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# Roads and Traffic Authority of New South Wales

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## AUDIT OPINION

The audits of the Authority and its controlled entity's financial reports for the year ended 30 June 2007 resulted in unqualified Independent Auditor's Reports.

## KEY ISSUES

For general transport industry information, refer to the 'Overview of Transport Services' section in the Auditor-General's Report to Parliament 2007 Volume Five.

### Sydney Harbour Tunnel Company Loan

We recommend the Authority reassess the recoverability of its loan to the Sydney Harbour Tunnel Company in the light of decreasing toll receipts and increasing tunnel expenses.

The Authority lent \$223 million interest free to the Sydney Harbour Tunnel Company in 1992 and reported this at a present value of \$80.3 million (\$75.2 million in 2005-06). The Company is expected to repay this loan in 2022. The loan agreement specifies that the repayment is subordinate to all other obligations of the Company. These other obligations may affect the Company's ability to repay the Authority. The Authority advised us that it will be able to recover this loan as it could access the Company's special reserve account and net assets.

### Sydney Harbour Tunnel Toll Receipts

We recommend the Authority investigate the reasons for the continued drop in toll receipts and consider any options to minimise the Government's expense in this area.

The Authority agreed to pay the Sydney Harbour Tunnel Company an Ensured Revenue Stream (ERS) payment to meet the financial obligations arising from operation, maintenance and funding of the tunnel. The ERS is the difference between projected toll revenues and actual toll collections. The following table illustrates a trend whereby toll receipts are declining and expenses incurred by the Company are rising.

Year ended 30 June	Actual			
	2004 \$m	2005 \$m	2006 \$m	2007 \$m
Toll receipts	46.6	46.0	44.1	43.7
Expenses incurred by the company	85.1	88.8	87.5	95.7
ERS payments	38.5	42.8	43.4	52.0

### Private Sector Funded Project-Cross City Tunnel (Repeat Issue)

At the date of this report we are not aware of any compensation claims emerging from changes to traffic arrangements. In Volume Four of our 2006 Report to Parliament we commented on potential compensation payable by the New South Wales Government to the private sector consortium as a result of these changes. During 2006-07, the consortium went into receivership and the Cross City Tunnel was sold to another party in June 2007.

### PERFORMANCE INFORMATION

The Authority provided the following information regarding its performance:

#### Maintenance of State Roads

The Authority spent \$1.3 billion (\$1.2 billion) on developing and \$688 million (\$680 million) on maintaining the State's road network. However, it did not achieve its annual target of two per cent for long term average pavement building. The pavement building rate was 1.1 per cent for 2007.

In a Performance Audit on 'Condition of State Roads' tabled in August 2006 we commented that the ride quality on Sydney roads was below other capital cities and country roads. We also reported that road building projects had been deferred such that the structural condition and expected life of roads is declining.

#### Ride Quality and Pavement Durability

Ride quality measures the 'roughness' of travel over road surfaces (including National Highways) and is a primary indicator of road condition. Pavement durability measures road surface cracking on sealed country State roads. Results over the last five years have been:

Year ended 30 June	Actual				
	2003 %	2004 %	2005 %	2006 %	2007 %
<b>Ride quality</b>					
Good	89.6	89.5	87.4	87.5	<b>87.9</b>
Fair	8.0	8.2	8.1	7.9	<b>7.7</b>
Poor	2.4	2.3	4.5	4.6	<b>4.4</b>
<b>Pavement durability</b>					
Good	79.5	81.0	79.4	78.1	<b>76.5</b>
Fair	15.0	13.5	11.8	12.4	<b>14.0</b>
Poor	5.5	5.5	8.8	9.5	<b>9.5</b>

The Authority advised that it is developing a process to determine maintenance priorities, treatment and renewal of roads and bridges across New South Wales. It is also finalising a new ten year road Network Management Plan to achieve sustainable infrastructure asset management.

#### Road Safety Performance Outcomes

The New South Wales Government State Plan issued in November 2006 includes safer roads as one of the priorities. The Authority will play a role towards reducing road fatalities to achieve the State Plan target of 0.7 road fatalities per 100 million vehicle kilometres travelled by 2016.

Statistics on fatalities and injuries from road traffic crashes were:

Year ended 30 June	Actual				
	2003	2004	2005	2006	2007
<b>Total Fatalities</b>	561	539	510	508	<b>496</b>
<b>Key factors*</b>					
Speed related	256	209	195	190	<b>197</b>
Fatigue related	110	75	84	95	<b>89</b>
Illegal level of alcohol	130	102	84	83	<b>112</b>
Seat belt fitted but not worn	83	72	65	57	<b>58</b>
<b>Total Injuries</b>	28,447	27,208	26,323	25,209	<b>25,439</b>
<b>Key factors*</b>					
Speed related	4,905	4,682	4,484	4,269	<b>4,365</b>
Fatigue related	2,097	1,949	1,937	1,926	<b>2,019</b>
Illegal level of alcohol	1,679	1,503	1,450	1,340	<b>1,488</b>
Seat belt fitted but not worn	435	416	365	331	<b>367</b>

\* Factors are not mutually exclusive. For example, a speed related fatality may also involve illegal levels of alcohol. In this case the fatality would be counted in both the speed related and the illegal level of alcohol categories.

#### OTHER INFORMATION

We identified opportunities for improvement to accounting and internal control procedures and have reported them to management. The areas related to accounting for infrastructure and property assets and controls over overtime payments.

## Major Projects

Capital expenditure on completed or substantially completed works is below estimated cost for a number of key projects. The Authority advised that the differences will be spent on finalising associated works.

Year ended 30 June	Original Target Date	Completion Date	Actual 2007 \$m	Cost to 30 June 2007 \$m	Estimated Total Cost 2007 \$m	Below/ (Over) \$m
North-West Transitway Network	31/12/07	20/11/07	135.1	447.9	524.0	76.1
Windsor Flood Evacuation Route	31/07/07	30/09/07	54.2	108.2	127.0	18.8
Windsor Road, Roxborough Park Road to Norwest Boulevard	31/12/06	31/07/06	8.8	119.1	120.0	0.9
Windsor Road, Mile End Road to Boundary Road	30/11/06	31/12/06	56.6	121.6	122.0	0.4
Pacific Highway, Karuah to Bulahdelah Section 1	31/03/06	30/11/06	13.8	94.4	114.0	19.6
Pacific Highway, Bundacree Creek to Possum Brush	31/05/06	30/11/06	14.8	106.8	115.0	8.2
Pacific Highway, Brunswick Heads to Yelgun	31/07/07	31/07/07	88.8	240.0	256.0	16.0
Albury Wodonga Hume Freeway	30/06/07	31/03/07	114.8	330.6	374.7	44.1
<b>Total Key Projects Capital Expenditure</b>			<b>486.9</b>	<b>1,568.6</b>	<b>1,752.7</b>	<b>184.1</b>

## Administered Revenue

Revenue collected on behalf of the State and remitted to the Consolidated Fund was:

Year ended 30 June	Actual				
	2003 \$m	2004 \$m	2005 \$m	2006 \$m	2007 \$m
Vehicle registration fees	189	198	209	223	232
Drivers licences fees	63	93	135	141	96
Vehicle transfer fees	32	34	35	35	35
Stamp duty	1,030	580	570	548	555
Other	49	--	--	53	58
<b>Total</b>	<b>1,363</b>	<b>905</b>	<b>949</b>	<b>1,000</b>	<b>976</b>

The decrease in drivers' licence fees in 2007 was largely due to reduction in issue of five year licences.

## FINANCIAL INFORMATION

The following information relates to the Authority's consolidated finances.

## Abridged Operating Statement

Year ended 30 June	Consolidated		Parent	
	2007 \$m	2006 \$m	2007 \$m	2006 \$m
Employee related	326	334	326	334
Maintenance	688	680	688	680
Depreciation and amortisation	774	697	774	697
Other expenses	560	475	560	475
<b>TOTAL EXPENSES</b>	<b>2,348</b>	2,186	<b>2,348</b>	2,186
<b>TOTAL REVENUE</b>	<b>492</b>	404	<b>492</b>	404
<b>NET COST OF SERVICES</b>	<b>1,856</b>	1,782	<b>1,856</b>	1,782
Government contributions	2,961	2,513	2,961	2,513
<b>SURPLUS</b>	<b>1,105</b>	731	<b>1,105</b>	731

Employee related expenses were lower mainly due to a favourable actuarial adjustment to long service leave liabilities.

## Abridged Balance Sheet

At 30 June	Consolidated		Parent	
	2007 \$m	2006 \$m	2007 \$m	2006 \$m
Current assets	417	300	368	300
Non-current assets	75,373	71,796	75,373	71,796
<b>TOTAL ASSETS</b>	<b>75,790</b>	72,096	<b>75,741</b>	72,096
Current liabilities	930	986	1,005	1,204
Non-current liabilities	1,512	1,630	1,388	1,412
<b>TOTAL LIABILITIES</b>	<b>2,442</b>	2,616	<b>2,393</b>	2,616
<b>NET ASSETS</b>	<b>73,348</b>	69,480	<b>73,348</b>	69,480

The Authority's non-current assets increased largely due to the revaluation of existing infrastructure assets and the recognition of the emerging interest in private sector provided infrastructure.

## Program Information

The table below details the Authority's net cost of service on a program basis:

Year ended 30 June	2007		2006	
	Revenue	Expenses	Net Cost of Services	Net Cost of Services
	\$m	\$m	\$m	\$m
Road development	230	1,077	847	793
Road management	116	1,001	885	887
Road user	146	183	37	25
M4/M5 cashback scheme	--	87	87	77
<b>Total all programs</b>	<b>492</b>	<b>2,348</b>	<b>1,856</b>	<b>1,782</b>

## AUTHORITY ACTIVITIES

The Authority is responsible for improving road and traffic safety management, enhancing road network efficiency, maintaining and renewing the existing road system and constructing new roads and bridges throughout New South Wales. Other major responsibilities include road safety education, assessing and collecting tax on the registration of motor vehicles, licensing drivers and collecting stamp duty on motor vehicle related transactions for the Office of State Revenue.

The Authority was constituted under the *Transport Administration Act 1988*.

For further information on the Authority, refer to [www.rta.nsw.gov.au](http://www.rta.nsw.gov.au).

## CONTROLLED ENTITY

The following controlled entity has not been reported separately on as it is not considered material by its size or the nature of its operations to the consolidated entity.

Entity Name
Roads and Traffic Authority Division