

## **Auditor-General's Report to Parliament** **Sydney Metropolitan Bus Contracts**

Today the Acting Auditor-General of New South Wales, Tony Whitfield, released a report on Sydney Metropolitan Bus Service Contracts.

All scheduled bus services in the Sydney metropolitan area are provided under contracts with the public and private operators. The contracts allow Transport for NSW (TfNSW) to determine what bus services are provided and to whom. This audit assessed the effectiveness of TfNSW's design and management of these contracts.

Bus services provided under the Sydney Metropolitan Bus Service Contracts have largely been effective and efficient. Operators are mostly meeting their key performance indicators. Customer satisfaction is better than under the previous contracts and improving, patronage is increasing, and the unit costs of providing services are now lower than under the previous contracts.

However, punctuality remains a problem. Private operators are mostly starting their trips on time, but rarely meeting their mid and end-of-trip targets. State Transit Authority's (STA) punctuality is improving but is worse than private operators, and other areas of performance are generally below private operators.

The current situation is a substantial improvement over what we found in our 2010 audit on the previous contracts.

### **The contracting approach is justified**

TfNSW's contracting approach is justified. It is consistent with the government's policy direction and practices in other like jurisdictions. It also draws on expert advice, extensive research and TfNSW's experience.

However, the contracts with STA do not offer the full benefits of a pure purchaser-provider model. The performance risk remains with government, and there is no clear separation of accountabilities, with the Secretary of TfNSW, the purchaser, also having direct control over STA, the provider. Also, the STA contracts do not offer the same incentives, as STA is not subjected to financial penalties for poor performance on critical KPIs.

### **The contracts promote efficiency and effectiveness**

The contracts were developed through a robust process and contain appropriate key performance indicators. Private operators' contracts have incentives that promote efficiency and effectiveness, but incentives for mid and end trip punctuality are limited.

### **Operator performance information is largely valid and reliable**

Information collected by TfNSW on most aspects of operator performance is largely valid and reliable, and will be more so once electronic bus tracking systems are fully operational.

### **Enforcement of punctuality penalties was inadequate**

While TfNSW's framework for managing the contracts has a number of positive elements, punctuality and service reliability aspects need to improve. In particular, during the early stages of the contracts TfNSW chose to waive financial penalties on private operators not meeting punctuality targets while they were implementing improvement plans. TfNSW advises it will no longer be as lenient.

### **Further information**

For further information, please refer the report's Executive Summary or full report on the [Audit Office website](#).

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