

10th January 2014

Mr Samuel Griffith
Principal Council Officer
General Purpose Standing Committee No 3
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Mr Griffith

Re: Inquiry into removing or reducing station access fees at Sydney Airport

I refer to your letter of the 9th December 2013 regarding the General Purpose Standing Committee No 3 and its current Inquiry *into removing or reducing station access fees at Sydney Airport*. I note that your letter seeks a transcript review and response to further questions and I advise as follows:

Transcript

As you are aware, on the 6th December 2013 I forwarded to your office some minor Hansard amendments following my appearance at the Committee's Public Hearing on the 2nd December 2013.

Highlighted Transcript Question

The Hon. PENNY SHARPE: Would you be up to provide the Committee with a yearly overview of what those feedback issues are? You do not have to do that now; you might want to take that question on notice and provide the information to the Committee later.

In response

ALC's records indicate:

During the period 1 January 2013 to 31 December 2013 ALC received 105 written formal "feedbacks" (unrelated to lost property). On that basis, ALC receives, on average, approximately one feedback per 114,000 passengers. As a general guide, 43% of feedback issues relate to passengers seeking refunds, 34% of feedback issues relate to trackwork and service complaints and 23% of feedbacks relate to dissatisfaction with price and/or train standards.

Supplementary Questions and Answers

1. How is the cost of the station access fee calculated each year?

Each year, ALC deliberates on a range of aspects when considering any change to the Station Access Fee.

In determining the Station Access Fee, ALC considers:

- movements in the company's overall cost base, especially labour and other operational expenses;
- comparable travel options at Sydney Airport, and other Australian airports, to ensure Airport Link's pricing remains consistent within the marketplace;
- the arrangements for weekly ticket holders, predominately airport workers, who also pay a relatively higher RTF. ALC currently provides a significant weekly discount, higher than that provided by Sydney Trains for a weekly RTF.
- In particular, when determining the annual access fee, ALC consider the revenue share mechanism and its debt and shareholder obligations, for the long term period until May 2030 (the concession's expiry). More specifically, from approximately 1st August 2014 ALC will receive only 15% of the revenue share. This is received *before* any debt or shareholder obligations are met. This is a critical aspect when determining the annual access fee.

2. How much does it cost to convey one passenger from the Domestic Airport to the International Airport? Is it more or less than the \$5 terminal transfer fee?

As at the 2nd December 2013, of the \$5.00 Transfer Fee, the first \$3.60 is retained by Railcorp as the Rail Train Fare.

Of the remaining \$1.40, 13 cents is paid as GST, leaving a net of GST amount of \$1.27. ALC are of the view that annual costs including the Train Service Fee relating to the Revenue Share Mechanism (but excluding finance) to convey a passenger is in the range of \$3.60.

On this basis, for each Transfer Ticket sold, ALC loses approximately \$2.30 on an operational basis and more again when financing is taken into account.

3. Would ALC have any objection to the Government referring the setting of the station access fee to IPART for consideration?

ALC would object. The Airport Link concession was established without reference to IPART involvement. It would be a significant variation to the Restated Stations Agreement if the Government referred the setting of the station access fee to IPART.

4. What is the financial impact on ALC of the revenue sharing threshold having been reached?

On the 30th January 2013 ALC reached the first 50% revenue share threshold. From that time, approximately \$2.1 million each month has been paid to Railcorp. It is projected that the 85% threshold will be reached in approximately August 2014, at which time Railcorp's revenue share is forecast to be in the range of \$4 million per month.

The thresholds do have a financial impact on ALC. The thresholds reduce ALC's capacity to pay debt and shareholder obligations. Nevertheless, ALC is well managed and governed and continues to meet these commitments.

5. How much compensation have ALC received from Sydney Trains for late running trains over the last five years?

ALC has received no compensation from Sydney Trains (or Railcorp) for late running trains over the last five years. Railcorp has satisfactorily achieved its punctuality performance levels during this time.

6. How much compensation have ALC received from Sydney Trains for not fulfilling service agreements for passenger capacity?

ALC have received no compensation from Sydney Trains (or Railcorp) for not fulfilling service agreements for passenger capacity. The service agreement provides no specific compensation mechanism for passenger capacity.

I trust these responses assist the Committee's deliberations in relation to his matter.

Yours sincerely

Tim Anderson
Chief Executive