
Appendix one – Responses from agencies

Response from TfNSW and Sydney Trains



10 October 2021

Ms Margaret Crawford
Auditor-General
Audit Office of NSW
GPO Box 12
SYDNEY NSW 2000
By email

Dear Ms Crawford

Thank you for the opportunity to respond to the Performance Audit Report (“the Report”) on Rail Freight and Greater Sydney. Transport for NSW (TfNSW) welcomes the Report, its findings, and recommendations. TfNSW is committed to improving the Transport cluster’s accountability and performance in this area. The Report provides TfNSW with valuable feedback for further improving the movement of rail freight in Greater Sydney.

Transport cluster agencies operate under a purchaser-provider model, as required by the *Transport Administration Act 1988* (s.2B(e)). The strength of the model is that it improves accountability and transparency through written contracts which clearly state the roles and responsibilities of the parties for achieving policy outcomes.

As the Report notes, several contractual agreements were signed in June 2021, between TfNSW, TAHE and Sydney Trains. These include the Licence, Agency and Maintenance (LAM) Deed between TAHE, TfNSW and Sydney Trains; and the Rail Operations Agreement between TfNSW and Sydney Trains.

I am advised that TAHE’s response to the Report outlines how it intends to use the LAM Deed procedures to address the relevant recommendations in the Report. TfNSW will work collaboratively with TAHE to finalise and implement these changes.

TfNSW will use the development of the Customer Service Standards, required under the Rail Operations Agreement, to address a number of the areas of concern identified by the Audit Office relevant to TfNSW and Sydney Trains.

The Customer Service Standards are intended to clearly articulate to Sydney Trains what TfNSW is purchasing from it on behalf of the NSW Government. TfNSW recognises that a clearer description of Sydney Trains’ role in meeting freight, as well as passenger objectives, would improve governance in this area and it is intended that the Customer Service Standards will include a Freight Level of Service (FLOS) specification that TfNSW expects Sydney Trains to deliver.

While initial scoping of this work had commenced, the Report provides valued guidance and input into that process. The FLOS will also include the actions expected by TfNSW from Sydney Trains for additional freight data gathering. This was an area of particular concern identified by the Report, recognising the importance of good data as a basis for developing effective benchmarks and performance requirements.

Importantly, the management and reporting on the Customer Service Standards will occur through the Contract Management Group (CMG) that was recently established.

This group has high-level representation from Sydney Trains, TfNSW's Customer, Strategy and Technology (CST) and Greater Sydney (GS) Divisions and will have a key role in monitoring progress against several of the findings and recommendations of the Report.

The CMG's accountability will be supplemented by quarterly Performance Review meetings involving the Deputy Secretary, Greater Sydney and Sydney Trains Chief Executive. The arrangements recognise that accountability for rail freight outcomes extends beyond TfNSW's Freight Branch.

Additional findings and recommendations will be addressed through the completion of the four freight strategy processes that TfNSW has commenced and are identified in the Report. These are:

- Review of the Freight and Ports Plan 2018-2023
- Freight Rail Strategy
- Port Efficiency Strategy
- Freight Data Strategy.

These will clarify and improve the Transport cluster's accountability for formulating and achieving the NSW Government's freight objectives. As the Report notes, clear rail freight accountabilities currently consist of the Port Botany target for rail mode share and the commitment to ensure no reduction in current capacity for rail freight. A more complete articulation of desired NSW Government freight objectives, the plans to meet the objectives, and measures of success, can be expected by December 2022. This will include the role of the mixed-use network in increasing the use of rail freight.

The regulatory instrument for rail freight access to the shared network, the NSW Rail Access Undertaking, is currently being reviewed by the Independent Pricing and Regulatory Tribunal (IPART). This will provide additional guidance to Transport agencies on the effective management of freight access to the Sydney Trains' network.

I am confident that this suite of actions will provide a robust response to the Report's findings and improve the Transport cluster's governance and accountability in this important area.

I enclose a more detailed response to the Report's recommendation and the actions we will be taking to implement them over the next 14 months.

Thank you to you and your team for the insights that the audit has provided. I look forward to updating you on our implementation of the recommendations.

Yours sincerely



Rob Sharp
Secretary

By June 2022, Transport for NSW should:

- 1. Commit, as part of the review of Future Transport 2056, to delivering the freight-specific strategies currently in development and develop whole-of-cluster accountability for this work including:**
 - a) timeframes**
 - b) targets and key performance indicators**
 - c) governance arrangements, including respective roles and responsibilities.**

Response:

TfNSW will deliver measurable progress against the 4 freight specific strategies stated in the report by June 2022, with the inclusion of defined timelines and recommended initiatives to target outcomes noted in the audit findings. This will include a series of targets and performance indicators that are aligned with the policy objectives for rail freight sought by the NSW Government. Delivery of the strategies will also include a clear statement of the governance arrangements for allocating accountabilities for achieving the sought policy objectives, as well as clear targets and KPIs to be achieved.

TfNSW will also finalise the development of a Freight Level of Service (FLOS), that will be included as a component of the development of Customer Service Standards, as required under the Rail Operations Agreement between TfNSW and Sydney Trains. The FLOS will be the contractually agreed minimum level of services that Sydney Trains will provide to the rail freight industry, to achieve NSW Government rail policy objectives.

In developing the FLOS, TfNSW will systematically engage with end-users (freight operators and their customers), with the intent that the knowledge gathered will be turned into a clear planning, specification of the required services needed from Sydney Trains. The specification will include freight-specific performance measures to be achieved. Performance by Sydney Trains against the FLOS will be subject to the same provisions in the Rail Operations Agreement that deal with a "Material Breach" of the Customer Service Standards and be regarded as a non-compliance event requiring remedial actions.

As well as clearly stating the roles and responsibilities of Sydney Trains and TfNSW, the Rail Operations Agreement includes the establishment of a Contract Management Group (CMG), with the CMG to consist of the Executive Director for Public Transport Contracts & Partnerships (TfNSW), the Executive Director Freight (TfNSW) and the Executive Director Strategy Portfolio and Investment (Sydney Trains). Additional governance arrangements consist of Quarterly Performance Review Reporting, and oversight at Deputy Secretary level.

By April 2022, Transport for NSW and Sydney Trains should:

- 1. improve the collection and sharing of data to facilitate better analysis of train movements and to support future planning and policy decisions**
- 2. develop a specific plan to reduce the number of avoidable freight delays**
- 3. systematically collect data on its management of delays to rail-freight and incidents involving and/or impacting rail-freight (due October 2022)**

Transport for NSW

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Response:

The Rail Operations Agreement currently includes provisions that require Sydney Trains to assist TfNSW by the provision of data. This includes for comparison, benchmarking or performance studies, encompassing the development and updating of Customer Service Standards. TfNSW will liaise with Sydney Trains on the requirements for improved data collection on freight movements and provide clearer direction on what data should be collected in the future. As noted in the Report, TfNSW is currently undertaking a Freight Data Strategy, which will inform forward data requirements. TfNSW will seek to amend the Rail Operations Agreement if it does not currently provide sufficient direction on the data types and processes that it needs Sydney Trains to provide to enable future planning and policy decisions.

TfNSW and Sydney Trains suggest that the order of recommendations 3 and 4 be reversed in terms of being addressed. As the Report notes, Sydney Trains does not currently systematically collect and analyse data on its management of rail-freight related delays or incidents. It does this much more extensively for delays to passenger services. There are therefore currently data challenges in both determining the extent of the problem of freight trains experiencing delays on the Sydney Train's network, and the robustness of current evidence-base to guide any specific remedial actions or plans to address it. As the Report also notes, the available data presents a mixed picture, including indications that at least some freight trains make up on "off-network" delays once they gain entry to the Sydney Train's network. It is also likely that delays are experienced more by particular freight traffic (e.g. longer and heavier freight trains), and in particular locations.

TfNSW and Sydney Trains will therefore initially undertake a more detailed analysis of the impact of delays incidents on freight services, and the effectiveness of corrective actions taken by Sydney Trains to respond to such incidents. As the Report notes, the development of indicators that can more accurately measure both the delays and the effectiveness of any remedial actions may be required. Sydney Trains' trialling of "Lost Freight Minutes", as a companion indicator to "Lost Customer Minutes" will be helpful for this process. By first sourcing, collecting and analysing better data, which then informs the development of indicators of success, TfNSW and Sydney Trains will be in a position to develop, apply and evaluate specific plans to reduce freight delays.

By April 2022, TAHE, Sydney Trains and Transport for NSW should:

4. Develop and implement key performance indicators for the inter-agency agreements between TAHE, TfNSW and Sydney Trains.**Response:**

TAHE is providing a separate response to the Audit Office on its intended use of procedures under the LAM Deed to provide clearer performance direction and expectations to its agents.

TfNSW will, through the development of the FLOS component of the Customer Service Standards for the Rail Operations Agreement, provide clear direction to Sydney Trains on its expected performance in this area. Under the Rail Operations Agreement, Sydney Trains is required to comply with, and implement the Customer Service Standards. TfNSW has commenced the process of developing the FLOS.

Response from TAHE



Transport Asset
Holding Entity

Our Ref: qA966984
Your ref: D2119054/PA6668

12 October 2021

Ms Margaret Crawford
Auditor-General
Audit Office of NSW
GPO Box 12
SYDNEY NSW 2000

Dear Ms Crawford

Thank you for the opportunity to respond to the Performance Audit Report (“the Report”) on Rail Freight in Greater Sydney, dated 14 September 2021. The audit addressed the effectiveness of Transport for NSW (TfNSW), Sydney Trains and Transport Asset Holding Entity of NSW (TAHE) in improving the use of rail freight capacity in Greater Sydney, and to meet current and future freight demand.

TAHE as the asset owner, supports all efforts to increase the effective use of the metropolitan rail network and welcomes the NSW Auditor-General’s findings in addition to the five recommendations outlined in the Report.

TAHE’s Operating Licence granted by the Minister for Transport and Roads requires that TAHE must have in place arrangements with Sydney Trains, NSW Trains and third party operators for the control and effective management of the rail networks. The inter-agency arrangements for the management of freight rail capacity are subject to the Licence Agency and Maintenance (LAM) Deed entered into by TAHE, TfNSW, NSW Trains and Sydney Trains, on 1 July 2021.

The LAM Deed addresses the following requirements:

- Sydney Trains to act as TAHE’s accredited agent undertaking the management and delivery of access to rolling stock and freight rail operators on the metropolitan rail network; and
- TfNSW, in addition to its strategic and planning transport role, to operate as TAHE’s agent for the provision of freight and rail access and the management of access agreements with freight rail operators in respect of the metropolitan network.

TfNSW and Sydney Trains as TAHE’s agents have been nominated by the Auditor General to undertake Recommendations One to Four within the Report. TAHE is committed to supporting both TfNSW and Sydney Trains in the execution and effective implementation of these recommendations.

Recommendation Five requires TAHE, TfNSW and Sydney Trains to develop and implement key performance indicators for the inter-agency agreements between TAHE, TfNSW and Sydney Trains by April 2022.

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The LAM Deed as the inter-agency agreement, foreshadowed the need for governance and reporting arrangements, outlined in Clauses 17 and 18 of the deed. The deed provides for the governance and reporting frameworks necessary to develop and implement key performance indicators for the delivery and management of network access to rolling stock and rail freight operators.

TAHE will use the governance provisions within the LAM Deed to lead the development and implementation of key performance indicator reporting requirements in collaboration with TfNSW and Sydney Trains by April 2022.

TAHE will further apply its asset management and assurance framework to gain positive declaration that the performance indicators are fit for purpose and remain effective in improving the use of rail freight capacity in Greater Sydney.

TAHE appreciates the Auditor General's performance feedback and will positively use this information to strengthen business processes as our organisation develops and matures.

Thank you to you and your team for the insights that the audit has provided. I look forward to sharing with you the inter-agency key performance indicators and our progress on the implementation of these valuable recommendations.

If you have any further questions or would like additional information, Peter Crimp Executive General Manager Finance and Business Performance would be pleased to take your call.

Yours sincerely

Benedicte Colin

Chief Executive Officer