms of pollution
22 reduction, reduction in congestion, questions of access and
23 so on. We will try and examine that more precisely.
24 I don't think you can ever get a definitive answer that
25 everybody is going to agree on, but we'll try to explore it
26 and set out in a more transparent way the basis of our
27 assessment.
28
29 The immediate question - and this is not just for the
30 people here today - if you like, is that if you think that
31 cost recovery has been falling then the implicit assumption
32 that is justified is that the external benefits have been
33 rising. We need to have some evidence if we're to accept
34 that proposition. Have the external benefits been rising?
35
36 If we only gave a CPI based increase, for example, in
37 this current determination then Mr Graham suggested that
38 that would lead to a further fall in the proportion of cost
39 recovery and I think that's probably right - I haven't
40 checked it, but I think he's probably right - which means
41 then we would be essentially assuming that the external
42 benefits would rise some more in the year ahead relative to
43 the total cost of the service or relative to the value for
44 which other people offer the service.
45
46 From our point of view, that is a question that we
47 will have to focus on, but I wonder if you have a view as

1 to whether the external benefits are rising
2 disproportionately?

3
4 MS ELDRIDGE: I think the difficulty there is that the
5 measure that you're using is a window of time that is very
6 narrow. If you're looking at the benefits and saying,
7 "Well, we've improved the service during this window of
8 time and the cost has been this and the cost that we're
9 bearing at the moment is a cost that has accrued over a
10 very long period of underspend in the service", then
11 I think, as Christine pointed out, in any business you're
12 going to have expenditure related to maintenance of the
13 service.

14
15 There has been a lack of maintenance of this service and this
16 is what you're having to make up for now. At the moment
17 what you're having to do is measure improvement and yes,
18 you've got your service almost on track, that's good, but
19 you've got more people using it and I think that's good and I
20 think you've probably done that because you've managed
21 to maintain timetables. However, you've maintained
22 the timetables by rewriting them to reflect the times that
23 the trains are actually running on time. I don't think
24 we're all so slow that we didn't work that one out. That's
25 okay, at least we know when they're coming, but if people
26 are actually using this method of transport and engaging
27 with it for all sorts of different reasons and you can
28 encourage more people to use it and predict future growth
29 and encourage further growth, that's fantastic, but the
30 expenditure you're wearing now can't be related to that
31 small window of time because it goes way back.

32
33 MR COX: I do not disagree with the comments you made
34 about the importance of older people in the community and
35 the importance of transport in the broader sense in
36 facilitating that. It is worth making the point that we
37 are not here to set the concession fare. That is set by
38 the government, not us. What we are here to look at is the
39 single fare and return fare.

40
41 MS ELDRIDGE: It impacts.

42
43 MR COX: It may, but it is not our decision here. I would
44 like you to just think about the fares that we are here to set
45 and relate your concerns to them and more specifically how
46 we should take account of those in making our decision.

47

1 MS ELDRIDGE: As I said, it is the theory that informs
2 them that concerns me.

3
4 LOWER HUNTER COUNCILS TRANSPORT GROUP

5
6 THE CHAIRMAN: I now ask Mr Ken Freeston from the
7 Lower Hunter Council Transport Group to come forward.

8
9 MS FREEMAN: Mr Chair, tribunal members, thank you for
10 this opportunity to address you. I am the chair of the
11 Lower Hunter Councils Transport Group. Our discussion
12 paper was available as you came in. I will not be reading
13 that out.

14
15 I would just like to highlight two main points. The
16 first one is to expand on the previous speaker in relation
17 to the way that we seem to treat public transport
18 differently from other public services. It has been
19 mentioned previously, but I also raise policing and there
20 too most of us don't have anything to do with the police
21 force except occasionally when they help us to contribute
22 to state revenue. The other issue is school education. In
23 relation to that, it is ironic that everyone who is not
24 part of the school education system are those who
25 contribute towards it, not those who are benefiting.

26
27 I think the mind-set is that for some reason transport
28 is singled out to be the one where we talk about cost
29 recovery, we talk about paying dividends to government,
30 which is one of the terms of referral of the in-depth
31 review, and is something that we need to change and just
32 recognise that public transport is a public service and,
33 yes, it will have a cost but not a loss like we want to
34 term it at the moment. That cost should generally come out
35 of general revenue and, as an extension to that, at the end
36 of our decision paper that revenue needs to be contributed
37 to by the Federal Government because obviously the State
38 governments don't have the funding for it, yet the Federal
39 Government has lots of money to throw back at tax cuts and
40 so there needs to be a review of the whole funding system
41 and emphasis taken away from trying to get the money back
42 out of the users of the system.

43
44 The second point I would like to make is essentially
45 that we feel that the situation in the Lower Hunter is
46 different to Sydney. The mode share there is a lot less
47 for public transport, in the area of a few per cent. It is

1 very easy in the Lower Hunter to get about the place,
2 congestion is far less than it is in Sydney, you rarely
3 have to pay for parking throughout the whole area and it is
4 usually reasonably available. This makes it very difficult
5 to encourage people to use public transport and hence the
6 mode share figures reflect this.
7
8 The suggestion I am making is that, rather than
9 CityRail looking at encouraging more people not to use
10 trains up in the Lower Hunter, that the fare increase up
11 there be set at zero and that instead CityRail looks at
12 increasing the mode share. If you consider the mode share
13 of 5 per cent for trains and you say that this fare
14 increase is a 10 per cent fare increase, then to get the
15 equivalent funding back you only have to increase the mode
16 share by half a per cent, which with a little bit of effort
17 I think is achievable.
18
19 I have three ways to look at that. The first one has
20 been mentioned by other users in terms of the ticketing
21 system and the suggestion is that - and perhaps the Lower
22 Hunter could be a trial - to go to the zone-based system,
23 which would make things simpler and have that applicable
24 across modes so that people don't pay two fares if they
25 happen to change from train to private bus or from public
26 bus to private bus, et cetera.
27
28 The second method to increase mode share would be for
29 CityRail to be more involved in marketing of their product
30 up in the Lower Hunter and in relation to that the Lower
31 Hunter Councils Transport Group has produced a Lower
32 Hunter Transport Guide which I will leave for you people to
33 look at. We appreciate that CityRail allows us to display
34 those at stations for people but we would be hoping that the
35 second reprint, which has become necessary, that it might
36 contribute towards the production costs. The first reprint
37 of 15,000 was essentially used up in a few weeks and so we
38 need to find the funding for an additional reprint.
39
40 The third thing that we would suggest would help mode
41 share in Lower Hunter, which would increase revenue,
42 would be that CityRail would continue to facilitate the
43 construction of the Glendale railway station, which would
44 not be known too many of you, but it is a project the
45 government recognises and has identified as a key strategy
46 to improving public transport in the Lower Hunter. Thank
47 you.

1
2 THE CHAIRMAN: Thank you very much. I will let Mr
3 Graham reply to your points. Thank you very much.
4
5 COMMENTS FROM THE AUDIENCE
6
7 THE CHAIRMAN: The point now has been reached where I
8 invite people from the audience, if they have particular
9 comments or questions they want to raise, to do that, but I
10 would ask that you keep your comments brief.
11
12 MR PETER MILLS: I just want to comment on some
13 benchmarking issues within RailCorp. It is claimed that
14 CityRail fares are generally similar to other domestic rail
15 operators. That is true, but what is offered is not.
16 There is no additional cost within time zone restraints as
17 other rail operators allow journey breaks, mode changes and
18 in-zone extensions. This flexibility costs more in Sydney.
19 That issue has been discussed a bit with zone fares, et
20 cetera, but you are not comparing apples and apples, you
21 are getting more flexibility elsewhere for the same fare.
22
23 International fare comparisons show that CityRail's
24 fares are discounted by up to 60 per cent compared to
25 international equivalents. This looks a bit selective to
26 me. By coincidence, there was something in the Sydney
27 Magazine a couple of weeks ago showing a 10 kilometre
28 public transport fare in Sydney to be broadly similar to
29 New York, Paris, Berlin and Tokyo. Of course, some of
30 these have the extra flexibility as well.
31
32 The third point is CityRail's benchmarking performance
33 with other domestic and overseas organisations. That is
34 welcome, but only on a little bit of information that has
35 become available and what it looks like is that it is being
36 used selectively. I would welcome much more public
37 release of benchmarking information. Thank you. I will
38 give you a copy of this.
39
40 MR AMAR: I am a regular commuter travelling from home
41 and work using the trains. I just want to let everyone know
42 about the level of service that we get on the trains - a
43 steady decline. I am sure the trains have improved in
44 terms of reliability but the benchmarks have been pushed
45 forward from three minutes to five minutes, the trains are
46 running a lot slower, a lot fewer, yet we are paying a lot
47 more.

1
2 Another issue that has come up at this meeting is
3 about cost recovery. I think if CityRail is really serious
4 about cost recovery it needs to look in its own backyard.
5 Based on CityRail's figures in their presentation, it has
6 10,000 employees. Each one of these employees is
7 apparently entitled to receive free rail travel, so if you
8 do a conservative estimate of \$35 a week, we are
9 subsidising CityRail employees to the tune of \$450,000 a
10 week or approximately \$23.5m a year. Now, I don't know
11 about you, but we should not be subsidising the employees.

12
13 The government is saying all taxpayers should fund
14 this, that there should be a level of, what is the word
15 that is used, sorry, equity, and who should pay kind of
16 thing. We should not really have to pay for CityRail
17 employees for that. If they are serious about cost
18 recovery, they should really look in their own backyard
19 before asking the public again, particularly through their
20 pockets, to fork out more when they are not really serious
21 about cost recovery. \$23.5m a year is a lot of money and
22 maybe they could comment about that. Thank you.

23
24 THE CHAIRMAN: You appreciate that if you removed this
25 benefit in kind, a fringe benefit, the employees might want
26 to be paid a bit more?

27
28 MR AMAR: There is a robust economy out there and I am
29 sure there are other employees who would fill that void.

30
31 PAUL TREVASKIS: I am Secretary of the Blue Mountains
32 Commuter Transport Users Incorporated. Mr Chairman,
33 you said if you delayed this decision on fares there is a
34 likelihood of higher fares later after the review. I got
35 to thinking that if the review does not produce cost
36 efficiencies; the overall ratio of manager to operations
37 staff; looking at upgrading where we have got replacement
38 of the system versus maintenance; and if it is a new system
39 you are replacing it and it should reduce maintenance in
40 that area, I noticed in an annual report recently there was
41 nearly \$40,000 spent on consultants in looking at the
42 capacity of the system. With due respect to the management
43 that is here, if you have got managers that are managing
44 time tables and the infrastructure, if they don't know the
45 capacity of the system, well, there is something wrong. I
46 worked at Telecom for many years and we knew that. We
47 didn't have to have a consultant to come in and tell us.

1
2 The other issues which concerned us -the \$800m the
3 government spent subsidising the airport link. Now, I know
4 it is not the tribunal's concern, it is outside, but really
5 the government is saying to IPART, look at the fares and
6 try to get them upgraded, we need the \$54m, but in the
7 meantime they are spending money like jam on the airport
8 link. Of course, the T-card, well, talk about a white
9 elephant. We know elephants have a 7-year gestation
10 period, and we are reaching that with the T-card. Goodness
11 knows what the real costs are. Oh, they are appointing a
12 manager to look at it and that is costing money. And one
13 manager came to a particular figure and said, "I have only
14 been in the job a fortnight and I don't know too much about
15 it" and I thought, "God's sake, if the management puts you
16 there", in my case they put you in a new a job, if you
17 don't bring us the results you are in real strife.

18
19 So that is the costs. Getting back to ticket
20 products, I am talking about not necessarily concession
21 fare tickets, which we have addressed with the Minister,
22 there are some ticket products that are not available past
23 Emu Plains and now because of the colder winter we have
24 found that the Penrith people have the delight of putting
25 pressure on the inner city trains, so it is becoming a
26 suburban train on which you are going to charge \$3 extra.
27 I pay and in the morning get a seat, but in the afternoon
28 you have to target particular trains. So you cure one
29 problem and create another.

30
31 Getting back to concessions, which is something that
32 you cannot avoid, you have got no criteria for, I have
33 learnt that 20 per cent of the population - this was on the
34 ABC the other morning - are on an income less than \$22,000.
35 With due respect to a lot of those older people above 65,
36 some are earning greater than \$22,000, some are up to
37 35,000, 36,000. The ABS figures indicate that.

38
39 So I am pleased in a sense that you are looking at a review of
40 the whole management system and we will certainly make a
41 comment on that, but we do feel that under this particular
42 regime we know there have been some improvements,
43 et cetera, but even today we sat under Regent
44 Street between Redfern and Central waiting to get into
45 Central Station. That has been going on for years. When
46 they say it has improved, well, there is still a way to go.

47

1 We wish you well in that endeavour, but I just make
2 the comment that we will be coming back aggressively on the
3 issues outside because we feel that there are issues there
4 that should be addressed that should reduce the cost of the
5 management, et cetera. Thank you.

6
7 THE CHAIRMAN: Thank you. We will, of course, also be
8 looking at what can reduce the cost of providing the
9 service. In that context we don't know at this point
10 obviously what we think the appropriate fee should be at
11 the end point after the in-depth review. Really what I
12 said at the outset was that we have got to assess the risk
13 that the fare might be higher at the end point against what
14 you can gain on the costs side. That is really what we
15 have to have regard to.

16
17 JOHN WEBB: I am from the Federation of Parents and
18 Citizens Associations of New South Wales, representing
19 school children particularly in the western suburbs and in
20 the Blue Mountains. On page 5 of your handout you
21 indicate figures in relation to the improved on-time running.
22 Can I ask how that relates to the slowing of the timetable,
23 please?

24
25 THE CHAIRMAN: I will give Mr Graham a chance to
26 respond to all the questions at the end, so that is on notice.

27
28 JOHN WEBB: Next question: Again on page 7 of the
29 handout, you said that the new PPT trains will replace all
30 the non-airconditioned stock. I understand that they will
31 replace the R and the S sets. Some of the K sets are not
32 airconditioned, so will they be replaced as well? The
33 answer is no, so, thank you. .

34
35 MR GRAHAM: K are now airconditioned.

36
37 JOHN WEBB: I am out of date. Thirdly, there has been a
38 lot of talk about, well, let me talk about the \$2.50 fares.
39 We are not discussing the \$2.50 fares today so there will
40 not be an increase; is that so?

41
42 MR GRAHAM: Yes.

43
44 JOHN WEBB: I got that right. Finally, on page 12 of the
45 handout it talks about costs and I think, Chairman, you
46 have asked, and Mr Cox as well, about some of the costs of
47 CityRail that are removal of graffiti costs. I am sure

1 Mr Graham can tell us, it costs a fortune to remove
2 graffiti, and that is a community problem, not merely a
3 rail problem. RailCorp should not have to pay for that.

4
5 Another thing are the heritage costs. Many of our
6 railway stations are lovely heritage railway stations.
7 There are many costs. It is fair enough that the
8 government picks up the costs.

9
10 Christine talked about it being an enabling service
11 for us older people and it certainly is and that's a
12 valuable service. We've talked this morning about the
13 environmental costs and savings in air pollution; then
14 vandalism on the trains. To replace a train window is
15 quite expensive. Again, should we all incur that cost
16 rather than just CityRail? Thank you, Mr Chairman.

17
18 THE CHAIRMAN: I don't see any more hands up, so I will
19 ask Mr Graham now if he would like to come back up and
20 make any further comments he wants to in response to your
21 questions.

22
23 MR GRAHAM: Thank you, Chairman. I will be relatively
24 brief. First of all, could I acknowledge the contribution
25 of all of those who have made submissions and who have
26 represented ably their causes here this morning. I think
27 it is a very important part of the process that there is
28 public scrutiny of the submissions that are put into this
29 independent public process for determining our fares.

30
31 There were many matters raised in those submissions
32 that go to fact, that go to long-term price paths, that go
33 to zonal fare systems that I don't intend to comment on at
34 all because I think they are matters that will be dealt
35 with in-depth in the upcoming review and I will leave those
36 comments to that process.

37
38 Could I just deal reasonably quickly with a number of
39 issues of clarification. I think Mr Miles in his
40 calculations suggested that we might raise \$54m from this
41 review based on the fact that we have 270 million passenger
42 journeys and they would each pay 20 cents. Not quite.
43 Among those 270 million passengers are of course those
44 who are operating at concession fare levels or in many cases,
45 such as school children, with no fares at all.

46
47 Our estimate of the full-year effect of what we have

1 proposed for a price review would be of the order of \$30m.
2 This financial year it will, of course, at best apply to
3 eight months of the financial year, given when it is likely
4 it could come into effect in a practical sense, which would
5 mean that we would have something in the order of a \$20m
6 contribution this financial year and I would just contrast
7 that with what I anticipate wage increases to be, based on
8 enterprise agreements, a \$50m labour cost increase.
9
10 Our total operating expenses, including labour, will
11 increase by about \$80m this year. Fares will provide \$20m
12 and of course in those calculations I ignore completely the
13 fact that we are dealing with an increasing interest bill
14 burden as a result of the capital expenditure that is going
15 in at historically unprecedented levels.
16
17 There has been a consistency in the submissions that
18 have been made here this morning around the fundamental
19 question of who pays. Again, if I can quote from
20 Mr Miles's submission here, fares should have little or
21 nothing to do with costs. Given fares for us represent
22 revenue, I can redefine that statement as saying that
23 revenue should have little to do with costs.
24
25 There are broader public and community arguments as to
26 whether transport is a public service, whether it is akin
27 to health, to policing, to education. Is it akin to water
28 and electricity? I offer no commentary on that. I think
29 they are broader policy matters for determination at
30 government level, but as one with a legislative
31 responsibility for operating within a budget that's
32 provided, when the question is asked who should pay, it is
33 entirely unhelpful for the consistent answer to be
34 "not me".
35
36 The reality is costs of an efficient operation will
37 increase year on year because our employees are entitled to
38 wage increases because other costs, whether they be steel,
39 electricity, concrete or other inputs to the business in an
40 efficient operation will inevitably increase. There is a
41 broader issue to be determined and again I think it's a
42 matter for the subsequent review as to how those cost
43 increases, albeit in efficient costs, should be apportioned
44 amongst the users and the non-users. A measure of any
45 society I believe is its ability to deal with those who
46 suffer hardships through no fault of their own in the
47 course of their life's journey.

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1
2 What we've heard this morning I think is some very,
3 very capable and solid advocacy for those users of the
4 service who suffer hardship, as it should be. What hasn't
5 come through strongly, however, is the advocacy for those
6 who don't use the service who suffer equal hardship and I
7 think that again is a reality of the community in which we
8 live.
9
10 A question was asked about RailCorp employees and
11 their concessional travel on the network. I first
12 experienced the benefit of that myself some 50 years ago
13 when I went on holidays with my train driver father on his
14 family holiday pass to see my aunt at Narrabri. It has long
15 been part of the terms and conditions of employment of
16 State Rail, CityRail and RailCorp employees and the
17 industrial reality is that if that benefit were withdrawn,
18 in a reasonable industrial relations environment there
19 would be some expectation of trade-off. All of our
20 employees are entitled to concessional travel. However,
21 not all employees use it simply because of where they live
22 and the availability of public transport.
23
24 I am not particularly attracted to the concept that
25 there are plenty more people out there who'd take the job
26 if you didn't get public transport. There's a minor
27 transitional issue that if I lost all of the CityRail
28 drivers tomorrow in that negotiation, there might be some
29 impediment to delivering the service next week. I think
30 one takes a very practical and sensible approach to those
31 particular issues.
32
33 I think it's worthwhile reinforcing that the pensioner
34 excursion ticket is not the subject of review at this point
35 in time. There is no intention as a result of the
36 submission to change the pensioner excursion ticket.
37
38 Finally, for my Novocastrian colleague, the investment
39 in CityRail services is equally solid in Newcastle as it is
40 in the city metropolitan area. In particular, we have
41 commissioned six of seven new two-car trains for the
42 Hunter, \$104m in capital expenditure that is now virtually
43 complete, that replaces the much loved 620/720 Class
44 diesels that I think have honoured the Hunter Valley for
45 the past 45 years, but they have now run their last
46 in-service operation because of the \$104m investment.
47

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1 The Glendale development is a project that has
2 received development funding as part of the State
3 Government budget and that development and the environs
4 around Glendale will contribute to an expanding growth
5 area. I think there is much in its favour as a medium-term
6 project. As I say, that has attracted funding for the
7 development costs.

8
9 Chairman, I have dealt with those issues fairly
10 briskly, I appreciate, but I would be more than happy to
11 pick up on any others.

12
13 THE CHAIRMAN: Thank you very much. In bringing the
14 proceedings to a close, I would like to thank you all for
15 your contributions today. I would like also to associate
16 myself with Mr Graham in what I hope was a valuable
17 process, in having a dialogue about what you expect from
18 rail and you having the opportunity to say your piece. It
19 certainly gives us food for thought and we will now
20 consider CityRail's fare proposal and your submissions and
21 comments today before we deliver our determination at the
22 end of October. Thank you very much. The hearing is
23 closed.

24
25 AT 12.20PM THE HEARING ADJOURNED
ACCORDINGLY

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