



Transport Administration Amendment (Sydney Ferries)

Bill.

Second Reading

The Hon. MICHAEL COSTA (Minister for Transport Services, Minister for the Hunter, and Minister Assisting the Minister for Natural Resources (Forests)) [2.46 p.m.]: I move:

That this bill be now read a second time.

The Transport Administration Amendment (Sydney Ferries) Bill restructures the State Transit Authority and constitutes Sydney Ferries Corporation. It makes amendments to the Transport Administration Act 1988 and other legislation for that purpose. Last financial year Sydney Ferries, at a total cost of \$99.9 million, carried just over 13 million passengers, comprising commuters and local, domestic and international tourists. Sydney Ferries bears 0.5 per cent of the total task of getting commuters to and from work in the Sydney central business district. While small, this takes critical pressure off other busy transport infrastructure such as Victoria Road, Military Road, The Spit Bridge, and Old South Head Road. I would like to see the number of commuters on each of our ferries increase and make full use of the existing capacity.

Sydney Harbour should never be merely the exclusive playground of those fortunate enough to have a boat or a yacht or live by the water. I want to ensure that Sydney Ferries remains a viable and affordable operation so that it can be accessed by the general public. Tourists visiting Sydney often include a trip on a Sydney ferry to see our harbour city. People make a day of it, and every night spent in Sydney means other tourism employment opportunities become available. This all comes very cheaply to those who use Sydney ferries: the average cost per person of every ferry trip is \$7.42 but the average fare is \$2.96. This bill is needed to give Sydney Ferries the direction and focus it needs to build revenue and to manage properly a safe and reliable maritime transport service.

I will now outline specific issues and details of the bill. The bill principally amends the Transport Administration Act 1988 so as to establish a ferry corporation—Sydney Ferries—as a statutory State-owned corporation [SOC], the principal activities of which will comprise current Sydney ferry operations of the State Transit Authority [STA]. It is intended that Sydney Ferries will commence operations by 1 July 2004.

The bill also amends the Transport Administration Act so appropriate assets, rights, liabilities and personnel can be transferred from State Transit to support the role of Sydney Ferries. A new capital structure will be put in place. The level of debt to be assumed by Sydney Ferries is an important issue. It must be fair to all parties—the taxpayer, the State Transit Authority and the new Sydney Ferries—but it must be at a level that properly reflects the investment made by the Government in Sydney Ferries. I am confident we can find a balance between these objectives. This bill establishes Sydney Ferries as a statutory State-owned corporation under the State Owned Corporations Act.

Under this bill, the principal objective of Sydney Ferries will be to deliver safe and reliable passenger ferry services in the Sydney area in an efficient, effective and financially responsible manner. Sydney Ferries' safety and reliability will be overseen by the Independent Transport Safety and Reliability Regulator, as well as by the Waterways Authority through the Marine Safety Act and the Commercial Vessels Act. As I have stated, the regulator will be independent of the Ministry of Transport and transport operators. It will regulate and audit the safety of ferry transport, investigate accidents, and advise on the reliability and performance of Sydney Ferries.

Sydney Ferries will need to continue an effective and responsive safety management regime, with appropriate accreditation to demonstrate management systems are in place to deliver safe outcomes. Sydney Ferries will be required to have its safety management systems aligned with the proposed national standard for commercial vessels to maintain its licence with the Waterways Authority. Sydney Ferries already has in place a safety management system meeting the International Maritime Organisation's International Safety Management Code. This system is independently audited, and will be the subject of audit by the new regulator as well.

Sydney Ferries will continue to operate Sydney ferry services, which were provided by State Transit immediately before the commencement of this section. Sydney Ferries may also, in connection with its ferry services, operate other transport services, including bus services. This is to ensure that Sydney Ferries is able to fully exploit the public transport potential of ferry services, and can properly plan for and manage all contingencies. Sydney Ferries cannot, however, conduct any business outside the State not related to Sydney ferry services without the approval of the shareholding Ministers. This bill also allows Sydney Ferries to exercise any other functions conferred or imposed on it by or under the Transport Administration Act or any other law. This is consistent with changes made to other transport modes.

The management arrangements for Sydney Ferries will be based on the standard arrangements for statutory SOCs, which are detailed in the State Owned Corporations Act. The bill allows for composition of the board of a minimum of

three members and a maximum of seven members appointed by the voting shareholders. An appropriate financial and maritime focus will be brought to the board through its membership. The voting shareholders are to consult the portfolio Minister on the persons recommended for appointment. They also must agree on the qualifications, including maritime safety and expertise in vessel operations, that the board or its members must have. There is to be a staff representative on the board, and a selection procedure for an employee representative, being a representative of the industrial organisations whose members are employed by Sydney Ferries.

This bill authorises the portfolio Minister to attend meetings of the shareholders. This is similar to section 6 (2) of the Sydney Water Act 1994, and reflects an overriding responsibility of the Minister to be able to follow particularly safety-related issues. To this end, the bill also contains an additional portfolio ministerial power of direction on the grounds of urgency and public safety. Restriction on sale of shares also applies to Sydney Ferries, which preserves public ownership of this icon, and accountability to the community for its performance. I have stated previously that Sydney Ferries is a long way from becoming a profitable enterprise.

There will continue to be government support for Sydney Ferries. Accordingly, the Government does not propose to seek dividends from Sydney Ferries and therefore excludes Sydney Ferries from the operation of section 20S of the State Owned Corporations Act. It will be a non-dividend paying State-owned corporation, as agreed with Treasury. I am concerned that failure to act now will put the future of a Sydney icon at financial risk. Jeff Kennett's privatisation of the Victorian transport system was a failure. There are no plans to emulate that model here.

Sydney Ferries faces an increase in accumulated debt attributed to ferry operations from \$89 million to \$219 million by 2008, and \$413 million by 2013. Average patronage on Sydney Ferries during peak periods is 19 per cent of capacity. This is the model being used for the new rail entity being created by the merger of State Rail and the Rail Infrastructure Corporation. The change to Sydney Ferries will put in place a management structure which I believe will better focus on the future challenges facing Sydney Ferries.

It is supported by the New South Wales Labor Council and Sydney ferry unions, including the Maritime Union of Australia, who believe it will also bring management improvements. Transport services do not work well in the private sector. This is precisely the problem we face with the privately operated but publicly funded bus system. This change is designed to secure the future of Sydney Ferries—not to compromise it. Sydney Ferries will be required to prepare a Statement of Corporate Intent which will be tabled in Parliament by the shareholding Ministers—setting out its financial and performance objectives. This will be prepared in consultation with the portfolio Minister to ensure that key elements of safety and customer performance are addressed.

This bill does not change the rights of existing employees. That is something the Sydney Ferries Working Group, the formation of which I announced on 29 October 2003, has discussed. It is important that, in setting up a properly focused Sydney Ferries, workers' entitlements are protected. Transport Appeals Board rights, for example, are therefore expressly maintained. The bill specifically preserves the validity of all ferry and travel pass tickets issued prior to commencement, as well as the continuation of existing free and concessional travel pass arrangements. In respect of the co-ordination and integration of Sydney Ferries timetabling with other public transport modes, arrangements will continue to ensure customers using different modes are linked.

The bill also guarantees the continued application of determinations of the Independent Pricing and Regulatory Tribunal. In conclusion, I would emphasise that the intention of this bill is to preserve for the benefit of the community the many positive features of Sydney Ferries, whilst allowing a new and focused management to address the challenges of delivering a safe, reliable ferry service that meets, and exceeds, the needs of the community and visitors. I commend the bill.

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