

# Transport for NSW

## Audit Opinion

I issued an unqualified audit opinion on Transport for NSW's 30 June 2012 financial statements.

## Operational Snapshot

Transport for NSW was established as an integrated transport authority to improve the delivery of transport in New South Wales. It is the focus for decision making and planning policy in transport.



## Key Issues

### Corporate Services Reform

#### *Recommendation*

Transport for NSW and the other transport agencies should implement service level agreements by 30 June 2013 for the delivery of corporate services.

Transport for NSW advises the transfer and operations of human resources and other corporate services was addressed through the Transport Corporate and Shared Services Reform program. This dealt with structures, including roles, responsibilities and accountabilities, as well as resourcing/budgets and capabilities.

Transport for NSW is still implementing a shared services function to provide back office services to transport agencies. Service level agreements between Transport for NSW and the other transport agencies are not yet in place.

The Department of Premier and Cabinet's guidelines include corporate services reform as a key platform for building long-term improvement in the NSW public sector. Service level agreements are an integral part of this reform, clarifying responsibilities and setting performance standards.

Refer to the Transport Overview in this volume for other recommendations to improve the administration of transport.

There is no service level agreement between Transport for NSW and the other transport agencies for corporate services

## Other Information

### Transport Administrative Restructure

The *Transport Legislation Amendment Act 2011* established Transport for NSW on 1 November 2011. Transport for NSW assumed the roles and functions of the Department of Transport, including the planning, procurement, delivery and coordination of transport services and infrastructure in New South Wales.

It is managed and controlled by the Director General of the Department of Transport. It has power to issue directions to the other transport agencies (RailCorp, Roads and Maritime Services, State Transit Authority, and Sydney Ferries) in relation to their operations.

Other aspects of the transport restructure involved the transfer of functions and assets to Transport for NSW, and in some cases the abolition of agencies. Details are included in the following table:

Entity Name	Transfer date	Entity abolished	Net assets transferred in/(out) \$'000
Department of Transport	1 Nov 2011	Not applicable	202,057
Transport Construction Authority	31 March 2012	30 March 2012	1,004,083
Sydney Metro	28 June 2012	Not applicable	208,868
RailCorp	29 June 2012	Not applicable	(934,704)
Department of Planning and Infrastructure	30 June 2012	Not applicable	5,644
Public Transport Ticketing Corporation	30 June 2012	1 July 2012	(133,063)
Country Rail Infrastructure Authority	1 July 2012	1 July 2012	1,819,733

The transfer from Sydney Metro comprised investments held in the NSW Treasury Corporation's Hour-Glass investment facilities. Sydney Metro had held investment balances in excess of \$200 million since June 2010. Payments made by Sydney Metro during that time totalled only \$32.1 million. These funds could have been more effectively utilised within the transport portfolio, for example, by the repayment of borrowings.

The net liabilities of Public Transport Ticketing Corporation on 30 June 2012 were transferred to Transport for NSW.

### Sydney Ferries Contract

On 11 May 2011, the Minister for Transport announced that the NSW Government will retain ownership of Sydney Ferries, but with a non-government operator leasing, maintaining and operating the fleet.

On 3 May 2012, Transport for NSW awarded a seven year contract to a private operator, Harbour City Ferries. This followed a tender process from which Sydney Ferries was excluded. As operator, Harbour City Ferries is responsible for the use, management and maintenance of the ferry fleet as outlined in the contract. It commenced operation on 28 July 2012.

The NSW Government will retain ownership of the ferry vessels and Balmain shipyard. Transport for NSW will control fares and service levels. It paid Sydney Ferries \$26.8 million for redundancy and restructure costs.

## **Metropolitan Bus System Contracts**

In 2010, I released a performance audit report on how well the then Department of Transport managed the performance of Metropolitan Bus System Contracts. The report recommended the department further improve performance and drive costs down by including performance objectives in the bus contracts, benchmarking bus operator's performance, strengthening controls on operator self-reporting to ensure the accuracy of performance information and publicly reporting operator performance.

The report recommended that the contracts should include performance objectives focussed on passenger comfort and safety, over-crowding, and cancelled services.

Transport for NSW advises the new contracts include key performance indicators and performance criteria to address my recommendations. The key objectives of the new contracts are to drive service improvements and to provide value for money.

State Transit's current Metropolitan Bus System Contracts, due to expire on 30 June 2012, were extended for a period of up to 12 months to facilitate the negotiation of new contracts. In September 2012, Transport for NSW confirmed to State Transit that it will negotiate a new set of performance based contracts with them.

The first four contracts under the new competitive tendering process for private operators were announced in November 2012. The contracts are for five years, with a three year right of renewal. The new operators will progressively take over operating under their new contracts from April 2013. The next tender process will comprise four different private bus contracts and is planned for tender in the first half of 2013.

All scheduled bus services in the Sydney metropolitan area, by both public and private operators, are provided under Metropolitan Bus System Contracts managed by Transport for NSW.

Rural and regional bus services are provided to all regions outside of Sydney, excluding the Central Coast, Newcastle, the Blue Mountains and Wollongong, which are serviced under the Outer Metropolitan Bus System Contracts. The rural and regional bus contracts are managed by Transport for NSW and include key performance indicators and performance criteria. These contracts will progressively start to expire from 2015 following a seven year term.

## **Transport Concessions for University Students**

Last year, I recommended Transport for NSW urgently complete developing processes that ensure transport concession cards are retrieved from ineligible students.

I first raised issues about transport concessions in 2007. Progress to resolve issues has been extremely slow. While action has occurred each year the issues remain unresolved.

In 2011-12, Transport for NSW completed an initial examination of data on the issue of student concessions and commenced an audit of selected tertiary education institutions. This sample audit will highlight any administrative and governance changes required to improve the administration of NSW tertiary student transport concessions. The audit is specifically investigating whether institutions have the appropriate systems and processes in place to retrieve concession cards from ineligible students.

The results of the audit are expected by the end of 2012.

## Private Vehicle Conveyance Scheme

I had previously recommended an independent review of the Private Vehicle Conveyance Scheme be finalised as soon as possible and accepted recommendations implemented in a timely manner.

Last year, I was advised the independent review report had been received and improvements to the administration of the subsidy were being made.

Transport for NSW advises enhancements to the administration of the subsidy are still underway, including Private Vehicle Conveyance Scheme software tools. Online Private Vehicle Conveyance Scheme applications will initially be optional, but strongly encouraged. Transport for NSW planned to launch the online system in time for school Term Three (Semester Two) this year. Delays have occurred due to the need for testing to be completed, business processes to be developed, and stakeholder consultation to be completed. Bulk review tools will provide data on the scale of audits required and inform business process design and change management strategy.

The Private Vehicle Conveyance Scheme is designed to help parents meet the cost of transporting their children between home and school if they live in an area with no public transport for all or part of the journey. Private Vehicle Conveyance Scheme subsidies in 2011-12 were \$21.1 million (\$20.1 million in 2010-11).

## Taxi Industry Regulation

Transport for NSW is responsible for regulating the taxi industry in New South Wales, including:

- issuing taxi driver authorities, taxi operator accreditations and taxi vehicle licences
- authorising the operation of taxi networks
- enforcing taxi vehicle and taxi meter standards.

Transport for NSW is using Roads and Maritime Services to investigate taxi complaints, issue taxi licences and ensure the accreditation of operators.

At October 2012, there were 7,017 taxi licences issued in New South Wales, 5,663 in Sydney.

Complaints against taxi drivers and operators can be made confidentially by the public in a number of ways, including the taxi complaints hotline, the transport info line or direct to Transport for NSW. All complaints against taxi drivers or operators are recorded in the Customer Feedback Management System.

The table below shows the number of complaints and compliments received in 2010-11 and 2011-12.

Year ended 30 June	2012	2011
Complaints	11,380	10,129
Compliments	430	503

Source: Data obtained from Transport for NSW (unaudited).

Transport for NSW advises the increase in complaints is due to greater public awareness of the transport info line and taxi complaints hotline. The taxi complaints hotline stickers are on all taxis. Ninety per cent of all complaints received are due to driver misbehaviour and fare disputes.

More than  
11,000  
complaints  
against taxi  
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2011-12

## Parking Space Levy

Transport for NSW and the Department of Transport were holding \$97.9 million raised from the parking space levy at 30 June 2012 (\$29.6 million at 30 June 2011). Expenditure from the levy during 2011-12 was only \$36.5 million compared with \$74.8 million in 2010-11.

The table below shows transactions for the parking space levy.

Year ended 30 June	2012* \$'000	2011** \$'000
Opening balance	29,611	5,151
Receipts	104,832	99,215
Expenditure	36,523	74,755
<b>Closing balance</b>	<b>97,920</b>	<b>29,611</b>

Source: Data obtained from Transport for NSW (unaudited).

\* 2012 data is Department of Transport and Transport for NSW combined.

\*\* 2011 data is for Department of Transport.

The revenue from the parking space levy was the primary source of funds to deliver the Commuter Car Park and Interchange Program (now the Transport Access Program). The levy has been used to fund 30 new commuter car parking facilities over the last four years.

Transport for NSW is currently finalising a Long Term Transport Master Plan due to be released in late 2012. The current balance and future receipts of the parking space levy will be used to support investments identified in the master plan.

The parking space levy, which commenced on 1 July 1992, is payable on any non-residential parking space used or set aside for a motor vehicle in the districts of Sydney's CBD, North Sydney, Milsons Point, Bondi Junction, Chatswood, Parramatta and St Leonards.

The levy is a NSW Government strategy to discourage car use in these districts and by using the revenue to encourage the use of public transport and improve the air quality.

## Employment of Contractors

This year, I again reviewed the extent of contract staff. A summary of the results of my review follows.

Although the recommendations made in my reports in previous years have been addressed, the restructure within the transport portfolio has resulted in a significant increase in the number of contractors engaged by the Department of Transport and Transport for NSW.

While contractors may have benefits for Transport for NSW, extensive reliance on this employment source and the engagement of long-term contractors, particularly in senior roles, generally results in higher employment costs, and less ownership and commitment to organisational goals and objectives.

Information relating to contractors working in the Department of Transport and Transport for NSW combined is shown below:

At 30 June	2012*	2011**
No. of contractors	277	186
Total cost of contractors for the year (\$'000)	24,944	9,056
Term of longest serving contractor (years)	6	6
Highest contractor cost for the year (\$'000)	529	395

Source: Data obtained from Transport for NSW (unaudited).

\* 2012 data is Department of Transport, Transport for NSW and Transport Service combined.

\*\* 2011 data is for Department of Transport.

## Financial Information

### Abridged Statement of Comprehensive Income

Period ended 30 June	2012 \$'000
Employee related expenses	164,255
Depreciation and amortisation	34,678
Grants and subsidies	5,515,935
Finance costs	43,498
Other	1,216,040
<b>Total expenses</b>	<b>6,974,406</b>
Government contributions	6,747,596
Sale of goods and services	329,637
Investment revenue	8,044
Other	139,991
<b>Total revenue</b>	<b>7,225,268</b>
<b>Net result-surplus</b>	<b>250,862</b>
<b>Total comprehensive income</b>	<b>250,862</b>

Transport funding is received by Transport for NSW and distributed to other operating entities via grants and subsidies. The grants and subsidies paid included \$2.9 billion to Roads and Maritime Services (including the former Roads and Traffic Authority), \$2.3 billion to RailCorp, and \$214 million for other controlled entities.

Other expenses includes \$537 million paid to State Transit and private bus operators for services provided under the metropolitan and outer metropolitan bus contracts, and \$251 million for services provided under the rural and regional bus contracts.

Sale of goods and services includes \$324 million recouped from other transport agencies, principally Rail Corporation, for expenditure incurred by Transport for NSW in delivering major infrastructure projects.

### Abridged Statement of Financial Position

At 30 June	2012 \$'000
Current assets	684,856
Non-current assets	1,564,722
<b>Total assets</b>	<b>2,249,578</b>
Current liabilities	595,138
Non-current liabilities	1,050,693
<b>Total liabilities</b>	<b>1,645,831</b>
<b>Net assets</b>	<b>603,747</b>

Non-current assets and non-current liabilities include buses acquired under a financing arrangement. These buses are used by State Transit and private bus operators to provide services under the regional bus contracts. At 30 June 2012, approximately 2,200 buses were financed through this arrangement.

Current assets include receivables of \$345 million owed by other transport agencies, including \$227 million from RailCorp and \$88.8 million from the Department of Transport.

Non-current assets mainly comprise \$1.3 billion of property, plant and equipment.

Current liabilities include payables of \$93.5 million owing to other transport agencies, mainly \$46.6 million to RailCorp and \$26.8 million to Sydney Ferries.

Liabilities also include \$958 million in finance lease liabilities, comprising \$449 million to the State Transit and \$509 million to private bus operators.

## Authority Activities

Transport for NSW was established on 1 November 2011 to take over the roles and functions previously carried on by the Department of Transport.

Transport for NSW has the following general functions:

- transport planning and policy
- transport public funding
- transport infrastructure
- capital works programs and budgets
- contracting for the delivery of transport services
- transport services coordination
- incident management
- transport information
- provision and deployment of staff and services
- ticketing for transport services
- precinct land planning
- procurement.

Transport for NSW (through the Director General of the Department of Transport) may give directions to the following transport entities: Rail Corporation, Roads and Maritime Services, State Transit Authority and Sydney Ferries.

For further information on Transport for NSW, refer to [www.transport.nsw.gov.au](http://www.transport.nsw.gov.au).

### **ACN 156 211 906 Pty Ltd**

On 12 March 2012, Transport for NSW established ACN 156 211 906 Pty Ltd, a proprietary limited company. Transport for NSW paid \$20.0 million to acquire the issued share capital of the company. These proceeds were then used to buy out the shareholders and bond holders of Metro Transport Sydney Pty Limited and its wholly owned subsidiaries. The transaction costs associated with establishing ACN 156 211 906 Pty Ltd were \$266,000.

Metro Transport Sydney Pty Limited owns and operates the light rail network and the monorail in Sydney. These activities have continued after the acquisition by Transport for NSW.

During the year, a contract was awarded to John Holland for the major design and construction of the inner west light rail network extension. This project will result in nine new light rail stations, and is expected to be completed during 2013-14 at a total cost of \$176 million.

On 22 June 2012, the Minister for Transport announced the closure of the monorail in 2013. The monorail infrastructure, including the track, workshop and a number of stations, will be removed from the streets of Sydney and Darling Harbour to make way for the development of the new exhibition, convention and entertainment precinct at Darling Harbour.

For further information on the Light Rail network and the monorail, refer to [www.transport.nsw.gov.au](http://www.transport.nsw.gov.au) and [www.metrotransport.com.au](http://www.metrotransport.com.au).