

I NDEPENDENT P R I C I N G A N D R E G U L A T O R Y T R I B U N A L

PUBLIC HEARING INTO FERRY FARE REVIEW

Tri bunal Members

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

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

On Friday, 20 October 2006, at 1.35pm

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1 THE CHAIRMAN: I would like to begin by welcoming you
2 all. For those who were not here this morning, my name is
3 Michael Keating and I am the Chairman of IPART. On my
4 left is Jim Cox, who is the CEO and full-time member of the
5 Tribunal, and on my right is Sibylle Krieger, who is the
6 Tribunal's part-time member.

7
8 Around the room we have got some members of the
9 secretariat; Fiona Towers, who is the Director of Energy
10 and Transport, and Aaron Murray, who is the Program
11 Manager, Transport.

12
13 I think you are probably all aware that the purpose of
14 this hearing is to assist the tribunal in its deliberations
15 concerning fares for Sydney Ferries Corporation and making
16 recommendations to the Minister of Transport for private
17 ferries. Naturally we will not be making decisions today.
18 The purpose of today is to inform ourselves and get your
19 assistance in considering the various issues, including
20 those that have been canvassed in submissions by the
21 Sydney Ferries Corporation and the Commercial Vessels
22 Association and some other interested parties.

23
24 The tribunal expects to release its final determination
25 on Sydney Ferries and make its recommendations
26 for commercial ferries around mid-December this
27 year and we anticipate the date on which the new fares
28 will apply is likely to be early January next year.

29
30 This is a public hearing, of course, and it forms part
31 of the public consultation process that the tribunal is
32 quite properly I think required to undertake. As you will
33 have already noticed, transcribers are present to record
34 the proceedings and the transcript will be publicly
35 available on the IPART website in a few days.

36
37 The hearing will run as follows: we are going to have
38 two sessions. The first session will cover Sydney Ferries
39 and the second session will be primarily concerned with
40 private ferries but there is some overlap I guess on the
41 issues involved.

42
43 After a 15-minute break for afternoon tea, the private
44 ferries session will focus on the change in the major costs
45 faced by private operators and whether there is scope for
46 productivity gains in the private ferry industry.

47

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1 I will start each of the sessions by outlining the key
2 issues that we think we would like to hear from you on. It
3 is not necessarily exhaustive and if there are things that
4 you think should be raised, by all means put them on the
5 table.

6
7 After I have outlined the issues as we particularly
8 see them, I will ask the participants at the table to start
9 off the discussion, then I will invite further and more
10 general discussion, questions and comments between the
11 participants, and later those around the room if you think
12 we have missed anything.

13
14 Before I go to the first session, it is useful if I get the
15 people sitting at the table to introduce themselves
16 and tell us which organisation they represent.

17
18 MR SMITH: Geoff Smith, CEO, Sydney Ferries Corporation.

19
20 MS HUGHES: Wendy Hughes, CFO, Sydney Ferries Corporation.

21
22 MR GARDINER: Warren Gardiner from NCOSS, the Council of
23 Social Services NSW, Senior Policy Officer.

24
25 MR MILES: Allan Miles, Action For Public Transport, a
26 private consumer group funded solely by members.

27
28 MR TAYLOR: Graeme Taylor, also from Action for Public
29 Transport.

30
31 MR BAIRD: Mike Baird, Liberal candidate for Manly.

32
33 THE CHAIRMAN: We will move to Sydney Ferries and I will
34 just say a few words. We have received about 20
35 submissions from individuals and a number of submissions
36 from organisations representing passengers. The most
37 frequently raised issues were that ferry fares were already
38 too expensive relative to other modes of public transport
39 and that they should be differentiated between the commuter
40 and tourist market segments.

41
42 Many of the submissions also raised concerns about
43 decreasing reliability and service standards. This session
44 on Sydney Ferries' fares will be divided into three parts:
45 the fare proposal and cost of services provided; cost
46 recovery from the fare box; and, lastly, a session on
47 service standards and reliability. As I said, at the end

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1 of those three things, if there are any other issues, that
2 is the time to raise those.

3
4 Dealing with the first discussion topic, which is the
5 proposed fares, Sydney Ferries has proposed an average
6 range increase in fares of 4.3 per cent. It includes a
7 somewhat higher 4.6 per cent increase for Daily Tens,
8 except JetCat where a 6.3 per cent increase in Daily
9 singles is proposed, and a 5.9 per cent increase for JetCat
10 FerryTens.

11
12 The tribunal is particularly interested in hearing
13 stakeholder views on the following two questions in the
14 discussion paper: should the change in the fare levels be
15 different between Single and FerryTen tickets and will the
16 proposed fare changes lead to commuters switching transport
17 modes.

18
19 Before calling people to respond, perhaps I could just
20 get Mr Barr to introduce himself.

21
22 MR BARR: David Barr, MP for Manly.

23
24 THE CHAIRMAN: We might kick off with Sydney Ferries, then
25 we will ask the Action For Public Transport people next,
26 then the Member for Manly and then the Manly Liberal
27 candidate.

28
29 MR SMITH: Thank you very much for this opportunity to
30 attend and to speak. I am sure everybody participating
31 today has had an opportunity to read the submission we have
32 put forward for fare increases. In our submission we have
33 outlined a number of considerations in support of those
34 fare increases and, if you will indulge me, I would like to
35 go through those to remind everybody, because they are
36 fairly important.

37
38 During the 2005/06 financial year Sydney Ferries has
39 been faced with a marked growth in operating costs. These
40 costs are being driven in large part by two major
41 activities, the first being a 37 per cent increase in our
42 fuel costs and the second being a 13 per cent increase in
43 our labour costs. At the same time there has been a
44 marginal fall in relevant revenues after three years of
45 continued growth.

46
47 Sydney Ferries does not apologise for this. It

1 operates to a very high standard of service reliability.
2 That is what we are aiming for. It is acknowledged that we
3 have failed over this last year to achieve some of those
4 very high goals. I would ask everybody to bear in mind,
5 though, that they are very, very high goals.

6
7 I am new to this corporation but I am very pleased to
8 see that the trends that we are now experiencing as a
9 result of initiatives taken over the past six to eight
10 months are bearing fruit in all of the key result areas we
11 are actually seek improvement.

12
13 Costs for the corporation are expected to continue to
14 rise during 06/07. That will not go away. This is partly
15 due to the planned implementation of a range of initiatives
16 that we have implemented aimed at improving the quality,
17 safety and reliability of the services that we provide to
18 New South Wales.

19
20 During 2006/07 Sydney Ferries expects to achieve
21 significant cost efficiencies by increasing workforce
22 utilisation and capabilities and improving the efficiency
23 of our maintenance operations. These are initiatives
24 already in train and we are beginning to see the benefits
25 of those already.

26
27 Notwithstanding the anticipated efficiency
28 improvements, however, the relatively modest fare increases
29 sought will further increase the differential growth in
30 costs and revenues resulting in a net decline in cost
31 recovery during 2006/07. It is an important point that the
32 increase that we are seeking is not going to cover the
33 total increase in costs, that we are still going to be in
34 fact declining in terms of cost recovery.

35
36 Mr Chairman, I am not sure by way of an opening
37 statement, that is what I would say, if you would prefer
38 then to take questions on that, because there are other
39 issues I noticed in the paper.

40
41 THE CHAIRMAN: At this stage I wanted to focus principally
42 on the issues of the fare structure and the overall
43 increase. We will come to the issues of costs and so on
44 later on.

45
46 I will get Action for Public Transport to respond.

47

1 MR TAYLOR: Thank you. Should the change in fare levels be
2 different between single and FerryTen tickets? Our view is
3 that the cost of fares, particularly the single fares, is
4 now quite high, and that we want the relativity between the
5 two ticket types to be maintained.

6
7 Sydney Ferries has very limited capacity in terms of
8 selling single tickets both at Circular Quay and on board
9 vessels and we would like to see more passengers arriving
10 at the wharf already ticketed and using multi-ride tickets
11 because it is simply logistically easier for the maritime
12 transport system. There are extensive queues in the
13 morning at the automated ticket selling machines located
14 waterside at the Circular Quay ferry wharves and these
15 machines are very slow for passengers to buy their single
16 and weekly tickets from. It can often take up to 15
17 minutes in the morning to buy your ticket, so it is much
18 better that people have multi-ride tickets and they can
19 simply validate and be on their way.

20
21 THE CHAIRMAN: Are you going to comment also on the issue
22 of passengers, commuters, switching from transport modes?
23

24 MR TAYLOR: Yes. I think it is important here to
25 distinguish that Sydney Ferries has two key elements to its
26 market. One is commuters and the other is the leisure
27 market. From the evidence of the data from the last 12
28 months it is apparent that those two markets have gone in
29 different directions. There has been an increase in inner
30 Harbour patronage, which is generally associated with
31 commuters, and a fall on the Manly ferry, which is
32 generally associated with the leisure market.

33
34 The increase will have a different impact on each of
35 those market sectors. In terms of commuters, an increase
36 in fares may reduce the trend towards an increasing use of
37 ferries by commuters, and in terms of the leisure market,
38 which seems to be going backwards, an increase in fares
39 with probably increase that trend. So overall if you
40 increase the fares, it is likely that your total revenue
41 may in fact go backwards.

42
43 THE CHAIRMAN: Do you think the elasticity is more than
44 one way between that and other modes of transport?
45

46 MR TAYLOR: I think it is a question of perception,
47 particularly with ferry fares. Most people say that ferry

1 fares are expensive and if that perception is there and if
2 ferry fares increase people will say, well, I will not
3 travel by ferry, not because there is a 10 or 20 cent
4 increase but because of the perception that they are very
5 expensive.

6
7 MR BARR: Thank you, I do have some points of difference
8 with Mr Taylor. In last year's submission the SFC
9 submitted to IPART four options. They were fairly tangled,
10 tortuous presentations I thought at the time but all of
11 them were exploring the issue of bulk purchases as opposed
12 to the single fares and it is something that I would like
13 to focus on and something that I have written to IPART
14 about.

15
16 I believe that we should have a more flexible and a
17 more imaginative approach to the costs of Sydney Ferries.
18 The costs are primarily labour costs and fuel costs. Fuel
19 costs is used as one of the triggers for this request.
20 Fuel costs in the figures I have are 7.8 per cent of the
21 costs of SFC but the one that stands out very starkly is
22 labour costs, so we have a structural problem I think with
23 Sydney Ferries in terms of its labour costs and I think
24 that it is an ongoing issue they are facing.

25
26 It is a difficult issue I realise, but what is
27 happening is that consumers are being asked to pay for the
28 structural problems of the SFC's labour problems. We have
29 seen benchmark figures in table 7 of what the benchmark is
30 from last year for general purpose hands as compared to
31 private ferries. I think that there has to be a more
32 innovative approach than each time there is a cost increase
33 coming back and asking to jack up ferry fares.

34
35 I know that we are going to have, I strongly believe,
36 issues with fuel in the years to come. I am one of those
37 people who believe that fuel prices will go up and up
38 because I think if we have not reached a peak, we are very
39 close to it, and do we just keep asking public transport
40 users to just keep paying for fuel increases or are we
41 going to have some way of quarantining it? What I am
42 suggesting in my submission is that we look to the separate
43 markets here and have a more focused approach and we look
44 at single fares being relatively quite a bit more than bulk
45 purchases.

46
47 My job is to protect the commuters of Manly to make

1 sure that they have reliable and inexpensive ferry fares to
2 the city, so it is a very important component of the
3 market, but it is not the only component. We know the
4 basic figures. We have I think in the tourist component
5 where 25 per cent is overseas type tourists and the Sydney
6 residential component is 18 per cent, 43 per cent overall.
7 The Sydney component, people who visit here, can still be
8 protected with fare structures and packages, and I think
9 that for people coming from overseas or from interstate who
10 are looking for a pleasant day's activities and a
11 destination, firstly, they like using the ferries, it is
12 one of those magical things about Sydney, and in terms of
13 the costs that they face it is neither here nor there if
14 you were to increase that price relative to the bulk
15 purchases, they are still getting a very good deal, they
16 still have a beautiful half-hour trip on the Harbour and
17 end up at Manly at the other end and I think that that
18 component of the market could be used in a
19 cross-subsidisation scheme to quarantine commuters.
20
21 The commuters are the people travelling the ferry
22 every day and who need the ferry to get to and from work.
23 Ferry fares are already much higher than bus fares and the
24 way trends are going that will increase and I think that
25 Sydney Ferries has to get much, much more competitive with
26 the bus market to keep people on the ferries because I
27 think what is important in all of this is that ferry travel
28 does not clog up roads and it is environmentally friendly,
29 particularly the Freshwater class ferries.
30
31 We should be encouraging people to get on the ferries.
32 I would also say that I have been pushing for a bus service
33 from Brookvale bus depot up Pittwater Road and Sydney Road,
34 coming through Manly, not far from the wharf, to go into
35 the CBD, as far as here in fact, and that will obviously
36 compete with the ferries and I think that the ferries will
37 have to get more competitive with bus services so that they
38 can offer a good, reliable and efficient service.
39
40 The last point I make is this, that Sydney Ferry
41 Corporation's service has left a lot to be desired over the
42 last couple of years. There are issues I know they are
43 addressing now. I think there has been improvement, but
44 there is still a long way to go in terms of getting people
45 to and from the city reliably and not having breakdowns,
46 incidents, delays or not meeting up with the buses and,
47 secondly, I think that what Sydney Ferries Corporation has

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1 to address is what I call a 1950s cultural mentality, that
2 the staff working for Sydney Ferries Corporation are still
3 working in another era and they are not focused enough on
4 the fact that there are consumers and they are providing a
5 service and they need to do that efficiently, politely and
6 recognise that the consumer is king. I don't think that is
7 happening at Sydney Ferries as I get enough complaints in
8 my office to know that is not the case.
9

10 THE CHAIRMAN: I just want to clarify one matter that you
11 raised: as I understand it, you are suggesting that people
12 that come from outside Sydney could be charged somewhat
13 more. That might sound like a tax on exports. Do you
14 generally favour that sort of approach, because it would
15 affect other areas, a tax on hotels.
16

17 MR BARR: We have bed taxes, as there is a GST component
18 in there.
19

20 THE CHAIRMAN: Foreigners do not pay GST.
21

22 MR BARR: Yes, but what I say is that I think that
23 visitors to Sydney still get a very good deal with the
24 ferry ticket, an inexpensive excursion out to Manly - I am
25 focusing on Manly - with the elasticities given in the
26 papers from Booz Allen Hamilton, for a daily single, 0.14
27 as opposed to 1.3 for JetCat, so it seems that despite what
28 Graeme has said that in fact that segment of the market is
29 more capable of sustaining a price increase than others.
30

31 We have a duty as a State Government to make sure that
32 taxpayers get good public transport. That is the priority,
33 rather than taxing exports or whatever. We want to make
34 sure that our taxpayers are getting a good and fair deal.
35

36 MR MILES: Can I respond very quickly that the four
37 Freshwater class vessels can only be operated on the Manly
38 run. You cannot effectively use them anywhere else. If
39 they have to run, best to fill them. So you have got to
40 come up with a marketing package that will fill them
41 because there is nowhere else they can be used on the
42 harbour.
43

44 THE CHAIRMAN: We will move to Mr Baird.
45

46 MR BAIRD: Thank you, Mr Chairman. I firstly thank you
47 for the opportunity to speak today and I think the fact I

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1 sit alongside David Barr, another constituent of Manly, the
2 current member, we have had a particularly bad time with
3 the SFC. Looking at the Manly route, which is close to 50
4 per cent of the overall operation, would be helpful across
5 a range of parameters which is not quite clear in the
6 information.
7
8 I think the first point I need to make is that before
9 we start to look at the individual problems, we look at the
10 symptoms of the problems. Good policy is one where you fix
11 the problem, and I think it is quite clear that what we
12 have here is an 11-year history of poor management. I know
13 that Mr Smith has only recently joined, in fact he is the
14 third CEO in the past year, if I am not incorrect, so it is
15 very difficult to hold him accountable for what has
16 happened. I make that comment with that caveat quite
17 clearly, but we are in a position where the service has had
18 patronage down, particularly in relation to Manly where it
19 fell last year close to 7 per cent when the rest of the
20 service rose 8 per cent.
21
22 We need to look at what is the role of IPART. The
23 role of IPART, I have quoted a couple of things here, is
24 that it needs to replicate outcomes which would otherwise
25 occur from a competitive market. That is the context. It
26 needs to protect consumers in terms of standards of
27 quality, reliability and safety of the services concerned,
28 and environmental protection and demand management. All
29 of those issues, if we are honest with ourselves, are not
30 being met. I have heard comments on the standard of
31 reliability.
32
33 I pose this question: Why haven't the cancellation
34 statistics been provided? They were last year. They are
35 not this year. I think that is a very valid point. When
36 you get to matters of service, I can tell you that one of
37 the reasons is we need to understand what has been the
38 impact in particular to Manly. In terms of offering a
39 service, we have patronage down, customer complaints up, we
40 have got KPIs, measurement performance, not met, we have
41 got financial performance deteriorating - and you can use
42 that on local domestic private benchmarks or international
43 competitors - and we have got the cancellation details not
44 revealed. And costs is the key issue.
45
46 I would argue - I know we will get on to costs - that
47 costs are the problem that faces us here today. This is

1 not a revenue problem. This is quite clearly a cost
2 problem and the absence of being held accountable over the
3 past ten years, the emergence of that cost, when we look at
4 it - and I will defer to comments on costs until we get to
5 it - but it really is a costs problem.
6
7 On the specific issues that we are talking about, I
8 think David's question again, his approach is one of the
9 symptoms, that it is an issue that we start to trigger with
10 what fares would touch. I think we have to solve the
11 problem at the core, which is a cost issue. The cost is
12 what is killing us. It is not under control and it is not
13 enabling the delivery of the service that the community
14 expects.
15
16 To a couple of comments specifically in support of
17 Graeme on that issue. If you look at the ticket levels
18 that actually went down, single tickets, the tourist level
19 fell. In terms of the comments on elasticity, it would
20 seem to me that there already is some pressure in that
21 particular market, so I would have a concern if we raised
22 them that the elasticity might actually be higher. Before
23 we do anything like that, in relation to good public policy
24 we need to understand the impacts, particularly on local
25 Manly businesses. We don't know and cannot quantify at
26 this point what the impact would be on any proposed tiered
27 system of fares.
28
29 They are really the main points. In terms of
30 switching, do people switch transport modes? I had an
31 example yesterday of a young couple who live in Fairlight,
32 they live six minutes walk to the wharf and they said they
33 no longer do that walk, they get in their car and either
34 drive to the city or they drive to Seaforth to catch a bus
35 because the Manly service offering is no longer reliable.
36
37 In terms of are people going to respond more, I think
38 if we are at this position where the service is so clearly
39 not meeting commuter expectations, if we raise fares there
40 will be a mass walk-out. I think that is a very, very real
41 concern and I think that everyone should be aware that in
42 terms of my submission, there are a thousand signatures
43 from residents who use the ferry that are completely
44 opposed to this, so there is significant community
45 resistance and I think that will manifest itself in reduced
46 patronage.
47

1 THE CHAIRMAN: Thank you. NCOSS?
2
3 MR GARDINER: Just to make some brief comments from
4 NCOSS's perspective, it is obvious from the background
5 material circulated by IPART that we have had a trend for
6 ferry fares to go up substantially over a period of time,
7 so we are certainly concerned about that.
8
9 Obviously commuters are an important part of the
10 market, but we would note not just for Manly. It is
11 probably true to say that the income distribution of ferry
12 passengers does vary a bit from some other forms of public
13 transport.
14
15 I do have a concern about some of the argument that
16 has been put by the two earlier speakers. For a start,
17 Action For Public Transport has correctly said that the
18 segmentation of the market is between commuters and leisure
19 users, not between commuters and tourists. There are very
20 many people in Sydney who use ferries to Parramatta or to
21 Manly or to wherever and the comment that any large
22 increase on single fares, on that part of the market, can
23 be accommodated by other ticketing options, well, I guess
24 in terms of our discussion this morning we are back to
25 repeating those points.
26
27 In some parts of Sydney you can buy an integrated
28 ticket but I would not like this hearing to proceed on the
29 basis that, for example, we just assume if people from
30 Western Sydney who live in private bus areas want to have a
31 day out on public transport for leisure, in terms of
32 accessing the harbour that is part of Sydney, it is not
33 part of a particular suburb or whatever, then there are
34 currently no fare options that would cushion the impact
35 upon them.
36
37 From our point of view we are saying that increases
38 should be limited to the CPI, and that includes
39 FerryTens and similar products. But would this not
40 advocate that single fares be bumped up in a substantial
41 way and others be cushioned. I understand where some of
42 that is coming from and I guess there is some local or
43 parochial concerns about that, but that is not a position
44 that we would put and, as I said, just to clarify other
45 matters we were discussing this morning about buses and so
46 on, we are not yet at the point where we do have a system
47 of fairer fares where people can buy those sorts of

1 integrated tickets that would cushion the impact.
2
3 It may be there are people out in suburbia who are not
4 catching the ferry every day but the background material
5 does show that there is a very large number of people in
6 Sydney who catch a ferry between two and eight times a year
7 and that does include some lower and moderate income
8 households. We are not in favour of them being slugged
9 unless, you know, we are putting forward for those people
10 that we do need some integrated day fares and so on which
11 at the moment are restricted to people who live in the
12 Government bus system, so we just want to put on the record
13 that we are not happy to give away, to say that there is no
14 impact on those people because they can buy some other
15 ticket option.
16
17 The fact is that those tickets options are not
18 available to them at the moment. If they catch a private
19 bus, get on a CityRail train, go to Circular Quay and want
20 to go to Manly, they are paying full fare. We are
21 concerned about the continuing pattern of above CPI
22 increases which makes it difficult for those people to be
23 able to afford that sort of day out that we would like
24 people in Sydney to be able to enjoy.
25
26 THE CHAIRMAN: I think we might move to the cost issue
27 because, as Mr Baird said, it is particularly critical. In
28 this particular case we have a benchmark, we have private
29 operators who contribute to that benchmark, and material in
30 front of us suggests that there are some significant
31 differences, whereas with other public transport it is less
32 clear, it is a less obvious question, there are less
33 comparators with trains, et cetera.
34
35 MR MILES: Can I have just one quick comment. Michael
36 Baird mentioned a couple who used to travel on the ferry.
37 I just point out that two people going to Sydney and back
38 on the Manly ferry, you are down \$25 already before you do
39 anything else. That is the type of money we are talking
40 about.
41
42 THE CHAIRMAN: We do not have a comparator with rail. As
43 we heard with buses this morning, the differences between
44 private and public on the evidence we were provided this
45 morning are not that big, so I think we do have to look
46 quite carefully at the costs in this case. At the same
47 time, Sydney Ferries is operating at a loss. In 2003/04 it

1 had an operating loss of \$2.6m, and we have heard in the
2 last five years cost recovery has fallen from over two
3 thirds to now around half and, Geoff, in your opening
4 remarks you indicated that these price increases that you
5 are proposing would not prevent a further fall in cost
6 recovery, not the standard one for inflation, so that there
7 is I think an issue around the appropriate levels of cost
8 recovery, whether what is recovered through the fare box is
9 recovered by greater efficiency, et cetera - we want to
10 hear about that - or from the taxpayer.

11
12 Can I just say in regard to the obligations of IPART
13 which has been drawn to our attention, we also have an
14 obligation regarding the financial viability of the state's
15 businesses and we are trying to balance a number of
16 considerations. We do have that obligation and I guess in
17 that context I think if the sort of material that we have
18 in front of us is right about the extent of the difference
19 of cost of Sydney Ferries versus private contractors, if
20 that material is broadly correct then it is hard to see
21 that it can be fixed overnight. It might take some time.

22
23 That will raise the question that with the best will
24 in the world how far you should allow the financial
25 viability of the business to decline while you fix that,
26 notwithstanding the fact that one would hope that costs
27 could be driven down further in the future, that
28 nevertheless there should be some price increase while that
29 is occurring.

30
31 With those sort of remarks, I will hand over to Geoff.

32
33 MR SMITH: There is a lot in here and I would like to take
34 your indulgence and go through that so that there is total
35 clarity.

36
37 Before we start on the costs, I would like to come
38 back to what we were talking before because I misunderstood
39 the way this would play out, and the questions on the first
40 issue, particularly the two levels of fares, whether they
41 should remain pegged in the way that they are now. We are
42 strongly of a view that they should be maintained in the
43 parity of the way they are now. It is interesting I guess,
44 and I have researched this quite extensively now, that on
45 the Manly run, which represents 43 per cent of Sydney
46 Ferries's patronage, only 39 per cent of that 43 per cent
47 actually are commuters.

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1
2 Based upon the tickets that are sold we are assuming
3 that FerryTens and those type of tickets represent
4 commuters and the others represent leisure visitors. So 39
5 per cent of 43 per cent are the commuters out of Manly. I
6 was interested to hear in the representations to IPART that
7 some 20 submissions from the Manly area were largely from
8 commuter-type people. Everyone has a right to be able to
9 say these sort of things but our view is that a relatively
10 small percentage like that advocating that we leave the
11 commuters' fares static and sting the leisure visitors,
12 where I totally agree with Mr Gardiner, that in fact from
13 our point of view we see leisure as being the rest of
14 Sydney and the rest of New South Wales that wants to avail
15 themselves of our waterways here in Sydney. To actually
16 impose upon them an impost greater than someone else who
17 might be using it more regularly we do not think is fair or
18 equitable, so that is point number one.

19
20 Point number 2 is that we feel that by focussing on
21 that market, and even if it was decided to increase the
22 fares in that leisure sector, it would deny people the
23 opportunity to be able to otherwise avail themselves of it.
24 More importantly, it could actually undermine part of your
25 basic cost structure, which is the reliability on that
26 leisure market which is over 50 per cent of what it is that
27 we represent. So we are strongly of the view that we
28 should not be favouring one ticket style or customer over
29 the other.

30
31 If I could move on to the cost structure, which I
32 think is what the next order of business was, and to have a
33 look at Sydney Ferries costs. Our cost structures
34 basically are driven by four major activities: labour
35 costs; external maintenance costs; fuel costs; and other
36 non-labour expenses. Labour accounts for in the order of
37 50 per cent of our total costs, so it's not small talk.
38 Maintenance is about 8.5 to 9 per cent. Fuel costs are
39 around 8 per cent of our total costs, and 16 per cent
40 rounds up the balance. In addition, we have some
41 depreciation charges, around 14 per cent of our total
42 operating expenditure, while interest costs comprise
43 4 per cent of our total costs, so there are a number of
44 factors that build up our cost structure.

45
46 The key drivers of growth in our costs during
47 2005/2006 were outlined in our submission and I covered

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1 those in my introductory remarks.
2
3 Fuel is by far the most significant of the increases
4 in our costs. Fuel costs rose by \$2.3m or 37 per cent
5 during the course of this year. This equates to an average
6 increase across our total patronage of Sydney Ferries
7 Corporation of 16 per cent, although for the JetCat service
8 from Manly that increase is closer to 45 cents. The 16
9 cents is pretty close just on its own to the increase we
10 are seeking and the 45 cents is well short of what we are
11 seeking on the JetCat service.
12
13 Our labour costs increased also during this last year
14 by 13 per cent - \$6.3m, to be precise. There was a general
15 EBA wage increase of 4 per cent. In the interests of
16 pursuing a safe and reliable ferry service, it was decided
17 that the maximum roster shift that any of our employees
18 would actually undertake on the water was 12 hours. That
19 was down from somewhere around 18 hours. In fact, it was
20 the longer shifts that actually was one of the contributors
21 to some of the accidents that had occurred - fatigue was
22 the issue. So by imposing what was a reasonable and safe
23 regime for rostering, additional staff were required. We
24 are an 18 hour a day service, unlike commercial operators.
25 Obviously we need large numbers of people and to reduce the
26 shifts down to 12 hours had a commensurate increase in the
27 total number of our staff.
28
29 Also, to address the safety issues, there was the
30 implementation of a very stringent crew resource management
31 training regime. You may have expected that this regime
32 had existed already. Well, frankly, it had not and I
33 think, but for the grace of God, there could have been some
34 worse accidents than actually occurred. We now have in
35 place a very stringent resource management training
36 program. I unashamedly say it's modelled on the system
37 used by the Royal Australian Navy. We now have people
38 afloat - masters, engineers and deckhands - who have a lot
39 more confidence in the boats that they are operating. They
40 are operating them in a far safer and responsible manner.
41 They understand fully how to operate these things in all
42 the extreme conditions that might happen if something goes
43 wrong. As a consequence, we have not had an incident for
44 three months.
45
46 The creation of new positions at Balmain, our
47 maintenance yard, to enable more robust supervision of our

1 maintenance practices has also imposed a cost upon us but
2 is bearing benefits already. We will talk a little later
3 about service delivery, but to whet the appetite, our fleet
4 availability - there are 31 vessels in the fleet -
5 literally nine months ago that availability was down near
6 70 per cent. We are now in the last three months over
7 80 per cent. That is a direct reflection of the effort
8 that's gone into the Balmain yard in terms of supervision
9 and new work practices, but the productivity has increased
10 quite significantly. We also had an increase in temporary
11 labour costs during this process of organisational reform
12 and we are slowly moving out of that now. All of those
13 things added to that labour cost increase of some 13
14 per cent.
15
16 During the next year, 2006/2007, we expect continuing
17 pressures on our cost base. We expect increases in fuel
18 cost yet again, and our labour costs are also projected to
19 rise yet again for a number of reasons, but largely two.
20 One is that our superannuation costs in 2004/2005,
21 following an actuarial assessment, were taken out of our
22 cost base. They have now been subsequently added back in
23 again. So for the 12 per cent that we are projecting of
24 increase in labour costs for this current financial year of
25 \$6.2m, \$4.2m of that has actually been imposed externally
26 upon us. That really leaves \$2.2m which roughly represents
27 a CPI increase of some 4 per cent, which is what everyone
28 is expecting.
29
30 We are working on containing our labour costs for this
31 next year, but that doesn't take away the problem what we
32 had in the last financial year.
33
34 We are also expanding our capital program. Everyone
35 knows the ferries; they are iconic. They expect them to
36 look good, to perform well, to be reliable and to be safe.
37 But also the customer quite rightly has expectations in
38 other areas. For example, they need to know what's going
39 on, what is the time of the service, how is it running to
40 time, whether it's going to be there at all. We
41 acknowledge, quite frankly, that we are not providing that
42 level of fidelity and the level of information that our
43 customer really expects and demands - quite rightly so.
44
45 So we have a major program that we are developing at
46 the moment that will greatly improve our information advice
47 to our customer base on all 41 wharves that we service and

1 also in our operational centre. This is an efficiency
2 activity as well as, I guess, reacting to very vocal on
3 occasions customer feedback to us that we need to do better
4 in this domain.
5
6 We are re-engining the RiverCat class and the First
7 Fleet class. Why are we doing that? The purpose is to
8 make them more efficient and more reliable. Just as your
9 car engine fades with use, so do these things and they are
10 becoming quite cost-prohibitive to maintain. The best
11 economic decision was to replace the engines and we have
12 begun that program already. The first First Fleet task,
13 Borrowdale, has now been completed and has completed
14 trials. Before we put it back into service, I need to
15 train the crew in the new set-up. That's what's been
16 happening and we expect that vessel to be back in service
17 within a week. Another one is going in. We will stop over
18 summer because of the peak period and then complete the
19 program during the course of next year, so that by December
20 2007 all of the RiverCats and all the First Fleet will have
21 new engines.
22
23 We are upgrading our closed-circuit television network
24 along the 41 wharves that operate for security and safety
25 purposes. We are installing vessel data recording systems
26 into the whole fleet - these are like a black box out of an
27 aircraft - so in the event of an incident we can
28 reconstruct what actually happened. That's very important.
29 We are doing a major refurbishment at the Balmain shipyard
30 in terms of supporting the efficiency drives there.
31
32 In summary, there's a lot of investment going into the
33 corporation at the moment in these major capital programs.
34 We have labour costs and I hope I have explained why they
35 have increased over this last 12 months. We will cover
36 those in the next 12 months in the course of the
37 efficiencies that we are imposing, but the fuel costs we
38 have no control over and the impact of those on the
39 corporation. That's essentially the cost structure.
40
41 I can't give up the floor until I just mention one
42 other thing, and that is the issue that we are as we are
43 now in an industrial sense and in a structural sense, and
44 in a cost overhead sense, and that is not something that
45 happened in financial year 2005/2006. That is something
46 that is historical and no-one, not even the members of the
47 corporation and the unions involved, do not disagree that

1 things have to be changed, but they are going to be changed
2 progressively. They cannot be changed overnight.
3
4 The cost structure we have in place at the moment is
5 reflective of where we have come from rather than where we
6 are going to, is historical in that sense. We will come to
7 it later when we talk about reports comparing us to
8 commercial operators and this differential is there, and
9 yes, I don't think anyone denies there's a differential
10 between the two, but it's not always apples and apples.
11 Thank you.
12
13 THE CHAIRMAN: I think the issue of the comparison with
14 the commercial oncosts we should be covering now, so if you
15 want to say more on that, I invite you to continue. On the
16 face of that table 7 in this paper here, there are very big
17 differences - 44 per cent to nearly 86 per cent for the
18 general purpose hand. I'm not sure that tells us the whole
19 story. You will no doubt elaborate, but Grant Thornton,
20 who provided the figures, does say that Sydney Ferries,
21 as a state-owned corporation, operates in a unique
22 environment that differs significantly from private
23 operators. I am not sure how this is just reflecting
24 differences in pay but also differences in the use of the
25 staff, the nature of the terms and conditions, going to
26 penalty rates, use of overtime, et cetera, shift rates -
27 all those work practices.
28
29 I think Mr Barr described some of the culture as being
30 in the 1950s, which is really consistent with your point,
31 if he's right, that this didn't develop in 2005/2006; it
32 developed some time ago. In fact, you were sympathetic to
33 the fact, but acknowledge that it will take time to fix. I
34 think it would be useful if you could comment a bit more on
35 the comparisons.
36
37 MR SMITH: Certainly. We have seen them and we are
38 involved with the development of what Grant Thornton
39 produced. The reason I said it's not apples and apples is
40 that Sydney Ferries represents an organisation that
41 operates 18 hours a day, seven days a week, 365 days of the
42 year. We operate services at varying levels at various
43 times of the day. We therefore have to have a structure of
44 people who are there for a period of time, that in fact
45 their working day is a longer day than the average would
46 be. For example, many of us take for granted a five-day
47 working week and a weekend respite. We don't have that

1 luxury in operating the way that we have to do. The whole
2 cost structure of our work force has to be based around
3 that. They have to be available at short notice to cover
4 contingencies and they have to be remunerated for longer
5 than normal working hours, et cetera.
6
7 Comparing that to the commercial, you would say: so do they.
8 Yes, they do at certain times of the day. I just met with
9 the Captain Cook people the other day who explained
10 to me they have very few permanent members of their
11 work force. They ramp up and down, depending on what
12 their requirement is. We don't have that luxury. We are
13 providing a public service and we have to have permanent
14 employees. That contributes significantly to the cost
15 structure that we have to operate under when it comes to
16 our employees. I think that report is fairly simplistic in
17 making those judgments on a master in a commercial
18 operation versus as master on the ferries because they do
19 operate in a different environment.
20
21 Just to explain a bit of where that differential might
22 have come from, it does go back many decades. For whatever
23 reason, the afloat part of Sydney Ferries were aligned with
24 the ocean-going merchant marine and the conditions of
25 service you are now seeing in terms of the labour costs we
26 have to carry are reflective of extant merchant marine
27 conditions of service. So if we were talking to a ship
28 operator, what we're talking about here would be very much
29 aligned and similar.
30
31 The commercial operators obviously do not operate
32 under that environment and are able to have different cost
33 structures and scales of pay. The reality is that we don't
34 have that luxury and that is the environment in which we
35 have to operate at the moment.
36
37 As I said earlier, there are various unions
38 represented. There are eight in the Sydney Ferries
39 Corporation - three afloat. All understand where this has
40 to go to. In fact, in the enterprise bargaining agreements
41 concluded earlier this year significant reforms were
42 achieved in terms of sick pay, overtime, et cetera. It's
43 going to have to be an incremental movement in those sorts
44 of directions.
45
46 Conversely, our commercial brothers operate in a
47 union-free environment, not constrained at all by those

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1 sorts the constraints, and that's again why it's not an
2 apples and apples situation.
3
4 THE CHAIRMAN: I am going to press you a bit further. You
5 have made two observations. I am not asking you to give us
6 exact targets, but do you have targets of where you want to
7 get to in terms of labour costs? I think I heard you say
8 that you expect that productivity increases will be
9 sufficient to offset pay increases.
10
11 MR SMITH: Yes.
12
13 THE CHAIRMAN: Do you expect to maintain that over the
14 next several years? Is that the sort of goal, or is it to
15 do a bit better than that? Before you answer that
16 question, I have been involved in running big
17 government-owned enterprises, quite a lot of them. I have
18 been on the board of Australia Post, for example, which is
19 wholly government-owned. They have to provide a service.
20
21 Forgive me this digression, but to meet their targets
22 they can't really start sorting the mail until after 6 in
23 the evening. They have to have it all sorted and at major
24 mail centres by 11 o'clock in the evening to meet their
25 delivery targets, so that's a maximum of five hours. They
26 need to have some staff there all the time. They had
27 really completely reorganise their industrial agreements.
28 Over a period of year they got enormous productivity
29 increases and the result is that they have only had one
30 price increase in the last 15 years - one. They are
31 government-owned, but also they have the lowest standard
32 letter price in the western world and they have the highest
33 rate of profitability of any postage service in the world,
34 so it's not a bad combination. They're government-owned
35 and they had longstanding practices and longstanding
36 dominions. So I don't entirely accept that it cannot be
37 done under government ownership with longstanding
38 practices. I've seen it.
39
40 I am just interested, to come back to my other
41 question, in what is the expectation. I don't expect you
42 to give away commercial secrets in terms of your future
43 negotiating strategies, but I'd like to get a sense of
44 future price appreciation.
45
46 MR SMITH: Could I correct one misconception? I was not
47 suggesting at all that this was not resolvable. In fact,

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1 the spirit within the corporation is that these things will
2 be improved with time. The current agreements that we have
3 in place, which we project will produce for us economies in
4 the order of \$2.2m, which will cover, as I was saying, this
5 year's 4 per cent increase, are sustainable across the
6 terms of this current agreement which expire in 2008. At
7 that time we would then be moving in with a view to doing
8 better. Please be assured there is no attitude within the
9 corporation that we are just going to sit on our hands with
10 this particular thing. It is a constant activity in terms
11 of working to try to make efficiencies and economies in
12 this labour force because no-one is more acutely aware of
13 just what that does cost us than we are ourselves.

14
15 THE CHAIRMAN: Thank you.

16
17 MR BAIRD: Just going back to the ticket question, which
18 seems a long time ago, just in terms of a point to know, I
19 think the more we incentivise people to use public
20 transport, the better. I think some of the systems - and I
21 encourage you to look at them - include the longer-term
22 tickets. Forget about just the 10s. Look at the annual
23 passes because, I think particularly in the UK, there are
24 significant discounts in that, but it engenders loyalty and
25 strong usage. I would highly recommend that that is
26 something that Sydney Ferries looks at.

27
28 Coming back to this point, it is very difficult as a
29 commuter and as a resident to look at Sydney Ferries and
30 believe that they are actually taking this problem
31 seriously. Let's use the benchmarks and the benchmarks are
32 quite significant and, again, it's come from an external
33 consultant. If you use the Sydney Ferries versus the
34 benchmark for a master engineer as a basic template for a
35 labour cost across an organisation, if you apply that level
36 to Sydney Ferries, that is, reduce it by 43 per cent so we
37 came into line with the benchmark identified by the
38 consultant, that would drop \$23m off the labour cost of
39 Sydney Ferries.

40
41 In context, think about it. We're asking for about a
42 \$2m revenue increase - it is \$2m in regulated revenue -
43 versus a potential saving, and the consultants themselves
44 have said there's up to \$11m annualised that they can find
45 - it's insignificant. I mean, the revenue is just
46 insignificant. In addition, what that would do to the cost
47 recovery ratio, it would take it back up to 67 per cent,

1 which is where we were. Back on your point, Mr Chairman,
2 can it be achieved? It was there in 2000, so it has been
3 there.

4
5 In terms of accountability, we have the position where
6 from 2000 to 2006 - and this is just a basic management
7 premise - revenue has increased 14.4 per cent and costs
8 have increased 46.1 per cent. That is just unacceptable.
9 In any business enterprise, it doesn't matter whether you
10 are a newsagent or the biggest company in the world, if
11 there are negatives, you are on the road to oblivion. What
12 you have here, if you add that up, is that we are being
13 asked for revenue increases to pay for this. We as the
14 commuters - and that's who I represent today, the commuters
15 of Manly - are being asked to pay for that. That is just
16 not acceptable.

17
18 Coming back to the point that it's going to take time,
19 as Mr Smith has rightly said, how come next year labour
20 costs are going up 13 per cent? I mean, there has to be a
21 point where there is degree of accountability. We cannot
22 have a cycle where we continue - and we are continuing it
23 here - to support poor management. That's all it is. I
24 implore you, Mr Chairman, to consider this very seriously.
25 We are at a point where the commuters are frustrated and
26 turning away, yet we are not listening and we are not
27 holding anyone accountable.

28
29 Now I hope that Mr Smith is here for the next 10
30 years. I think the reality is the focus should be on
31 addressing the very real problem that sits there and we
32 need to see measures. If you look at what the investment
33 is, maintenance spend is down but labour costs are up. I
34 think we could almost all bear it if we saw that all the
35 investment was going to maintenance costs to make it more
36 reliable, but every measure is going backwards. To me,
37 that's really the key point, Mr Chairman.

38
39 THE CHAIRMAN: Action for Public Transport?

40
41 MR TAYLOR: I would just like to broaden slightly this
42 discussion. What is the appropriate level of cost recovery
43 for Sydney Ferries? We are certainly of the view that it
44 is possible for Sydney Ferries to increase cost recovery
45 above 60 per cent and we think that's desirable.
46 Historically that's where they have been. I refer to the
47 Grant Thornton report, appendix 7, where it states that

1 Sydney Ferries have indicated that it intends to extend its
2 list of monitored KPIs and promote service improvements
3 through the development of a fleet replacement strategy,
4 improved fleet availability, to enable greater patronage
5 during peak times, route optimisation, and improved revenue
6 protection measures.

8 We see these as all critical steps. Their fleet
9 currently comprises seven classes of vessel and, given that
10 situation, it's difficult to see how they can operate in an
11 economically efficient way. We would like to see Sydney
12 Ferries move to a position where they have a more
13 rationalised fleet. Also, we would like to see the
14 benefits of the improved levels of fleet availability put
15 to work at peak times. We'd like to see them further
16 develop their timetables to optimise the use of the
17 vessels, and we'd like to see a more vigorous effort in
18 terms of revenue protection, particularly on services which
19 don't travel to Circular Quay. We believe that these
20 measures could have a significant impact on improving cost
21 recovery.

23 THE CHAIRMAN: Revenue protection in particular.

25 MR TAYLOR: Yes, Mr Chairman. The Parramatta River
26 services have a considerable problem in revenue protection.

28 THE CHAIRMAN: Thank you. Yes, Mr Barr.

30 MR BARR: We are looking at, I think, a very unmodern
31 organisation which is clearly locked into a structural
32 problem that it's had with its labour costs over many years
33 and it's trying, I think, to extricate itself out of that,
34 but in so doing it's requiring the consumers to subsidise
35 it more than they should be. I think that's the essence of
36 this issue, that Sydney Ferries Corporation has severe
37 structural cost problems and each time there's a pay
38 increase or fuel increase or whatever they will be coming
39 back for increases for consumers to pay. I don't think
40 that's acceptable. I think there's got to be strong
41 measures taken within Sydney Ferries Corporation to fix up
42 its structural problems.

44 I just want to go back, without boring you, but I do
45 believe very strongly that the consumers who use the
46 ferries and who need the ferries on a daily basis are a
47 different category entirely to people who are using them

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1 for leisure purposes. I want to emphasise that strongly in
2 coming back to my two-tiered approach.

4 There are serious problems. I oppose these price
5 increases. I think Sydney Ferries Corporation really has
6 to address these staff problems. I appreciate it's a
7 difficult issue and it's an inheritance that Mr Smith has
8 inherited and before that his predecessors, but I think
9 it's part of the problem. There's not enough flexibility;
10 there's not enough modernity. For example, if a ferry is
11 late, is there a nice electronic sign informing people at
12 Manly Wharf that, sorry, the ferry is late, or it will five
13 minutes late, or it's running on time? There's just not
14 the sort of modern technologies employed to make the ferry
15 commuters feel that they are valued and they're being given
16 information and that their service warrants the kind of
17 money they are paying for it, and it is a premium over
18 buses. So there's a long way to go for Sydney Ferries
19 Corporation and its costs and structural problems are big
20 issues here.

22 THE CHAIRMAN: Are there other comments around the table?

24 MR SMITH: Mr Chairman, if I might just come back,
25 Mr Baird raised a couple of issues I would like to comment
26 on. One was the suggestion that we were reducing our
27 maintenance. That is just simply not the case. I
28 understand how he can draw that conclusion --

30 MR BAIRD: From the numbers.

32 MR SMITH: -- from the number, but what's not in those
33 numbers is what makes up those numbers. The reality was
34 that in 2005/2006 we had no requirement to put in for
35 survey and docking availability a Freshwater class ferry,
36 the cost of which is in the order of up to \$5m. The
37 previous one was just \$5m.

39 MR BAIRD: But it was out of order; it was out of service.

41 MR SMITH: No, it was in service. There is no requirement
42 under our regulatory regime to have it docked for surveying
43 and repair, so in fact the actual budget did not have that
44 sum of money in there. In fact, planned maintenance we
45 have actually increased on the fleet because that is the
46 only way you can achieve the higher levels of reliability
47 and availability. I read that you'd made that observation

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1 and I just wanted to clarify that, that there has certainly
2 not been a reduction in maintenance. In fact, if anything,
3 we have increased the maintenance.

4
5 MR BAIRD: It's going down next year 10 per cent as well
6 in the numbers.

7
8 MR SMITH: I will have to take that on notice.

9
10 MS HUGHES: I might just clarify that. The table you are
11 referring to is really just looking at operating
12 expenditure, and obviously there are a number of ways of
13 classifying the various categories of cost. Certainly
14 total maintenance costs include Balmain shipyard labour.
15 It also includes our vessel MPM program - major period
16 maintenance program - which is a capital expenditure item.
17 So this table does not include a significant level of
18 expenditure that we undertake every year for major periodic
19 maintenance of vessels. Now in 2004/2005, pre the adoption
20 of Australian equivalents of the International Financial
21 Reporting Standards, or AIFRS, we did not have to
22 capitalise vessel MPM; it was an optional standard. But,
23 following the implementation of AIFRS under AASB116, it is
24 now necessary to capitalise that expenditure.

25
26 So the difference between 2004/2005 and 2005/2006 does
27 reflect that change. The other change is that there was no
28 Freshwater docking during that financial year, therefore
29 where we have maintenance costs there in that total you are
30 looking at, it really refers to the external maintenance
31 costs of parts and inventory and contract labour.

32
33 Within the category of labour, the Balmain shipyard
34 labour costs are included. You could take the Balmain
35 shipyard labour costs out and put them in the maintenance
36 category, but then it would look like your labour costs
37 have gone down. It is really a clarification issue.

38
39 MR BAIRD: I appreciate the clarification. The problem is
40 that we need the cancellation statistics. We will probably
41 get onto them in talking about reliability. That is a
42 concern. However you classify it, when you see the
43 maintenance costs going down - \$12.4m in 2004/2005 and
44 down to \$8m next year - the natural inclination is to say that
45 if we are spending less on maintenance, the likely result
46 is less reliable service, which is what we are experiencing
47 in Manly.

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1
2 MS HUGHES: Could I give you the total maintenance figures
3 which include all the various categories of maintenance.
4 For 2004/2005, total maintenance was \$22.5m. In 2005/2006,
5 it increased by 4 per cent to \$23.4m, and the estimate for
6 2006/2007 incorporating all the categories of maintenance
7 costs, is \$24.3m. So it is actually going up a further
8 3.5 per cent in 2006/2007.

9
10 MR COX: I would like to add a slightly different
11 perspective in all of this. I am raising this because I
12 think your response will really help me very much in
13 thinking through the position. If you will just bear with
14 me, I'll go through some figures. Sydney Ferries
15 Corporation's costs next year, 2006/2007, I think are
16 forecast to be \$115m. We had the Grant Thornton estimate,
17 which, if I remember correctly, was they could save about
18 \$10m of that. That takes us down to about \$105m. If you
19 listen to Sydney Ferries, they can't do that \$10m and
20 no-one is suggesting they can do more than \$10m. So the
21 absolute minimum costs for Sydney Ferries next year is
22 about \$105m.

23
24 The projected revenue, I think with the fare increase,
25 is about \$58.6m, so there is a substantial gap between
26 revenue and the minimum cost that Sydney Ferries can be
27 expected to operate at next year.

28
29 Someone has to pay Sydney Ferries' these costs; it is
30 either the ferry users - and we have heard a lot about the
31 merits of commuters and lesser users - or it is taxpayers,
32 and taxpayers are, by and large, people who don't use
33 ferries or at least not very often. I think Sydney Ferries
34 are arguing for about a 4 per cent fare increase. It is
35 not huge. Why is that so unreasonable?

36
37 MR BARR: It comes on top of higher prices already, much
38 higher prices compared with buses. All public transport is
39 subsidised by governments and you are arguing a current
40 user pays approach where, because some taxpayers don't use
41 the ferries or use them very rarely, they should not be, if
42 you like, cross-subsidising other taxpayers. But there are
43 all sorts of area in government activity where there is
44 just a broad tax outlay and people do not use the
45 particular services concerned.

46
47 I am concerned that we have a viable ferry service

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1 with passengers on our ferries and that we do not lose
2 passengers. The Manly ferry is one of the icons of Sydney
3 Harbour. I think if you keep jacking up prices, you will
4 get a fall in numbers. We know that there are the
5 elasticities and so forth --

6
7 MR COS: Can I say the evidence that we have seen on
8 elasticities - I have been doing this job too long - are
9 pretty low, with the exception of two competing Manly
10 services.

11
12 MR BARR: The Jetcat, yes.

13
14 MR COX: Either of which would be possible in the absence
15 or the other.

16
17 MR BARR: But I am also saying that I think buses are
18 competing much more now that they are separate. I welcome
19 that; I think it is good to have competition, but the
20 ferries have to get their game in order, and part of that
21 is to keep fares down, keep the costs to consumers down. I
22 just don't accept that each year SFC can keep coming back
23 asking for price increases on top of a high base.

24
25 THE CHAIRMAN: Can I just press you a bit further. You
26 referred to buses getting a public subsidy, and that's
27 right, but would you argue the proposition that ferries
28 should have a lower cost recovery than buses because on the
29 information we have here for buses, though admittedly using
30 Jim's numbers if you could ever get the whole \$10m, which
31 is unlikely --

32
33 MR BARR: No, you won't.

34
35 THE CHAIRMAN: I mean, you could get Sydney Ferries' cost
36 recovery up over time, but right now let's say with this
37 determination from next year, your proposition could
38 actually lead to a lower rate of cost recovery for ferries.

39
40 MR BARR: It depends on how much you put up single fares,
41 of course. I would argue that the ferry operation in its
42 entirety is something that is quite unique. I think that
43 has to be recognised and respected. It is a totally
44 different kettle of fish from other forms of transport.

45
46 You could probably argue in one sense that if you did
47 away with the ferry service altogether you would get people

1 to the city fairly efficiently with buses, but I do not
2 think we want that. We, in fact, want people to be using
3 alternative non-road public transport as much as possible.
4 So it is more than just a hard-headed cost recovery. You
5 have to take into account under your head of consideration
6 things like the social impact as far as particular suburb
7 activity is concerned and then you have to look at
8 environmental issues. You have to look at maintaining
9 ecologically sustainable development and so on. There are
10 externalities you have to consider in these matters.

11
12 THE CHAIRMAN: Pursuing the question of social impact, I
13 am tempted to ask NCOSS would they be concerned if we took
14 as an objective that cost recovery for ferries should be
15 lower than buses?

16
17 MR GARDINER: I don't particularly have a position on that
18 at this stage, except to say that we would encourage a hard
19 look at the cost structure and the justification for the
20 proposed increases.

21
22 THE CHAIRMAN: Having heard you earlier in the day also,
23 and I may be putting words in your mouth, you did seem to
24 be particularly concerned about the impact of bus price
25 increases on poor people, but you didn't express quite that
26 same strength in regard to ferries, or am I misreading you?

27
28 MR GOODING: Clearly in terms of buses that we discussed
29 in the earlier hearing, there is stand-out evidence that
30 low income households are disproportionate users of buses
31 and --

32
33 THE CHAIRMAN: And not disproportionate users of ferry

34
35 MR GOODING: No, our understanding on ferries is that,
36 roughly, pro rata, the lowest income quintile is about
37 22 per cent of ferry trips. So it is roughly pro rata.
38 For buses, it stands out, particularly for private buses,
39 where we are talking about the fairer fares agenda, then it
40 is demonstrably the case that the majority of bus trips in
41 Sydney are conducted by the bottom 40 per cent of the
42 income distribution.

43
44 But across ferries and buses and whatever, we are
45 concerned about a perceived trend that consistently we are
46 getting above CPI increases. I guess the proposition we
47 are putting at the moment is that we would urge you to

1 restrict the increase across the various categories for
2 ferries to the CPI.
3
4 MR MILES: IPART commissioned two reports, one on costs
5 and one on patronage. I would like to ask two questions.
6 One is did IPART get what it wanted out of the reports?
7 The question is probably directed to IPART rather than to
8 the other people here.
9
10 Secondly, the report on the costs is full of
11 statements like, "Information was not available", or
12 "Information was incomplete", or "Sydney Ferries wouldn't
13 tell us" and things like that. It is rather disturbing.
14 Were the consultants too fussy? Did they not have enough
15 time or did Sydney Ferries genuinely not have any
16 information?
17
18 THE CHAIRMAN: The background to those two reports at the
19 time related a multi-year price determination - that was
20 an objective on the part of Sydney Ferries - which we
21 thought we would endeavour to. We would prefer to do
22 multi-year price determination to give greater certainty to
23 businesses and planning. It would also be less regulatory
24 burden generally both on the businesses and on us to be
25 doing multi-year price determination.
26
27 What emerged, I think, both from the reports - and
28 indeed changing circumstances of Sydney Ferries, I guess,
29 the experience of the last 12 months - was that we came to
30 the conclusion before the reports were even finished, or
31 later than they were finished, that it was not going to be
32 appropriate to do a multi-year price determination. I
33 don't think that is something which is off the agenda for
34 ever, but it is certainly not on the agenda at this point
35 of time.
36
37 For that reason we did, if you like, follow-up reports
38 in the way that we would normally have followed them up.
39 The purpose for which they were furnished no longer was a
40 course which we wished to pursue. That is the background.
41
42 MR MILES: Do you say it wasn't cost efficient?
43
44 THE CHAIRMAN: If you like, it is a mistake of IPART's
45 that we proceeded on a course of action we have now
46 abandoned. I wouldn't want to say it was a total mistake
47 in the sense that clearly people have been interested in

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1 the reports here today, and it has given some background.
2 But in fairness to all parties, if we were to have used the
3 reports in the spirit they were intended, we would have had
4 to go a lot further in terms of exploring the outstanding
5 questions.
6
7 I should say we are still interested in multi-year
8 price determination for Sydney Ferries, but when they are
9 ready to do it. In fairness to them, I think they need a
10 little bit of time to get their house in order. Is that a
11 fair comment?
12
13 MR SMITH: Fair comment, Mr Chairman
14
15 MR MILES: That is what they said 12 months ago and
16 18 months ago.
17
18 THE CHAIRMAN: Yes, at that time, I think they expected to
19 do that and that is why they agreed to embark on that path
20 with Grant Thornton. A number of things have occurred
21 which I don't suppose they expected and that is why now
22 they have been pulled back.
23
24 MR BAIRD: So to come back to Mr Cox's question, I think
25 it is like some schoolchildren who do not go to class, do
26 not do their homework, and yet they want to go on to the
27 next year. At some point we have to make a stand. Again
28 if you go back to the year 2000, revenue was \$49m and costs
29 were \$72m and the cost recovery was 67 per cent. We are
30 now moving to a cost recovery of 51 per cent and, as I have
31 said, it is predominantly because costs have blown
32 exponentially relative to revenue.
33
34 We should very carefully consider this. We are
35 protecting a monopoly position here, so the commuters are
36 going to have to pay; they don't have another option. They
37 can absorb and continue to pay for mismanagement, it's that
38 simple. Don't be confused by the concept of saying, "It's
39 only 4 per cent." I think we have to take a stand. I
40 think people have to be accountable.
41
42 We heard from Mr Miles that the same promises were
43 made 12 months ago. Here we are with labour costs going up
44 12 per cent next year - \$6.3m. How is accountability
45 evident? I think that really is the issue. So the
46 commuters should not have to pay - and particularly when we
47 get on to service standards, Mr Chairman, which discussion

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1 is probably delayed already.
2
3 THE CHAIRMAN: Why don't we turn to service standards now.
4 We have noted in the past a lack of information on the
5 standard of quality. While Sydney Ferries has provided the
6 Tribunal with some indicators of the standards of quality
7 and reliability of services in this proposal, we are bound
8 to note that it is still limited historical data with which
9 to evaluate trends. I am not blaming you for that. You
10 cannot be held responsible for the fact that you cannot get
11 data for 2003.
12
13 We will invite the participants now to discuss the
14 issues surrounding the perceptions of service standards and
15 better measures of quantification of service improvement.
16 I guess the sort of question we are particularly interested
17 in is: the limited information we have doesn't suggest the
18 service standards are as bad or have deteriorated as much
19 as is suggested by the people who use the service. There
20 seems to be a gap between your measures and the
21 perceptions. We are quite interested to hear from both
22 sides of the table as to why that gap is there. Again, I
23 will ask Sydney Ferries to kick off.
24
25 MR SMITH: As IPART is aware and everyone interested in
26 Sydney Ferries is aware, we do operate to a suite of key
27 performance indicators, which are perused by a range of
28 people very regularly, not the least of which include me
29 and the management Sydney Ferries.
30
31 As has been pointed out in some of the submissions
32 made to IPART, in our own submission, we acknowledge that
33 we have not achieved all of those KPIs; in fact. On the
34 numbers that you have there we are nowhere near enough as
35 far as I am concerned in terms of achieving them.
36
37 What is always hidden, however, in a black and white
38 table are the trends that are in fact happening. I am more
39 than happy to report here today that in fact we are not
40 just looking at promises of a year ago or whatever, but the
41 trends in all of our key performance indicator areas are
42 now heading in the right direction, as far as I am
43 concerned, to the point where, in fact, we are meeting a
44 larger number of our key performance indicators than were
45 actually in our submission.
46
47 I know that time is pushing us here, but I will

1 quickly run through a number of points. Fleet availability
2 is absolutely essential to our ability to provide services
3 to Sydney. I require 23 vessels every day to meet the
4 timetabled services that we have a commitment to provide.
5 We have a total of 31 vessels in the fleet. Is not quite
6 as simple as that because, as Mr Taylor has pointed out,
7 only some of those vessels actually can go to Manly. So
8 the numbers are not quite as simple but, for our purposes,
9 it is not too bad - 23 vessels. That requires an
10 availability then of about 73 per cent.
11
12 We have actually set ourselves a KPI of 80 per cent.
13 We are now achieving over 80 per cent availability every
14 day. I have been here for six weeks. On every day in that
15 six weeks, with a couple of exceptions, we have always had
16 two or three spare vessels over and above what is required
17 to provide the service.
18
19 Contrary to what Mr Baird is saying our patronage is
20 actually increasing quite dramatically in the Parramatta
21 River.
22
23 MR BAIRD: Parramatta is fine. It is Manly is the issue.
24
25 MR SMITH: I understand that, but the service is much
26 broader than Manly.
27
28 MR BAIRD: 43 per cent.
29
30 MR SMITH: Noted - that's my number. Sorry, I have lost
31 my train of thought. Essentially, the fact of the matter
32 is that certainly during peak hours in the morning we had
33 the problem of leaving people behind. There were too many
34 people to be able to get into the types of vessels we had.
35
36 There is another point that I would like to bring up,
37 if I could, with Mr Taylor, in terms of what is the future
38 fleet composition of Sydney Ferries? What should it look
39 like because it is not optimal at the moment? Having these
40 spare vessels has enabled us, within a couple of months, to
41 be able to roll a second boat in behind at a wharf where we
42 have left people behind and essentially minimise the impact
43 of overcrowding. All that has been made possible by the
44 improvement in our fleet availability, which partly comes
45 out of some of the overheads and costs that we were
46 referring to before.
47

1 Our vessel reliability, as defined, measures the
2 percentage of available vessels that remain in service
3 without withdrawal as a consequence of mechanical failure.
4 So the shipyard gives me or gives the operations guys a
5 certain number of vessels. How many of those vessels can
6 actually last the distance during the course of the day in
7 delivering the service? We have tracked it in 2005/2006 at
8 91 per cent; we are now at 93 per cent. That is heading in
9 the right direction. I will not go into why that is so. I
10 have that detail and I am happy to discuss it with anybody
11 because we are quite proud of some of these initiatives and
12 things that are going on.

13
14 In terms of other important issues, and I'll come to
15 one, very shortly, which is dear to Mr Barr, which is
16 cancellations --

17
18 MR BAIRD: Mr Baird - or Mr Barr as well.

19
20 MR SMITH: Well, it's Manly. With regard to the number of
21 significant incidents - we do not define these things; they
22 are defined for us - they are defined as incidents
23 resulting in loss of life of life, life-threatening injury
24 or injury to multiple persons and/or damage over \$100,000.
25 In 2004/2005, we had three and we had two in 2005/2006.
26 That has led to initiatives that are now going on in Sydney
27 Ferries, and I am pleased to report that, in the last three
28 months, we have had none and that will continue.

29
30 We have another KPI, which is the number of reportable
31 vessel incidents as defined under the Marine Safety Act
32 reportable to New South Wales Maritime, as they are
33 defined. We had 69 of those in 2005/2006. For the first
34 quarter of this financial year we are at only four. So
35 again there is a positive trend and movement in that
36 direction.

37
38 Passenger injuries: That is not different from what
39 is actually in the report you have there. Again, we have
40 sustained some passenger injuries, and that is defined as
41 injuries to passengers that occur as a result of ferry
42 operations and that require medical attention. For the
43 first quarter of this financial year, we are at 7. We are
44 tracking around about where we think we should be.
45 Obviously I would prefer that figure to be lower.

46
47 Reportable incidents of environmental damage as

1 defined under sections 10 and 20 of the Marine Pollution
2 Act: In 2005/2006 we had 12. In the first quarter of this
3 year, we have had one. Again the trend is in the right
4 direction. A lot of the investment in the Balmain shipyard
5 is in fact to address environmental issues so that those
6 things don't reoccur. Again that is in our costs, and that
7 is not a function of people. That is just a function of an
8 old facility in need of a lot of work.

9
10 A very important KPI is service requirement. This
11 gets to the heart of Mr Baird's question as to why we are
12 not talking about cancellations. We are certainly not
13 trying to hide it. I hope that is not what you are
14 suggesting there. Service reliability, as defined for us,
15 is the percentage of scheduled services that actually run;
16 that is are not cancelled. Those figures are in the IPART
17 submission. In 2005/2006, 98.9 per cent was what was
18 achieved. So far this quarter, we are at 99.5.

19
20 Just to put that into perspective - it is pretty
21 important - our actual KPI is 99.5, so we are on that at
22 the moment. What does that mean? That means one
23 cancellation every 200 scheduled services. It is a pretty
24 demanding goal we are setting ourselves. In this last
25 quarter we have achieved that.

26
27 Let us not forget, for example, in that 2005/2006
28 suite, we lost 130-odd services to fog. With all due
29 respect, I have no control over the weather and we don't
30 have a ferry operation on this harbour that is qualified to
31 operate in fog. We could do that, but our operating costs
32 would double with the training and equipment that would
33 have to go into the ferries.

34
35 There are other reasons why we have cancelled services
36 as well, namely vessel shortages or simply that demand
37 exceeded our capacity to be able to meet it, for whatever
38 reason. This is 2005/2006 now. We have had staffing
39 issues. People have not turned up at the right time and
40 you need a certain number of people under our safety
41 regulation regime to be able to run the service. Weather
42 is a factor and there are other operational issues.

43
44 On the inner harbour service, we have actually
45 exceeded our target. Again it becomes a function of the
46 vessel types that we are operating. We have flexibility in
47 the Parramatta River and in the inner harbour because we

1 can use a number of different types of vessel. With Manly
2 it is difficult because if we have a problem with the
3 Freshwater, there is not in my back pocket another
4 Freshwater spare, so there is a consequence to the service,
5 and similarly with the Jetcats. So we are tracking in the
6 right direction for our KPI in service reliability.
7
8 I should point out that these figures are all
9 qualitative. We keep records of all this stuff. It is not
10 like we are just plucking out these numbers. We actually
11 can produce data that supports all of this. I note the
12 chairman's question about why there are two perceptions on
13 all of this. I am very confident that what I am giving you
14 here is factual and is supported by data.
15
16 On-time running is defined as the percentage of
17 scheduled services that run on time, which is within five
18 minutes of the scheduled departure from Circular Quay. Our
19 target is 99.5 per cent; in other words, one service delay
20 for every 200 runs.
21
22 In 2005/2006, we were at 98.4 and for the last three
23 months we have been at 98.2 per cent. What does that mean?
24 That means about 3 to 3.2 per cent of every 200 services
25 delayed by five minutes or more. Okay, we didn't achieve
26 the KPI. That is not a bad record, nevertheless, and we
27 should not forget that this is a particularly high standard
28 that we are setting for ourselves here.
29
30 Customer complaints is an area of great concern to me.
31 The definition is: the number of customer comments that
32 express dissatisfaction with aspects of the service. In
33 2005/2006, there were some 1,200-odd. In this first
34 quarter, we have had 232. There are too many customer
35 complaints. There is no question about that.
36 Interestingly enough. The spread of complaints is around
37 the whole service, not just in one particular area. Almost
38 80 per cent of it is about customer information - that we
39 are not answering the customers when they ask, "Where is my
40 ferry? Is it on time? Is it late. Will it come at all?"
41
42 That gets back to the project that I briefed you on
43 before, Mr Chairman, on our capital expenditure. We have
44 this new system that we are looking at and hoping will go
45 out to tender next month which will provide on every wharf
46 that sort of real-time data and information that customers
47 will can get about their service. In fact. If they wish

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1 to, they can subscribe to an SMS, which will give them an
2 alert if a ferry will be late or if it will be cancelled.
3 We are acutely aware of this. It is a big issue and we
4 have to do something about it. Most of those complaints
5 are about customer information, but there are way too many.
6
7 I think I might stop there, Mr Chairman. There are
8 many other things I could mention. I guess our patronage
9 growth is very important. Obviously it goes to the heart
10 of what we are talking about here today. It has been
11 mentioned a couple of times that we are actually losing
12 patronage, and the numbers would indicate that. There are
13 reasons. In 2005/2006, the patronage reduction actually
14 was largely in Manly. Based upon the ticket types, I think
15 our historical data from the previous year and the year
16 before that show 81 per cent of the reduction out of Manly
17 actually related to leisure travellers; it was not
18 commuters. That information is based upon the ticket types
19 that were sold.
20
21 As to our patronage in other areas, the Parramatta
22 River is in fact increasing. Will we be complacent about
23 that? No, we will not. As we gain confidence in our
24 ability to produce a reliable service, a confidence I
25 personally have - yet to be fully demonstrated to
26 everyone's satisfaction, if that is actually possible - we
27 are looking to begin to promote the ferry service more
28 actively within the community here in an attempt to grow
29 the patronage.
30
31 We do have capability. Out of peak hours, for
32 example, the ferries are seldom fully utilised on the
33 services we run. In the evening, it is not uncommon to
34 find a First Fleet doing the inner harbour run here with
35 two or three people on board. The crew outnumber the
36 passengers. If you were a commercial operator, you would
37 not run that service, but that is what public transport has
38 to do and that is the sort of cost that we have to absorb.
39
40 We do want to grow our patronage figures and at the
41 moment we are fairly static; we have a way to go with that.
42 I think it goes to the heart of our reputation and people
43 having confidence that when they go to the wharf a ferry is
44 going to be there. That's what we have to do and we're
45 determined to do that. I think that's the major KPIs we
46 have there.
47

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1 The bottom line is that, no, we did not achieve them
2 in 2005/2006. Initiatives have been taken to do much
3 better and we are doing that now and delivering that now as
4 we speak and I have every confidence we will continue to do
5 so. I guess that's enough on service delivery.

6
7 THE CHAIRMAN: Thank you very much. Action for Public
8 Transport?

9
10 MR TAYLOR: I want to divide my comments and look at
11 service delivery in terms of quantitative and qualitative
12 measures of service delivery. Quantitatively speaking, the
13 ferries generally run on time and the reliability from the
14 passenger perspective has to be said overall to be very
15 good. They face a problem, obviously - and this has been
16 mentioned - that with the Manly services, when a vessel
17 breaks down they cannot charter a private ferry, but on the
18 inner-harbour services they can use spare vessels or
19 charter a private vessel to run the service. You generally
20 tend to get carried as per the advertised schedule, so
21 those quantitative measures, when you go down to Circular
22 Quay and you have a look at what's happening, are borne
23 out.

24
25 Qualitatively, Sydney Ferries has some way to go in
26 terms of customer service of creating a better interface
27 between their staff and the travelling public. Many people
28 come away from their experience with Sydney Ferries
29 thinking that the harbour is wonderful but the staff are
30 not. I think that's a big area that Sydney Ferries needs
31 to look at. In the context of making the organisation a
32 little more customer-focused, again buying tickets from the
33 automatic ticket machines, waterside at Circular Quay it's
34 a slow, frustrating process - maybe a human ticket seller
35 waterside in the morning peak. It would just reflect an
36 organisation that perhaps is really in tune with its
37 customers. The ticket seller would only have to be there
38 for an hour or two hours in the morning peak on the
39 waterside, but it would speed people through the barriers
40 at the Quay in the morning. Again, it's just that customer
41 focus that seems to be missing.

42
43 THE CHAIRMAN: Thank you.

44
45 MR BARR: KPIs notwithstanding, if you were to ask the
46 commuters of Manly at the moment, if you were to do a
47 satisfaction rating, it would not be very high. In

1 fairness to Sydney Ferries, we have the wharf being
2 refurbished and we have ferries coming in and having to
3 manoeuvre and slow down and, therefore, we have issues of
4 non-connection with buses. That's one of the issues. It's
5 a pain for the bus people too, that it's very hard to be
6 waiting for the ferries, what the heck are they doing, and
7 ferries coming at various times, and it's hard to schedule
8 buses.

9
10 There are issues with the culture, as I mentioned
11 before, just to reiterate what Graeme was saying, and
12 technology issues. I have said to Geoff and people before
13 him that when a ferry is cancelled, often there may be a
14 chalkboard type of sign or something and then people are
15 left to their own devices, and then the buses may or may
16 not be ready. Of course, it causes the Brookvale bus depot
17 people all sorts of problems in peak hour to try to get a
18 bus down there when they are stretched with all their
19 peak-hour buses anyway, so there are ongoing issues there.
20 One of the operators at Brookvale once said to me: we run
21 the most efficient ferry service. It was a comment he made
22 when there were all sorts of problems with the ferries a
23 year or two back. But things are not hunky-dory as far as
24 the commuters from Manly are concerned. They are looking
25 for much bigger improvements in the way the operations take
26 place and that's been the feeling for a while.

27
28 MR BAIRD: Taking it from there, I think together with
29 financial responsibility, the delivery of the service is
30 the most significant thing. I just reiterate the comments.
31 I'm not just representing my views; I'm representing,
32 having spent a number of days down at Manly wharf in the
33 past month and having dealt with the frustration and anger
34 of now just over 1,000 people that have signed this
35 petition - and people aren't just saying, oh, yeah,
36 whatever; people want to tell you their story. Their story
37 is that the service is not reliable. They feel ignored and
38 they are turning away in droves. The patronage numbers are
39 testament to that. I mean, 432,938 fewer people used the
40 Manly to Circular Quay route last year. That is a huge,
41 huge number. They haven't just had a whim and decided to
42 do it. There are key issues at stake in the service
43 proposition, and that needs to be understood.

44
45 I encourage you - if you came down with me to Manly
46 Wharf - in fact, it's an open invitation to come down one
47 morning and stand there and let's talk to the people of

1 Manly about their concerns, and that can be testament to
2 the other concerns. That would be really welcome. I did a
3 survey as well, in addition to this, and 71 per cent felt
4 that the Manly ferry service lacked dependability and
5 reliability; 64 felt the frequency could be improved;
6 87 per cent didn't believe that the Manly ferry service
7 offered appropriate value for money, which again comes back
8 to why we are here today; 91 per cent believed the JetCat
9 service reliability could be improved; and 87 per cent
10 believed the frequency could be improved. No-one believed
11 that the JetCat represented a value for money proposition.
12

13 The point is that these are real comments, so there is
14 a disconnect. There is a disconnect to your statistics and
15 what people are passionately feeling. I have literally had
16 two or three people in tears with the frustration. It is a
17 real, real issue that we are dealing with. So in terms of
18 trying to rely on the quantitative, they are the facts as
19 we stand.
20

21 The other question I have on reliability is: are we
22 going to see the cancellation statistics? You say you're
23 not going to hide them, but are we going to see them?
24

25 THE CHAIRMAN: Just for clarification for me on that last
26 point, I have been interpreting that row on this table 9,
27 percentage of scheduled services that run, as the
28 difference between that and a hundred per cent is
29 cancellations. Is that wrong?
30

31 MR BAIRD: I think that's wrong, but we can ask Sydney
32 Ferries. My assumption is that the percentage of services
33 that run on time, I'm assuming that excludes cancelled
34 services. That would be my assumption.
35

36 MR SMITH: That's correct.
37

38 THE CHAIRMAN: I am looking at the one down the bottom.
39

40 MR SMITH: Percentage of scheduled services that actually
41 run.
42

43 THE CHAIRMAN: It's 99.3, 99.1, 98.9, 99.5 --
44

45 MR BAIRD: Is that excluding cancellations?
46

47 MR SMITH: No. As I defined it when I went through those,

1 that's under the heading of service reliability, the
2 percentage of scheduled services that actually run, that
3 are not cancelled.
4

5 THE CHAIRMAN: And the ones that are cancelled are the
6 difference between that and a hundred per cent.
7

8 MR BAIRD: So are we going to get the breakdown of those
9 for this year and the past year? Have the cancellation
10 numbers increased above last year's? They were 2040-odd
11 last year. Have they increased in the last 12 months?
12

13 MR SMITH: I haven't tabled those to IPART, that's true.
14 We have those statistics here. Give me the question again.
15

16 MR BAIRD: Forget the percentages.
17

18 THE CHAIRMAN: According to my interpretation of this
19 table, in 2004/2005 it was 98.9; in 2005/2006 it was 98.8.
20 In other words, it's gone up by point 1 --
21

22 MR BAIRD: Gone down by point 1.
23

24 THE CHAIRMAN: Well cancellations have gone up by point
25 1per cent.
26

27 MR BAIRD: Yes, got you, yes, correct. This is the point
28 where it becomes quite specific to the Manly region. I
29 mean, if every other service worked and all the
30 cancellations happened in Manly, which would link in then
31 to why patronage is falling --
32

33 THE CHAIRMAN: So you would like to see it broken up by
34 route, is that correct?
35

36 MR BAIRD: Correct. I mean, I would like to see the
37 actual --
38

39 MS HUGHES: The absolute value rather than the percentage.
40

41 MR BAIRD: Correct, because it's hard to see inside the
42 percentages.
43

44 THE CHAIRMAN: And also by route as well as absolute.
45

46 MR BAIRD: Correct. The other point is in terms of
47 actually calculating all these statistics, is that done

1 manually or, for instance, is GPRS used? Is this just a
2 manual collation of statistics?
3
4 MR SMITH: The runs are done by our operations centre
5 where they are in communication with all the masters. The
6 masters are obligated to report, for example, if they fall
7 more than five minutes behind schedule, and that's the
8 point that triggers that we are delayed.
9
10 MR BAIRD: But it is manual.
11
12 MR SMITH: It is manual. In fact, what the new system
13 will do for us, if we are able to get that in place, is
14 that it will in fact automate all of that because each
15 vessel will be electronically linked through GPS into this
16 system. We will know where every vessel on the harbour is
17 and we will be able to tell exactly where they are relative
18 to their own timetable.
19
20 MR BAIRD: In terms of the customer satisfaction index, is
21 that administered internally?
22
23 MR SMITH: No, it was done externally.
24
25 MS HUGHES: We actually engaged an independent consultant
26 to conduct that review and we intend to probably do that on
27 an annual basis so we can get a measure over a period of
28 time to see how we are tracking.
29
30 MR BAIRD: It would be interesting to benchmark it against
31 other transport routes and other countries globally as to
32 what has been thought and done in terms of customer
33 satisfaction.
34
35 MS HUGHES: The organisation we engaged to undertake
36 that survey was actually the same organisation that did a
37 similar study some years ago for buses, when ferries was
38 part of the buses, so we got standardised questions and
39 worked out what the appropriate parameters were.
40
41 MR BAIRD: To finish this off, we can get the cancellation
42 statistics for last year for the Manly to Circular Quay
43 route.
44
45 MR SMITH: I'll provide those to you.
46
47 MR BAIRD: Thank you.

1
2 THE CHAIRMAN: At this point I am going to open it up to
3 people in the back of the room, if they have any questions.
4
5 MR TREVASKIS: Thank you, Mr Chairman. My name is Paul
6 Trevaskis, Blue Mountains Commuters. One of our members
7 recently complained about lack of information at McMahons
8 Point and I'm pleased to hear that you're going to do
9 something about it because he said RailCorp was well ahead
10 of Sydney Ferries as far as information was concerned.
11 Another positive, with a friend I left Manly Wharf at
12 6.30 - this was 18 months ago - and we hit Penrith station
13 at 8pm. We had to run from the ferry to catch the train,
14 but an hour and a half - that's pretty good.
15
16 The other point is I'd like Sydney Ferries to look at
17 family tickets because families to go to Manly and have
18 been going for years. I think that's one of the
19 opportunities to increase the patronage on the Manly run.
20 Also, the Watsons Bay ferry I experienced with another
21 friend twice when there wasn't enough capacity on the
22 weekends, so there is an opportunity on the weekends and
23 public holidays to watch what is happening because Watsons
24 Bay is becoming another Manly destination.
25
26 I am also interested that our friend from Action for
27 Public Transport brought up the issues of customer focus by
28 the wharf hands and on the ferries. Why you have to wait
29 at the Quay for some 10 minutes until someone goes along
30 and picks up a few bits of what's left, I think we should
31 be able to get on there after the people have decamped off
32 the ferry, open the gate and let us on so that we sit
33 there.
34
35 The last thing: I was involved in Telecom Australia
36 with Australian Standards specification 9001. I often
37 wonder, in the Ferries review the standard was quoted and
38 under the Telecom situation we had approval, provisional,
39 or you withdrew it. If the standard fell below a certain
40 level, you withdrew that approval to make sure that the
41 structure and the quality, procedures and practices were
42 put in place, so you didn't get to the stage where Sydney
43 Ferries got in the last couple of years, and I put that
44 down to lack of practices and procedures that were not
45 kept. I'll leave it at that.
46
47 MR SMITH: Mr Chairman, may I just respond to that? Thank

1 you for that information. I would just like to share with
2 everybody that in fact Sydney Ferries is ISA9001
3 accredited. We were audited last week and we have
4 maintained our accreditation with no significant
5 non-compliances.

6
7 MR TREVASKIS: Thank you.

8
9 THE CHAIRMAN: Are there any other questions or comments?

10 In that case, I will call this part of the afternoon's
11 proceedings to a close. We'll start again after a coffee
12 break in a quarter of an hour with the private ferries. I
13 thank you for your participation. This has been a fairly
14 robust session. Let us say, I think I can speak for
15 everyone in the room, Geoff, that we do take note of your
16 intentions to improve the service and achieve greater cost
17 efficiencies and so on. I think you have probably got the
18 message that there's a real concern about the cost
19 efficiency. We wish you luck with that. I guess we can
20 look forward to progress when we meet again this time next
21 year because it's likely to be more robust if there's not.

22
23 MR BARR: Do we have to meet again this time next year?

24
25 THE CHAIRMAN: Yes. We are in an annual review. Until we
26 are more confident that they will deliver something that
27 will be consistent, we will continue yearly reviews.

28
29 MR SMITH: I will be here, Mr Chairman; I am not going
30 anywhere - to answer that question.

31
32 SHORT ADJOURNMENT

33
34 THE CHAIRMAN: Welcome to the Commercial Vessel
35 Association and Captain Cook Ferries.

36
37 This second session focusses on your proposal on
38 behalf of the private ferry operators. We are going to
39 divide the session into two parts, one on the actual fare
40 proposal, and the second part on the cost index, including
41 potential productivity gains and changes in payments to
42 operators from the Ministry of Transport. While the
43 outside audience is getting smaller, they will have an
44 opportunity to comment after we have had our interchange,
45 including, of course, public transport people too as
46 interlocutors.

47

1 In summary on the fare proposal, the Commercial Vessel
2 Association submitted an average increase in fares of 7.11
3 per cent. Sydney Ferries have now gone, but it's quite a
4 bit in excess of Sydney Ferries. David, you will remember
5 how they were treated.

6
7 The preferred option of the Commercial Vessel
8 Association in fact would see the fares for the high fuel
9 consuming services, Matilda and Palm Beach ferries,
10 increased by 9.24 per cent and all other ferries by 5.15
11 per cent, so you have a proposal which differentiates
12 between the high fuel ferries and the other ferries and
13 we'll have to think about that. You have argued that that
14 would be more cost reflective in terms of fuel costs and
15 that's fairly obviously true.

16
17 I guess the question with fuel costs is, if you start
18 targetting costs reflecting down to the micro level and you
19 introduce more instability potentially into the thing, how
20 right you are going to be, because monitoring fuel costs,
21 they can change fairly quickly in the course of a year, as
22 we have discovered. We will invite discussion on the
23 appropriateness of the proposed fare increases. I guess
24 there is a particular interest in whether the fare increase
25 should be differentiated between the high-speed ferry
26 services and all other ferry operators, particularly your
27 views on that, Mr Taylor, but we'll start with the people
28 who proposed the price differences.

29
30 MR CRIBB: Thank you very much. I would just like to
31 point out Anthony's role in this. My role is chief
32 executive of the Commercial Vessel Association. I am a
33 salaried officer, in other words. Anthony is here for two
34 reasons, one that he represents one of the ferry operators,
35 Matildas, and the other reason he is here is because he is
36 president of the Commercial Vessel Association, so he's
37 here in a Commercial Vessel Association capacity as well.

38
39 In relation to the Matilda and Palm Beach operations
40 being considered in a different way to the rest of the
41 group, the facts are that to operate a high-speed ferry,
42 which is one that operates above 20 kilometres an hour
43 compared to one that operates at about 10, the fact is that
44 the fuel consumed by a faster operation goes up with the
45 square of the speed, so it's not even just double the fuel;
46 it's four times. That's why in the operating costs of the
47 two operators who are the high-speed operators fuel is in

1 excess of 20 per cent of their costs and fuel for the
2 others is less than 10 per cent of their costs - about 8.
3 We think that this is a sufficiently significant difference
4 both because that's the case and because of the significant
5 rise in costs in fuel in the last year, that they be
6 considered differently. Is that enough? What do you want
7 me to say?

8
9 THE CHAIRMAN: Well we'll see what others think of it.

10
11 MR TAYLOR: Action for Public Transport is not keen for
12 differential pricing between slower and faster ferries. We
13 understand that the ministry is now providing private ferry
14 operators with a diesel fuel subsidy and we believe that
15 this would go some way to addressing these issues. But in
16 the longer term most of the private operators, as they
17 replace their fleet, would move to faster vessels. That's
18 the trend; that's what people buy these days.

19
20 MR CRIBB: Can I respond to that, Mr Chairman?

21
22 THE CHAIRMAN: Yes.

23
24 MR CRIBB: I have no knowledge of any fuel subsidy by the
25 Ministry of Transport for our members. It is proposed,
26 although we haven't seen the paperwork yet, that the
27 ministry make quarterly payments during the year, rather
28 than waiting for your increase at the end of the year, on
29 the basis of fuel prices only, but that's only for a
30 proportion of the passengers, only for the concession
31 passengers, so an organisation like Matilda with a very low
32 number of concession passengers will receive very little,
33 and that's in fact not a subsidy but just a reimbursement
34 for a cost that's already been incurred.

35
36 What was the other point, Graeme? I didn't write it
37 down.

38
39 MR TAYLOR: That over time most operators will move to
40 high-speed boats anyway.

41
42 MR CRIBB: I think that's probably not right. There are
43 some routes which are not suited to high-speed boats, for
44 example, the Dangar Island ferry service where the run is
45 less than a kilometre and the Scotland Island run which is
46 not any longer and where there are a large number of stops
47 around Scotland Island, not suited to a high-speed ferry

1 service. Whilst the longer runs, such as those operated by
2 Palm Beach - and that's why they have faster ferries - and
3 those operated on Sydney Harbour by Matilda which are also
4 longer runs, they certainly are suited to high-speed
5 ferries.

6
7 MR TAYLOR: With the high-speed vessels you have much more
8 productivity out of the vessel in that you can do perhaps
9 double the number of trips, you can add extra stops to top
10 up the patronage - there are so many ways you can use to
11 attract patronage. They are popular with the public. They
12 are a selling point with passengers. The high-speed
13 services seem to attract the highest levels of patronage.

14
15 MR CRIBB: I have not done any research on that, but if
16 you say so, I guess I have to believe you. In terms of
17 topping up the patronage, in general, if you take the Palm
18 Beach service, for example, it goes from Palm Beach around
19 Pittwater and back to Palm Beach again, picks up people who
20 are going to the shops or going to work, or wherever they
21 are going, and then takes them back again after they have
22 done their shopping or come home from work. There's a
23 finite number of people who travel every day. It's
24 difficult to believe that, if the frequency of the service
25 was increased, the total number of passengers in a day
26 would increase. It might just be that some of the ones who
27 caught the 10 o'clock might now catch one at 10.30 instead
28 of waiting for the 11 o'clock service. I think it's most
29 unlikely that the patronage numbers will increase.

30
31 MR TAYLOR: They have substantial potential to expand
32 patronage across to Ettalong and, if they could run the
33 ferry more quickly around Pittwater, then it could be used
34 perhaps to run an extra service to Ettalong.

35
36 MR CRIBB: They already do run high-speed services so they
37 can't get any more utilisation from their existing fleet of
38 three vessels. They used to have four, but because of the
39 significant downturn in profitability that they have
40 experienced this year, the parent company in Queensland
41 withdrew one of the four vehicles, so they now don't have a
42 spare, because they thought they could make more money
43 using it in Hervey Bay in Queensland. So the services that
44 they are operating now, they do utilise the fleet fully
45 and, as you know, they are already running to Ettalong and
46 have been for a while.

1 MR TAYLOR: But that's where the potential for growth is,
2 in that service.
3
4 MR CRIBB: Why is that the case?
5
6 MR TAYLOR: Because of the growth in population on the
7 Central Coast.
8
9 MR CRIBB: But not everybody is close to the ferry wharf.
10 Going by ferry from Ettalong to the city is not really a
11 proposition. People who use the Ettalong service to come
12 to Palm Beach do so to come to the northern beaches area.
13 They like to shop, for example, no further south than
14 Warringah Mall at Brookvale, and many of them shop in the
15 boutique shopping centre of Avalon. That service is not a
16 commuter service to the city. Anybody who lived in Woy Woy
17 or Umina or other areas on the southern part of the Central
18 Coast would find it much quicker to get the bus to Woy Woy
19 and catch the train.
20
21 MR TAYLOR: But it does service a market for people who
22 actually work on the Warringah peninsula and it's got a
23 wide appeal for tourists.
24
25 MR CRIBB: And they are the people who have patronised the
26 service since it began a couple of years ago, but the
27 numbers are not increasing now, more recently.
28
29 THE CHAIRMAN: I don't feel we will be able to take that
30 line of questioning much further. None of us here is
31 actually responsible for running this company.
32
33 If we bought the proposition of a different rate of
34 increase, which essentially is based on different ratings
35 for fuel, and you accept that in 50 years time fuel prices
36 hadn't increased on average, and you get various opinions
37 about all of that - that's at least a possibility - that
38 would mean that the high-speed services have a lower rate
39 of price increase in a year's time than the other services.
40
41 MR CRIBB: Of course. What we would hope that the
42 tribunal would do is rigorously apply to the cost items
43 each year - so we'll get back to the index in a minute -
44 rigorously apply the price increases to the cost items each
45 year, and if that meant that some groups were better off
46 than they had been in the past, that would be reflected in
47 what you would recommend, presumably. It also means that

1 this year, in effect, the other ferries, the non-high
2 speeds, will get a lower price increase than they could
3 have if we just had the single price increase for all
4 ferries.
5
6 MR CRIBB: That is true. I mean all the 7 operators are
7 familiar with our submissions, and we have had meetings and
8 discussions about what we are going to do. Nevertheless,
9 whilst it is true that instead of getting a 7 per cent
10 increase, which would be the increase across the board,
11 they would only get about 5 per cent if you went down this
12 path, that is a sufficient increase to cover their costs.
13 That is how the way it works out.
14
15 THE CHAIRMAN: I just want to be reassured that they
16 accept that.
17
18 MR HAWORTH: They do.
19
20 MR CRIBB: No, that's fine. If I may say one other thing,
21 Mr Chairman, unlike Sydney Ferries, who only recover 50 per
22 cent of their operating costs from the farebox, these
23 people recover more than 100 per cent from the farebox
24 because they have to recover all their costs to make a
25 profit.
26
27 It will be the case that if Matilda and Palm Beach do
28 not get this kind of arrangement this year, they will not
29 be recovering all their costs and will be starting to make
30 a loss. Really, they are only hanging in there to see what
31 happens, first, as a result of this round of fare
32 increases; and, secondly, to see what happens out of the
33 discussions that we have been promised next year with the
34 MoT to change the contractual arrangements.
35
36 MR TAYLOR: David, would you acknowledge that, generally
37 speaking, the private ferry industry has not travelled well
38 over the last 12 months?
39
40 MR CRIBB: That's right. Absolutely.
41
42 MR TAYLOR: I think that raises wider issues than just
43 price.
44
45 MR CRIBB: Yes, we would agree with that.
46
47 MR COX: I guess it would be helpful to us, David, if you

1 could just expand on your remarks a bit about how the
2 industry has travelled and why it has to travel as it does.
3 I think it is an important point for us to get some
4 understanding on.

5
6 MR CRIBB: First of all, passenger numbers are generally
7 not growing. It is true that they are growing on the
8 Clarence River service from Yamba to Iluka. That is
9 because generally there has been a significant population
10 increase on the northern coast of New South Wales. Their
11 passenger numbers are growing about 5 per cent a year.

12
13 If we go to the southernmost operation, the
14 Cronulla-Bundeena service has lost patronage this year
15 compared with last year. The Palm Beach and Matilda
16 services are not carrying any more passengers and neither
17 is anyone else. So there is no joy in increased revenue
18 from increased passenger numbers. That is the first point.

19
20 The second point is that everybody was hurt last year
21 or the year that is just finishing by the fuel increase.
22 Even if it is only 10 per cent of your operating costs as
23 opposed to 20, fuel is still a significant cost item and
24 if it goes up by 25 per cent, that makes a lot of
25 difference.

26
27 For the first time, since I've been around anyway
28 since 1998, wages have gone up faster than has normally
29 been experienced by the award. Wages are 50 per cent of
30 operating costs. They have gone up variously across the
31 companies. It was 12 per cent for Palm Beach, who had to
32 negotiate a new enterprise agreement. That 12 per cent is
33 a lot in one go, but it will stay level for three years, or
34 whatever the number is. Particularly, there are wage
35 pressures from Sydney Ferries who are charging somewhere
36 around what Grant Thornton said - we think it is higher, as
37 you have seen. They are charging up to double, paying
38 their staff up to double what the private sector has been
39 paying in terms of the award.

40
41 There is a scarcity of staff. As people around the
42 maritime industry in Australia would know, there is a
43 scarcity of masters and engineers, although private ferries
44 don't use engineers that much. So there has been an
45 increase in that 50 per cent of the cost item to try and
46 attract staff against a predator who is paying twice as
47 much. Secondly, there has been a large increase in fuel

1 prices. As against that, as I say, there has been no
2 increase in patronage generally.

3
4 THE CHAIRMAN: Are you concerned, though, if we increased
5 prices by an average of 7 per cent - even more under your
6 proposition - about what that will do to patronage?

7
8 MR CRIBB: I think it is a question in terms of viability.
9 It is a question of: if they don't have the opportunity to
10 try and earn some more revenue as a consequence of putting
11 the price up, they will definitely be in difficulty. If
12 the patronage goes down as well and their gross revenue in
13 fact does not go up significantly, then they will also be
14 in trouble. That is something that we want to address with
15 the Ministry of Transport and may well want to give it
16 away.

17
18 THE CHAIRMAN: I suppose the other answer is that there is
19 no need to maximum price and you would rather have the
20 flexibility to work out the price.

21
22 MR HAWORTH: I think that is really the key to it.

23
24 THE CHAIRMAN: Are there any other comments or questions?
25 We will go to the second part, and that is the cost index
26 which you submitted. We will invite discussion on the cost
27 index. Then there is Commercial Vessel Association
28 submission on productivity. In particular we have raised
29 the following question. Have there been productivity
30 improvements in the private industry and, to be fairly
31 provocative, if not why not?

32
33 Let me say that generally we know from Australian
34 Bureau of Statistics numbers that productivity in the
35 transport industry actually is rising quite strongly. We
36 don't have separate figures for passenger vessels, but the
37 industry as a whole is rising quite strongly. Against that
38 background, there is an expectation, if you like, that you
39 would get productivity increases.

40
41 The other issue is a slightly technical one, which is:
42 should the Tribunal adopt a fixed wage index based on a
43 five-year average? In statistics generally you use fixed
44 weights, which are then changed over every five or seven
45 years; whereas the approach we are being invited to adopt
46 are changes to the weights. We have a set of weights which
47 are changed every years, and that mixes up change in

1 quantity as well as changes of price in the weights;
2 whereas, if you had fixed weights, you would have a pure
3 cost movement. That is what ideally we should be
4 reflecting, I guess. Again, we are interested in comments
5 on these and we will start with you again, David.
6
7 MR CRIBB: Which one would you like me to do first?
8
9 THE CHAIRMAN: I don't mind.
10
11 MR CRIBB: If we can take the cost index first, I would
12 like to say a couple of things about that. Whilst it
13 appears that the index is certain, the weightings are
14 varying from year to year. There might be reasons why this
15 is the case. For example, this year, labour has risen
16 above 50 per cent in the index for the first time. This is
17 because of the wage pressures we were just talking about.
18 Fuel is up this year too, as we all know, and that has been
19 experienced by all of us. Insurance rose steeply in 2003,
20 which is when all insurance costs rose throughout Australia
21 for all industries, and it has since fallen back a bit.
22
23 Overall this year, the relatively large rises in
24 labour and fuel have depressed the weightings of the other
25 items in the index. In relation to a five-year average, we
26 have a bit of a problem with this. If a five-year average
27 was adopted --
28
29 THE CHAIRMAN: No, just to clarify it, we are proposing
30 fixed weights.
31
32 MR CRIBB: Based on the average of the five years?
33
34 THE CHAIRMAN: Well, it would be the weights at the
35 beginning of the five-year period. We would hold the
36 weights constant. I mean, labour prices might rise faster
37 than insurance prices, but the weight would keep going up
38 year after year for labour --
39
40 MR CRIBB: Yes, I understand. So that would be for five
41 years.
42
43 THE CHAIRMAN: Yes.
44
45 MR CRIBB: So starting maybe this year, say. So what we
46 could say about that is that if there was a big rise in a
47 significant item in the index, the fact that the weighting

1 was fixed to five years would mean that that item couldn't
2 grow.
3
4 THE CHAIRMAN: No, it would grow; it's just that the
5 weight wouldn't grow.
6
7 MR CRIBB: Exactly, exactly. So if fuel was at 20 per
8 cent in the index and fuel prices doubled, to use a
9 somewhat silly example, but supposing it did, one would
10 expect, if there wasn't a five-year fixed term, that the
11 basis for doing next year's increase would be based on fuel
12 being a higher proportion of the index.
13
14 THE CHAIRMAN: Yes.
15
16 MR CRIBB: If that is not the case and fuel continues to
17 rise in the following year, then the operator is not being
18 rewarded for the total spend on his fuel. He is only being
19 awarded the percentage price rise. Also if there was a
20 diminution in some significant number in the index, he
21 would be overcompensated for it because it should in fact
22 be a smaller proportion of the index.
23
24 THE CHAIRMAN: Let us put it this way: we will think
25 about it, but I will just warn you that all other price
26 indexing, and so on, is done with fix weight.
27
28 MR CRIBB: If I can respectfully say so, Mr Chairman, the
29 first notice we got of this proposal was in the discussion
30 paper that came out with this meeting. We are strongly
31 opposed to it and we don't think that because it's
32 "common" for people to have fixed term indices that that
33 makes it right.
34
35 THE CHAIRMAN: Well, it must be that the whole statistics
36 profession around the world is wrong.
37
38 MR HAWORTH: Absolutely.
39
40 MR CRIBB: We think so. With respect, we would --
41
42 THE CHAIRMAN: I don't know of any statistical service in
43 the world that changes them annually. You can debate about
44 whether you change them at five years to seven, but --
45
46 MR CRIBB: Do you understand the examples that I gave?
47

1 THE CHAIRMAN: I understand the examples you gave. The
2 problem is that when you change the weights annually, you
3 mix up both. You are no longer measuring the pure price
4 change; you are measuring a mixture of changing volume and
5 price.
6
7 MR CRIBB: Yes, I understand that.
8
9 THE CHAIRMAN: Normally when you are indexing for prices,
10 you are trying to capture the pure price change, that's
11 all, not the change in consumption.
12
13 MR COX: You could leave some principal fixed weights at,
14 say, two years or three years.
15
16 THE CHAIRMAN: We could fix it for a shorter period than
17 five, but that would again be unusual.
18
19 MR COX: Yes, but it could be done. It could be done.
20
21 MR CRIBB: What about a moving one where you dropped the
22 first year off every three years, say, and added on another
23 one?
24
25 THE CHAIRMAN: Yes, we could do that.
26
27 MR CRIBB: We don't agree with that
28
29 MR COX: I didn't think you would.
30
31 MR CRIBB: But it would be better than the other one.
32
33 MR TAYLOR: We would like to see a really accurate measure
34 of what is happening for this industry in terms of costs so
35 that we know where the industry is at and can get a clearer
36 picture of what is happening.
37
38 THE CHAIRMAN: The difference between us is are we
39 trying to measure what's happening to the prices or what's
40 happening to the costs? That is a philosophical difference
41 as to whether, in the end, you should be indexing by what
42 happened to prices or - if I take labour, for example, you
43 can index by how much the price of labour has gone up in
44 terms of the wage rate increase or you can index by unit
45 labour costs, and the difference between the two is the
46 greater rate of productivity, which is another way of
47 saying that you are using less labour per unit of output.

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1 In that particular case, we would argue that you would
2 index by unit labour costs.
3
4 MR TAYLOR: An interesting industry scenario for transport
5 is: just say there was to be a significant increase in
6 demand for transport services and, as a result, existing
7 capital items, the fleet of ferries, were used for longer
8 hours, you would have an increase in the costs of labour
9 and fuel. You could model the scenario where, if fuel was
10 very expensive, an increase in patronage and an increase in
11 the service being offered could actually end up with you
12 being behind the eight ball because you would have to pay
13 so much more for fuel. There is a bit of a swings and
14 roundabouts effect with some of these cost items.
15
16 THE CHAIRMAN: So you are basically supporting that we
17 should be indexing for costs rather than for price?
18
19 MR TAYLOR: Yes. I think there are swings and
20 roundabouts. If there were to be a sudden increase in
21 patronage, just say there was a huge residential
22 development at Ettalong and Palm Beach Ferries had to run
23 more services, there would actually be some really
24 significant additional costs and they actually might be a
25 little bit worse off.
26
27 THE CHAIRMAN: It is worth remembering, Graeme, that we
28 are not trying to measure their total costs; we are trying
29 to get the weightings. These are weightings.
30
31 MR TAYLOR: Yes, but what I am trying to suggest is that
32 as these --
33
34 THE CHAIRMAN: Obviously as output goes up, costs go up.
35 We are not stopping that at all.
36
37 MR TAYLOR: As output goes up, yes. As these industries
38 grow, they actually may go through phases where the
39 economics of it deteriorate at certain points as they grow.
40
41 THE CHAIRMAN; All we are looking at is the very simple
42 proposition where the weighting should change
43
44 MR COX: And we are not looking at their costs and how
45 their costs should change through --
46
47 MR TAYLOR: It is just that there is that variability.

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1
2 MR COX: There are different movements in input costs and
3 that is our problem.
4
5 MR TAYLOR: If they run longer hours, they will use more
6 full, and that would be the reason to change the weighting
7 if their hours of operation change. If the Ministry of
8 Transport said they had to operate services from 5am in the
9 morning till 11pm at night, then they would use a lot more
10 fuel and the weighting would have to change.
11
12 THE CHAIRMAN: Why don't we move on to the next one.
13
14 MR CRIBB: We have written you reams and reams of stuff on
15 this productivity thing, Mr Chairman.
16
17 THE CHAIRMAN: Why don't you just summarise it.
18
19 MR CRIBB: On the output side in terms of the number of
20 passengers carried, I have already explained to you that
21 there is only one operator - the one who operates on the
22 Clarence River - who is experiencing growing numbers of
23 passengers, so it would appear that there is no increase on
24 the output side.
25
26 On the input side, the most significant item is
27 labour. Across the seven operators, there are 57.5
28 full-time equivalent employees, of whom 48 are marine
29 crew - skippers and deckhands. Their numbers and
30 qualifications are determined by the New South Wales
31 Maritime Authority and their pay is determined in the
32 marketplace, as we have already noted. We think it is
33 impossible to get a reduction in labour from the marine
34 crew.
35
36 The other 10 or 9.5 people are administration and
37 maintenance staff spread over the seven operators, which
38 makes about 1.5 persons per operator. We think it is
39 unlikely that any of the operators could get a reduction of
40 any note in their 1.5. In terms of labour, we think it
41 will be extremely difficult to get savings. In terms of
42 output, we think it will be extremely difficult to get a
43 significant increase in output.
44
45 THE CHAIRMAN: Thank you for that. Just to understand a
46 little bit better, productivity increases do occur
47 elsewhere, and technological change and so on drives so

1 much of it. Is the critical point with you that your
2 operators are each fairly small and, therefore, it is hard
3 to sort of cut a person in half?
4
5 MR CRIBB: That's right.
6
7 THE CHAIRMAN: That is the critical point?
8
9 MR CRIBB: That's right. I did make the point in one of
10 our submissions - I think it was the second one - that
11 when the new electronic ticketing system comes in, it will
12 save a lot of administration in terms of accounting for
13 fares and all that kind of stuff. There will still be
14 payroll to be done and all these other things, but it may
15 be that some of the operators will be able to make some
16 savings base upon the efficiency gains that might result
17 from the electronic ticketing arrangement. However, that
18 will not be for a couple of years for our industry and we
19 have to see how it goes anyway.
20
21 THE CHAIRMAN: Are there other comments on this issue?
22
23 MR TAYLOR: I believe there is some scope for productivity
24 improvements in the technology that the operators are using
25 for their vessels changes constantly and in terms of just
26 sheer service development - calling at more wharves,
27 finding new markets.
28
29 THE CHAIRMAN: Yes, I think David's reply to that would
30 be that it ought to be seen in passenger numbers in the end,
31 and we have heard him on that.
32
33 MR MILES: If the Ministry of Transport took over all the
34 ferries the same way they took over all the buses, you
35 would not have to cut anybody in half.
36
37 MR CRIBB: That's right and that may well have to happen.
38 If our people are not viable, they will not operate the
39 service and somebody else will have to.
40
41 THE CHAIRMAN: Even the Ministry of Transport may find
42 it difficult to take half a person off on a particular route,
43 and the routes are a fare way apart.
44
45 MR CRIBB: That is absolutely right.
46
47 MR MILES: We are talking about admin staff as well.

1
2 THE CHAIRMAN: There you could possibly do that.
3
4 MR CRIBB: There is another possibility, too, in that one
5 operator may take over another adjacent operator. For
6 example, there are three operators in the
7 Pittwater/Hawkesbury River area. The largest one, Palm
8 Beach Ferries, is operated by Riverside Marine, based in
9 Brisbane. If they saw fit to take over the Scotland Island
10 service, say, which is currently for sale, and/or the
11 Dangar Island service, which is also for sale, then they
12 would presumably make some administrative savings. But
13 with the current industry structure, it is very difficult,
14 for the reasons that were alluded to a few minutes ago, to
15 chop an arm or a leg off here or there.
16
17 THE CHAIRMAN: There are devices like part-time work.
18
19 MR CRIBB: Of course, absolutely. Even a lot of the
20 marine staff now are part-time because they do not operate
21 as many services during the day as they do in the evenings,
22 so they operate with casuals.
23
24 Mr Chairman, may I say a couple of other things before
25 we finish?
26
27 THE CHAIRMAN: Yes.
28
29 MR CRIBB: One is in relation to the index, where it is
30 just possible you and I aren't on the same tram at the
31 moment, from what you have said. We would like the
32 opportunity to make a further submission which we will do
33 quite quickly to Alex.
34
35 THE CHAIRMAN: You have to do it quickly.
36
37 MR CRIBB: I know. I talked to Alex about this yesterday
38 and said, "If something comes out of this today, can I come
39 and see you next week?" He seemed to be happy with that.
40
41 I would also like to make a couple of comments on
42 references Geoff Smith made to Sydney Ferries compared with
43 private ferry operators. I wrote down a couple of things.
44 Geoff was being questioned at one point about the Grant
45 Thornton study which showed that Sydney Ferries pay a lot
46 more than our people do. One of the things he said in
47 response was that they have to operate their ferry services

1 over longer hours and there are reasons why their wage cost
2 structure is different from and more expensive than that of
3 private ferries.
4

5 I would like to say that all the private ferry
6 operators operate their services every day of the year.
7 They all have timetable obligations to meet from early in
8 the morning to late in the evening. It is probably true
9 they do not run as late as Sydney Ferries does but they
10 probably do at least a 12-hour day if not a 14-hour or
11 15-hour day. So I would respectfully suggest that that is
12 not one of the reasons why their wage rates are
13 significantly higher than ours. We probably all know the
14 reason, but that is not one of them.
15

16 The other thing Geoff Smith said was that there were
17 times of the day when they were operating a service which
18 may have fewer passengers on it than crew. He said that a
19 private operator would not have to run that service. That
20 is not right either because the private sector operator
21 would have to run that service. The private sector
22 operator has the same obligations to meet his timetable as
23 does Sydney Ferries, even if the timetable is different.
24

25 THE CHAIRMAN: How I interpreted his remarks is that a
26 private operator would change his timetable so that there
27 was no longer a service.
28

29 MR CRIBB: If it was a regular occurrence, he probably
30 would. But Sydney Ferries is also changing its timetable -
31 they have given us notice on that - for the same kinds of
32 reasons.
33

34 THE CHAIRMAN: I understood Mr Smith's remarks were that
35 Sydney Ferries was, for want of a better phrase, pushed by
36 government to keep a service open, and you would not do it
37 as a commercial operator.
38

39 MR HAWORTH: That is true.
40

41 MR CRIBB: That is probably right, yes. That is me
42 finished.
43

44 THE CHAIRMAN: Thank you very much.
45

46 MS KRIEGER: Can I just ask a quick question related to
47 that. To what extent do private operators have discretion

1 over scheduling? Are there a minimum number of services
2 per day dictated by the ministry and do you have a
3 discretion within that minimum number or are all the
4 details dictated by the ministry?

5
6 MR CRIBB: Sibylle, my understanding is that private ferry
7 operators submit a proposed timetable to the ministry. The
8 ministry either approves it as is or some changes are
9 negotiated. If the private operator wishes, over time, to
10 change it, once again, they have to apply to the ministry
11 to change it, and the changes take some time.

12
13 For example, Central Coast Ferries, which presently
14 operates one service now east from Woy Woy to a number of
15 places on the southern part of Broken Bay, wants to operate
16 an additional service to Ettalong from Woy Woy to meet the
17 Palm Beach/Ettalong service to provide yet another
18 opportunity for a kind of seamless transfer from the
19 Brisbane Water area to the Northern Beaches.

20
21 I don't want Andrew to thump me from behind here, but
22 it has taken the Ministry of Transport months to approve
23 that service, and I do not think they had approved it by
24 the proposed starting date, which was October 1. Whilst it
25 is the prerogative of private operators to make changes,
26 they have to negotiate any changes with the Ministry of
27 Transport and it does take time.

28
29 THE CHAIRMAN: Any questions from the rest of the room?
30 Mr Taylor, do you want to say anything else?

31
32 MR TAYLOR: No, that is all I wanted to say.

33
34 THE CHAIRMAN: Thank you very much. I would like to
35 thank you all for your time. By all means, David, have
36 another go.

37
38 MR CRIBB: I will. Never stop!

39
40 THE CHAIRMAN: We will be back to you with our
41 deliberations in due course.

42
43 MR MILES: I would like to make a radical suggestion, and
44 this is covering all the IPART transport issues. Next year
45 let the consumers have a go first. We will write a
46 submission. Then the MoT and the others can deal with
47 that. I am suggesting that we do it the other way round.

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1
2 THE CHAIRMAN: The only thing I would observe about that
3 is we do rely heavily, and I suspect the consumers rely
4 heavily, on a raft of information which, for example, MoT
5 and State Transit supply. It is my understanding that the
6 consumer organisations feel that the information that they
7 are getting is inadequate. We would not want to leave it
8 too long to find that out.

9
10 MR MILES: That was just a flight of whimsy.

11
12 THE CHAIRMAN: Thank you all again. The hearing is
13 closed.

14
15 AT 4.29PM THE TRIBUNAL ADJOURNED ACCORDINGLY
16
17
18
19
20

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