

4.3.19 MINISTER FOR TRANSPORT AND MINISTER FOR TOURISM

OVERVIEW

Agency	Forecast 1995-96	Estimate 1996-97	Variation
	\$m	\$m	%
Department of Transport			
Current Payments	1,202.7	1,126.8	(-) 6.3
Capital Payments	398.7	401.6	0.7
Tourism New South Wales			
Current Payments	38.0	38.6	1.6
Capital Payments	0.2	0.7	250.0
Total, Minister for Transport and Minister for Tourism	1,639.6	1,567.7	(-) 4.4

DEPARTMENT OF TRANSPORT

Payments by the Department of Transport cover both departmental activities and payments to transport operators, community groups and certain individuals.

The allocation for the activities of the Department of Transport provides for the development and implementation of transport policy, including the regulation of private transport services and the administration of subsidy payments for transport services. The Department, in co-operation with other State agencies, the Commonwealth and local councils, establishes the strategic framework for the development of medium and long term transport plans. In addition, it facilitates and manages regional transport projects such as the Pymont Ultimo Light Rail Project.

Payments to transport operators, community groups and certain individuals fall into two broad categories, namely -

- the provision of funding for rail services and payments to the State Transit Authority and private transport operators for services which they could not support at the current fare and/or service levels. These payments and other funding for community groups and certain individuals are targeted at improving community mobility on public transport; and
- assistance to help implement the rail services reform program. These reforms are aimed at achieving best practice railway services, as measured by accepted international benchmarks.

Expenditure Trends and Recent Developments

The most significant areas are the School Student Transport Scheme, rail services and the State Transit Authority.

School Student Transport

The School Student Transport Scheme was originally designed to provide assistance to students in rural and remote areas. It now covers over 67 per cent of all New South Wales students notwithstanding changes introduced during 1995-96 to extend the distance based criteria for eligibility to free travel.

The total cost of this Scheme has risen substantially from \$264.1 million in 1990-91 to an estimated \$343.9 million in 1995-96. Apart from fare increases, the increased cost of the scheme is driven by total student population growth and the decision of many parents to send children to schools outside their local area.

Table 4.1: School Student Transport Scheme Costs

		1990-91	1991-92	1992-93	1993-94	1994-95	1995-96 (est)
Total student population (a)	(000)	1,030.6	1,037.3	1,050.2	1,052.2	1,052.3	1,052.3
Total SSTS beneficiaries	(000)	643.1	659.2	693.8	736.2	728.0	708.3
Total cost (b)	\$m	264.1	286.8	305.0	314.8	324.1	343.9
Cost per beneficiary	\$	410.6	435.1	439.6	427.7	445.2	485.5

- (a) Figures from the Department of School Education's annual census.
 (b) Includes SSTS payments to State Transit and State Rail.

Rail Services

There has been a steady reduction in the State Rail Authority's operating costs and Government contributions as a result of continuous productivity improvements since 1989

Productivity improvements have resulted in reduced staff requirements, with staff numbers reduced by 4,281, or 17.5 per cent, between June 1992 and June 1995. Despite staff reductions there has also been a significant improvement in train services and reliability. In 1995-96 there has been a 3.8 million increase in the number of passenger trips and an increase in the volume of freight traffic.

Cumulative savings in the Authority's operating costs amounting to \$398 million in real terms have been achieved over the 4 years since 1991-92 through a strategy of working towards world best practice for the delivery of rail transport services. These operating savings have resulted in a cumulative real reduction of \$311.1 million in Government contributions towards the costs of operating rail services over the same period.

It is expected that the restructure of rail services into 4 distinct business units as from 1 July 1996 will result in additional operating savings as this area is further exposed to increased competition.

The commencement of the New Southern Railway in 1994-95, together with other current commitments in the southern and western regions of the CityRail network to cater for increased passenger demands, will continue the need to maintain capital grants for rail works at relatively high levels over the next few years.

Comparative output measures related to the provision of rail services over recent years are included in Budget Paper No. 3.

State Transit Authority

State Government contributions to the State Transit Authority have decreased over recent years as a result of the substantial progress towards commercialisation and self funding of the Authority. This has been achieved largely through work place reforms, the implementation of improved financial and operating systems and enhanced services.

The methodology for funding the State Transit Authority's services and concessions changed markedly from 1992-93, this new methodology reflecting a need for the Authority to comply with the Passenger Transport Act 1990 in a similar manner to the private bus industry. The Authority is now expected to provide, without reimbursement, the minimum service levels required of private operators and be reimbursed for concessions on a similar basis as these operators.

The average subsidy to State Transit per trip, including concessions, declined by some 19.3 per cent over the 3 year period to 1995-96.

Strategic Directions

The Department of Transport, through its Planning and Projects Division, continues to focus on improvements in the integration of transport services. The provision of efficient and safe customer oriented services targeted at serving the needs of both the growing population in New South Wales and the growing tourism industry is essential to encourage greater usage of public transport.

As foreshadowed in the 1995-96 Budget, structural changes are proposed which will separate the State Rail Authority into four separate entities from 1 July 1996. This will enable each organisation to better focus on its core business and hence better focus on its clients.

The new *State Rail Authority* will own all the passenger rolling stock, stations and the train servicing depots to maintain its rolling stock. This will enable the new SRA to concentrate on its passengers and focus on increasing its patronage and therefore revenue.

The *Freight Rail Corporation* will own the locomotives and wagons, freight yards and the servicing depots to maintain its rolling stock. This will enable Freight Rail to focus more closely on its freight clients to better meet their needs and hence increase its freight business. Freight Rail will operate on the basis of full competitive neutrality with private sector rail freight operators.

The *Rail Access Corporation* will own all the mainline infrastructure. Its function is to permit other operators onto the rail system, allow competition between operators and increase the competitive edge of rail transport over other modes of transport.

The *Railway Services Authority* will provide capital and maintenance engineering expertise, under contract, to the other three organisations and in future to other public and private sector agencies. The Authority's contracts with the other organisations will be progressively opened up to full market competition - 25 per cent in the first year, increasing annually to 100 per cent in the fourth year. The Authority will operate on the basis of competitive neutrality with the private sector.

These structural changes are in line with the principles adopted by all States under the National Competition Policy.

It is not the Government's intention under the new structure to pay direct current funding to either the Railway Services Authority or the Rail Access Corporation. Recurrent funding will continue to be directed to the SRA and Freight Rail for otherwise non-commercial rail services. Selected funding, on a fully transparent basis, will go to the Rail Access Corporation for network maintenance and approved growth initiatives.

The State Transit Authority will also continue to implement strategies to maintain and build its market competitiveness and improve existing service levels over the coming years.

1996-97 Budget

Budget initiatives taken in the public transport area in 1996-97 focus largely on reforms to rail services.

Current Payments

Current payments to be made to transport operators and certain other groups during 1996-97 are shown in Table 4.2.

Table 4.2: Payments for Public and Private Transport Services

Agency	Forecast	Estimate
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	1995-96	1996-97	Variation
	\$m	\$m	%
Rail Services -			
Services and concessions	421.0	299.3	(-) 28.9
Contribution towards periodic maintenance works	207.3	253.2	22.1
Staff redundancy payments	70.0	70.0	...
STA -			
Services and concessions	138.1	137.4	(-) 0.5
Private operators, community groups and certain individuals	330.8	328.8	(-) 0.6
Contracted passenger services	12.1	12.2	0.8
Total	1,179.3	1,100.9	(-) 6.6

The 1996-97 Budget continues to reflect operating savings to be achieved by public transport authorities from rail reform initiatives and, to a lesser degree, savings expected to be achieved in payments to private transport operators as a result of recently approved reforms to the School Student Transport Scheme.

- **Rail Services**

The proposed reforms to rail services are consistent with the objectives of the National Competition Policy and should ensure that the State's substantial investment in rail infrastructure is managed in accordance with sound commercial practice. It is also expected that the new management structure will considerably progress the Government's goal of achieving more responsive and efficient rail services.

It should be noted that the Budget grants for rail services included in Budget Paper No. 3 (and shown in this document) will be reallocated across the newly formed business units following the restructure of the State Rail Authority on 1 July 1996.

The following recurrent initiatives are to be implemented in 1996-97 from within the total level of total Budget support provided for rail services -

- \$900,000 for additional station staff training to ensure the delivery of quality customer services;
- \$1.6 million for additional Off Peak services, including a reduction in 20 minute services to 15 minute services on some major lines;

- \$1.8 million for new services on the “Y-Link” to provide cross regional transport services in Western Sydney; and
- \$1.2 million to improve station security, particularly for night travellers.

State Transit Authority

State Transit operates bus and ferry services in the Sydney and Newcastle metropolitan areas. In 1996-97, State Transit will again meet its commercial service contract requirements.

State Transit will continue to implement improvements to maintain and build market competitiveness, while retaining and improving existing service levels. To achieve these goals, State Transit will progress various strategies to increase revenue and reduce costs.

The Government funding methodology for State Transit reflects the goals of the Passenger Transport Act, 1990 in providing funding on a similar basis to private bus and ferry operators. In 1996-97, State Transit will continue to be funded on the same basis, with any surplus generated representing a true commercial profit.

State Transit continues to provide fare discounts for multi-trip tickets in excess of normal commercial discount levels. It is also reimbursed for the requirement to provide fare concessions and non-commercial service levels which are not required of private operators. This funding is now being made under terms more aligned to normal commercial conditions.

The average Government subsidy to State Transit per passenger trip has consistently declined since 1993-94. The reduction in the average government subsidy per passenger since 1993-94 of 20.4 per cent is reflective of the ongoing workplace reform, efficiency improvements and patronage increases evident in State Transit.

- **Public and Private Transport Services**

Following the recently announced revised reforms to the School Student Transport Scheme, a total sum of \$277.3 million has been provided for payments to private transport operators and certain individuals in 1996-97. This sum, which excludes payments made to public transport authorities, compares to expenditure of \$283.0 million in 1995-96.

The initially approved reforms to this Scheme, which were foreshadowed in the 1995-96 Budget, were revised by the Government following representations from the community, education groups and other interested parties. The revised reforms are expected to achieve annual savings of broadly \$35 million.

Excluding the School Student Transport Scheme, private transport operators and community groups will receive payments in 1996-97 amounting to \$51.5 million (\$47.8 million in 1995-96). These payments include funding for concessions, such as half fare concessions for pensioners, transport subsidies under the Community Transport Program and the Home and Community Care Scheme and subsidies for half-fare taxi transport for people unable to use public transport because of severe and permanent disability.

Expenditure growth in these areas has been driven by factors such as the ageing population and the more widespread use of the Senior's Card. Additionally, the Government last year provided an additional \$2.7 million per annum for the Taxi Transport Subsidy Scheme to broaden the then existing overly restrictive eligibility criteria.

Estimated payments for contracted passenger services amount to \$12.2 million in 1996-97. These payments are for the Nightride service provided by State Transit and private bus operators to replace late night trains, rural coaches which provide connections to and from Countrylink rail services and connecting buses and coaches services to and from rail services on three CityRail routes where the needs of commuters are best served by bus or coach services.

Passenger contracts are administered by the Department of Transport under a competitive tendering process to ensure both the cost efficiency of these services and the maintenance of service levels and quality.

Capital Payments

Capital payments comprise both a transport infrastructure program, administered by the Department of Transport, and capital grants for rail services.

- **Department of Transport - Agency Program**

The Department aims to encourage greater patronage of public transport through improvements to infrastructure facilities. Its infrastructure program covers projects such as bus/rail/ferry interchanges, bus shelters, commuter parking at rail stations and ferry wharves, transport studies and other specially targeted measures to improve transport facilities and services. These projects are funded from the proceeds of the Parking Space Levy.

Estimated payments of \$19.5 million in 1996-97 include funding for the commencement of six new works, including new wharves at Cabarita and Looking Glass Bay to enable the expansion of the Parramatta River ferry service, the upgrade of wharves at Abbotsford and Balmain and the construction of a new bus/rail interchange at Rockdale railway station.

In addition, the Roads and Traffic Authority's capital and maintenance program provides for expenditure of \$18.9 million from the proceeds of the Road Improvement (Special Funding) Act 1989 (3x3 Fuel Levy) as part of that Authority's Public Transport Infrastructure Improvement Program. New works to proceed under this program in 1996-97 include a new bus/ferry interchange at Manly and a number of new road bridges over rail lines.

- **Department of Transport - Capital Grants for Rail Services**

Capital grants are provided to rail services for the renewal and development of infrastructure to aid in the strategic repositioning of services currently provided by CityRail and Countrylink. Because the fares charged by these businesses are significantly below the level needed to generate profits for reinvestment, grants by the State make up the bulk of the capital funding.

In 1996-97 capital grants will fund projects within the following categories -

	\$m
Asset renewal	145.5

Operational requirements	61.4
Growth	151.5
Regulatory compliance	23.7
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	382.1
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Capital grants from the State will be supplemented with internal funding and minor borrowings totalling \$31.8 million, making a total amount of \$413.9 million available for non-commercial rail works in 1996-97.

Asset renewal expenditure is for the ongoing replacement and enhancement of infrastructure and rolling stock for non-commercial rail businesses, while funding for *operational requirements* is targeted to improve efficiency and customer services. Projects in this latter category include ticketing and station passenger information systems, train communications and information technology systems.

Growth in demand continues for rail services with investment required now to ensure the infrastructure improvements are in place to satisfy these demands. The Government is meeting this challenge by identifying and initiating priority projects to serve the continuing development of Sydney.

Construction of the New Southern Railway is underway. This line will be integrated with the CityRail network to provide rapid access from the city centre to the airport and will also provide a linkage with the East Hills line. A total of \$130 million will be spent on this project in 1996-97.

As part of the commencement of the amplification of the East Hills line, construction will commence on a grade separated rail junction between Turrella and Tempe this year. The East Hills line amplification work also includes funding for an interchange station at North Arncliffe that will permit passengers to change between the East Hills, Illawarra and New Southern rail lines.

Construction will commence on improvements to the rail junction at Flemington to enable integration of the Homebush Bay rail link with the existing network, with estimated expenditure of \$5 million in 1996-97. Major upgrade works will also proceed at a number of stations during 1996-97 and \$3 million is being provided to commence implementation of further passenger security initiatives at stations. A detailed feasibility study into the proposed Parramatta-Chatswood rail link will also proceed in 1996-97.

Regulatory compliance projects to satisfy environmental and other legislative requirements include the replacement of air conditioning gas in trains with environmentally friendly refrigerants and fire and safety related works in the city underground network. Such projects will involve expenditure of almost \$24 million in 1996-97.

All capital projects for rail services will be the subject of further review following the restructure of the State Rail Authority.

TOURISM NEW SOUTH WALES

Tourism New South Wales is responsible for the marketing of New South Wales as a holiday destination in both the Australian and international markets of Europe, United States, Asia, Japan and New Zealand.

It also provides strategic direction and leadership to the New South Wales tourism industry to ensure a wide range of tourism product and holiday experiences are available in the marketplace.

Expenditure Trends and Recent Developments

Tourism New South Wales payments have risen over recent years from \$21.1 million in 1992-93 to \$38.0 million in 1995-96. This increase largely reflects new promotional marketing initiatives such as the "Seven Wonders of New South Wales" domestic tourism campaign and the "Sydney All day long, all night long" international tourism campaign.

In 1995-96 Tourism New South Wales transferred its Travel Centres to Countrylink as part of a strategy to increase the distribution of "New South Wales Holidays" boosting the number of retail outlets from 5 to 39. In addition, a major tourism wholesaling campaign was implemented to work with 4000 travel agents across Australia to sell "New South Wales Holidays".

In 1995-96 Tourism New South Wales received a capital allocation of \$895,000 to reposition the tourism product information database. It is expected that \$210,000 will be spent in 1995-96 with the remainder of \$685,000 expended in 1996-97.

Strategic Directions

The key corporate strategies of the organisation are to -

- actively influence the decision to travel to and within New South Wales;
- increase industry efficiency and economic benefits to the State through coordinating Government and industry participation in tourism, driven by the Tourism Masterplan and Government tourism policy;
- achieve community support for tourism initiatives;
- maximise Olympic related opportunities for tourism; and
- provide high quality policy advice and information to Government and industry on key tourism issues.

1996-97 Budget

Current Payments

Total current payments for Tourism New South Wales are estimated at \$38.6 million in 1996-97.

Major allocations include -

- \$7.8 million for the implementation of an integrated Australian marketing campaign through the evolution of the domestic “Seven Wonders of New South Wales” advertising campaign;
- \$1.4 million to achieve growth in the distribution of New South Wales tourism product through the wholesaling program which will allow the greater distribution of New South Wales tourism product through the network of Australian travel agents;

- \$9.1 million to develop and implement an integrated international marketing campaign. The highly successful “Sydney, All day long, all night long” campaign will be continued in Asia and extended to new growth markets. In addition the organisation will continue its participation in the “Partnership Australia” initiative with the Australian Tourist Commission, to further the effectiveness of its marketing expenditure in key international markets;
- \$2.1 million for specific regional marketing and development initiatives as part of the commitment to develop and support a strong regional tourism structure through the Regional Tourism Strategy;
- \$1.5 million to develop and implement a communication program to increase support for tourism through actions such as publicity launches, newsletters, the visiting journalist program and tourism awards;
- \$0.7 million to ensure tourism product and infrastructure supply meets demand through the implementation of the New South Wales Tourism Masterplan;
- \$0.2 million to implement an Olympics Strategy to benefit tourism and maximise Olympics related opportunities for tourism in the State through the Tourism Olympic Forum which includes representatives from the accommodation, transport, restaurant, retail and convention sectors; and
- \$0.9 million to continue the highly successful “Meet and Greet Service” at the Sydney International Airport and the free roving “City Host” service in the Sydney CBD to provide visitors with a welcome and information service. This program provides training and employment for the long term unemployed.

Capital Payments

Tourism New South Wales has one project which is the repositioning of the Newtracs destinational data base to improve the electronic distribution of New South Wales tourism products. Expenditure in 1995-96 is \$210,000 with the balance of \$685,000 in 1996-97.