New South Wales Auditor-General's Report
Financial Audit

Volume Eight 2013
Focusing on Transport and Ports

audit
office
OF NEW SOUTH WALES

The role of the Auditor-General

The roles and responsibilities of the Auditor-General, and hence the Audit Office, are set out in the *Public Finance and Audit Act 1983*.

Our major responsibility is to conduct financial or 'attest' audits of State public sector agencies' financial statements. We also audit the Total State Sector Accounts, a consolidation of all agencies' accounts.

Financial audits are designed to add credibility to financial statements, enhancing their value to end-users. Also, the existence of such audits provides a constant stimulus to agencies to ensure sound financial management.

Following a financial audit the Audit Office issues a variety of reports to agencies and reports periodically to parliament. In combination these reports give opinions on the truth and fairness of financial statements, and comment on agency compliance with certain laws, regulations and government directives. They may comment on financial prudence, probity and waste, and recommend operational improvements.

We also conduct performance audits. These examine whether an agency is carrying out its activities effectively and doing so economically and efficiently and in compliance with relevant laws. Audits may cover all or parts of an agency's operations, or consider particular issues across a number of agencies.

Performance audits are reported separately, with all other audits included in one of the regular volumes of the Auditor-General's Reports to Parliament – Financial Audits.

audit.nsw.gov.au

The Legislative Assembly
Parliament House
Sydney NSW 2000

The Legislative Council
Parliament House
Sydney NSW 2000

Pursuant to the *Public Finance and Audit Act 1983*, I present Volume Eight of my 2013 report.

Grant Hehir
Auditor-General
December 2013

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Significant Items

This summary shows the most significant issues identified during my audits.

Recommendations

This summary shows my more significant recommendations to agencies to address issues I identified during my audits.

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Port Corporations and Operational Snapshot

The port corporations provide and facilitate port operations in New South Wales. Trade at each port varies depending on local conditions and strategic advantages for types of trade. The following State owned corporations provide and facilitate port operations in New South Wales.

New South Wales Port Corporations

Newcastle Port Corporation	**Port Kembla Port Corporation**	**Sydney Ports Corporation**
Port Location: **Newcastle Port**	Port Location: **Port Kembla***	Ports Location: **Port Botany*** **Sydney Harbour** **Port of Eden** **Port of Yamba**
Major commodities: • Coal	Major commodities: • Coal • Iron Ore • Motor Vehicles • Wheat	Major commodities/services: • Containerised trade • Bulk liquids • Dry bulk • Cruise vessels
Profit for the year: $22.8 million	Loss for the year: $14.1 million	Profit for the year: $2.1 billion
Dividend to government: $15.4 million	Dividend to government: Nil	Dividend to government: $33.7 million
Distributions to government: Nil	Distributions to government: $690 million	Distributions to government: $3.5 billion

*   The NSW Government entered into long-term leases of Port Botany and Port Kembla on 31 May 2013. Significant assets and operations of these two ports have been transferred to the private sector lessee.

Source: Information provided by respective port corporations (unaudited) and audited financial statements of the port corporations.

Audit Opinion

Unqualified audit opinions were issued on the above corporations' 30 June 2013 financial statements.

During the year, Treasury issued TC 13/01 'Mandatory early close procedures for 2013'. This Circular aimed to improve the quality and timeliness of agencies' annual financial statements. In 2012-13, application of the circular was made mandatory for State owned corporations. As a result, the port corporations were required to perform the early close procedures.

All the port corporations were successful in performing the procedures, which helped them submit financial statements by an earlier due date.

The early close procedures also resulted in general improvements to the quality of most financial statements.

Key Issues

Port Botany and Port Kembla Long-Term Leases

The Port Botany and Port Kembla long-term leases contributed $5.0 billion gross proceeds to the State which was received at the start of the lease term. A gain of $2.0 billion was recognised in the Total State Sector financial statements. The transactions were completed on 31 May 2013.

Highlights and Key Financial Information of the Transaction

Transaction Highlights	Financial and Other Information
Lease type	99-year lease encompassing assets and operations in Port Botany, Port Kembla, and the Enfield and Cooks River logistics centres
Lease term started	31 May 2013
Gross proceeds	$5.0 billion
Settlement of port corporations' borrowings from transaction proceeds	$767 million
Net distributions to the NSW Government	$4.2 billion
Gain on disposals of discontinued operations	$2.0 billion
Retained functions of Sydney Ports Corporation	Marine safety and emergency pollution response, vessel traffic control, the role of Harbour Master, marine pilots and navigation services
	Sydney Harbour wharves, cruise shipping functions and ports of Eden and Yamba
Retained functions of Port Kembla Port Corporation	Marine safety and security, emergency pollution response, vessel traffic control, the role of Harbour Master, pilotage services and navigation buoys and markers

Source: Information provided by Treasury (unaudited) and audited financial statements of respective port corporations.

Arrangements Facilitating the Transaction

In order to facilitate the long-term lease transactions, Sydney Ports Corporation and Port Kembla Port Corporation created the following wholly owned subsidiaries in December 2012:

- Port Botany Operations Pty Limited (as trustee for the Port Botany Unit Trust) (PBO)
- Port Botany Lessor Pty Limited (PBL)
- Port Kembla Operations Pty Limited (as trustee for the Port Kembla Unit Trust) (PKO)
- Port Kembla Lessor Pty Limited (PKL).

In December 2012, the NSW Treasurer issued a number of statutory vesting orders transferring specific assets, rights and liabilities to these subsidiaries. These vesting orders were issued under the *Ports Assets (Authorised Transaction) Act 2012* and became effective on 1 January 2013.

On 31 May 2013, PBL and PKL each entered into a 99-year lease with the successful bidder. PBO and PKO were sold as part of the transaction. On the same date, ownership of PBL and PKL was transferred to the Ports Assets Ministerial Holding Corporation (PAMHC) for nil consideration.

At 31 May 2013, some staff from these port corporations transferred to the private sector lessee, with certain guaranteed employment conditions and a transfer payment.

Establishment of Ports Assets Ministerial Holding Corporation

The PAMHC was created by the *Ports Assets (Authorised Transaction) Act 2012.* PAMHC is a statutory body having the following functions:

- to hold ports assets acquired by it or transferred to it
- to carry on any activities or business that relates to any ports assets held by it
- such other functions for the purposes of an authorised transaction as may be prescribed.

Usage of Transaction Proceeds

The NSW Government announced it intended to invest around four billion dollars from the transaction proceeds in the Government's infrastructure fund – Restart NSW. Restart NSW will provided funding for the following projects:

- WestConnex Motorway
- Bridges for the Bush – a program to replace or upgrade bridges at 17 key locations around New South Wales
- upgrades to the Princes and Pacific Highways
- $100 million on infrastructure projects in the Illawarra region.

Regulation of Ports under Long-term Lease

The Government will retain regulatory oversight of certain port matters such as the Harbour Master and handling of dangerous goods. A price monitoring regime has been established to ensure transparency on port charges. It includes a requirement by the lessee to publish port service charges.

The lease restricts the use of port lands to port related purposes. It also requires the lessee to adequately maintain the ports over the lease term.

Long-term Lease of Newcastle Port

A scoping study on offering a 99-year lease on the Port of Newcastle was recently completed.

The Government has announced that they will proceed with the long-term lease of the Port of Newcastle to fund the revitalisation of central Newcastle and priority infrastructure across New South Wales. Subject to the tender process, the Government expects to announce the successful lessee in mid-2014.

The Government has announced that they will proceed with the long-term lease of the Port of Newcastle

Performance Information

The long-term lease transactions have significantly changed the operations of Port Kembla Port Corporation and Sydney Ports Corporation.

The port corporations provided the following information regarding their trade performance:

Trade Performance

Year ended 30 June	Target*	Actual		
	2013	2013	2012	2011
Total container trade ('000 TEUs)**				
Newcastle Port Corporation	20	14	15	18
Port Kembla Port Corporation#	12	7	15	4
Sydney Ports Corporation				
Sydney Harbour	--	--	--	--
Port Botany***	2,100	2,126	2,036	2,020
Total trade** ('000 mass tonnes)**				
Newcastle Port Corporation	140,305	148,867	128,610	114,576
Port Kembla Port Corporation#	22,282	22,292	27,821	29,977
Sydney Ports Corporation				
Sydney Harbour	4,914	4,074	5,403	5,180
Ports of Eden and Yamba	170	988	593	na
Port Botany***	25,371	25,060	24,666	24,552
Total chargeable vessel visits				
Newcastle Port Corporation	2,033	2,152	1,958	1,862
Port Kembla Port Corporation#	823	865	1,010	1,014
Sydney Ports Corporation				
Sydney Harbour	495	522	540	509
Ports of Eden and Yamba	43	76	38	na
Port Botany***	1,527	1,617	1,601	1,578
Total chargeable vessel gross tonnage ('000)				
Newcastle Port Corporation	85,877	95,874	86,520	77,320
Port Kembla Port Corporation#	43,383	36,803	41,336	39,609
Sydney Ports Corporation				
Sydney Harbour	28,379	24,500	21,201	16,990
Ports of Eden and Yamba	1,126	1,108	654	na
Port Botany***	50,473	54,487	52,019	51,179
Total coal trade gross tonnage ('000)				
Newcastle Port Corporation	134,000	142,641	121,905	108,257
Port Kembla Port Corporation#	14,969	13,167	14,657	14,256

*   Target agreed with shareholder ministers in the Statement of Corporate Intent. If not available in the Statement of Corporate Intent, the target set by the corporations.

**   TEU (20-foot equivalent unit) represents the cargo capacity of a standard shipping container.

***   Trade data of Sydney Ports Corporation includes trade from private berths (including Port Botany berths that were leased for 99 years to the successful bidder on 31 May 2013).

**** Including container and non-container cargo.

\#   All Port Kembla Port Corporation data in 2013 was 11 months from July 2012 to May 2013 (long-term lease transaction completed on 31 May 2013).

na   Not available.

Source: Information provided by respective port corporations (unaudited).

Newcastle Port Corporation

Total trade continued to trend upwards mainly due to continued strong demand for coal being exported to Asia, in particular, Japan, China and South Korea.

Port Kembla Port Corporation

Port Kembla Port Corporation advises the decrease in total trade and total chargeable vessel visits was due to:

- machinery issues at the Coal Terminal
- container trade with the South Pacific islands ceased in 2012-13.

Sydney Ports Corporation

Sydney Ports Corporation advised total container trade increased by four per cent. The key drivers were the increased trade in empty container exports and full container imports.

Total chargeable vessel gross tonnage increased mainly due to an increase in the size of vessels using the ports.

Financial Performance

Newcastle Port Corporation exceeded all of its financial targets in 2013. Due to the significant impacts of the lease transactions, the financial performance of Port Kembla Port Corporation and Sydney Ports Corporation is not comparable with prior years and is not presented in the table below.

Year ended 30 June	Target*	Actual		
	2013	2013	2012	2011
Newcastle Port Corporation				
Return on average equity (%)(a)	5.4	7.5	6.6	4.9
Return on average assets (%)(b)	6.3	8.0	7.5	6.1
Interest cover (times)(c)	6.4	6.7	5.1	4.4
Debt to equity ratio (%)(d)	na	21.6	22.3	24.3
Dividend to government ($m)(e)	11.7	15.4	13.2	9.0

*   Target agreed with shareholder ministers in the Statement of Corporate Intent (SCI).

Calculated as:

a   Profit after income tax expense divided by average equity.

b   Profit before income tax and net interest expense divided by average assets.

c   Profit before income tax expense, net interest expense, depreciation and amortisation divided by net interest expense.

d   External debt divided by equity (net assets).

e   Dividend declared for the year.

na   Not available.

Source: Newcastle Port Corporation (unaudited).

Newcastle Port Corporation

Increases in the returns on average equity and average assets were mainly due to a $5.0 million increase in profit before tax as a result of increased coal trade. The increase in profit before tax and a decrease in net interest expense of $1.4 million resulted in the increase in interest cover times.

Major Trade Commodities

Coal remains a key commodity for NSW ports, with trade increasing by 14.3 per cent in 2012-13.

The corporations' major trade commodities were:

Coal remains a key commodity for NSW ports, with trade increasing by 14.3 per cent in 2012-13

Year ended 30 June	2013	2012	2011	2010	2009
Newcastle Port Corporation ('000 tonnes)					
Coal	142,641	121,905	108,257	97,077	90,493
Wheat and grains	1,834	1,863	1,284	1,180	882
Alumina	1,032	1,348	1,353	1,391	1,347
Other	3,360	3,494	3,682	3,378	3,118
Total	**148,867**	**128,610**	**114,576**	**103,026**	**95,840**
Port Kembla Port Corporation ('000 tonnes)*					
Coal	13,473	14,657	14,256	13,875	13,233
Iron ore	3,499	4,920	8,194	7,125	5,768
Motor vehicles	4,619	4,136	3,842	4,004	2,005
Steels	787	1,892	3,278	2,902	1,931
Wheat	1,982	2,204	1,281	589	768
Other	4,522	4,387	2,746	2,551	2,700
Total	**28,882**	**32,196**	**33,597**	**31,046**	**26,405**
Sydney Ports Corporation***					
Container trade – Port Botany ('000 TEUs):**					
Machinery and transport equipment	275	275	262	245	235
Miscellaneous manufactured articles	267	258	249	228	221
Chemicals	187	178	181	170	159
Other	825	761	767	751	704
Total container trade ('000 TEUs)	**1,554**	**1,472**	**1,459**	**1,394**	**1,319**
Non-container trade – Port Botany ('000 tonnes):					
Oil	9,110	8,351	8,258	8,016	8,081
Bulk liquids and gas	465	485	461	491	659
Other	1	1	1	1	9
Non-container trade – Sydney Harbour ('000 tonnes):					
Dry bulk	1,109	1,181	1,209	1,115	1,234
Bulk liquids and gas	28	11	13	10	26
Oil	2,937	4,210	3,959	3,587	3,117
Other	--	1	--	1	134
Non-container trade – Eden and Yamba ('000 tonnes):	988	592	na	na	na
Total non-container trade ('000 tonnes)	**14,638**	**14,832**	**13,901**	**13,221**	**13,260**

*   Port Kembla Port Corporation provided this information in revenue tonnes. A revenue tonne is a revenue-generating cargo shipment of either one metric tonne or one cubic metre whichever yields the greatest amount of revenue for the carrier.

**   Excluding empty containers trade. Sydney Harbour had a minimal amount of container trade in machinery and transport equipment. It did not have any significant impact on the total container trade above.

***   Trade data of Sydney Ports Corporation includes trade from private berths (including Port Botany berths that were leased for 99 years to the successful bidder on 31 May 2013).

na   Not available. Ports of Eden and Yamba transferred to Sydney Ports Corporation in 2011-12.

Source: Information provided by respective port corporations (unaudited).

NSW Coal and Non-Coal Trade Growth Comparison (Excluding Containers Trade)

Commodities Trade Growth Rates
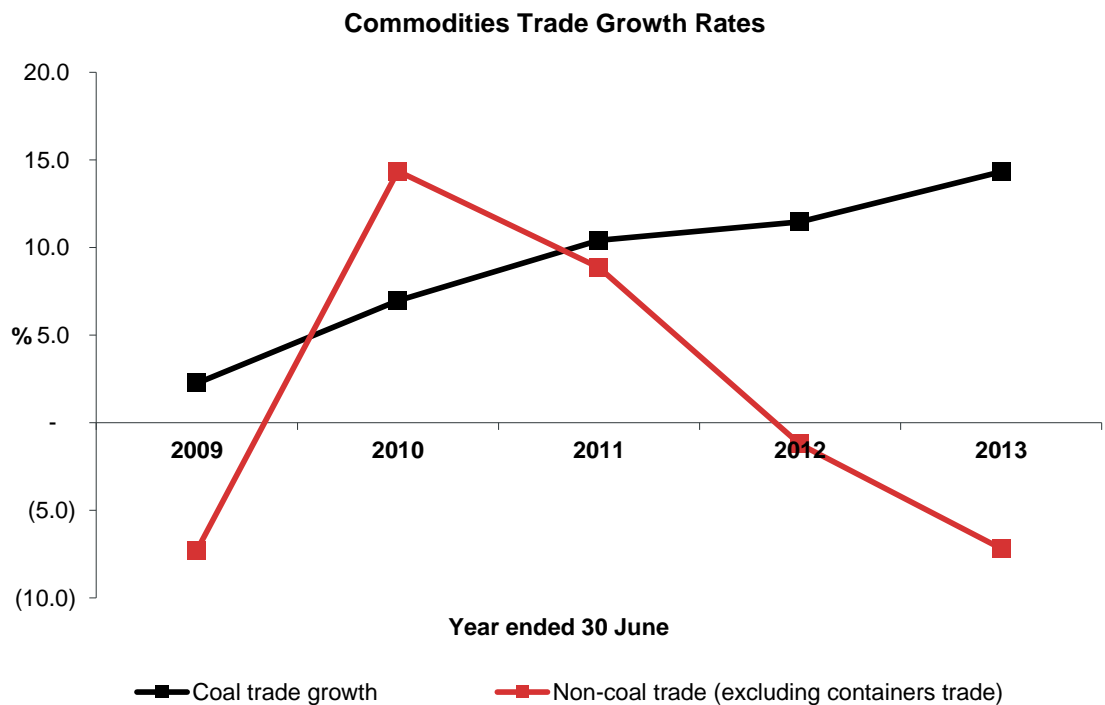
Source: Information provided by respective port corporations (unaudited).

The growth in non-coal trade has been falling since 2009-10 and this trade decreased by 7.2 per cent in 2012-13.

The decrease in 2012-13 non-coal trade was mainly attributed to:

- the closure of an aluminium smelter in Newcastle Port led to a significant decrease in alumina trade
- a fall in iron ore and steel trade at Port Kembla.

Other Information

Port Botany Container Freight Movements by Rail

For three consecutive years the proportion of freight moved by rail has remained stable at around 14 per cent against a target of 28 per cent by 2020.

Last year my Office recommended Sydney Ports Corporation and Transport for NSW review the underlying causes hindering growth in the rail mode and continue developing and implementing strategies and initiatives for increasing container freight movement by rail.

Sydney Ports Corporation responded that it has identified 15 key underlying causes including:

- general rail network factors, including lack of a dedicated freight track, reliability and consistency, low priority of port freight trains, and pricing
- under-utilisation of train and stevedore rail capacities
- lack of intermodal terminal capacity
- marginal competitiveness of rail with road in metropolitan Sydney.

The Corporation advised it continues working with Transport for NSW to increase the rail volumes.

The growth in non-coal trade has been falling since 2009-10 and this trade decreased by 7.2 per cent in 2012-13

For three consecutive years the proportion of freight moved by rail has remained stable at around 14 per cent against a target of 28 per cent by 2020

Port Botany Mode of Container Freight Movement
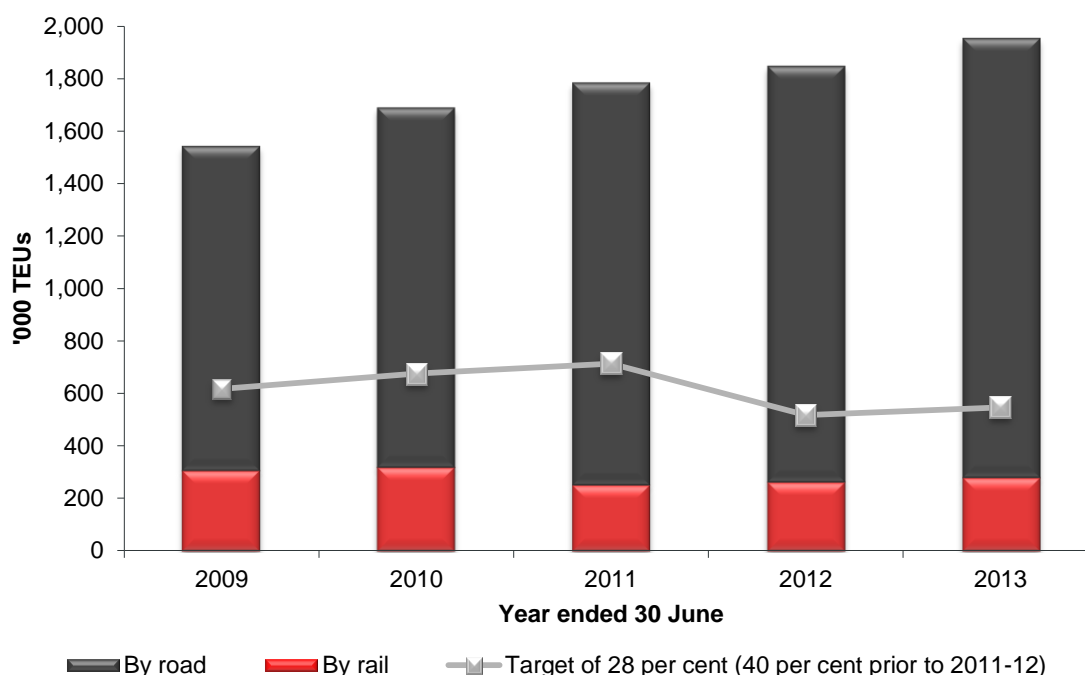
Year ended 30 June	2013	2012	2011	2010	2009
Port Botany proportion of container freight movement (%)					
Rail	14.2	14.1	14.0	18.8	19.8
Road	85.8	85.9	86.0	81.2	80.2
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Port Botany container freight movement* ('000 TEUs)					
Rail	278	261	250	317	305
Road	1,674	1,586	1,533	1,371	1,237
Total	**1,952**	**1,847**	**1,783**	**1,688**	**1,542**

*   Excluded transhipments (cargo unloaded from one vessel and reloaded onto another vessel at the port within
14 days from the date of unloading).

Source: Sydney Ports Corporation (unaudited).

The table above illustrates an increasing trend in container movements at the port, making increasing the proportion of containers moved by rail more difficult.

The State Infrastructure Strategy 2012-2032 noted container trade through Port Botany is forecast to nearly quadruple by 2031, reaching over seven million TEUs.

Strategies and initiatives by Transport for NSW and Sydney Ports Corporation in 2012-13 and 2013-14, include:

- release of the draft NSW Freight and Ports Strategy (the Freight Strategy) outlining strategic action areas for improving freight movement on the network
- the Northern Sydney Freight Corridor Program, which is designed to improve the capacity and reliability for freight trains on the Main North Line between Strathfield and Broadmeadow, Newcastle. It is scheduled for completion in 2016
- implementing a Rail Operations Coordination Centre ('ROCC') in 2013-14 to facilitate coordination of trains in the port precinct.

Although scheduled for completion in mid-2013, the Freight Strategy is yet to be released.

The proportion of freight movements by rail is not considered a significant issue at the other port corporations. Newcastle Port Corporation advises most of its freight movement is by rail and the proportion has remained stable at approximately 95 per cent over the last five years.

Major Projects

The table below provides the completion dates and costs for projects over $20.0 million, based on estimates in the NSW Budget Papers.

Project	Original target date	Actual completion date	Months late	Project approval* $m	Forecast/ actual final cost $m	Savings/ (overrun) $m
Port Kembla Port Corporation						
Outer Harbour Stage 1A - reclamation for bulk products (including Master Plan and environmental assessment)	June 2012	September 2012	3	24.5	22.3	2.2
Sydney Ports Corporation						
Port Botany expansion (PBE)	July 2011	December 2012	17	725.5	697.3	28.2
Intermodal Logistics Centre at Enfield (ILC)**	June 2011	na	na	233.4	210.6**	na
Second bulk liquids berth (BLB2)	August 2011	April 2013	20	83.8	74.4	9.4
White Bay Passenger Terminal	June 2012	April 2013	10	57.0	53.7	3.3

*   This reflects the most recent project approval costs. It does not represent the original budget costs.

**   The project was still in progress when transferred to the private sector lessee as part of the long-term lease transaction on 31 May 2013. This figure is actual project cost to the date of transfer.

na   Not available

Source: Port Kembla Port Corporation, Sydney Ports Corporation and NSW Budget Papers 2012-13 (unaudited).

Port Kembla Outer Harbour Development

In 2008, the Minister for Ports and Waterways announced a $700 million outer harbour development project, which includes 42 hectares of port area reclamation and 1.8 kilometres of berths. The development is scheduled to be constructed in three discrete stages by 2037.

Stage one comprised reclamation and dredging for the footprint of the total development and construction of one new multi-purpose terminal and container berth. The first part of Stage 1A reclamation works was completed in September 2012 for $2.2 million less than anticipated. The project was transferred as part of the long-term lease on 31 May 2013.

Sydney Ports Corporation

Major components of the Port Botany expansion project, including reclaimed land, wharf structures and channels, were completed in June 2011. The construction of a separate elevated road access network was completed in December 2012.

The completed and still in progress projects, PBE, ILC and BLB2, were transferred to the lessee as part of the long-term lease on 31 May 2013.

White Bay Passenger Terminal was completed for $3.3 million less than anticipated, but was ten months late.

Financial Information

Abridged Statements of Comprehensive Income

Year ended 30 June	Newcastle Port Corporation		Port Kembla Port Corporation		Sydney Ports Corporation	
	2013 $m	2012 $m	2013 $m	2012 $m	2013 $m	2012 $m
Employee benefits	22.4	20.7	3.4	4.7	43.0	41.4
Depreciation and amortisation	6.2	5.6	0.5	0.9	17.1	16.1
Finance costs	7.3	8.6	3.2	4.5	0.2	0.4
Other expenses	30.5	29.3	1.5	1.9	51.6	47.6
Total expenses	**66.4**	**64.2**	**8.6**	**12.0**	**111.9**	**105.5**
Port revenue	71.7	59.3	5.1	5.1	52.2	47.7
Rental revenue	25.5	25.0	--	--	12.8	10.6
Other	2.2	8.0	1.8	2.3	47.4	27.6
Total revenue	**99.4**	**92.3**	**6.9**	**7.4**	**112.4**	**85.9**
Profit/(Loss) before tax	**33.0**	**28.1**	**(1.7)**	**(4.6)**	**0.5**	**(19.6)**
Income tax equivalent (expense)/benefit	(10.2)	(8.5)	0.5	1.4	0.5	5.5
Profit/(Loss) after tax	**22.8**	**19.6**	**(1.2)**	**(3.2)**	**1.0**	**(14.1)**
Net profit/(loss) for the year from discontinued operations*	--	--	(12.9)	22.7	2,143.8	66.5
Net profit/(Loss) for the year	**22.8**	**19.6**	**(14.1)**	**19.5**	**2,144.8**	**52.4**
Total other comprehensive income/(expense), net of income tax	**2.5**	**(6.1)**	**420.3**	**(4.1)**	**588.0**	**13.8**
Total comprehensive income	**25.3**	**13.5**	**406.2**	**15.4**	**2,732.8**	**66.2**

* The NSW Government entered into long-term leases of Port Botany and Port Kembla on 31 May 2013. Port Kembla Port Corporation and Sydney Ports Corporation considered the business activities under the long-term leases until 31 May 2013 as discontinued operations. The 2012-13 figures include the gain/(loss) on disposal of discontinued operations.

Newcastle Port Corporation

The increase in total revenue reflects the continued growth in coal exports.

The increase in other comprehensive income largely reflects an actuarial gain on defined benefit superannuation plans of $2.5 million in 2012-13 (loss of $6.1 million in 2011-12).

Port Kembla Port Corporation

The net loss for the year from discontinued operations included the loss on disposal of $26.3 million resulting from the lease transaction and a profit of $13.4 million from those operations in the period prior to disposal.

The significant increase in other comprehensive income was mostly due to a revaluation increment of $374 million on dredged channels and a reversal of deferred tax liabilities of $45.2 million.

Sydney Ports Corporation

Port revenue rose mainly due to an increase in port charges and trade growth in 2012-13.

Other revenue included $34.2 million ($10.6 million) in costs recoverable from the Barangaroo Delivery Authority for the construction of the White Bay Cruise Terminal.

The net profit for the year from discontinued operations included the gain on disposal of $2.1 billion arising from the Port Botany lease transaction.

Other comprehensive income increased mainly due to a revaluation increment of property, plant and equipment of $297 million and a reversal of deferred tax liabilities of $274 million.

The long-term leases for Port Kembla Port Corporation and Sydney Ports Corporation transferred a large portion of their profitable operating activities to the private sector lessee. The significant changes in their operations have required a reassessment of their business models.

Abridged Statements of Financial Position

At 30 June	Newcastle Port Corporation		Port Kembla Port Corporation		Sydney Ports Corporation	
	2013 $m	2012 $m	2013 $m	2012 $m	2013 $m	2012 $m
Current assets	25.2	24.1	52.4	54.2	77.6	137.3
Non-current assets	477.0	470.2	19.5	421.9	397.2	1,961.0
Total assets	**502.2**	**494.3**	**71.9**	**476.1**	**474.8**	**2,098.3**
Current liabilities	41.6	38.4	3.4	27.4	86.3	92.1
Non-current liabilities	149.1	156.1	6.2	102.3	77.1	882.6
Total liabilities	**190.7**	**194.5**	**9.6**	**129.7**	**163.4**	**974.7**
Net assets	**311.5**	**299.8**	**62.3**	**346.4**	**311.4**	**1,123.6**

Newcastle Port Corporation

The decrease in non-current liabilities was largely due to decreases in defined benefit superannuation liabilities of $2.3 million and a $4.1 million decrease in non-current borrowings.

Port Kembla Port Corporation

The lease transaction on 31 May 2013 led to significant decreases in assets and liabilities. Balances were transferred to either Port Kembla Lessor Pty Limited or to the lessee.

Borrowings were settled by Restart NSW by a payment of $57.6 million from the lease proceeds.

Sydney Ports Corporation

Cash applied to major projects contributed to a decrease in cash and current assets by $28.1 million.

The lease transaction on 31 May 2013 led to significant decreases in assets and liabilities. Balances were transferred to either Port Botany Lessor Pty Limited or to the lessee.

Borrowings were settled by Restart NSW by a payment of $709 million from the lease transaction proceeds.

Entity Activities

All NSW port corporations are statutory State owned corporations incorporated under the *Ports and Maritime Administration Act 1995.*

The corporations' principal objectives are to:

- operate at least as efficiently as any comparable businesses
- maximise the net worth of the State's investment in the port Corporations
- exhibit a sense of social responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate these when able to do so
- promote and facilitate trade through port facilities
- ensure port safety functions are carried out properly
- promote and facilitate a competitive commercial environment in port operations
- improve productivity and efficiency in its ports and the port related supply chain.

For further information on Newcastle Port Corporation, refer to www.newportcorp.com.au.

For further information on Port Kembla Port Corporation, refer to www.kemblaport.com.au.

For further information on Sydney Ports Corporation, refer to www.sydneyports.com.au.

Transport Overview

Transport Snapshot

New South Wales Public Transport Services

Bus [a]	Ferries	Rail	Road
Passenger Journeys: 227 million	Passenger Journeys: 14.9 million	Passenger Journeys: 312 million	Registered Vehicles: 6.0 million
Passenger Revenue: $344 million	Passenger Revenue: $44.0 million	Passenger Revenue: $807 million	Collections:[d] $3.0 billion
Operating Expenses: $1.2 billion	Operating Expenses:[b] $156 million	Operating Expenses: $4.1 billion	Operating Expenses: $3.4 billion
Government Funding: $1.3 billion	Government Funding: $81.0 million	Government Funding: $3.3 billion	Government Funding: $4.4 billion
Cost Recovery from Users: 28.7 per cent	Cost Recovery from Users: 28.2 per cent	Cost Recovery from Users: 19.8 per cent	Net Assets: $67.0 billion
Net Assets: $247 million	Net Assets:[c] $147 million	Net Assets: $25.0 billion	

a   Passenger Journeys, passenger revenue and Government funding include State Transit Authority (STA) and private bus operators. Operating expenses are made up of bus contract payments by Transport for NSW to metropolitan and outer metropolitan private bus operators and STA operating expenditure. Net assets disclosed relate to STA only.

b   Operating expenses are made up of ferry contract payments by Transport for NSW to Harbour City Ferries and Sydney Ferries' operating expenditure

c   Net assets for Ferries relates to Sydney Ferries only

d   Collections consists of license and registration fees, stamp duty, motor vehicle weight tax, and fines and other revenue collected by Roads and Maritime Services (RMS) from road users which is predominantly paid to NSW Treasury.

Source: Transport agencies' financial statements (audited) and information from transport agencies (unaudited).

Transport Structure

NSW Government agencies involved in delivery of transport services in 2012-13 were:
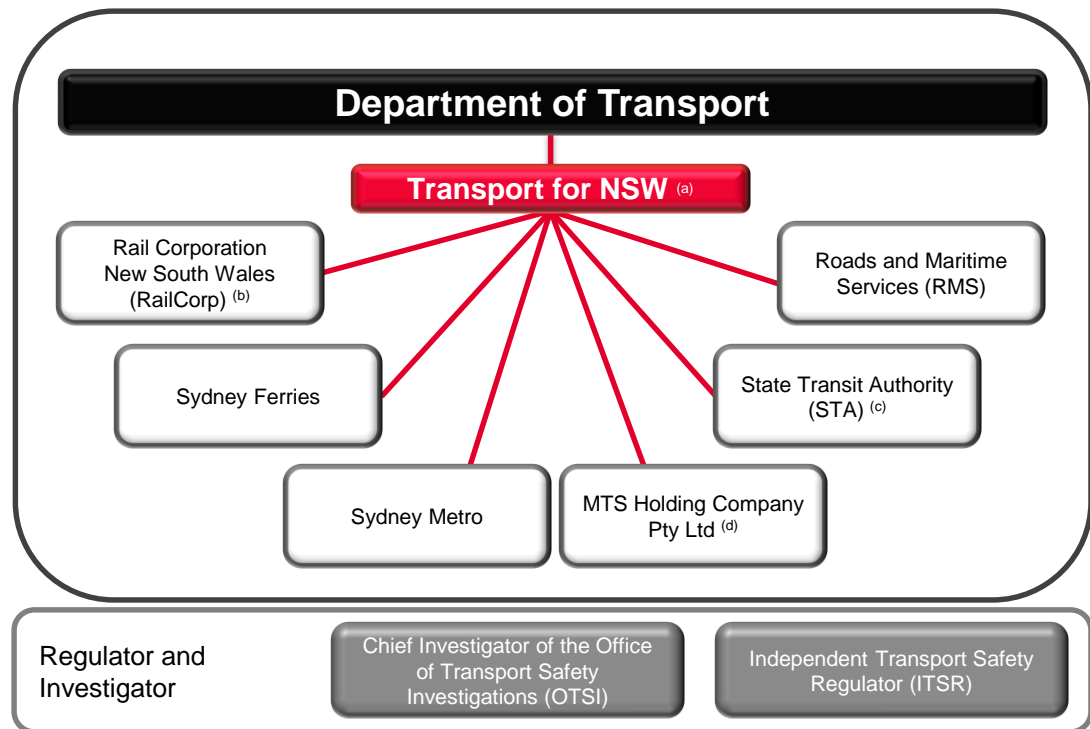
a   Transport for NSW includes Transport Service of NSW

b   RailCorp includes CityRail, CountryLink, Transport Cleaning Services and Trainworks Limited

c   State Transit Authority includes Western Sydney Buses, STA Division and WSB Division

d   MTS Holding Company Pty Limited (formerly ACN 156 211 906 Pty Limited) was established by Transport for NSW on 12 March 2012. It purchased the Metro Transport Sydney Pty Limited group, which owned and operated Sydney's light rail network and monorail.

Audit Opinions

Unqualified audit opinions were issued on all transport entities' 30 June 2013 financial statements:

- Chief Investigator of the Office of Transport Safety Investigations
- Department of Transport
- Independent Transport Safety Regulator
- Independent Transport Safety Regulator Division
- MTS Holding Company Pty Limited
- Rail Corporation New South Wales
- Roads and Maritime Services
- Roads and Maritime Services Division
- State Transit Authority of New South Wales
- State Transit Authority Division
- Sydney Ferries
- Sydney Metro
- Trainworks Limited
- Transport Cleaning Services
- Transport for NSW
- Transport Service of NSW
- Western Sydney Buses Division.

19

Compliance with Treasury's Early Close procedures

During the year, Treasury issued TC 13/01 'Mandatory early close procedures for 2013'. This circular aimed to improve the quality and timeliness of agencies' annual financial statements. In the Transport cluster most agencies were required to perform early close procedures.

Most Transport agencies were broadly successful in performing the procedures, which helped them submit financial statements by an earlier due date. This in turn enabled the financial statement audits to be finalised within an earlier timeframe of eight weeks (nine weeks in 2011-12), with the exception of Sydney Ferries' audit, which was delayed while an accounting issue was resolved with Treasury.

The early close procedures also resulted in improvements to the quality of the financial statements as evidenced by fewer reported misstatements in 2012-13 compared to 2011-12, and no independent auditor's reports with qualifications.

Transport Matters

Operational Performance

On-time Running

CityRail's performance has declined since its peak in 2009-10 of 96 per cent but has improved from the previous year of 93.4 per cent to 94.2 per cent in 2012-13.

On-time running for Ferries has been improving since 2008-09 and reached 99.1 per cent in 2012-13.

For Sydney Buses, State Transit Authority on time running slightly declined to 90.3 per cent. Private bus operators increased to 94.7 per cent. Transport for NSW only measures on-time running of bus services by region since 2011-12. The results for 2011-12 and 2012-13 are not directly comparable to the earlier results, which were compiled across the whole network and all time periods.

On-time Running
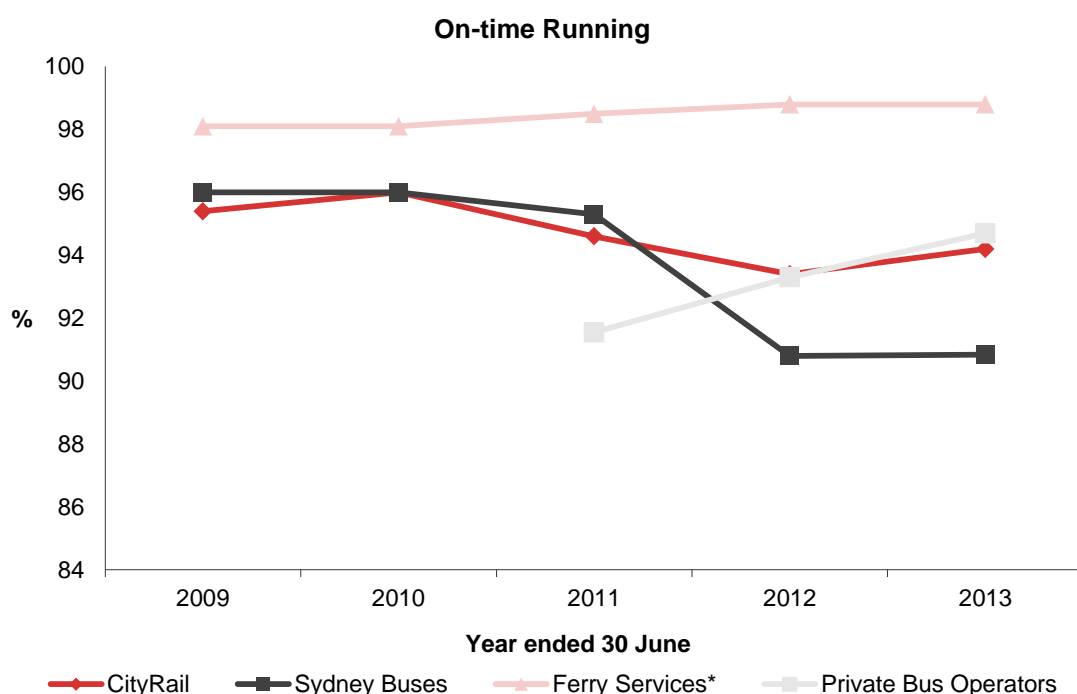
*   A private operator took over Sydney ferry services in July 2012. Previously these services were provided by Sydney Ferries.

Source: Information provided by the respective transport entities (unaudited).

CityRail

CityRail improved the percentage of total services running on-time, however it still experienced difficulties meeting customer expectations. While CityRail achieved 94.2 per cent on-time running across the network in 2012-13, there were seven peak periods when less than 60 per cent of the network operated on time. CityRail advises it had two peak periods where only 4.2 per cent and 37 per cent of services were on time due to severe weather conditions.

Year ended 30 June	2013		2012	
Percentage of total services running on time*	AM peak hour periods **	PM peak hour periods **	AM peak hour periods **	PM peak hour periods **
90 per cent and under	29	52	42	74
Over 90 per cent	220	197	210	178
Total	**249**	**249**	**252**	**252**

*   Before adjustment for force majeure. Force majeure refers to incidents beyond the control of either CityRail or its customers, and come into effect when a single external event impacts ten or more peak services

**   Peak hour periods are not measured on weekends or public holidays which may result in a difference in the number of peak periods measured from year to year

Source: RailCorp (unaudited).

Peak On-Time Running by Train Line (Pre-Force Majeure)
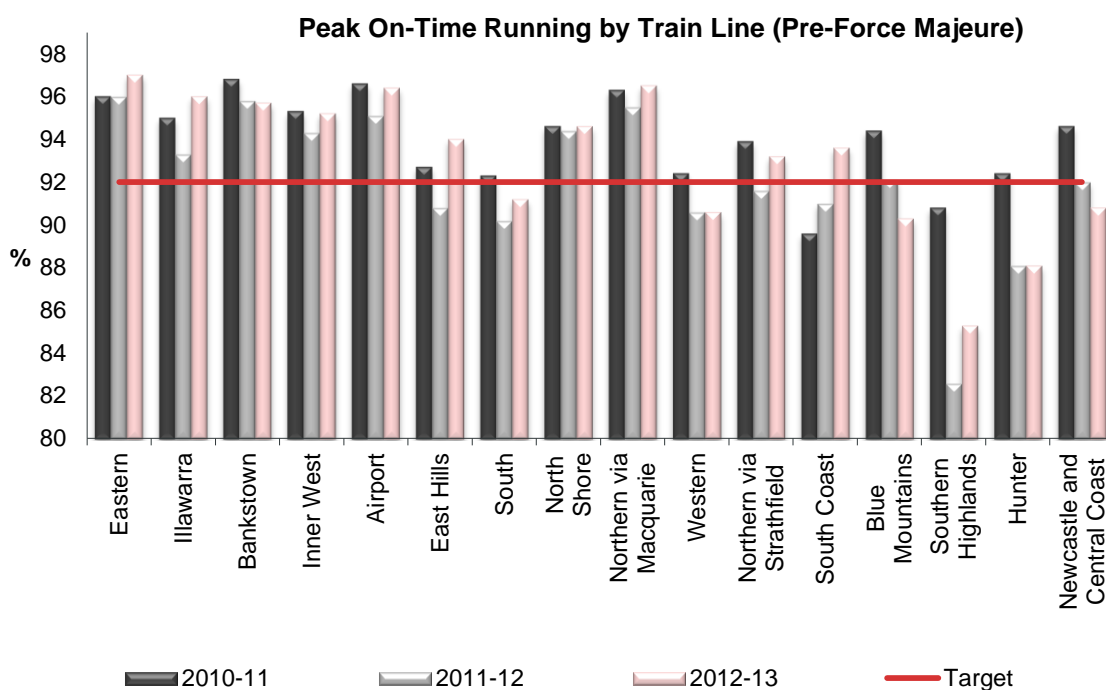
Source: Information provided by RailCorp (unaudited)

The NSW 2021 target for on-time running is 92 per cent, and CityRail achieved 94.2 per cent

The NSW 2021 target for on-time running is 92 per cent, and CityRail achieved 94.2 per cent. However, six out of 16 lines did not reach this level of on-time running. The worst performing line was the Southern Highlands at 85.3 per cent.

The Newcastle and Central Coast line and the Blue Mountains line have seen consistent deterioration since 2010-11.

All lines, except the Bankstown, Blue Mountains, and Newcastle and Central Coast lines improved on-time running compared to 2011-12. The largest changes in on-time running performance were on the East Hills and Illawarra lines, which improved from 90.8 to 94.0 and 93.3 to 96.0 per cent respectively.

Total cancellations were 0.4 per cent while stations skipped were 0.5 per cent. When disruptions occur, it is often necessary for trains to skip one or more stations to get the services back to normal as quickly as possible.

Last year's report to Parliament recommended that Rail Corporation NSW take further action to improve the on-time running performance of CountryLink.

CountryLink

For CountryLink, on-time running performance significantly improved during the year moving from 62.1 per cent in 2011-12 to 73.7 per cent in 2012-13. However this improved performance is still below the target of 78 per cent. This mainly related to travel in the South corridor, in particular to Melbourne and to a lesser extent, Canberra. On-time running for the Melbourne Service Group was 24.0 per cent in 2011-12 and 57.9 per cent in 2012-13. For the Canberra Service Group, on-time running went from 54.3 per cent to 79.6 per cent.

RailCorp advised the major reason for the poor performance in 2011-12 arose from the Australian Rail Track Corporation (ARTC) imposed speed restrictions due to track conditions in ARTC territory, especially in southern New South Wales and northern Victoria. As track issues were resolved and speed restrictions lifted, on-time running began to improve in the 2013 financial year.

CountryLink last achieved its on-time running target in 2002-03. While significant factors outside CountryLink's direct control have impacted this outcome, improvements need to continue.

For CountryLink, on time running performance significantly improved during the year moving from 62.1 per cent in 2011-12 to 73.7 per cent in 2012-13

Year ended 30 June	Target	Actual*		
	2013	2013	2012	2011
Percentage on-time running				
CityRail-suburban	92	94.7	93.6	94.8
CityRail-intercity	92	91.4	91.7	93.2
CityRail-total	92	94.2	93.4	94.6
CountryLink	78	73.7	62.1	72.8

* Before adjustment for force majeure.
Source: RailCorp (unaudited).

Buses

Sydney Buses - On-Time Running
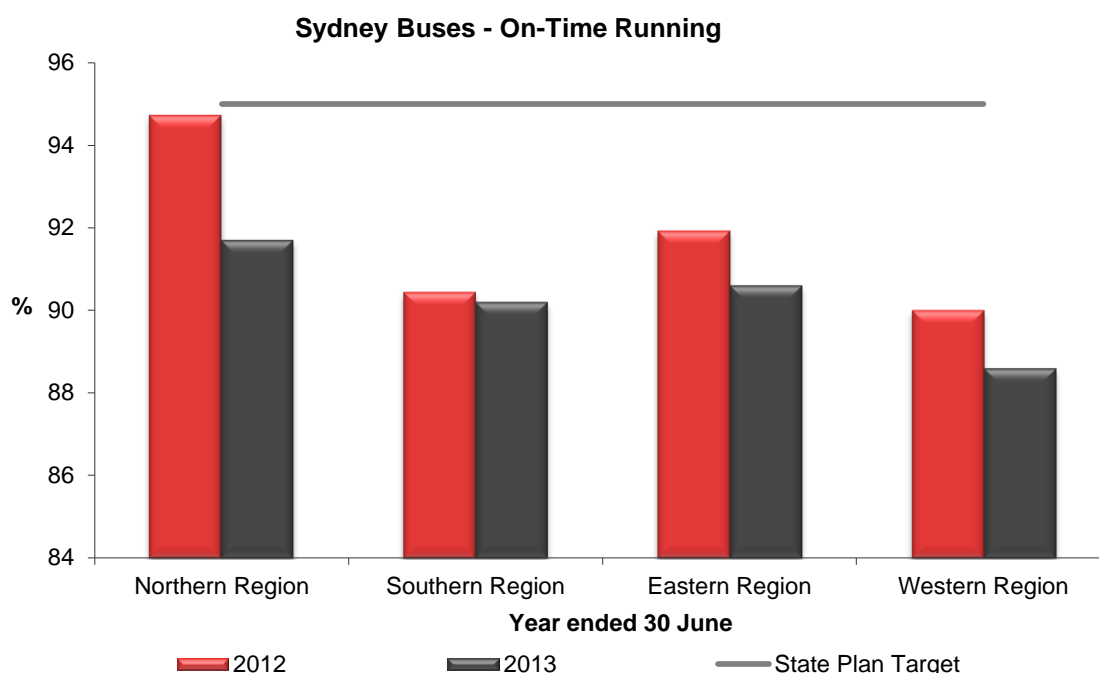
Note: Sydney Buses refers to State Transit Authority's Metropolitan services and excludes private bus operator services.

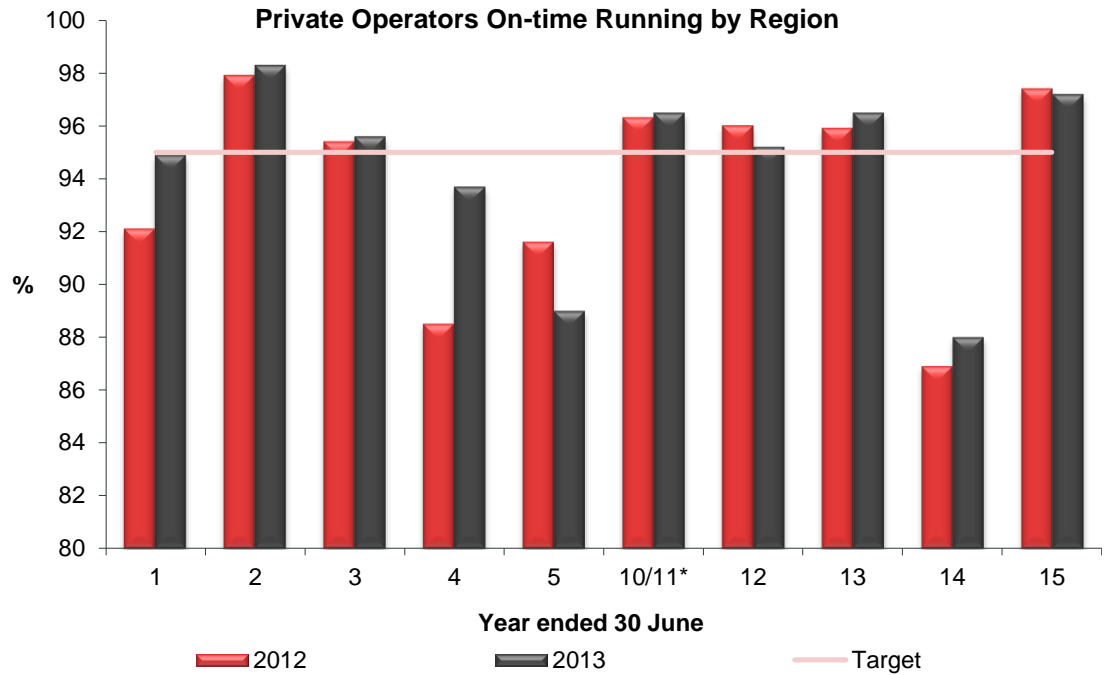Source: Information provided by State Transit Authority (unaudited).

All Sydney Buses' regions performed below the target of 95 per cent of services departing within five minutes of the scheduled time. The Western Region was the worst performing with 89.2 per cent on-time running. The target is based on the entire State Transit network rather than individual regions.

The State Transit Authority advises planned and unplanned traffic events adversely impact on-time running on all road transport, including buses.

At the time of drafting this report (12 November 2013) on-time running figures for metropolitan bus regions had not been published by Transport for NSW since February 2013. They have now been published. Transport for NSW previously published monthly on-time running figures for each metropolitan region on its website.

There are fourteen contract regions in the Sydney metropolitan area and ten regions in outer metropolitan areas. State Transit Authority provides services in four metropolitan regions, operating as Sydney Buses, and one outer metropolitan region. Privately owned bus operators operate in the other regions.

Transport for NSW advised that on time running for private operators in the Sydney metropolitan regions overall increased from 93.3 per cent in 2011-12 to 94.7 per cent in 2012-13.

Private Operators On-time Running by Region

Year ended 30 June

Legend: 2012 · 2013 · Target

For private operators, region 2 has achieved the highest on-time running for the last two years, while region 14 has the lowest.

Ferries

On-time running performance for ferry services was above the NSW 2021 plan target of 98.5 per cent. All routes exceeded the target in 2012-13.

Sydney Ferries- On-Time Running

Year ended 30 June

Legend: 2012 · 2013 · State Plan Target
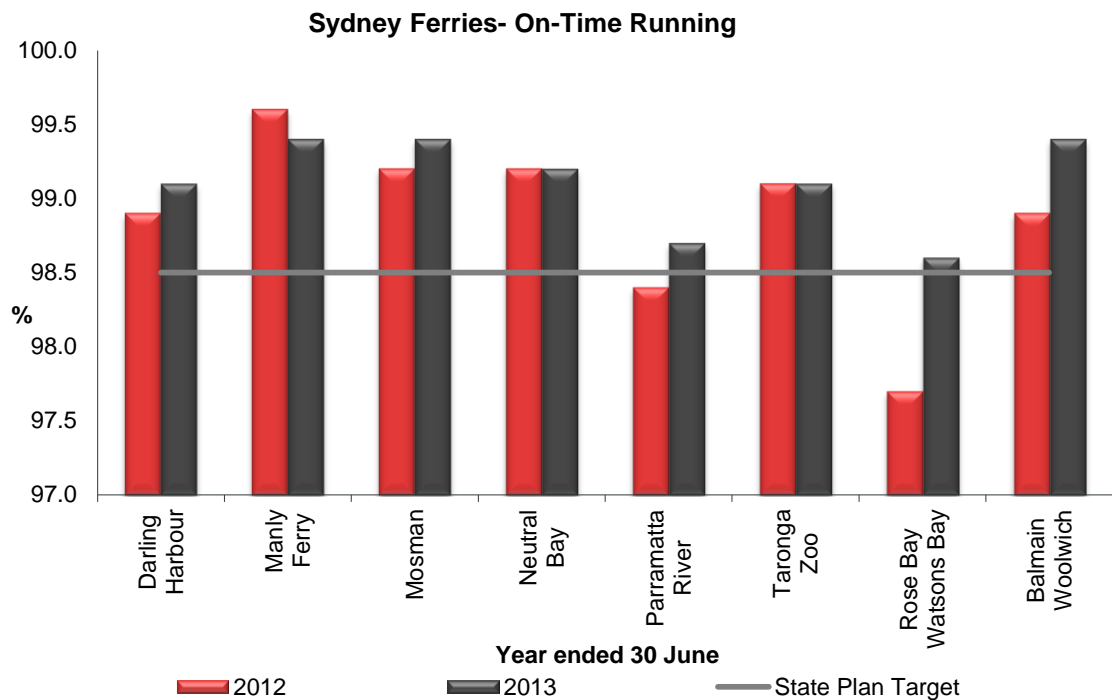
The Manly ferry, Mosman and Balmain Woolwich services achieved the best on-time running at 99.4 per cent.

Customer Service Satisfaction

Under the NSW 2021 plan, Transport for NSW is responsible for putting the customer at the centre of their decision making process. Transport for NSW commenced bi-annual customer satisfaction surveys in November 2012 across transport modes to identify which areas need improvement when making decisions.

Overall the transport modes performed well in safety and security areas, however improvements are needed in providing customers with car parking and availability of information about service delays.

Results of the customer satisfaction surveys:

Mode Type	June 2013 Partially to very satisfied %	November 2012 Partially to very satisfied %
Rail	81	79
Light Rail	94	91
Bus	85	79
Ferry	95	94
Urban Taxi	81	N/A*

N/A Not applicable.

*   Transport for NSW did not measure overall urban taxi satisfaction in November 2012.

Source: Transport for NSW (unaudited).

During 2012-13, most modes of transport experienced an increase in the level of customer satisfaction. Ferry customers are the most satisfied customers whilst train and taxi customers experienced lower levels of customer satisfaction.

Rail services achieved their highest satisfaction level of 91 per cent on trains being driven safely. The greatest dissatisfaction indicator was the availability of car parking near stations.

Light rail achieved their highest level of satisfaction of 97 per cent on:

- customers feeling safe whilst on a light rail service
- ease of boarding services
- willingness of staff to help
- presentation of staff.

The most significant light rail service dissatisfaction indicator was the availability of information about service delays.

Bus services achieved their highest satisfaction level of 92 per cent on:

- customers feeling safe on the bus service
- the bus being driven safely
- ease of boarding and getting off the bus.

The greatest bus service dissatisfaction indicator was the availability of information about service delays.

Ferry services achieved their highest satisfaction level of 97 per cent on ferries being driven safely. The greatest dissatisfaction indicator was the availability of car parking near wharfs.

Urban taxis achieved their highest satisfaction level of 92 per cent on appropriate taxi space during the trip and also the appropriate taxi type for the customer's needs. The greatest dissatisfaction indicator was the comfort at taxi ranks including shelter and seating.

Crowding on Public Transport

Last year's report to Parliament recommended Transport for NSW should observe and report on crowding on all transport modes. Transport for NSW has responded that customer satisfaction surveys, which cover Rail, Bus and Ferries, now include comfort measures.

The results of these customer satisfaction surveys are currently being analysed by Transport for NSW.

Transport for NSW will use the results to monitor and improve customer outcomes.

Various other surveys and measures provide some detail on crowding.

Peak Load surveys for rail and ferries are conducted biannually and the results are published. The bus cordon count survey (peak loads) was last undertaken in May 2013. Transport for NSW advises bus cordon datasets are commercial-in-confidence and are for internal use only.

The State Transit Authority monitors loadings on bus routes across its network and submits requests to Transport for NSW where increases in service levels are recommended. Transport for NSW advises that during the transition to the Opal card ticketing system it will be increasingly difficult to source reliable patronage trend data.

On 20 October 2013, an additional 1,700 bus services and more than 1,000 additional rail services commenced to address frequency and capacity.

Ferry and Light Rail services are monitored to ensure that sufficient capacity is available. The ferry timetable introduced in October 2013 provides an additional 55 ferry services per week. The Inner West Light Rail Extension to be introduced in 2014 will also support additional services for customers.

RailCorp benchmarks passenger crowding on its services against other global operators. The benchmark measures the number of passengers per square metre of standing space.

## Peak Crowding Performance (8-9am)
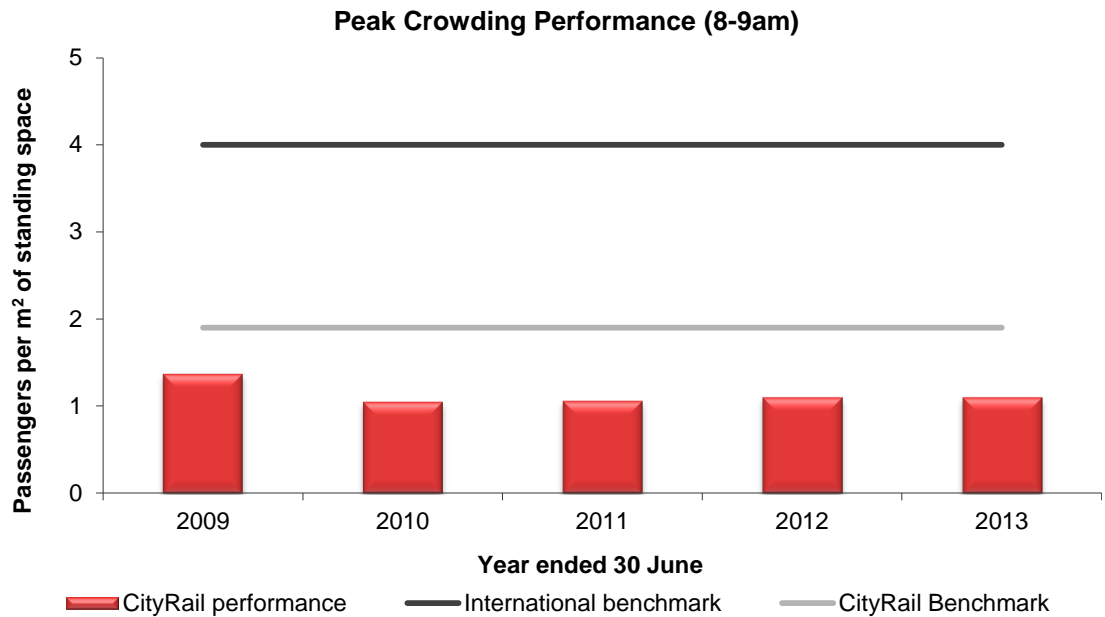
Source: RailCorp and TfNSW (unaudited).

CityRail's trains continue to carry significantly lower passenger numbers than the global benchmark of no more than four passengers per square metre, achieving an average of 1.1 passengers in 2012-13 (1.1 in 2011-12). This also compares well with RailCorp's own internal target of 1.9 passengers per square metre.

Crowding at peak times remains an area of high dissatisfaction among train users. The September 2012 and March 2013 surveys recorded an average of 7.9 per cent of peak trains carrying more passengers than the 135 per cent seating capacity target (6.5 per cent in 2011-12).

The September 2012 and March 2013 surveys recorded an average of 7.9 per cent of peak trains carrying more passengers than the 135 per cent seating capacity target

Peak CityRail Suburban Trains at a Load Factor > 135% of Seat Capacity
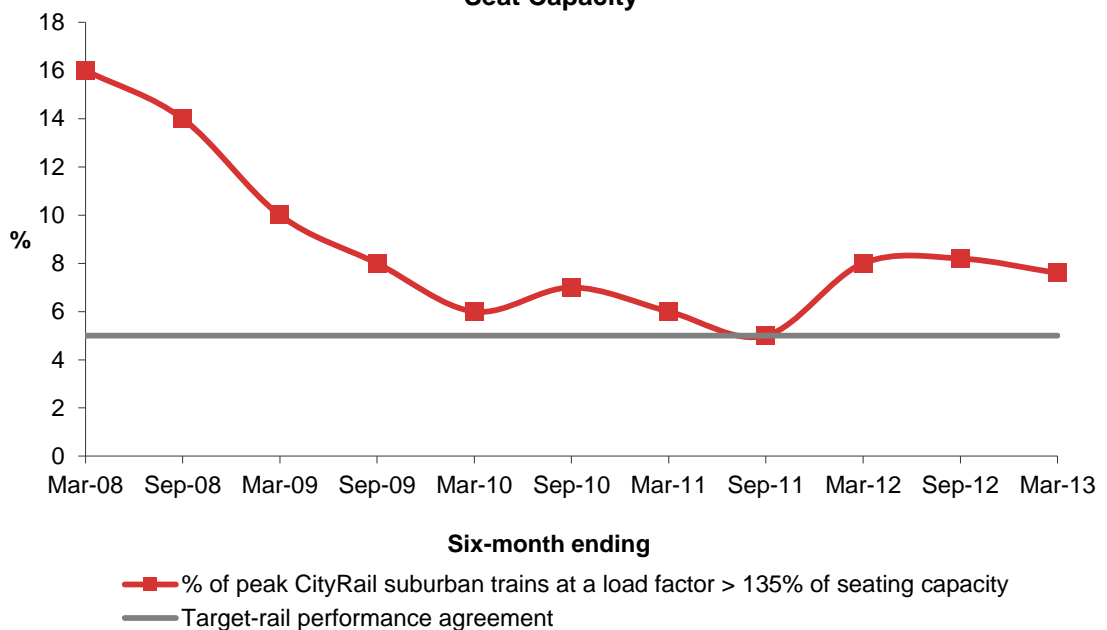
Source: RailCorp (unaudited).

Initiatives to address crowding on rail services continue to be introduced, including:

- a new timetable implemented in October 2013 delivering an additional one thousand weekly train services
- the introduction of new OSCAR and Waratah trains during the year, with eight-car trains replacing six-car trains. The Waratah replacement program is a long-term project increasing the fleet size. RailCorp's ongoing rolling stock procurement program has delivered an additional 35 Waratah train sets during the year, with a total of 45 Waratah train sets in service at 30 June 2013
- strategies to reduce the time trains remain at a station (dwell times) for city stations. Reduced dwell times will allow faster more regular services through the use of marshals on the busiest platforms in Central Business District stations.

Safety Performance

During 2012-13, passenger injuries decreased at RailCorp, on ferry services and at State Transit Authority. Passenger safety performance measures the number of passenger injuries/fatalities that occurred as a result of the agency's service operations. Non-passenger related injuries and fatalities do occur, but these are primarily outside the agencies' control.

Number of Passenger Injuries
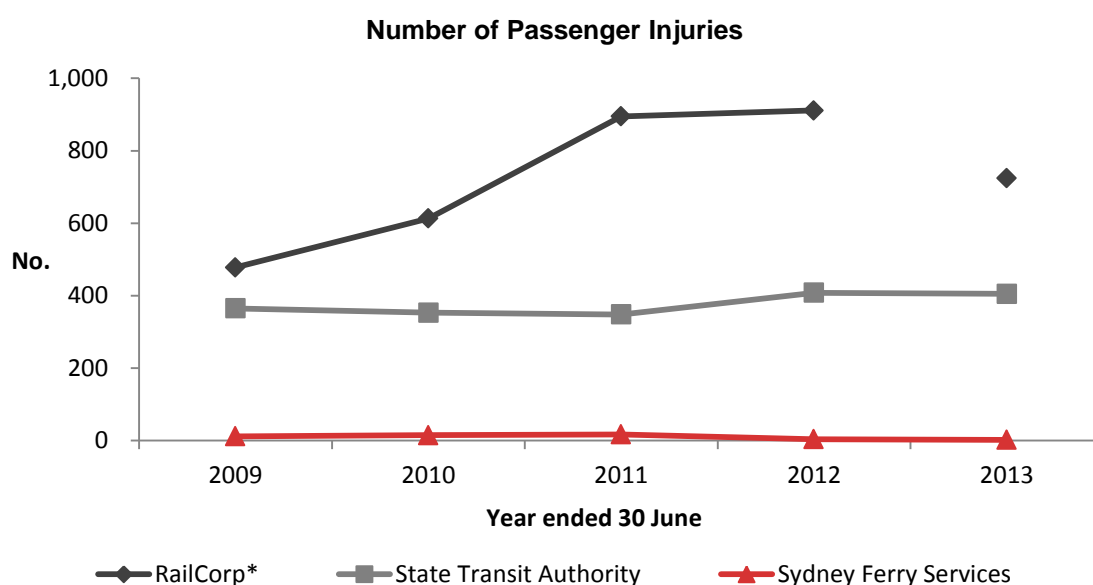
* RailCorp has advised that the categorisation of incidents changed during 2012-13, resulting in a decrease of over 20 per cent in the number of on-train incidents reported.

Source: Information provided by the respective transport entities (unaudited),

This data includes on-train incidents involving passengers which may or may not have involved an injury, for example, a passenger caught-in-doors incident is considered significant, but may not have led to an injury. RailCorp's reporting regime for passenger on-train incidents does not differentiate incidents which caused an injury from those which did not.

The *Rail Safety Act 2008* requires that rail transport operators submit occurrence notifications on rail safety incidents to the Independent Transport Safety Regulator (ITSR). ITSR publishes an annual NSW rail industry safety report. The 2011-12 report was released in April 2013 and reported that the number of both passenger and public fatalities in NSW decreased from the prior year and there were no employee fatalities.

ITSR also conducts compliance inspections and investigations, rail industry safety performance reporting, and provides safety advice to Government. Its service measures over the last three years are summarised below:

Service Measures	2012-13	2011-12	2010-11	2009-10
Compliance activities completed*	140	208	234	450
Statutory notices issued	78	110	137	147
Safety advices issued to Government	171	164	172	93

* This figure is the number of compliance monitoring and enforcement services as an aggregate comprising inspections, audits and compliance investigations. It excludes investigations involving drug and alcohol offences.

Source: Information provided by ITSR (unaudited)

The number of statutory notices issued has decreased over the last three years. This trend reflects ITSR's educative and facilitative approach in assisting rail transport operators better understand their obligations.

The Office of Transport Safety Investigations (OTSI) investigates safety incidents involving bus, ferry and rail transport to identify why incidents took place and recommends safety improvements. A summary of its service measures follows:

Service Measures	2012-13	2011-12	2010-11	2009-10
Notifiable incidents reported	1,808	2,700	2,479	2,173
Incident Investigations conducted	16	12	9	12
Confidential Safety Information & reporting Scheme Investigations Conducted	18	12	25	23

Source: Information provided by OTSI (unaudited).

Since January 2013, notifications of rail incidents are sent to the Australian Transport Safety Bureau, resulting in the decrease in notifications reported to OTSI in 2012-13. The number of notifiable incidents reported has been increasing in previous years. This trend has been attributed to the introduction of the Bus Incident Management (BIM) database by Transport for NSW and to operators having improved their knowledge of their statutory reporting obligations.

During 2012-13, OTSI reported on its investigation into bus fires in NSW from 2005 to 2012, and identified an upward trend in the number of fires in recent years. Incidents indicated a number of common safety-related issues: lack of warning, inability of portable fire fighting equipment to extinguish the fires and a lack of uniform training of drivers to handle fire related emergencies. OTSI made a number of recommendations for action by Transport for NSW:

- build a state-wide bus fire reporting regime
- advocate the development and implementation of new design rules and standards for bus fire warning and suppression systems
- continue to provide assistance and support to industry initiatives
- provide support to the bus and coach industry in development and implementation of training for drivers.

These recommendations have been accepted by Transport for NSW. Actions taken in response to the recommendations include:

- joint funding to develop industry wide Bus Fire Mitigation Advisory guidelines
- State Transit Authority completion of a program to retro-fit fire suppression units and on board fire alarm systems on all 254 Mercedes Benz gas buses in May 2012, eight months ahead of schedule.

Patronage Growth

Total passenger journeys on all transport modes increased from 544 million to 554 million journeys. RailCorp passenger journeys increased by 0.8 per cent, from 306 million in 2011-12 to 308 million in 2012-13. There were 4.2 million passenger journeys on light rail. State Transit Authority passenger journeys increased to 161 million and private bus operators experienced the greatest increase of 5.8 million passenger journeys to 66.1 million. State Transit Authority operates in more established metropolitan regions while private bus operators cover more growth regions. Ferries experienced a slight increase of 1.2 per cent, to 14.9 million journeys.

According to the Australian Bureau of Statistics, the unemployment rate in New South Wales increased during 2012-13 from 5.1 per cent to 5.4 per cent. This increase in unemployment has contributed to the slowed growth in patronage during the year.

Passenger Journeys
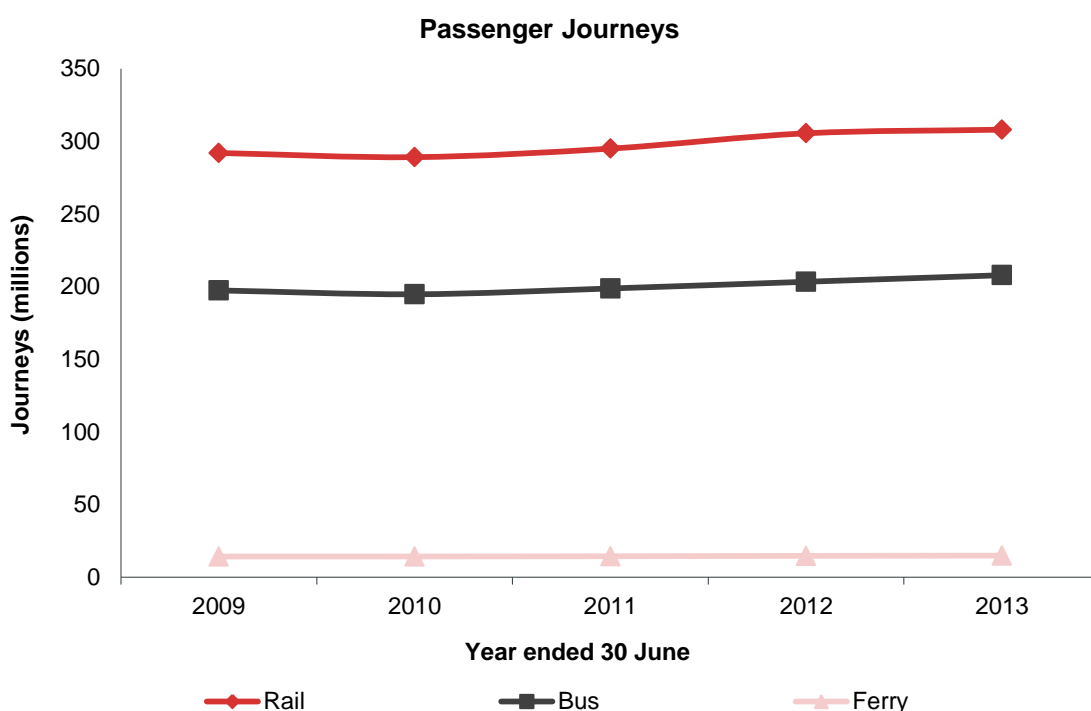
Source: Transport for NSW (unaudited).

The split of passenger journeys by mode is highlighted below:

**Percentage of Passenger Journeys by Mode
for Year Ended 30 June 2013**

Rail ■ Bus ■ Ferry
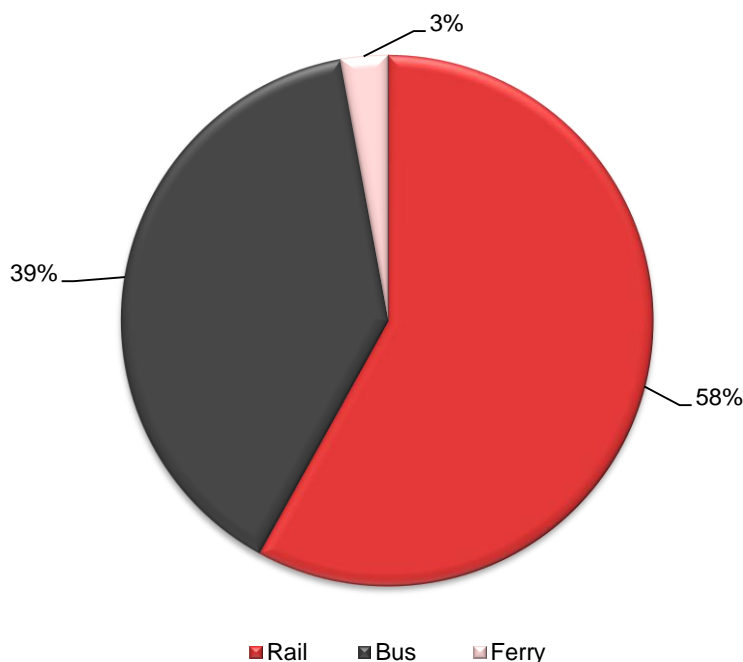
Source: TfNSW (unaudited).

For RailCorp, patronage increased significantly on the Airport and Olympic Park lines, by 15.5 per cent and 11.8 per cent, respectively. RailCorp advises that this is attributed to the high growth and development in the Green Square area, as well as continued increase in market share for rail transport to the Airport stations. Olympic Park patronage is closely related to major events and the transport ticketing arrangements offered.

A number of lines experienced significant declines in patronage during 2012-13, including the Carlingford line by 9.8 per cent and Hunter line by 6.3 per cent. These two lines have the lowest patronage across the network, and the declines in journeys were 27,000 on the Carlingford line and 49,000 on the Hunter line. The Blue Mountains and Newcastle & Central Coast lines also experienced decreases in patronage numbers of 110,000 and 134,000, respectively.

The chart below shows the top ten routes for passenger journeys during 2012-13. Please note the chart does not add to 100 per cent due to the exclusion of Corporate/On-Line tickets and State Transit Authority-issued tickets.

RailCorp's Top Ten Routes - Passenger Journeys for Year Ended 30 June 2013

- ■ Western/Blue Mountains
- ■ CBD and Eastern Suburbs
- ■ Illawarra/South Coast
- ■ Southern/Southern Highlands
- ■ North Shore
- ■ Inner West/Olympic Park
- ■ Northern
- ■ Central Coast/Newcastle/Hunter
- ■ Bankstown
- ■ East Hills/Airport
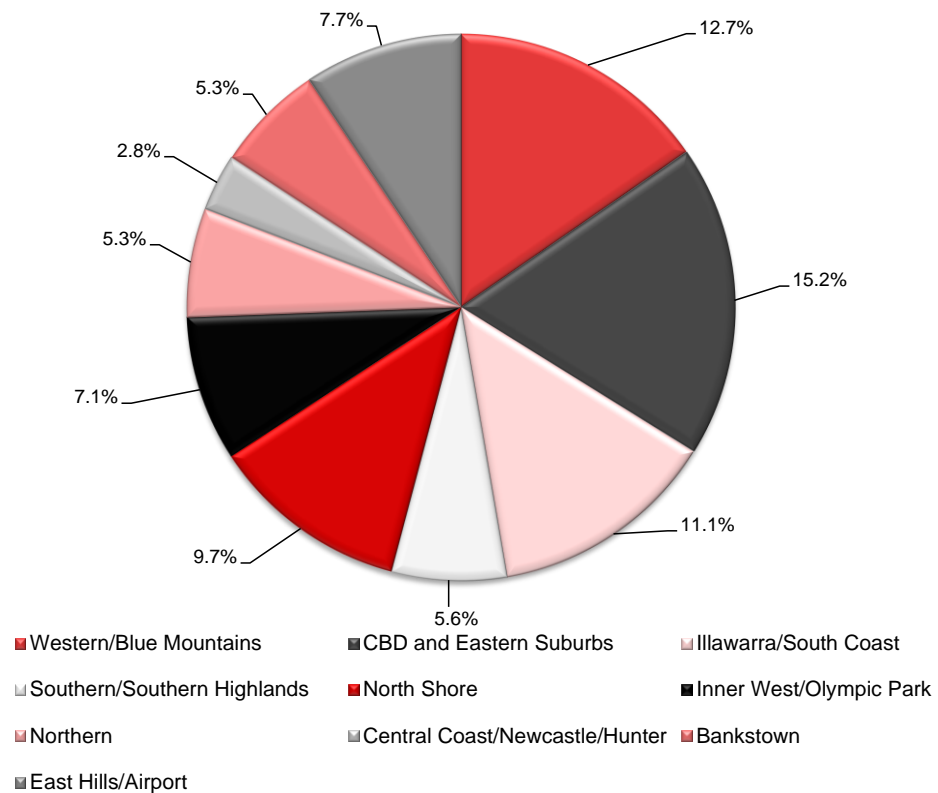
Source: Transport for NSW (unaudited).

Total patronage for the State Transit Authority's Sydney Buses network was 156 million journeys, an increase of 1.9 million journeys. In the outer metropolitan region operated by the State Transit Authority patronage declined slightly to 4.8 million journeys.

The chart below shows the breakdown of Sydney Buses patronage across the regions of the network during 2012-13:

Sydney Buses Routes -
Passenger Journeys for Year Ended 30 June 2013

■Northern Region ■Southern Region ⊔Eastern Region ⊔Western Region
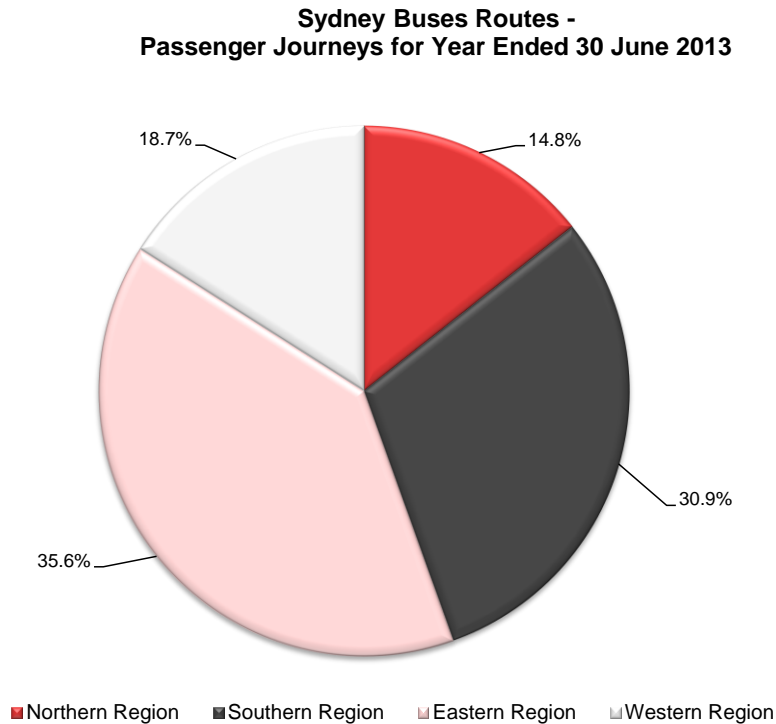
For Sydney ferry services the Inner Harbour ferry services continued to have the highest passenger journeys, accounting for 48.7 per cent of total ferry patronage. The Manly Ferry route was the single most used ferry service, with 5.8 million journeys.

The chart below shows the breakdown of patronage across Sydney Ferries routes:
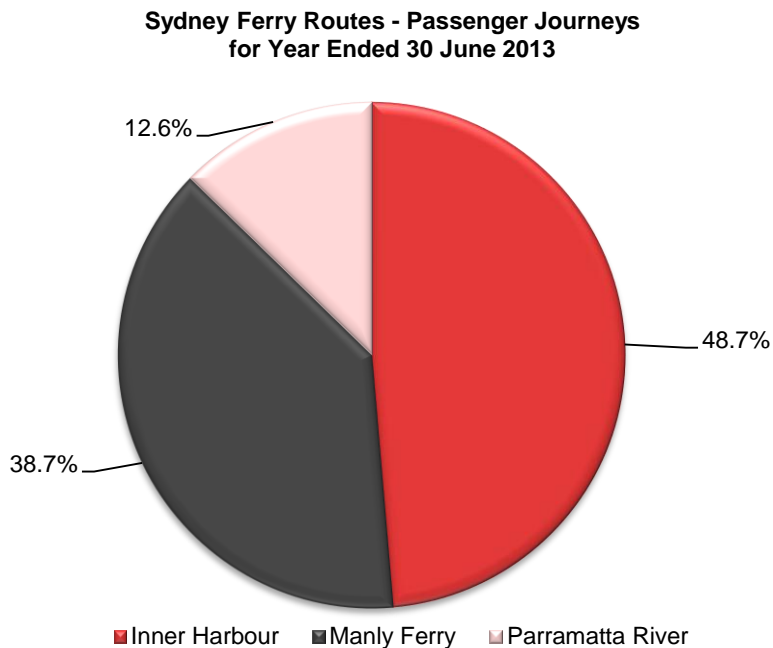
Sydney Ferry Routes - Passenger Journeys
for Year Ended 30 June 2013

■Inner Harbour ■Manly Ferry ⊔Parramatta River

Performance Measurement Framework

Last year's report to Parliament recommended Transport for NSW should complete its performance measurement framework and report publicly against these measures by 30 June 2013.

Transport for NSW completed its performance measurement framework in December 2012. The performance measurement framework was developed to:

- drive a consistent approach to performance measurement across the transport cluster
- agree on roles and responsibilities for performance measurement development, monitoring and reporting across the transport cluster
- guide a future work program to ensure a hierarchy of performance measures is put in place to measure progress towards delivery of Transport for NSW's strategic objectives.

Transport for NSW has not yet reported publicly against its performance framework measures. Transport for NSW and the transport agencies will use the performance measurement framework in their business planning from 2013-14.

Transport for NSW is developing measures to address the performance focus areas published in the Transport for NSW Corporate Plan 2012-14 for comprehensive performance reporting.

Environment and Sustainability

Last year's report to Parliament recommended Transport for NSW complete its Environment and Sustainability Policy Framework by June 2013 and that it should publicly report its results annually.

Transport for NSW published its Environment and Sustainability Policy Framework in June 2013. Transport for NSW has advised public reporting will commence in 2014.

The Transport Environment and Sustainability Policy Framework is a collective and coordinated approach across the Transport cluster. The Framework focuses on the conservation and enhancement of air, water, soils, energy, resources and other factors in the environment.

The Transport Environment and Sustainability Policy Framework requires Transport for NSW to set targets for improvement and performance, and to measure, appraise and report performance against these targets.

Transport for NSW has not yet reported against the framework. The first Action Plan is currently being prepared and will comprise baseline data for 2011-12 and 2012-13, and key actions to be implemented by divisions and operating agencies in 2014. Performance measures will be updated and reported annually consistent with established state and federal reporting timetables. The Action Plan will be also be reviewed and reported on annually.

Security and Cost of Vandalism

RailCorp, State Transit Authority and Sydney Ferries own and manage significant portfolios of assets vital to the efficient operation of transport services in New South Wales. Vandalism results in financial costs to repair or replace damaged assets, and reduced levels of customer satisfaction and safety. It is important that effective security arrangements are in place to safeguard these assets.

Security

The NSW Police Transport Command (the Command) took over policing of the state's public transport network on 1 May 2012. It will comprise 610 police officers by December 2014, who patrol trains, buses and ferries.

Transport for NSW has not yet reported publicly against its performance framework measures

The Command is responsible for security, safety and targeting crimes across all modes of transport. In addition to uniform patrols, special command teams operate in plain clothes targeting identified problem areas and graffiti vandalism. Working in collaboration with other stakeholders, The Command detects and prosecutes offenders for a variety of matters including malicious damage, graffiti and trespassing in the rail corridor.

As a result, there have been decreases in both the number of transit officers and security costs in major transport agencies.

The number of transit officers and security costs in major transport agencies:

Year ended 30 June	Number of transit officers		Security costs	
	2013	2012	2013 $m	2012 $m
RailCorp	161	530	14.9	23.9
State Transit Authority	10	26	2.5	3.1

Source: Transport for NSW (unaudited).

Cost of Vandalism and Graffiti

Recommendation

RailCorp and the Sydney Ferries operator should implement systems to record instances of vandalism.

Overall statistics on the number of instances of vandalism at major transport agencies over the past five years are not available. RailCorp and Sydney Ferries do not record the number of instances of vandalism.

RailCorp estimated its cost of vandalism and graffiti for 2012-13 was $30.9 million, an increase of 17.5 per cent ($26.3 million in 2011-12). Additional costs in the year include fencing and security upgrades for rollingstock as well as improved surface coatings for train interiors to better withstand vandalism damage. In addition, RailCorp commenced an external graffiti blitz program. Other initiatives include a 24/7 hotline for operational staff to report graffiti and vandalism issues to reduce response times.

State Transit's 2012-13 cost of vandalism was $921,000, consistent with the prior year ($920,000 in 2011-12). However, the number of instances of vandalism recorded in 2012-13 (313 instances) was significantly less than 2011-12 (628 instances). This was due to reduction in staff tasked to enforce behavioural issues on buses which resulted in a reduction in reports submitted.

For the light rail system the 2012-13 cost of vandalism was $43,000; its instances of vandalism have reduced from nine in 2011-12 to four in 2012-13. The cost of vandalism is not only driven by the number of instances but also the nature of the vandalism that occurs.

In May 2012, the Minister for Transport announced the creation of a specialist cleaning unit to attack graffiti and rubbish on dirty trains and stations.

As a result, Transport Cleaning Services (TCS), a subsidiary to RailCorp, was established and commenced operations in February 2013. TCS has executed a number of new programs targeting graffiti and vandalism. These included a train external graffiti blitz program, dedicated staff for patch painting train interiors and deep cleaning of interiors where relevant to the removal of graffiti.

RailCorp and the Sydney Ferries operator do not record the number of instances of vandalism

Financial Performance

Funding of Public Transport

The Government subsidy for public transport users has been justified on the basis of indirect benefits to the wider community, such as reduced road congestion, traffic accidents and greenhouse gas emissions.

RailCorp, State Transit Authority, private bus operators and Sydney ferry operators are heavily reliant on government funding. Government funding to the public transport operators totalled $4.7 billion in 2012-13 ($4.4 billion in 2011-12). Public transport costs the State $12.9 million a day.

<div style="float:left">Public transport costs the State $12.9 million a day</div>

Year ended 30 June	Government funding		Funding per day		Movement	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	Trend	%
RailCorp - government contributions (operating and capital expenditure)	3,340,881	3,131,255	9,147	8,573	↑	6.7
Bus operators - Service Contract Payments*	1,278,123	1,178,382	3,499	3,226	↑	8.5
Sydney ferries operators - Service Contract Payments **	81,484	93,286	223	255	↓	(12.7)
Total funding to public transport operators	**4,700,548**	**4,402,923**	**12,869**	**12,055**	**--**	**--**

Key: ↑ Trend upwards ↓ Trend downwards

*   Represents the value of service contract payments to State Transit Authority and private bus operators for operating the bus networks (net of operating revenue of charters and tourist services).

**   Figures are net of operating revenue of fares, charters and tourist services.

Source: Amounts were calculated based on audited financial statements and information from Transport for NSW (unaudited).

Average daily government funding to RailCorp has increased to $9.1 million ($8.6 million in 2011-12). RailCorp advises that the main reasons for the increase include its capital program and funding received for its redundancy program. The average government funding provided to State Transit Authority and private bus operators per day in 2012-13 increased by 8.5 per cent to $3.5 million a day.

Sydney Ferries and Harbour City Ferries received the least funding totalling $81.5 million, which was an average of $223,000 a day.

Cost Recovery from Users

The percentage of costs recovered from users of public transport has declined over the last four years. Figures are not available on cost recovery on bus services operated by the private sector.

The allocation of passenger revenue to transport mode and agency can depend on where the ticket is purchased rather than the service actually used.

Cost Recovery from Users
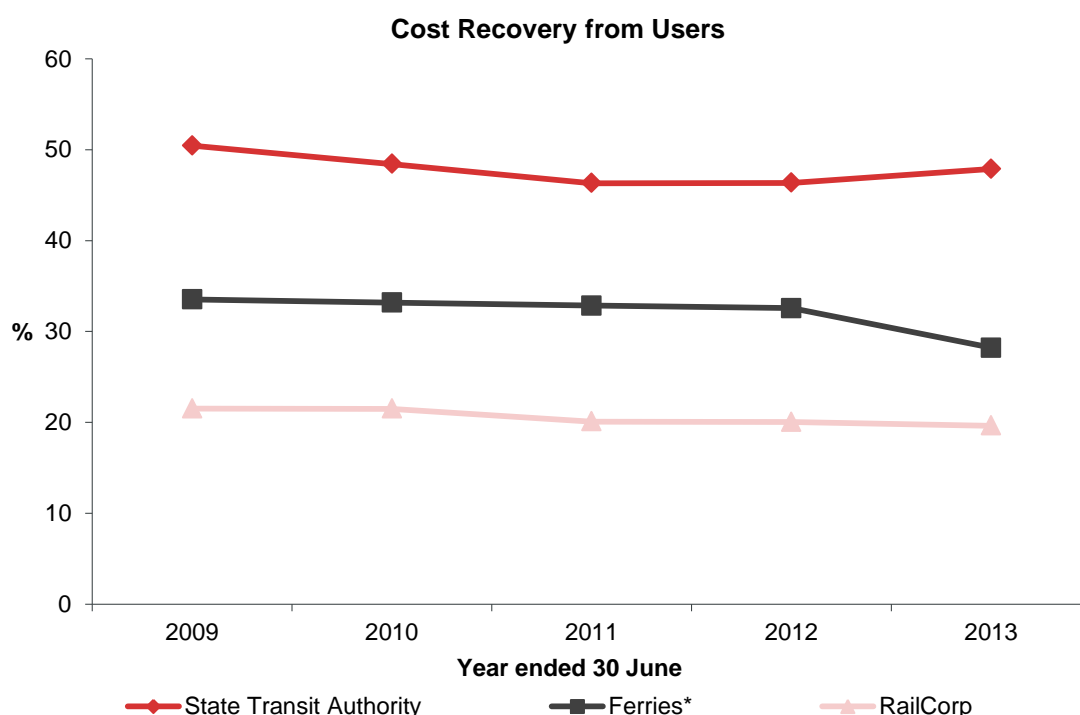
* Ferries includes Sydney Ferries and Harbour City Ferries

Source: Amounts were calculated based on audited financial statements and information from Transport for NSW (unaudited).

RailCorp continues to be reliant on government funding for total expenses and capital investment needs. Passenger services revenue only covered 19.6 per cent (19.7 per cent in 2011-12) of RailCorp's total expenses.

The cost of providing services per passenger journey increased.

Year ended 30 June	RailCorp		Ferries		State Transit	
	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $
Cost of services provided per passenger journey	13.07	12.52	10.47	8.49	3.02	2.93
Passenger revenue per passenger journey	2.57	2.51	2.95	2.77	1.44	1.36
Net cost per passenger journey*	10.50	10.01	7.52	5.72	1.58	1.57

* The net cost per passenger journey represents the amount subsidised by taxpayers through government contributions, less any other revenue sources.

Source: Amounts were calculated based on audited financial statements of RailCorp and STA, and information from Transport for NSW (unaudited).

RailCorp had a 4.4 per cent increase in costs per passenger journey compared to 2.4 per cent increase in passenger revenue. State Transit had a 3.1 per cent increase in costs per passenger journey compared to an increase of 5.9 per cent in passenger journey revenue.

Ferry operations were transferred to a private operator on 28 July 2012 and the figures in the table above are not directly comparable.

Fines and Penalties

Transport agencies in NSW receive fines and penalties revenue from fare evasion and behavioural offences on public transport. The Police Transport Command is responsible for providing a safe and secure NSW public transport system for the commuting public. Both RailCorp and State Transit Authority Transport Officers continue to issue fines and penalties for fare evasion.

The staged transition from Transport Officers to a dedicated Police Transport Command within the NSW Police Force has resulted in a significant decline in the number and dollar value of fines and penalties issued during 2012-13 by Transport agencies.

RailCorp

RailCorp fines and penalties issued declined 81 per cent in the dollar value, from $18 million in 2011-12 to $3.4 million in 2012-13. The average fine issued in 2012-13 increased 2.9 per cent to $187.28. There was an 82 per cent decrease in the number of fines issued, from 98,688 in 2011-12 to 17,977 in 2012-13. There was also a significant decline in the value of cash collected stemming from RailCorp fines issued to $667,907 for 2012-13, down from $5.4 million in 2011-12.

Since 2008-09 cash collected from fines and penalties has been significantly less than the value of the fines issued.

On 13 May 2013, the Fare Compliance Unit was established to provide dedicated revenue protection services across the rail, bus, light rail and ferry transport network. At 30 June 2013, 32 Transport Officers were operational building to a final establishment of 150 Transport Officers at 30 September 2013.

There has been a 81 per cent fall in fines and penalties issued for fare evasion on trains during 2012-13

State Transit Authority advised the number of fines and penalties issued decreased 61 per cent from 15,659 in 2011-12 to 6,127 in 2012-13

RailCorp Fines and Penalties
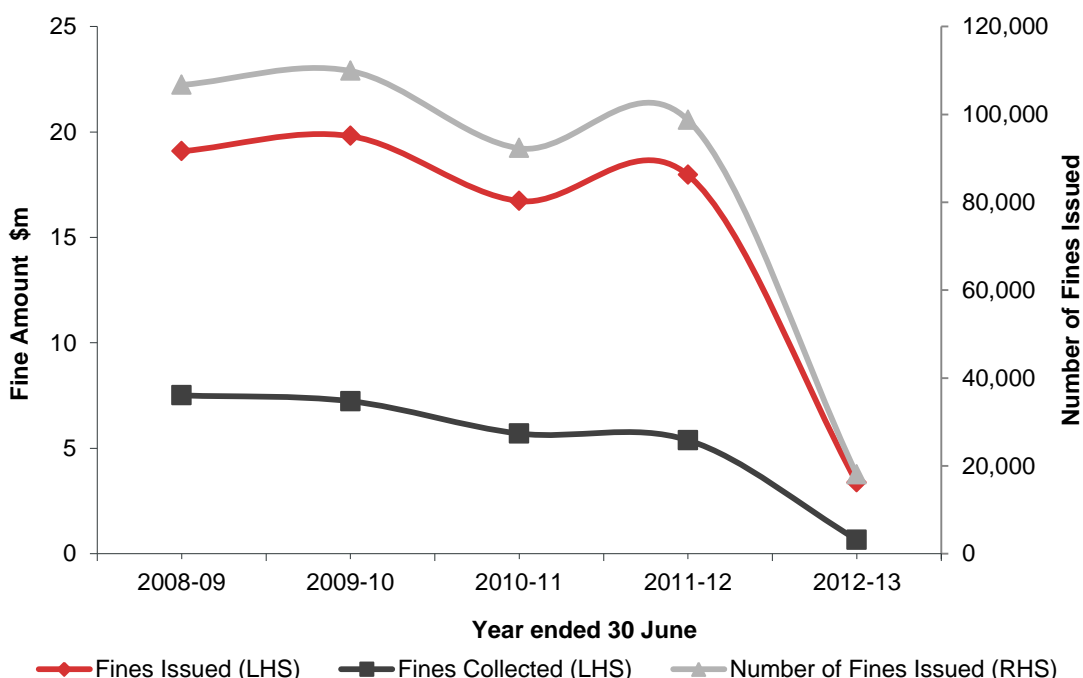
Source: RailCorp (Unaudited).

Sydney Ferries and State Transit Authority

Sydney Ferries does not have dedicated revenue protection officers. State Transit Authority (STA) revenue protection officers are responsible for patrolling both buses and ferries at various times. State Transit Authority advised the number of fines and penalties issued decreased 61 per cent from 15,659 in 2011-12 to 6,127 in 2012-13. The fines range from $100 for fare evasion, to $200 for behavioural offences. The dollar value of fines issued declined 43 per cent from $1.6 million in 2011-12 to $913,600 in 2012-13.

State Transit Authority and Sydney Ferries Fines and Penalties
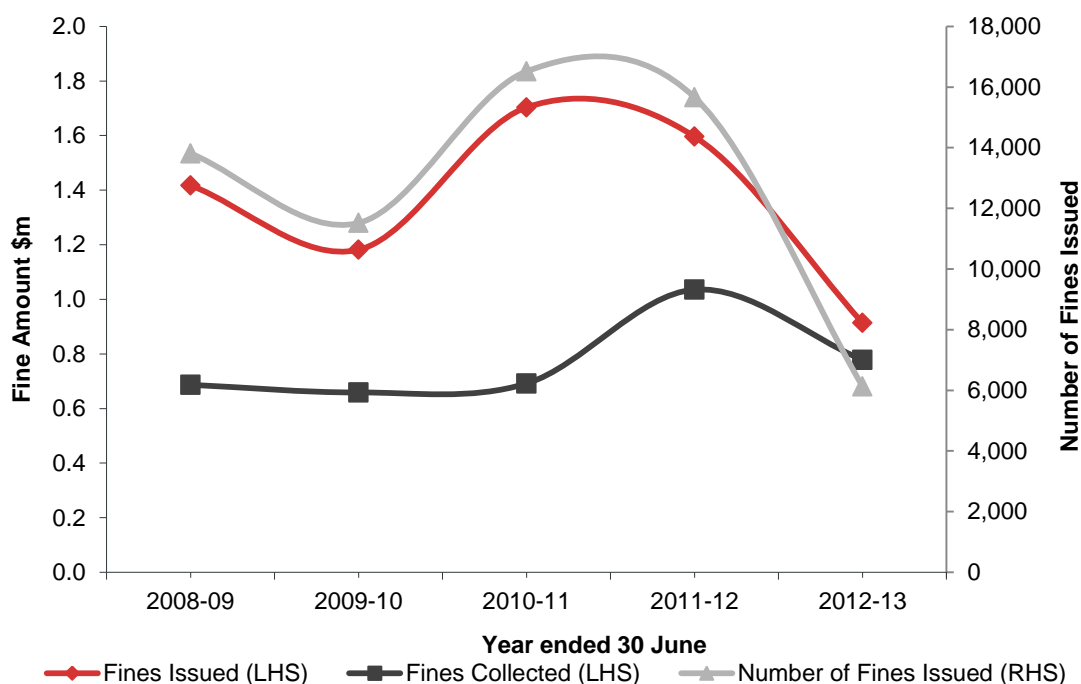
Source: Information provided by the respective transport entities (Unaudited).

In 2011-12 RailCorp Transit Officers were reduced by 70 per cent from 530 officers to 161. STA and Sydney Ferries Transit Officers were reduced from 26 in 2011-12 to 10 in 2012-13, a decrease of 62 per cent. The overall reduction in the number of Transit Officers has significantly impacted the number of fines and penalties issued.

Advertising Revenue

Advertising revenue from public transport consists of revenue earned from private companies using public assets to advertise. In 2012-13, Transport agencies (excluding State Transit Authority) earned $34.6 million in advertising revenue ($30.0 million in 2011-12).

Examples of assets used to advertise include roadside and rail billboards, superlite and vista panels at railway stations, buses, bus stops, ferries, ferry wharves. All transport agencies in New South Wales outsource their advertising functions.

Advertising Revenue

$m

Year ended 30 June

♦ RailCorp   ■ Roads and Maritime Services
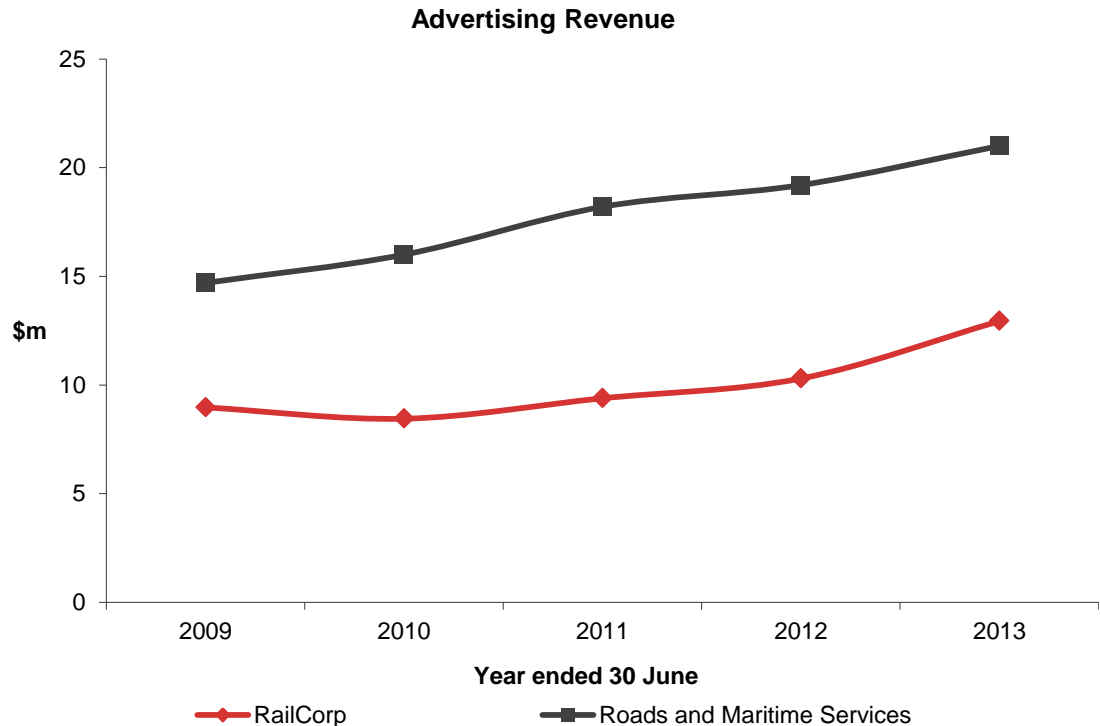
Source: Transport for NSW (Unaudited).

Sydney Ferries no longer collects advertising revenue. Revenue derived from advertising on the vessels is shared between Transport for NSW and the private operator. The vessels continue to be owned by Sydney Ferries in accordance with the franchising agreement.

In 2012, the NSW Government bought the company that operated the Light Rail and the Monorail in Sydney. Advertising revenue for the year ended 30 June 2013 was $649,000.

Overall, the amounts earned through advertising on public transport in 2012-13 have increased by 15.1 per cent. This was mainly due to a 25.2 per cent increase at RailCorp and a 9.4 per cent increase at Roads and Maritime Services. The increases are due to a continued effort to improve revenue performance.

Advertising revenue during 2012-13 at RailCorp was $12.9 million (10.3 million in 2011-12) and at Roads and Maritime Services was $21.0 million ($19.2 million in 2011-12).

Projects

Transport Planning

Transport Master Plan

The NSW Long Term Transport Master Plan was released in December 2012. The Master Plan identifies the challenges that need to be addressed over the next 20 years and provides strategic direction to address those challenges. It will guide the NSW Government's transport funding priorities over the next 20 years, and integrates all modes of transport, roads and freight across all regions of the state.

The Master Plan was developed in conjunction with broad community consultation, Over 480 comments were received from the public in response to the draft released in September 2012 and a number of significant changes were incorporated into the final master Plan.

The Master Plan focuses on six key challenges:

- integrating transport modes to meet customer needs
- sustaining growth in Greater Sydney
- getting Sydney moving again
- providing essential access to regional NSW
- supporting efficient and productive freight
- State wide actions.

The Master Plan includes 220 short, medium and long term actions to meet these challenges.

The Master Plan provides the framework for a series of more detailed plans and strategies including individual Modal Strategies, Sydney Transport Plans, Regional Transport Plans and a NSW Freight and Ports Strategy.

The NSW Government has allocated more than $53 billion for the first four years of the Master Plan.

The NSW Government has committed to providing annual updates on the Master Plan, and to undertaking a full review every five years. The first annual update will be provided in December 2013, one year after the release of the NSW Long Term Transport Master Plan.

Major Transport Projects

The NSW Budget Papers show the NSW Government will invest $5.1 billion in transport infrastructure and $3.0 billion for maintenance of road and public transport assets during 2013-14. The major investments include:

- $2.9 billion on road transport, including $986 million for major upgrades on the Pacific Highway, $558 million for capital maintenance of road and maritime assets, $243 million for Western Sydney Growth Roads, $238 million for Roads Safety projects and $222 million to continue construction of the Hunter Expressway
- $1.8 billion for rail, including $806 million for the North West Rail Link, $353 million for the South West Rail Link, and $314 million to improve the capacity and reliability of the Northern Sydney Freight Corridor.

In 2012-13, the following major projects were opened to traffic:

- Pacific Highway: Bulahdelah Upgrade and Kempsey Bypass
- Hume Highway: Holbrook Bypass.

The Bulahdelah Upgrade was $26.0 million over the 2012-13 budget due to earlier than scheduled payment of construction costs, however the total project remains within budget. The Holbrook Bypass was opened to traffic on 7 August 2013, slightly later than anticipated due to wet weather.

Key transport projects are subject to change as the NSW Government's priorities are reviewed and updated. Variations between original and latest revised budgets primarily relate to changes in project scopes since initial cost estimates or cost escalations over the life of the projects.

Original and latest revised project costs for a selection of the major capital projects within the Transport Cluster.

Transport mode	Number of projects 2012-13	Forecast completion year	Original/updated Project Cost $'000	Latest revised Project Cost $'000	Total Spend to 30 June 2013 $'000
Rail	10	2013-20	15,077,000	16,142,773	5,152,523
Road	7	2013-17	7,415,100	7,292,100	5,046,000
Other	8	2013-18	1,249,467	1,474,243	610,408
Total	**--**	**--**	**23,741,567**	**24,909,116**	**10,808,931**

Source: Information provided by the respective transport entities (unaudited).

The transport entities are committed to key transport projects totalling around $25.0 billion with expected completion dates ranging between 2013 and 2020. No significant delays in project delivery are expected.

Transport for NSW is responsible for delivery of the majority of the projects, including the North West Rail Link, Rail Clearways program and the South West Rail Link.

The $1.2 billion increase in estimated project cost was mainly due to scope changes. South West Rail has increased $762 million, Rail Clearways Program by $133 million and the Electronic Ticketing System by $227 million.

Major Rail Projects

Project	Forecast completion year	Original/updated Project Cost $'000	Latest revised Project Cost $'000	Total Spend to 30 June 2013 $'000
North West Rail Link	2019	8,279,000	8,279,000	723,000
South West Rail Link*	2015	2,122,000	2,022,255	1,242,049
Rail Clearways Program	2014	1,887,000	2,019,505	1,950,608
Northern Sydney Freight Corridor	2017	1,000,000	1,000,000	146,309
Automatic Train Protection	2020	988,000	988,000	106,947
Waratah rolling stock – Enabling and ancillary work	2014	790,013	794,013	576,267

*   The updated project cost includes an additional $762 million in approved scope charges.

Source: Information provided by Transport for NSW and RailCorp (unaudited).

The North West Rail Link will be a high frequency single deck train system operating as a shuttle between Rouse Hill and Chatswood. It will be the first fully-automated rapid transit rail system in Australia. It will be integrated into but independent of the existing suburban network.

The total cost of the project is estimated at $8.3 billion and expected to be available to passengers by December 2019. During the year $352 million was spent on the project and $806 million is budgeted for 2013-14.

During 2012-13 the following milestones were achieved:

- The tunnel and station infrastructure contract was awarded in late June 2013 for $1.2 billion. Completion is expected in the first half of 2017
- The surface and skytrain construction contract is currently being tendered and is expected to be awarded before the end of 2013
- The operations, trains and systems (OTS) contract is also at the tender phase with the contract expected to be awarded by the end of 2014. The contract is expected to be a Public Private Partnership, subject to value for money criteria being met.

Last year's report to Parliament recommended that Transport for NSW should ensure lessons learnt from previous public private partnerships (PPP) are considered in the arrangements for the North West Rail Link.

Management has advised that they have undertaken extensive market sounding and engagement with industry on the OTS. The contract strategy, including whether it is to be procured as a PPP, will be determined subject to demonstration of value for money in accordance with NSW Government's PPP Guidelines. The contract strategy is being developed in close liaison with NSW Treasury.

Transport for NSW has advised lessons from other PPPs have been taken into account in the development of the principles for the OTS contract. The contract will be performance-based, with service payments based upon the delivery of an agreed timetable and other key performance indicators. It will not contain patronage risk. The NSW Government expects that the OTS contract will involve a substantial NSW Government capital contribution (during the construction period) to achieve an optimal level of private finance and maximise value for money.

The South West Rail Link project comprises a 11.4 km twin track extension from Glenfield to Leppington and will include two new stations at Edmondson Park and Leppington, an upgrade of Glenfield station, new car parking and a train stabling facility. During the year work has been progressed ahead of schedule, with expenditure of $537 million against the budget of only $397 million. The Government has announced it is on track to open 12 months earlier than originally planned.

Major Road Projects

Project	Forecast completion year	Original Project Cost $'000	Latest revised Project Cost $'000	Total Spend to 30 June 2013
Pacific Highway Upgrade	Various dates to 2016	2,622,000	2,785,000	1,962,800
Hunter Region Upgrades (including Hunter Expressway)	2015	1,924,500	1,938,500	1,614,700
Sydney Upgrades	2017	1,311,000	1,299,000	258,400
Great Western Highway Upgrades	2015	580,000	625,000	540,300

Source: Information provided Roads & Maritime Services (unaudited).

Other Projects

Project	Forecast completion year	Original Project Cost $'000	Latest revised Project Cost $'000	Total Spend to 30 June 2013
Transport Access Program	2018	772,000	772,000	223,300
Electronic Ticketing System	2017	273,331	500,000	233,053

Source: Information provided by Transport for NSW (unaudited).

The Electronic Ticketing System relates to capital costs of the Opal Card project. The increase in capital costs relates to the reallocation of costs from operating costs to capital costs within the original total project budget and scope increases such as the inclusion of light rail within the project.

Opal Card

Source: Transport for NSW

The Opal card contract was awarded to the Pearl Consortium in May 2010. The contractor is responsible to build, operate and maintain the new electronic ticketing system (ETS) known as Opal card for NSW Transport for a period of 15 years.

Opal Card was introduced on 7 December 2012 with the commencement of ferry trials on the Neutral Bay route. At 30 June 2013, Opal Card was also rolled out to the Manly ferry route along with train stations in the City Circle and out to Bondi Junction. Subsequently, Opal card trial for buses began in September 2013. Opal is progressing towards a full rollout across the ferry, train and bus networks with a target completion date of December 2014.

The total cost to build and maintain the ETS on ferries, trains and buses over the 15-year term of the contract was originally budgeted at $1.2 billion. This is made up of:

- $397 million in fixed charges payable to Cubic
- $254 million in variable charges payable to Cubic over ten years
- $556 million to be incurred by various government agencies and operators for managing the ETS. This cost includes commissions payable to the retail network, additional equipment for expansion of the transport network and growth in patronage.

Transport for NSW advises the rollout of the ETS is on track and within budget for the original scope of the project. However, there had been a number of scope changes, such as inclusion of light rail in the ETS program, since the original budget was approved.

The total cost of the Opal Card at 30 June 2013 was $284 million. Most of the expenditure associated with the project has been funded through borrowings. At 30 June 2013, these borrowings were $244 million. Interest expense on these borrowings totalled $17.0 million at 30 June 2013, which is six per cent of the total Opal expenditure at 30 June 2013.

The inclusion of the Light Rail Network was not originally in the scope of the ETS contract. The total amount of approved Light Rail capital funding is $14.8 million for 2013-14 and 2014-15.

A straight comparison of Opal card ticket prices with paper ticket prices is difficult because the details depend on individual travel patterns and current ticket type. The Opal card potentially benefits people making single mode journeys and may disadvantage people who regularly change between different types of transport as the Opal card charges people separate fares for individual train, bus and ferry trips.

Current Fare Structures with the Opal Card

Bus	Adult Opal Single Fare ($)	Adult MyBus Single Fare ($)	Maximum per week using Opal* ($)	MyBus TravelTen fare ($)
Example 1	2.10	2.20	16.80	17.60
Example 2	3.50	3.60	28.00	28.80
Example 3	4.50	4.60	36.00	36.80

*   Maximum per week is based on the following assumptions:
   • Two journeys a day (one in each direction)
   • The weekly travel reward applies after 8 paid journeys in a week (from Monday to Sunday) – all subsequent journeys are free to customers.

Source: Published fare information from Transport for NSW (unaudited).

Ferry	Adult Opal Single Fare ($)	Adult MyFerry Single Fare ($)	Maximum per week using Opal ($)	MyFerry TravelTen fare ($)
Example 1	5.60	5.80	44.80	46.40
Example 2	7.00	7.20	56.00	57.60

Source: Published fare information from Transport for NSW (unaudited).

Train	Adult Single Opal Fare (Peak) ($)	Adult MyTrain Single Fare (Peak) ($)	Opal Weekly Travel* ($)	Current MyTrain Weekly ($)	Opal Monthly Travel ($)	Current MyTrain Monthly ($)	Opal Yearly Travel*** ($)	Current MyTrain Yearly ($)
Example 1	3.30	3.60	26.40	27.00	105.60	98.00	1,267.20	1,080.00
Example 2	4.10	4.40	32.80	34.00	131.20	124.00	1,574.40	1,360.00
Example 3	4.70	5.00	37.60	40.00	150.40	146.00	1,804.80	1,600.00
Example 4	6.30	6.60	50.40	51.00	201.60	186.00	2,419.20	2,040.00
Example 5	8.10	8.40	60.00**	60.00	240.00	218.00	2,880.00	2,400.00

*   Maximum per week is based on the following assumptions:
   • Two journeys a day (one in each direction)
   • The weekly travel reward applies after 8 paid journeys in a week (from Monday to Sunday) – all subsequent journeys are free to customers.
**   Caps at 4 x daily travel cap of $15.00.
*** Calculation based on travel for 48 weeks in a year.

Source: Published fare information from Transport for NSW (unaudited).

The analysis above indicates that MyTrain customers who are currently using monthly and yearly tickets may be spending more when using the new Opal card. The Opal card fare structure will have the following impact:

Fare Winners	Fare Losers
Single mode of transport users	Some passengers using more than one mode of transport
Passengers who buy weekly MyTrain paper tickets	Passengers travelling in morning off-peak but returning in afternoon peak via trains
Passengers travelling in off-peak hours and on weekends	Passengers currently buying monthly, quarterly or yearly MyTrain paper tickets

In the year ending 30 June 2013, 8,925 cards were acquired by the public.

Opal Revenue Earned and the Number of Journeys Made for the Respective Modes of Transport

Year ended 30 June	Rail 2013	Ferry 2013	Bus 2013	Intermodal 2013
Opal Revenue ($)	116,511	77,147	na	*
Number of Journeys	44,728	15,909	na	409

*   Transport for NSW was unable to provide this data.

na   Not applicable.

Source: Information provided by Transport for NSW (unaudited).

For more information on Opal Card please refer to https://www.opal.com.au/en/about-opal/using-my-opal-card.

Discontinued T-Card Project Debt

Last year's report to Parliament recommended that Transport for NSW and Treasury should urgently determine the most cost effective way to extinguish the borrowings for the discontinued T-card project.

These borrowing have still not been extinguished. At 30 June 2013, Transport for NSW held borrowings of $113 million ($111 million at 30 June 2012) arising from this project. The T-Card Project was terminated on 23 January 2008. Subsequent legal action between the contractor and the State was settled during 2011-12.

Parking Space Levy

Transport for NSW held $171 million at 30 June 2013 from the parking space levy, up from $29.6 million at 30 June 2011.

Year ended 30 June	2013 $'000	2012 $'000
Opening balance	97,920	29,611
Revenue	98,895	101,980
Interest	4,280	2,852
Expenditure	30,099	36,523
Closing balance	**170,996**	**97,920**

Source: Transport for NSW (unaudited)

The levy was mostly used to fund new commuter car parking facilities over the last five years. During 2012-13, Transport for NSW spent $8.5 million on light rail projects and $21.6 million on other projects including Integrated Transport Information Systems and Transitway maintenance.

Transport for NSW anticipates the Parking Space Levy will contribute $91.5 million towards Light Rail Projects and $96.7 million towards the Transport Access Program next financial year. The Transport Access Program is a $770 million initiative to provide accessible, modern, secure and integrated transport infrastructure which will be partly funded by the parking space levy. It includes station upgrades, interchanges and commuter wharves.

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.

Other Matters

Corporate Services Reform

Last year's report to Parliament recommended that Transport for NSW and the other transport agencies should implement service level agreements by 30 June 2013 for the delivery of corporate services.

At 27 November 2013, finalised service level agreements were not yet in place with all transport agencies. Transport for NSW has advised that these are expected to be in place by the end of November 2013.

The standard service level agreements detail the expected working relationship and key principles. They include services to be performed, the pricing structure and reporting arrangements. However, all key performance indicators have not yet been developed to monitor the quality of the services provided.

The absence of such an agreement limits improvements to corporate services infrastructure across the transport sector, which may adversely impact better delivery of government services to the NSW community. Further, without agreed key performance indicators, ensuring the appropriate service standards are maintained is very difficult.

Transport for NSW is still finalising the implementation of Transport Shared Services - a shared services function to provide back office services to transport agencies including human resources and other corporate services.

The Transport Shared Services – Service Catalogue details the functions and work that should be performed by Transport Shared Services as a standard across the Transport cluster. Currently not all the services are performed for each agency in the cluster.

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.

Transport Concessions for University Students

Action to address issues on transport concession cards first raised in 2007 will be implemented for the 2014 academic year.

Progress to resolve these issues have been extremely slow. While some action has occurred each year the issues remain unresolved. In 2011, the report to Parliament recommended Transport for NSW urgently complete developing processes that ensure transport concession cards are retrieved from ineligible students.

In 2012-13, Transport for NSW has completed an audit of selected tertiary education institutions. The audit specifically investigated whether institutions have the appropriate systems and processes in place to retrieve concession cards from ineligible students.

The final report contained 12 recommendations for improving the administration of tertiary student concessions. All but one of the recommendations have been accepted by Transport for NSW. The accepted recommendations included:

- updated guidelines should include detailed guidance to institutions on their responsibilities and how to implement or fulfil their role as issuers of the concession cards, and for institutions to confirm they maintain appropriate records
- Transport for NSW to roll out a rotational audit plan to check that the institutions comply with the requirements of the guidelines
- establish a mechanism to easily identify institutions that have not submitted a card reconciliation or have not returned unused cards, and for notification and follow up of such institutions
- retain in the guidelines that institutions are required to have a process in place to identify and contact students that no longer have an entitlement to concession
- investigate the opportunities that the Opal electronic ticketing system will provide to improve administration such as the ability to deactivate cards.

Two recommendations were implemented in 2012-13 and the remainder to be implemented in November 2013 in preparation for the 2014 academic year.

Excessive Annual Leave

Recommendation

All transport entities should do more to reduce excessive annual leave balances to ensure they will comply with new targets set by the Premier.

At 30 June 2013, 2,204 (2,509 in 2011-12) transport staff, or 7.4 per cent (8.3 per cent in 2011-12) of the transport workforce, have excessive annual leave balances.

The Premier has requested all Directors General and Chief Executives to reduce excessive annual leave balances. By 30 June 2013 the maximum accrued annual leave days target was 40 days, reducing to 35 days by 30 June 2014 and 30 days by 30 June 2015.

Despite the reduction in the number of employees with excess annual leave balances, Transport entities will face bigger challenges in the coming years as the maximum allowable days decrease. At 30 June 2013 RailCorp had three employees with annual leave in excess of 150 days. Both Roads and Maritime Services and Sydney Ferries each had an employee with annual leave in excess of 100 days.

The Number of Staff and Value with more than 40 Days (Or 50 Days for RailCorp Shift Workers) of Annual Leave

At 30 June		2013		2012		2011	
Transport entities	Trend	Number of employees	Amount $'000	Number of employees	Amount $'000	Number of employees	Amount $'000
RailCorp*	↓	1,147	5,193	1,291	6,124	1,224	5,255
State Transit Authority	↓	263	537	365	827	389	891
Sydney Ferries**	↓	6	66	19	408	63	306
RMS***	↓	596	1,873	716	2,507	--	--
Others#	↑	192	1,090	118	3,230	57	1,551
Total	↓	**2,204**	**8,759**	**2,509**	**13,096**	**1,733**	**8,003**

*   Excessive leave based on 40 days for non-shift workers and 50 days for shift workers

**   All but 12 full time equivalent staff of Sydney Ferries transferred to the private operators due to the franchising in July 2012.

*** The Roads and Traffic Authority and the Maritime Authority of NSW were abolished and their staff transferred to newly created RMS on 1 November 2011. The 2012 data for RMS includes former Maritime Authority of NSW staff. A comparison with RTA data from 2011 is not meaningful.

\#   Others include the Department of Transport, Transport for NSW, Office of the Transport Safety Investigator and Independent Transport Safety Regulator.

Key: ↑ Trend upwards, ↓ Trend downwards.

Source: Information provided by the respective transport entities (unaudited).

The percentage of staff with excessive annual leave balances for all transport entities over the last three years:

Excessive Annual Leave Balances
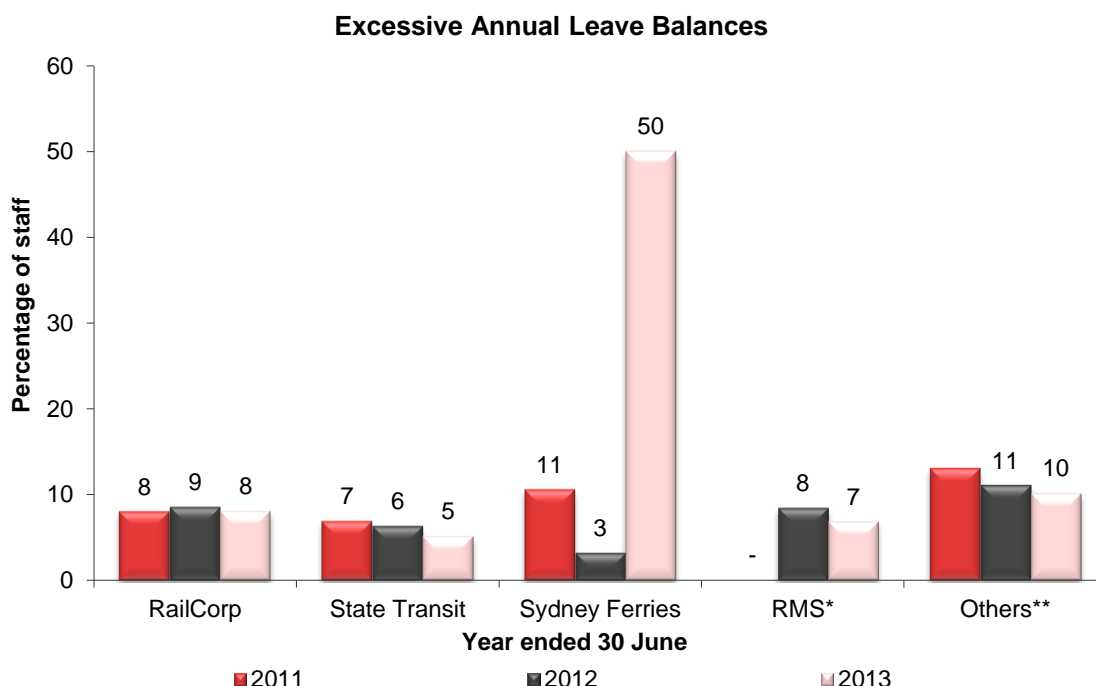
* Refer to the table above concerning the establishment of the RMS and comparison with RTA.

** Others include the Department of Transport, Transport for NSW, Office of the Transport Safety Investigator and Independent Transport Safety Regulator.

Source: Information provided by the respective transport entities (unaudited).

Sydney Ferries significantly reduced staff numbers in 2012-13 following the franchising of ferry operations in July 2012. As a result the information in the graph is not comparable between the years.

RailCorp's staff with excessive annual leave has remained relatively constant decreasing from 8.5 per cent in 2011-12 to 8.1 per cent in 2012-13. In comparison, the proportion of staff with excessive annual leave at the State Transit Authority dropped from 6.3 to 5.2 per cent over the same period. This was largely due to policies adopted by the State Transit Authority, including the executive management's monthly and quarterly reviews. RailCorp advises a range of initiatives are available to reduce annual leave balances, including allowing employees to have leave paid-out. Roads and Maritime Services reduced the proportion of staff with excess annual leave from 8.1 per cent in 2011-12 to 6.9 per cent in 2012-13.

All entities advise policies have been implemented to manage excessive annual leave. The chart and information above demonstrates that in some cases these policies need to be reviewed and improved because they have not been effective in reducing excessive annual leave to an appropriate level.

Excess leave entitlements can have adverse effects, including an ever increasing financial liability as salary rates increase over time. The health and welfare of staff can also be adversely affected if they do not take sufficient breaks from work during the year. Allowing excess annual leave balances also means employees performing key control functions may not be rotated regularly, which is a preventive control against fraud.

Workforce Ageing

The number and proportion of the workforce in Transport agencies older than 55 remains high. Twenty-eight per cent of transport staff are aged 55 or older and 43 per cent were over 50.

A significant proportion of these employees are due to retire in the next five to 15 years, potentially resulting in a significant loss of transport specific skills and knowledge. This risk is heightened by the significant restructure of Transport agencies over the last few years and associated redundancy programs.

Age Profile of Transport Workforce at 30 June
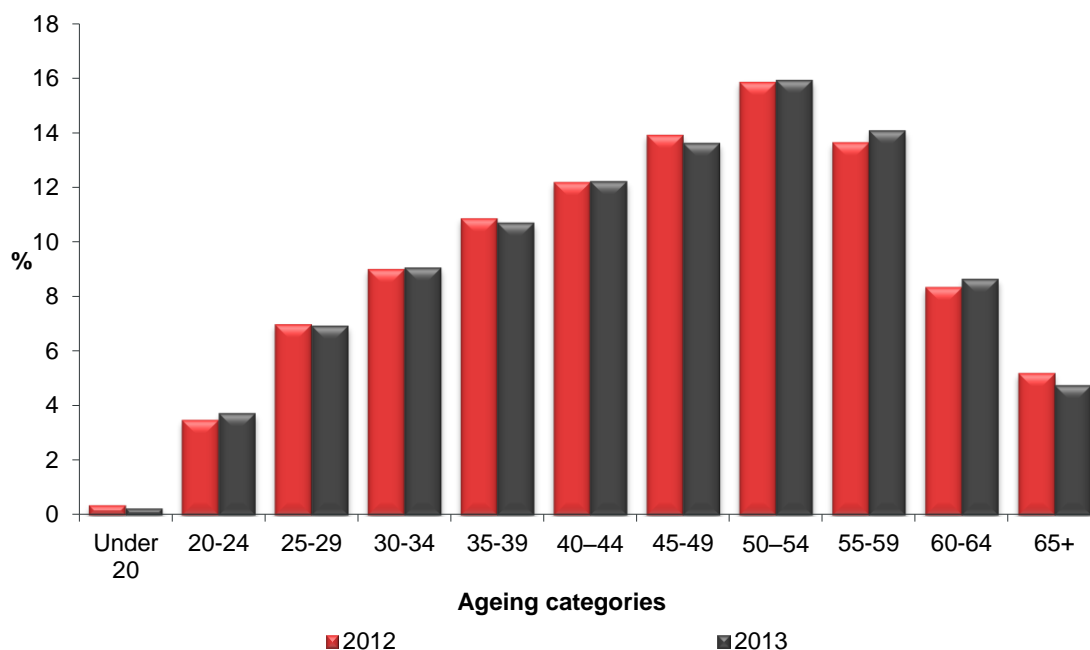
Source: Information provided by the respective transport entities (unaudited).

Roads and Maritime Services and State Transit Authority had the largest percentage of staff over 55 years of age. Roads and Maritime Services had 35 per cent whilst State Transit had 32 per cent. The Department of Transport had the lowest per cent of staff over the age of 55 years old at 17 per cent.

Age Profile of Major Transport Agencies at 30 June 2013
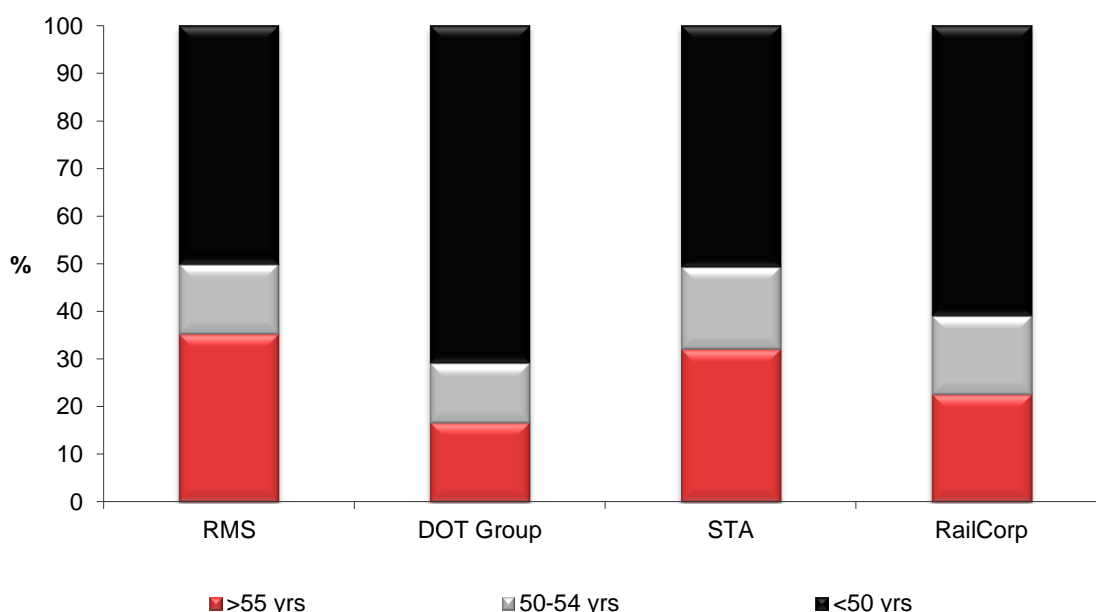
*   The Department of Transport Group includes the Department of Transport, Transport for NSW and Transport Service of NSW.

Source: Information provided by the respective transport entities (unaudited).

Transport for NSW offers Talent Programs including Graduate Program, Cadet Program and Scholar Program to recent graduates and students. These programs offer positions to work in various transport agencies including Roads and Maritime Services, RailCorp and State Transit Authority for more than two years. In addition, age profiles are included in monthly workforce reports to the Executive to provide an early indication on key focus areas. Retention and career management strategies are in place for older workers including flexible working arrangements to ensure effective knowledge transfer.

Roads and Maritime Services had various strategies in place to assist managers and staff leaving through retirement. This included programs for staff aged over 55 years to undertake knowledge sharing, adjust work arrangements and prepare for retirement. However, due to ongoing restructures within the organisation, the strategies are currently on hold. Roads and Maritime Services will assess its workforce composition once the reform structures are determined and will reassess its strategies.

State Transit advises it is working with Transport for NSW to develop a new workforce planning strategy, but continues to recruit apprentices etc.

RailCorp has implemented a Voluntary Separation Program for non-frontline employees and major recruitment into new Rail entities will provide opportunities to refresh non-frontline positions.

Engagement of Contractors

The number of contractors employed by transport agencies has increased significantly from 1,248 contractors in 2011-12 to 1,823 in 2012-13, an increase of 46.1 per cent. However the total cost of these contractors reduced from $170 million in 2011-12 to $161 million in 2012-13.

Contractor numbers in Transport for NSW, more than tripled, from 277 in 2011-12 to 847 in 2012-13. Transport for NSW advised this increase was due to the significant expansion of its capital works program.

In previous years, reports to Parliament recommended transport agencies review the effectiveness of practices to monitor the contractor workforce. In 2011-12 contractor numbers reduced by 11.2 per cent. However the reduction in contractors has reversed this year.

Contractor numbers and expense by agency:

At 30 June	2013			
Transport agencies	No. of contractors at 30 June	Total cost of contractors for the year $'000	Term of longest serving contractor (years of service)	Highest amount paid to a contractor for the year $'000
TfNSW*	847	31,188	5.9	503
RailCorp	500	69,337	11.1	495
RMS	444	58,975	11.0	352
ITSR	19	1,218	3.6	213
STA	13	297	1.2	57
Total	**1,823**	**161,015**		

* Transport for NSW includes the Department of Transport, Transport for NSW and Transport Service of NSW.

** Office of the Transport Safety Investigator and Sydney Ferries did not employ contractors in 2012-13.

Source: Information provided by the respective transport entities (unaudited)

The total cost of contractors of $161 million in 2012-13, has reduced 5.4 per cent from previous year mainly due to reduction of total contractors cost in RailCorp and Roads and Maritime Services by $7.7 million and $7.6 million respectively offset by the increase in total contractors cost in the Transport for NSW group by $6.2 million.

The length of service for all contractors employed by transport entities:

At 30 June	2013		2012	
Duration since contractors start date	No. of contractors	Proportion of total contractors %	No. of contractors	Proportion of total contractors %
> 6 years	76	4.2	74	5.9
5-6 years	25	1.4	11	0.9
4-5 years	54	3.0	31	2.5
3-4 years	108	5.9	67	5.3
2-3 years	175	9.6	91	7.3
1-2 years	424	23.3	309	24.8
Less than one year	961	52.6	665	53.3
Total contractors in all transport entities	**1,823**	**100.0**	**1,248**	**100.0**

Source: Information provided by the respective transport entities (unaudited)

RailCorp and Roads and Maritime Services had the longest serving contractors who have been engaged for over 11 years. Transport for NSW advises a capital works contractor was paid $503,000 in 2012-13.

Overtime

Transport agencies are making some progress in reducing overtime expenditure, with total overtime costs falling 4.5 per cent, from $228 million in 2011-12 to $217 million in 2012-13. Overtime continues to represent a significant employment expense.

Overtime costs in large transport agencies:

Year ended 30 June	Overtime cost		
Transport entity	**Trend**	**2013 $'000**	**2012 $'000**
RailCorp	↓	129,245	135,062
State Transit Authority	~	42,591	42,328
Sydney Ferries**		N/A	2,976
RMS	↓	42,971	46,668
Others*	↑	2,629	640
Total	↓	**217,436**	**227,674**

Key: ↑Trend upwards, ↓ Trend downwards, ~ No trend

*   Others consist of the Department of Transport, Transport for NSW, Transport Service of NSW, and Office of the Transport Safety Investigator and Independent Transport Safety Regulator.

**   Sydney Ferries operations were franchised in July 2012

N/A Not applicable

Source: Information provided by the respective transport entities (Unaudited)

Last year, a performance audit reported on how well RailCorp and Roads and Maritime Services manage overtime. The report made seven recommendations to RailCorp and ten to Roads and Maritime Services. Both entities are implementing the recommendations and this has contributed to the decrease in overtime paid. For further information refer to www.audit.nsw.gov.au/Publications/Performance-Audit-Reports/2012-Reports.

Overtime expenditure as a percentage of total salaries and wages:
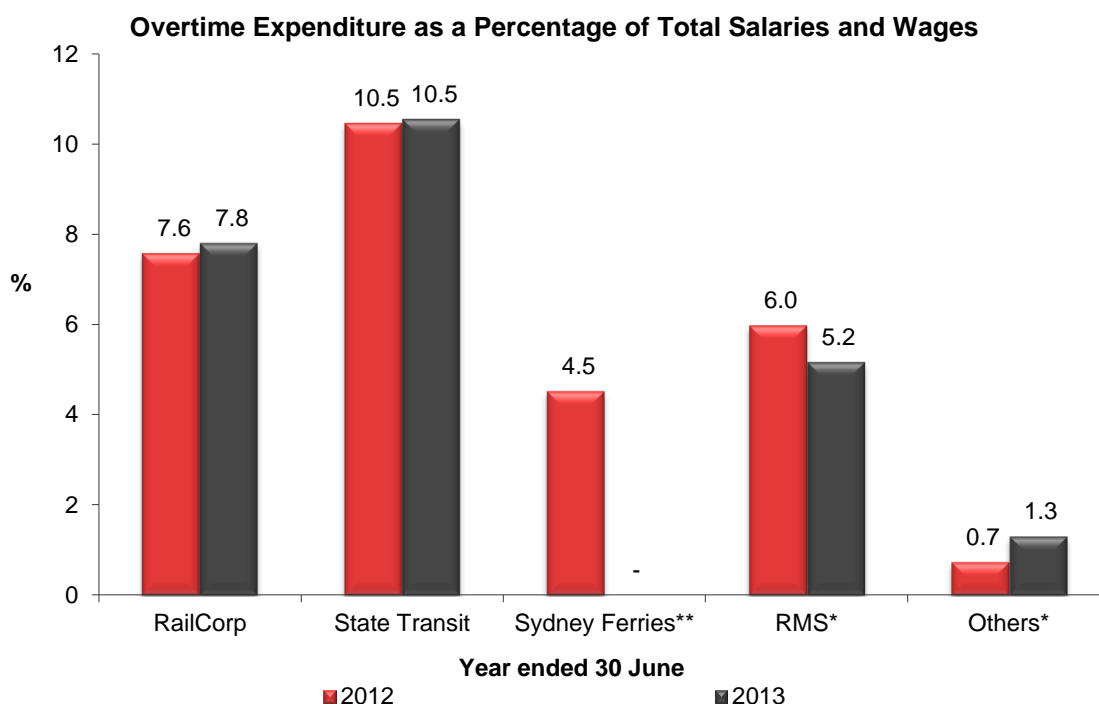
Overtime Expenditure as a Percentage of Total Salaries and Wages

*   Others consist of the Department of Transport, Transport for NSW, Transport Service of NSW, and Office of the Transport Safety Investigator and Independent Transport Safety Regulator.

**   Sydney Ferries operations were franchised in July 2012 .

Source: Information provided by the respective transport entities (Unaudited).

55

Major contributors to overtime at Transport agencies include:

- transport operations require work at night and on weekends in metropolitan areas due to traffic considerations
- the need to provide around-the-clock response to traffic incidents, emergencies and traffic signal repairs
- resourcing of traffic arrangements for special events throughout the year
- providing operations 365 days a year and 24 hours
- maintenance and construction occurs outside the normal operating hours.

State Transit Authority has advised it has higher levels of overtime than other transport agencies because all work on Sunday is paid overtime in accordance with its award.

The number of employees across all transport entities who worked overtime and the amount of overtime paid, grouped by overtime paid as a percentage of their annual salary were:

Year ended 30 June	2013		2012	
Overtime paid as a percentage of annual salary	Number of employees	Overtime paid $'000	Number of employees	Overtime paid $'000
> 100	3	171	7	392
90-100	2	95	7	353
80-89	7	328	19	921
70-79	35	1,504	30	1,156
60-69	85	3,459	149	5,788
50-59	251	8,474	383	12,906
40-49	888	24,787	1,053	29,565
30-39	2,175	46,117	2,328	47,887
20-29	3,950	58,974	4,092	58,300
10-19	5,489	50,066	5,852	49,766
>0-9	9,017	23,460	9,219	20,640
Nil overtime	9,009	--	9,643	--
Total	**30,911**	**217,435**	**32,782**	**227,674**

Source: Information provided by the respective transport entities (unaudited).

The table shows 70.9 per cent of employees (70.6 per cent in 2011-12) received an overtime payment in 2012-13 and 383 employees (595 employees) were paid 50 per cent or more of their annual salary in overtime.

70.9 per cent of employees (70.6 per cent in 2011-12) received an overtime payment in 2012-13

The top ten highest individual overtime earners across the transport entities were:

Year ended 30 June		2013			2012	
Top ten individual overtime earners	Transport entity	Overtime paid to employee $	Percentage of overtime to salary %	Transport entity	Overtime paid to employee $	Percentage of overtime to salary %
1	RMS	98,999	146	RMS	86,154	82
2	RMS	81,880	69	RMS	74,356	85
3	RMS	73,802	92	RMS	67,483	86
4	RMS	65,652	65	RailCorp	66,505	64
5	RMS	65,597	78	RailCorp	65,616	63
6	TfNSW/DoT	65,962	57	RailCorp	65,374	62
7	RMS	64,588	64	RailCorp	64,990	63
8	RMS	62,452	61	RailCorp	63,993	56
9	RMS	61,385	94	RMS	63,930	66
10	RMS	60,805	72	RMS	63,718	62

Source: Information provided by the respective transport entities (unaudited).

Roads and Maritime Services employees received the highest overtime payments. RailCorp's highest overtime payment has decreased from $66,505 in 2011-12 to $58,583 in 2012-13. State Transit Authority's highest overtime payment in 2012-13 was $39,399 ($34,425 in 2011-12). For the Department of Transport and Transport for NSW's the highest overtime payment was $65,962 at Transport for NSW ($33,000 in 2011-12 at the Department of Transport).

Train Driver Overtime Bonus

Recommendation

RailCorp, Sydney Trains and NSW Trains should minimise the amount of overtime bonuses paid to train drivers.

Over the last four years, RailCorp has paid $10.6 million in train drivers' overtime bonuses, including $2.5 million in 2012-13 ($2.8 million in 2011-12). Since 2010-11 drivers' overtime bonuses have steadily declined. Bonuses are paid to train drivers in addition to overtime penalty rates.

Drivers are eligible for an overtime bonus when they work overtime shifts. A $100 overtime bonus is paid when a driver works one additional shift per month, $250 when two additional shifts are worked, and $400 when three additional shifts are worked. The intention of the bonus was to address a driver shortage in 2004. At that time there were a number of services that were disrupted or cancelled due to the unavailability of drivers and overtime shifts not being accepted. The agreement required RailCorp to increase the number of train drivers from 1,220 to 1,350. At 30 June 2013, RailCorp employed 1,606 drivers.

Long Service Leave Liabilities

At 30 June 2013 long service leave liabilities for the major transport agencies was $660 million ($690 million at 30 June 2012). This decrease was mainly attributable to an increase in the discount rate applied in the calculation of the liability and a reduction in total staff at the agencies of five per cent.

State Transit Authority's liability for long service leave entitlements at 30 June 2013 was $80.2 million ($64.5 million at 30 June 2012). This liability has increased by 78 per cent over the last five years.

Over the last four years, RailCorp has paid $10.6 million in drivers' overtime bonuses

Rail Corp long service leave liability at 30 June 2013 was $333 million ($354 million at 30 June 2012). This liability has increased by 28.4 per cent over the last five years.

Roads and Maritime Services long service leave liability at 30 June 2013 was $247 million ($263 million at 30 June 2012). This liability has increased by 20.4 per cent over the last five years.

Sydney Ferries long service leave liability at 30 June 2013 was $373,000 ($8.2 million at 30 June 2012). The decrease is attributed to a reduction in employees in during 2012-13 as a result of the franchising of ferry operations.

The long service liabilities for staff working at Transport for NSW and the Department of Transport are assumed by the Crown.

Long Service Leave Liability
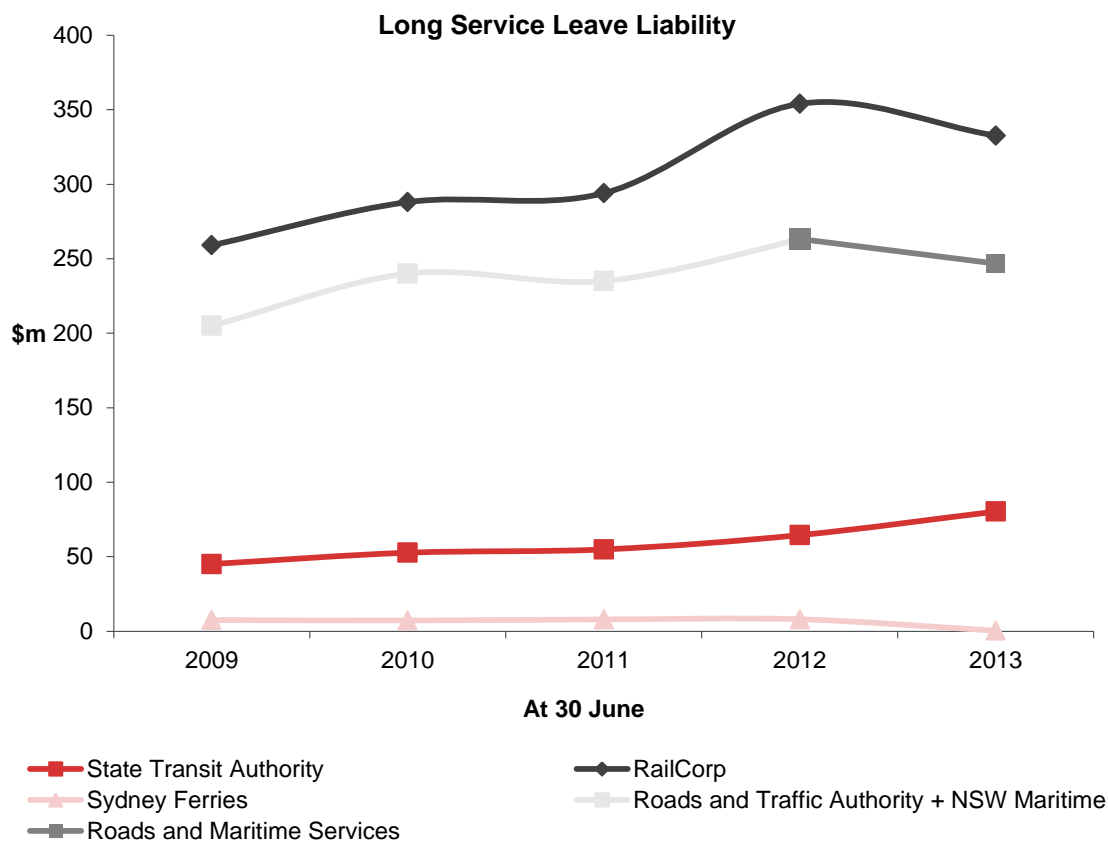
Source: Information provided by the respective transport entities (Unaudited).

Although Transport agencies generally have strong cash flows, they will need to ensure they have adequately planned to fund these liabilities, which generally increase over time with increases in employee remuneration levels. This will be compounded as other liabilities arise from the pending retirement of a significant portion of the ageing workforce.

Roads

Key Issues

Pavement Rebuilding Targets

Last year's report to Parliament recommended Roads and Maritime Services (RMS) should work with Transport for NSW to establish maintenance targets, which can be used for performance monitoring and funding requirements. In a response to the Public Accounts Committee on this recommendation, RMS advised it had reviewed its pavement rebuilding target and found it a credible and appropriate long-term target. This view is based on:

- a comparison with the current age profile (about ten per cent of pavements are over 50 years old)
- a comparison with recent pavement rebuilding rates
- an analysis of strength data to estimate structural remaining life.

A two per cent target produces, on average, pavements that reach the end of their service life after 50 years.

The percentage of pavement rebuilding represents the road surface area repaired for structural damages compared to the total area of road surfaces. In 2012-13, Roads and Maritime Services achieved its own short-term target for pavement rebuilding of 1.1 per cent, but not its long-term target of two per cent.

RMS and Transport for NSW established the Value Assessment Working Group. This working group is tasked with improving maintenance indicators. RMS has developed a methodology for calculating pavement renewal backlog that is still being refined and will be considered by the working group.

Improvement initiatives have been documented in the Transport for NSW Asset Maintenance Strategy. Further work has also been initiated to align RMS maintenance indicators with the transport cluster. Where further work is required, RMS has documented actions in its own 2013-14 Delivery Plans.

> In 2012-13, Roads and Maritime Services achieved its own short term target for pavement rebuilding of 1.1 per cent, but not its long term target of two per cent

Statistics on maintenance expenditure and pavement rebuilding were:

Year ended 30 June	Target*		Actual			
	2013	**2013**	**2012**	**2011**	**2010**	**2009**
Road maintenance expense ($m)	837	845	857	621	572	605
Pavement rebuilding rate (%)	1.1	1.1	1.6	1.5	1.6	1.2

*   Target set by Roads and Maritime Services.
Source: Roads and Maritime Services (unaudited).

RMS advises that its ability to effectively maintain service levels and sustain road infrastructure, has been impacted by:

- an expanding asset base and the adequacy of expenditure for recurrent maintenance and new works or replacements
- an ageing infrastructure (over 40 per cent of pavement network is over 30 years old)
- increased traffic and axle loadings
- increasing costs of maintenance
- increasing environmental constraints and amenity requirements.

To address these issues, RMS has a risk based approach to prioritise its works. This helps address any safety issues around the backlog in pavement renewal.

Performance Information

Road Safety Performance Outcomes

Transport for NSW is the lead agency for road safety in New South Wales and works with other agencies including RMS to improve road safety.

The NSW Centre for Road Safety reported 349 fatalities in 2012-13, 9.6 per cent fewer than the prior year. Road fatalities continue to trend down.

Road fatalities continue to trend down

Trend in Road Fatality Rates

Source: NSW Centre for Road Safety (unaudited).

The NSW 2021 Plan outlines a primary road safety target of 4.3 fatalities per 100,000 of population by 2016. Transport for NSW will continue to implement a number of safety measures including:

- the new NSW Road Safety Strategy 2012-2021, as well as sub-strategies, focused on motorcycle and breakdown safety

- the Speed Camera Strategy with the enhancement of mobile, red light speed and heavy vehicle point to point camera programs and an annual review of camera program performance

- the Safer Roads and State Blackspot programs to deliver infrastructure safety works at high crash risk locations

- improve visibility of School Zones by a new program that will ensure that every school in New South Wales has a set of flashing lights by the end of 2015

- introduction of a Safer Drivers Course for learner drivers to improve the safety of young drivers

- establishment of the Community Road Safety Fund which will see revenue from speed cameras used to fund enhanced levels of high-visibility Police enforcement, new education and awareness campaigns, infrastructure improvements, technology promotion and research.

Statistics on fatalities and injuries from road traffic crashes were:

Year ended 30 June	Actual				
	2013	**2012**	**2011**	**2010**	**2009**
Road fatalities per 100,000 population	4.7	5.3	4.9	6.3	6.2
Total fatalities	**349**	**386**	**355**	**445**	**432**
Total injuries	**na**	**25,199**	**25,932**	**23,754**	**24,103**

na   not available

Source: NSW Centre for Road Safety (unaudited).

Ride Quality and Pavement Durability

RMS does not expect to achieve its overall 'Good Ride Quality' target for 2013. The NSW 2021 Plan established a target of 93 per cent by 2016. In 2012-13, RMS expects to achieve its target for rural roads but will be slightly below target for urban roads. Ride quality measures the 'roughness' of travel over road surfaces (including national highways). It is the main indicator of road condition.

RMS achieved its 2013 target for pavement durability, which measures road surface cracking on sealed State roads.

These measures, as a percentage of total roads, over the last five years are:

Year ended 30 June	Target*	Actual				
	2013 %	**2013** ** **%**	**2012 %**	**2011 %**	**2010 %**	**2009 %**
Ride quality[1]						
Good – Urban	90.2	89.9	89.6	90.0	90.3	90.1
Good – Rural	93.6	93.6	93.5	93.2	93.4	93.8
Good – Overall	91.5	91.3	91.1	91.2	91.5	91.6
Pavement durability[2]						
Good	78.1	78.2	78.1	78.1	77.4	76.3

*   Targets set by RMS.

**   Actuals for 2013 are estimated by RMS as the time for collecting condition data has been changed.

1.   Ride quality – measured using vehicle-mounted laser technology. Smoother roads provide a more comfortable ride and reduce the damage caused to the road by heavy vehicles. Smoother roads also cause less damage to vehicles and save fuel.

2.   Pavement durability – this measures the amount of surface cracking on the road. Cracks let water in, which can soften the underlying road pavement and lead to premature deterioration. Cracking is measured at highway speed by automated technology using the Roads and Maritime road crack vehicle.

Source: RMS (unaudited).

Managing Road Congestion

RMS implemented measures to reduce congestion across the New South Wales road network. Some of the major initiatives to manage congestion and improve travel times are below. The initiatives also improve fuel consumption, reduce vehicle emissions, improve air quality and reduce motoring costs.

Initiative	Description	Funding $m	Duration of Project	Expected Completion
Easing Sydney's Congestion (Pinch Points)	Network Congestion Management (Pinch Point) Strategy, including election commitments on Parramatta Road and Roper Road	125	5 years	June 2017
Easing Sydney's Congestion (Pinch Points) - Restart component	Supplementary funding of the Network Congestion Management (Pinch Point) Strategy from the Restart program, (announced and commencing in 2013-14)	121	4 years	June 2017
Managed Motorways	The planning phase of a program, jointly funded by the Australian Government, to improve the efficiency of Motorways, commencing with the M4 Motorway	17	3 years	June 2014
Bus Priority on Strategic Bus Corridors	Treatments such as Bus Lanes and traffic signal facilities to provide priority for buses on Strategic Bus Corridors	38	2 years	June 2014
Specific commitments	Projects to improve traffic flow efficiency including New England Highway, Maitland, Epping Town Centre and the Northern Beaches Hospital	65	4 years	June 2015
Other 'Journey Reliability' programs	Programs to improve traffic flow efficiency on the balance of the Sydney and Regional road networks. Includes intersection treatments such as Pacific Highway, Coffs Harbour and the election commitment at Brocklehurst.	50	Annual (ongoing programs)	Annually

Source: RMS (unaudited).

Average Travel Speeds

RMS advised the number of cars on the roads continues to increase impacting travel times and road congestion. Vehicle registrations increased by 2.2 per cent over the prior year.

The average travel time and speed indicate the performance of the road network. The average travel time indicator estimates how long it takes on average for a vehicle to travel one kilometre on Sydney's road network during the AM and PM peak periods in peak direction. The average speed indicator indicates the corresponding average speed this would represent.

Average Travel Time to Travel One Kilometre on Sydney Roads

Peak period (seconds)

	2010-11	2011-12	2012-13	3 Year Average
AM Peak	93	93	92	93
PM Peak	96	96	97	97

Year ended 30 June

■ AM Peak (06:00-09:59)   ■ PM Peak (15:00-18:59)

Source: RMS (unaudited).

Average Travel Speed on Sydney Roads

Peak period (km/h)

	2010-11	2011-12	2012-13	3 Year Average
AM Peak	38.8	38.7	38.9	38.8
PM Peak	37.4	37.3	37.1	37.3

Year ended 30 June

■ AM Peak (06:00-09:59)   ■ PM Peak (15:00-18:59)
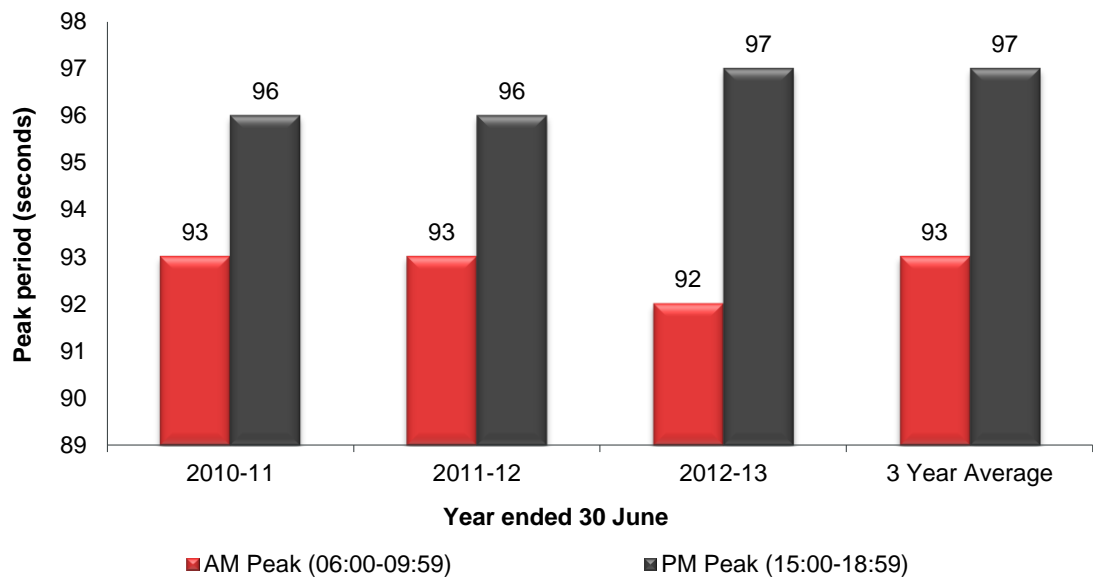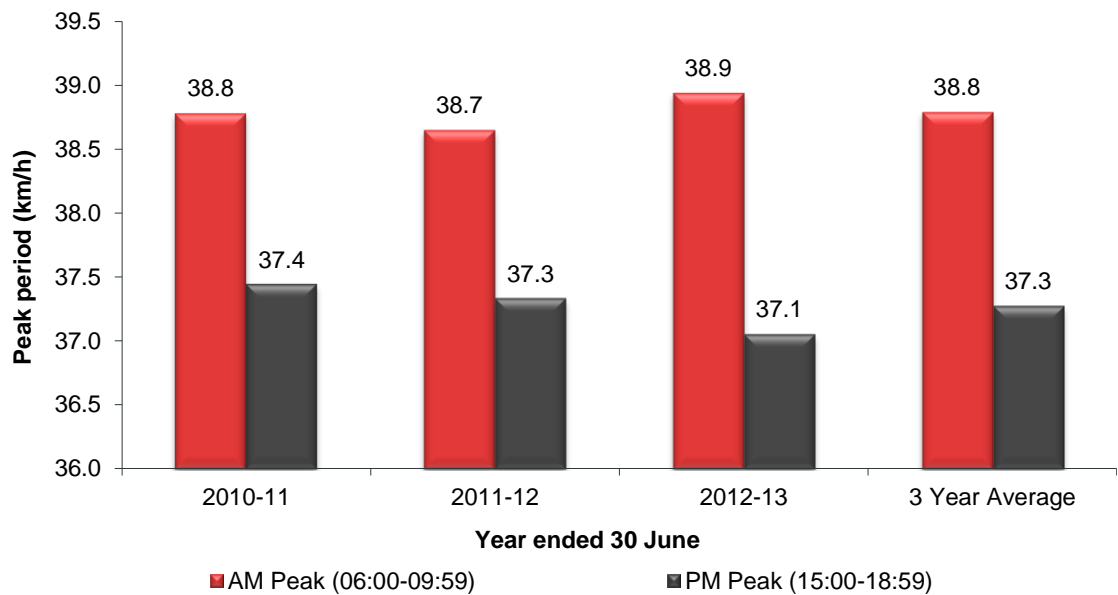
Source: RMS (unaudited).

The average travel speed on Sydney's road network for 2012-13 peaks increased during the morning peak and decreased during the PM peak compared with the previous year.

RMS is responsible for improving efficiency, measured by travel speeds, on Sydney's major roads during peak times. The above graphs indicate that travel times and speeds continue to show broadly consistent trends in travel speeds for morning and afternoon peaks over the last three years.

Taxi Industry Regulation

RMS 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
- compliance of accredited operators, authorised drivers, licence holders and authorised taxi networks with the passenger transport legislation.

At August 2013, there were 23,538 taxi authorised drivers with 6,988 registered taxi number plates.

During the year 5,136 authorised taxi drivers were suspended, 212 authorisations cancelled and 1,906 new taxi driver authorisations were issued.

To address taxi shortages during peak times on Friday and Saturday nights Transport for NSW introduced a $2.50 surcharge during these peak times and released 250 Peak Availability Licenses from 1 July 2013.

RMS manages the process for complaints against authorised taxi drivers, accredited operators and authorised taxi networks which are recorded in the Customer Feedback Management System. The majority of complaints are managed by the Taxi Networks. Serious complaints are managed by RMS. Complaints against authorised taxi drivers and accredited operators and authorised taxi networks can be made confidentially by the public in a number of ways, including the taxi complaints hotline, the transport info line or direct to RMS.

The number of complaints and compliments received were:

Year ended 30 June	2013	2012
Complaints	12,108	12,011
Compliments	448	440

Source: Transport for NSW (unaudited).

Rail

Key Issues

Fixing the Trains Initiative

Announced by the Minister for Transport on 15 May 2012, the Fixing the Trains initiative is comprehensively overhauling rail services in New South Wales. The initiative includes an organisational restructure of Rail Corporation New South Wales (RailCorp) resulting in the creation of three new entities, Sydney Trains, NSW Trains and Transport Cleaning Services. This allows greater focus on the core responsibilities of operating train services, maintaining the railway and providing improved customer services.

On 1 July 2013, Sydney Trains replaced CityRail as the provider of metropolitan train services for Sydney. Sydney Trains provides train services throughout the Sydney central business district and metropolitan area.

Also on 1 July 2013, NSW Trains, operating as NSW TrainLink, replaced the regional train and coach services that were formerly provided by CountryLink. It also took on the Intercity services operating from the Sydney central business district formerly operated by CityRail.

Transport Cleaning Services took responsibility for the cleaning and presentation of rolling stock, major railway stations, and platforms in February 2013. It established new cleaning standards, introduced continuous independent verification of performance and outsourced management to the private sector.

The new organisation structures have resulted in a reduction of over 900 positions and have been designed to have broad accountabilities in line with the recommendations of the Public Service Commission. Over 600 positions were advertised and filled and over 600 existing contracts were realigned to the new organisations.

The Fixing the Trains initiative is an ongoing improvement program scheduled for completion in 2017. Major reforms to maintenance include a single maintenance control centre and the consolidation of 127 depots into eight Centres of Excellence and four satellite centres.

The initiative's approved operating budget for 2012-13 was $72.1 million, of which $54.3 million was spent. The budget increases to $86.1 million for 2013-14.

The 2012-13 capital expenditure budget for the initiative was $12.3 million. Expenditure during the year totalled $9.8 million, including $2.9 million for the pilot depot consolidation, $2.5 million on consolidating six maintenance control centres into one, and $2.4 million on customer information points and station passenger information. The capital budget for 2013-14 is $95.0 million.

Procurement System

Last year's report to Parliament recommended RailCorp continue taking action to reduce late payment of suppliers.

On-time payments to suppliers improved to 91.9 per cent for 2012-13 compared to 78.5 per cent in 2011-12, which was above RailCorp's target of 90 per cent. RailCorp reduced the value of late payments to suppliers by 28.5 per cent from $1.0 billion in 2011-12 to $715 million in 2012-13.

RailCorp has completed remediation activities to the procurement system, ARIBA. Management advise it will continue to monitor and develop the system as necessary. In previous years, RailCorp had experienced significant system defects with ARIBA since implementation in 2009. ARIBA had a further five software enhancements in 2012-13 to correct system issues.

RailCorp reduced the value of late payments to suppliers by 28.5 per cent from $1.0 billion in 2011-12 to $715 million in 2012-13

Rolling Stock Acquisitions and Replacement

The current RailCorp Rolling Stock acquisition program will be completed in mid-2014. The rollingstock cars delivered at 30 June 2013 were:

	Original target date	Forecast completion date	Months late	Project approval* $m	Forecast final cost $m	Number of cars delivered at 30 June 2013
25 new Outer Suburban Cars-Stage 3A	05 Mar 2013	05 Mar 2013	--	104	104	25
626 new cars via Public Private Partnership	05 Sep 2013	mid-2014	10	3,600(a)	3,600(b)	360

a Total (operating and capital) whole of life net present project cost in 2013-14 Budget Paper.

b Whole of life net present cost, including ancillary and enabling capital costs of $794 million. Excluded potential future increases in contract payments arising from interest rate increases, foreign exchange rates and rebasing of labour rates.

* This reflects the most recent project approval costs. It does not represent the original budget costs.

Source: RailCorp (unaudited).

Last year's report to Parliament detailed that the Reliance Rail consortium, which is involved in the public private partnership delivering 626 Waratah cars, experienced financial difficulties. The final delivery of the remaining cars was anticipated to be 20 months late.

In September 2013, the NSW Government announced that Reliance Rail was now fully funded and the delivery of the remaining cars was accelerating. The last Waratah train is now expected to be delivered in 2014.

At 30 June 2013, RailCorp recognised finance lease liabilities of $1.3 billion ($488 million in 2011-12) relating to the public private partnership. This comprised $3.9 billion minimum lease payments less $2.6 billion future finance charges.

Other contractual commitments for the public private partnership totalled $5.7 billion ($8.3 billion).

> The last Waratah train is now expected to be delivered in 2014

Performance Information

Infrastructure Performance

Last year's report to Parliament included a recommendation that RailCorp should identify new ways to reduce incidents and delays caused by infrastructure failure by 30 June 2013.

In the current year, RailCorp's investment in the condition of its rail corridor and infrastructure has reduced incidents, resulting in better on-time running, and safer and more reliable rail services. The rail corridor renewal project includes track reconstruction, new overhead wiring, signalling and control systems.

The decline in the number of incidents and delays in 2012-13 were:

Year ended 30 June	2013	2012	2011	2010	2009
Number of incidents (monthly peak average)	23	33	28	18	19
Number of delays (monthly peak average)	119	211	125	97	88
Total number of annual incidents (peak and off-peak)	549	579	576	590	606

Source: RailCorp (unaudited).

Since 2002-03, the Track Reconstruction program has rebuilt more than 450 kilometres of track, resulting in around 90 per cent of track across the network now being supported by concrete sleepers. Concrete sleepers provide a smoother ride for passengers and the heavier sleepers mean trains can operate at normal speeds in higher temperatures.

At 30 June 2013, 97.9 per cent of RailCorp's Over Head Wire modernisation program had been completed virtually eliminating the problem of low wire becoming tangled with trains.

RailCorp spent $1.1 billion in 2012-13 and in 2011-12 on maintenance.

Customer Service and Feedback

Recommendation

Transport for NSW should set targets to measure the overall satisfaction of train users.

NSW 2021 includes a measure for the proportion of train users partly satisfied to very satisfied with overall service. The NSW 2021 Performance Report 2013-14 notes that targets have not yet been set for this measure. The first Customer Satisfaction Survey established a baseline that 79 per cent of customers were partly satisfied to very satisfied with overall service.

Initiatives by RailCorp and Transport for NSW to improve customer service during the year included:

- launched real-time train and bus apps for mobile devices
- improved cleanliness on board trains and at major stations with a new, privately managed cleaning subsidiary, Transport Cleaning Services
- made rail travel more attractive by introducing Quiet Carriages on intercity trains, rolling out mobile phone coverage in CBD rail tunnels, and increasing the number of air conditioned carriages by delivering the Waratah trains.

Further initiatives will be implemented in 2013-14 as part of the Fixing the Trains reform program including establishing Sydney Trains and NSW Trains.

Despite initiatives to improve customer service, total complaints received by RailCorp continued to increase in 2012-13

Despite initiatives to improve customer service, total complaints received by RailCorp continued to increase in 2012-13, rising by seven per cent to 31,189 (29,219 in 2011-12). Compliments decreased by five per cent from the prior year.

Only complaints about the Environment, Ticketing, Timetable and Claims for reimbursement decreased in 2012-13. All other complaints by key performance indicator (KPI) increased in 2012-13.

Year ended 30 June Complaint type	2013	2012	Increase/ (decrease)	Increase/ (decrease) %
Claim for reimbursement	148	165	(17)	(10)
Cleanliness	1,967	1,920	47	2
Environment	1,269	1,663	(394)	(24)
Facilities	2,424	1,962	462	24
Information	2,724	2,615	109	4
Internal staff matters	260	232	28	12
On time running	5,093	3,924	1,169	30
Safety	2,027	1,924	103	5
Security	1,733	1,490	243	16
Service	6,250	5,346	904	17
Staff	3,512	3,252	260	8
Ticketing	3,324	4,179	(855)	(20)
Timetable	458	547	(89)	(16)
Total complaints	**31,189**	**29,219**	**1,970**	**7**
Total compliments	**2,876**	**3,026**	**(150)**	**(5)**

Source: RailCorp (unaudited).

Complaints relating to on time running of services had the greatest increase of 30 per cent from the prior year. RailCorp advised delays caused by a number of operational and infrastructure incidents between February and May 2013 contributed to an increased number of complaints.

There was a 24 per cent increase in complaints for facilities from the previous year, of which announcement sound quality was a significant source of complaint. To address this, Sydney Trains has a project to improve the quality of customer announcements at stations. A 'Radio School' has also been introduced for train guards to improve on board announcements.

Service remains the major area of complaints, representing 20 per cent of all complaints during 2012-13. Service complaints relate to the comfort and convenience experienced by customers. RailCorp advised the unseasonably hot temperatures in January 2013 gave rise to an increased number of complaints.

In previous years, Ticketing was the second highest source of customer dissatisfaction. This year the installation of 35 new EFTPOS-only machines and modification of another 15 vending machines to include EFTPOS facilities has seen a major improvement, with complaints dropping by 20 per cent.

Fleet Failures

Electric fleet failures impacting peak period services slightly increased in 2012-13 from 2.1 per cent to 2.3 per cent and total reported faults increased. Peak period electric fleet failures increased from an average of 37.4 to 44.5 incidents per month. On average two per cent of all carriages will suffer a failure during peak period services per month.

The table analyses all reported fleet faults for each train type monitored on a 24 hour basis. Many reported faults occur outside peak times or do not directly result in a reported fleet failure.

Train type	No. of carriages at 30 June 2013	Average age (years)	Average monthly carriage reported faults				
			Trend	Actual 2013	Rate* 2013 %	Rate* 2012 %	Rate* 2011 %
'R, S, L' Sets	321	35.7	~	76	24	17	19
'K' Sets	160	30	~	34	21	21	22
'V' Sets	202	27.8	~	89	44	31	43
'C' Sets	56	26.5	~	15	27	21	34
Tangara - 'T' Sets	444	21.3	~	119	27	24	25
Millennium - 'M' Sets	141	9.6	↑	35	25	18	18
OSCAR - 'H' Sets	220	3.6	~	49	22	17	20
Waratahs	360	0.7	~	--	--	--	na
Total electric fleet	**1,904**		~	--	22	20	24

Note: This 24 hour reported faults data includes incidents of graffiti and vandalism in gross numbers.

Key: ↑ Trend upwards, ↓ Trend downwards, ~ No trend.

* Rates are measured as a percentage of total electric fleet.

na Not applicable – as these sets were not in service.

Source: RailCorp (unaudited).

Twenty-two per cent of all train carriages had a reported fault every month on average, an increase from 20 per cent in 2011-12.

At 30 June 2013, 62 per cent of RailCorp's electric fleet was more than 20 years old (77 per cent as at 30 June 2012) and 25 per cent was 30 years or older (37 per cent as at 30 June 2012).

The weighted average age of all sets has continued to decrease. In 2011-12 the weighted average age of all sets was 22.6 years. At 30 June 2013, the weighted average was 18.3 years. This will continue to decrease as more Waratah sets are introduced onto the network and older sets are retired.

CountryLink average diesel fleet age at 30 June 2013 was 27.7 years for XPT, 19.1 years for Xplorer, 18.9 years for Endeavour and 6.3 years for the Hunter sets.

Maintenance expenditure on the electric fleet for 2012-13 was close to budget. RailCorp's diesel fleet maintenance was under budget by 23 per cent.

Year ended 30 June	2013			2012		
Fleet type	Actual $m	Budget $m	Variance $m	Actual $m	Budget $m	Variance $m
Electric fleet	318.6	317.2	1.4	300.8	303.6	(2.8)
Diesel fleet	59.5	77.0	(17.5)	54.0	62.1	(8.1)

Source: RailCorp (unaudited)

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Performance Benchmark Reporting

RailCorp's performance benchmarking results are to be published shortly and will cover calendar years 2008 to 2011. RailCorp advises that the significant lag is due to rigorous data assurance and review processes. This benchmarking information compares CityRail's performance with the average of various international rail organisations and will help identify areas for improvement.

Shortage of Signal Engineers for Testing and Commissioning

RailCorp continues to experience a shortage of signal engineers to maintain existing signals or test and commission new infrastructure assets. RailCorp currently has 48 licensed signal engineers down from 57 in 2011-12. This shortage may lead to delays to fault rectification on existing lines directly affecting RailCorp's on time running.

There were 2,710 signal failures in 2012-13 slightly down from 2,728 in 2011-12.

At 30 June 2013, RailCorp had 14 staff dedicated to supporting the commissioning and introduction into service of new signalling works, up from 12 at 30 June 2012.

Other Information

Ticket Pricing and Independent Pricing and Regulatory Tribunal (IPART) Review of CityRail's fares

The NSW Government increased CityRail's fares by an average of 3.4 per cent on 6 January 2013, after IPART recommended a maximum average increase of 3.6 per cent in 2013 and 3.8 per cent per year for 2014 and 2015.The increase does not apply to fares for Pensioner Excursion Tickets and other concession fares that can be used on CityRail services, as these are set by the NSW Government.

The Minister for Transport has announced that public transport fares will only increase in line with the Consumer Price Index until there are demonstrable improvements in customer service.

IPART estimates not accepting the full recommended fare increase will cost $56.0 million of farebox revenue over the next three years.

RailCorp's proportion of total expenses recovered from passengers has been declining for the last eight years and was 19.6 per cent in 2012-13. This results in increased costs being borne by the NSW Government.

The IPART determination gives Transport for NSW the flexibility to change the price of individual CityRail tickets as it sees fit, provided that it ensures the overall average increase in prices is not more than 1.3 per cent plus inflation per year. IPART considers this flexibility is necessary, as the NSW Government is introducing the Opal card over the determination period.

The relationship between actual fares and the IPART determined fares is a matter of NSW Government policy and is co-ordinated by Transport for NSW. Further information on the price determination can be found at www.ipart.nsw.gov.au.

RailCorp continues to experience a shortage of signal engineers

IPART estimates not accepting the full recommended fare increase will cost $56 million of farebox revenue over the next three years

Light Rail

MTS Holdings Company Pty Limited

The current light rail network in Sydney was owned and operated by MTS Holding Company Pty Limited (formerly ACN 156 211 906 Pty Limited). Until 30 June 2013 the company also operated the Sydney monorail.

Transport for NSW, through MTS Holding Company Pty Limited, paid $20.0 million to acquire Metro Transport Sydney Pty Limited and its wholly owned subsidiaries in March 2012. This group of companies were the previous owners of the light rail network and the monorail.

On 29 April 2013, the assets and liabilities of Metro Transport Sydney Pty Limited were transferred to MTS Holding Company Pty Limited. Metro Transport Sydney and its subsidiaries were deregistered on 17 July 2013.

The monorail closed on 30 June 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. On 30 June 2013, the value of the monorail assets were fully written down and an impairment loss of $635,000 was recognised.

The demolition and removal of the monorail will be undertaken by Transport for NSW. The work is expected to be completed by March 2014 at an estimated cost of $23.7 million.

MTS Holding Company Pty Limited had previously recognised an intangible asset of $14.0 million for the right to construct the Inner West Extension of the light rail system. As this work will now be undertaken by Transport for NSW, this intangible asset was also fully written off at 30 June 2013.

At 30 June 2013, the net assets of MTS Holding Company Pty Limited totalled $5.9 million.

Inner West Light Rail Extension

The anticipated cost of the Inner West light rail extension has increased from $120 million to $214 million. The Inner West light rail extension is a 5.6 km extension of the light rail network from Lilyfield to Dulwich Hill, and an associated walking and cycling path, which was to be completed by 2012.

In September 2011, the Minister for Transport announced that previous estimate of $120 million for the light rail extension was incorrect. Issues associated with the planned walking and cycling path meant that it would not proceed. Costs incurred to 30 June 2013 are $173 million and the project is now expected to cost $214 million including purchase of trains. Passenger services are expected to commence in early 2014.

CBD and South East Light Rail

The CBD and South East Light Rail will connect Circular Quay and Randwick via Central Station. The project will cost approximately $1.6 billion, exclusive of $34.5 million in development costs incurred to date. Work is planned to commence in 2014 and is expected to take five to six years to complete.

The anticipated cost of the Inner West light rail extension has increased from $120 million to $214 million

Rail Heritage

On 17 May 2013, the Minister for Transport announced that a new not-for-profit company called Transport Heritage NSW would be created.

This was one of the recommendations from an independent review of rail heritage which was commissioned by the NSW Government. Transport Heritage NSW will bring together the NSW Rail Transport Museum, Trainworks Limited and RailCorp's Office of Rail Heritage into one heritage organisation.

Transport for NSW is coordinating the implementation of the review's recommendations, and anticipates Transport Heritage NSW will be operational from early 2014.

Buses

Transport for NSW spent $1.3 billion ($1.3 billion in 2011-12) for the provision of bus services in New South Wales. This comprised $770 million ($804 million in 2011-12) for service contract payments to metropolitan and outer metropolitan bus operators, $390 million ($375 million) to rural and regional private bus operators, and finance costs and amortisation of $122 million ($113 million in 2011-12).

Bus Contracts

Public bus services in the Sydney Metropolitan area are provided by State Transit Authority and a number of private operators under contracts awarded by Transport for NSW. Transport for NSW introduced competitive tendering for most of these contracts in 2012. It awarded new contracts for four regions in November 2012 and contracts for another four regions in the second round of tenders in August 2013. It directly negotiated and awarded new contracts with State Transit Authority for the four regions it operates.

A 2010 performance audit 'Improving the performance of metropolitan bus services' noted deficiencies in the terms of the standard contracts and Transport for NSW's monitoring of performance against the contracts.

Transport for NSW has revised the contracts and included a schedule of key performance indicators. The monthly payment to the operator can be reduced due to failure to meet one of these key performance indicators.

Performance Information

Bus Fleet

Since 2007-08, State Transit Authority has purchased 883 new buses. At 30 June 2013, State Transit Authority's bus fleet totalled 2,166 buses (2,209 at 30 June 2012). State Transit Authority acquired 121 new buses during the year (102 in 2011-12) and plans to acquire another 216 buses by 2017-18.

Under Metropolitan Bus System Contracts, the average age of the fleet is to remain below 12 years. The average age of State Transit Authority's bus fleet decreased from 11.8 years in 2008-09 to 9.8 years in 2012-13.

State Transit Authority Bus Fleet Size and Age
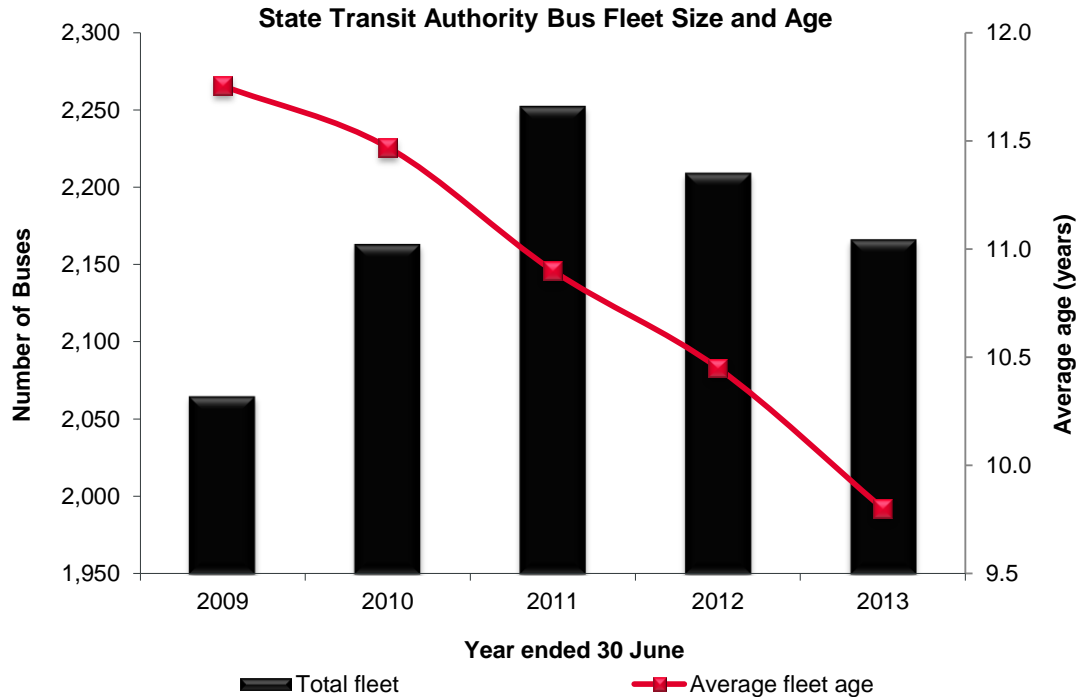
Source: Transport for NSW.

Since 2007-08, private operators have acquired 663 growth and replacement buses. At 30 June 2013, the private operators' bus fleets totalled 1,843 buses (1,781 at 30 June 2012). Private operators acquired 78 new buses during the year (117 in 2011-12). It is planned that an average of 77 buses will be purchased every year until 2017-18.

The average age of the private operator's bus fleet increased slightly over that last three years to 9.6 years (9.4 years in 2011-12).

Private Operators Fleet Size and Age
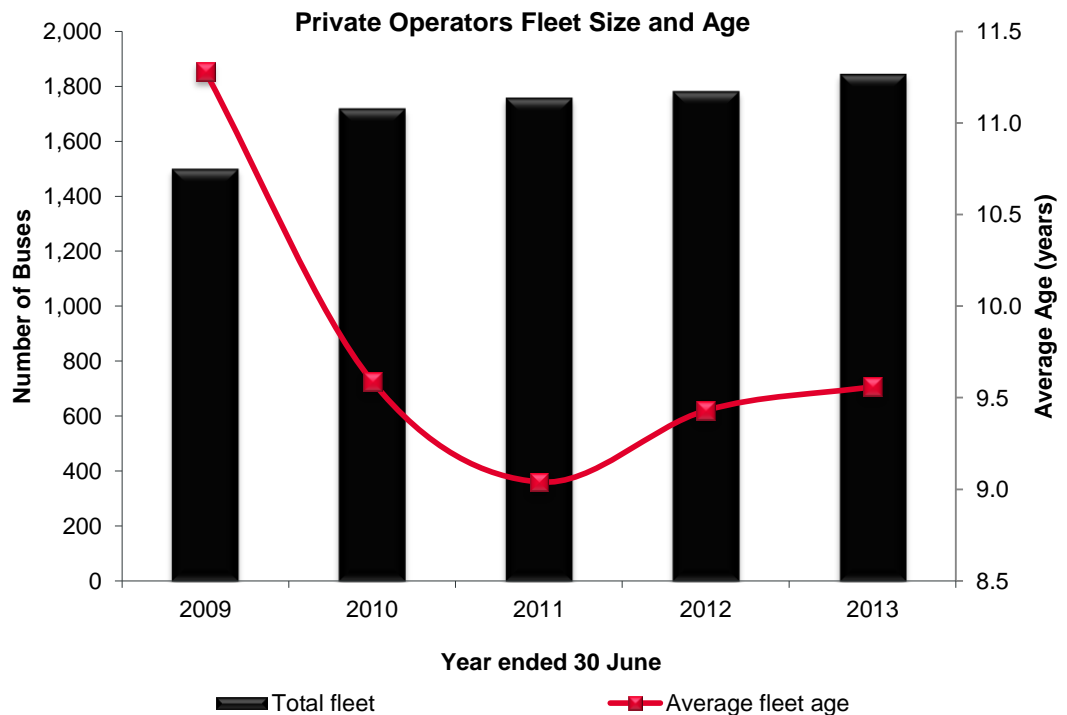
Source: Transport for NSW.

As State Transit Authority retires and replaces older buses, the incidence of mechanical failure has generally decreased over the last five years. There was a minor increase to 10.7 mechanical failures per 100,000 kilometres in 2012-13 (10.5 in 2011-12).

**Sydney Buses Fleet Age vs. Mechanical Failures
per 100,000 Kilometres**
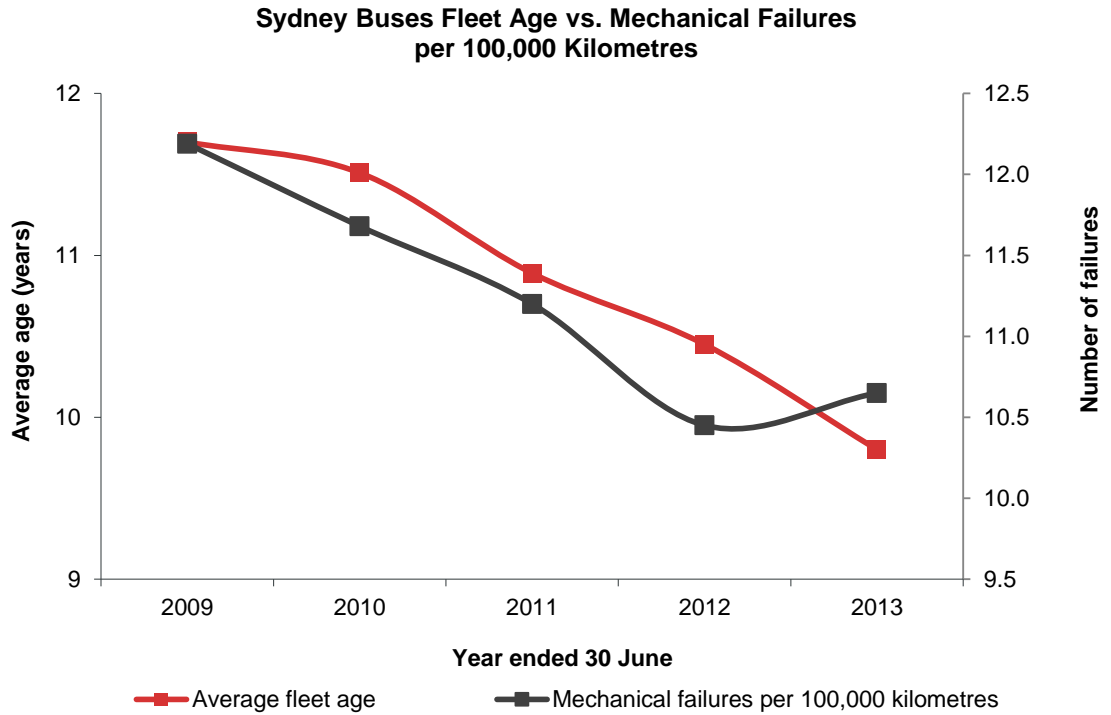
Source: State Transit Authority of New South Wales (unaudited).

The average age and the incidence of mechanical failure of private operators' buses slightly increased in 2012-13 to 5.8 mechanical failures per 100,000 kilometres (4.6 in 2011-12) compared to 10.7 for State Transit Authority.

**Private Operator Fleet Age vs. Mechanical Failures
per 100,000 Kilometres**
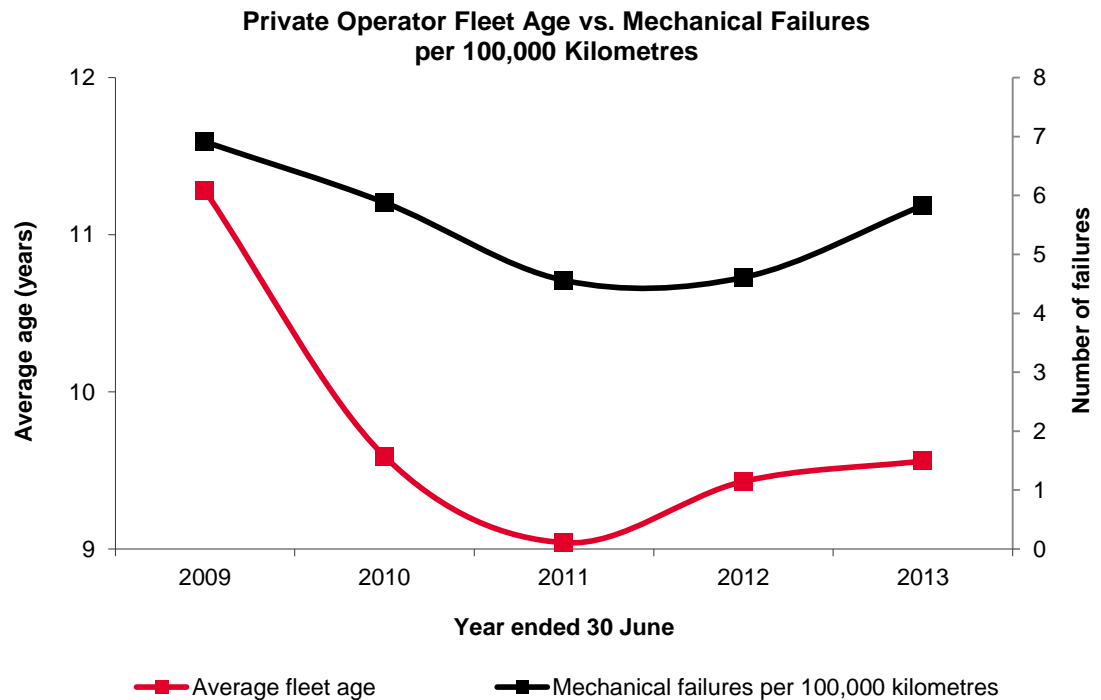
Source: Transport for NSW (unaudited).

Capital Expenditure Program

State Transit Authority's capital expenditure program decreased by 17 per cent from $65.6 million in 2011-12 to $54.3 million in 2012-13.

Eighty seven per cent of capital expenditure (85 per cent in 2011-12) was spent on acquiring new buses to support fleet growth and the fleet replacement program.

Thirteen per cent (15 per cent in 2011-12) was spent on the redevelopment of depots to accommodate future expansion of the fleet.

Capital Expenditure Program 2012-13

- Acquisition of new buses and bus related equipment
- Redevelopment of depots and others
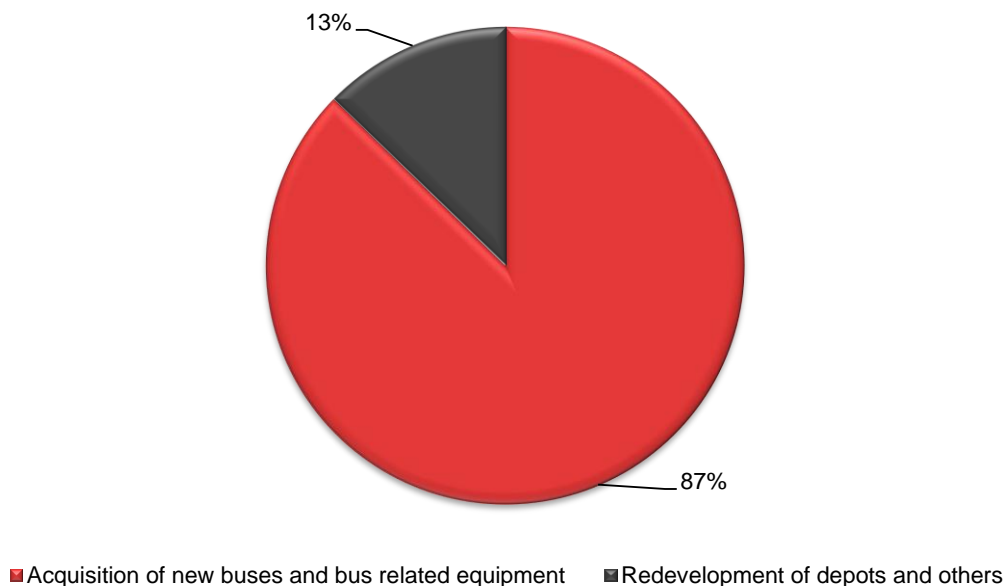
Source: State Transit Authority of New South Wales (unaudited).

Customer Complaints

Customer complaints against State Transit Authority decreased over the last four years. In 2012-13 customer complaints totalled 35,459 (35,987 in 2011-12).

Number of Customer Complaints against State Transit Authority

Source: State Transit Authority of New South Wales (unaudited).

Customer complaints against State Transit Authority decreased over the last four years
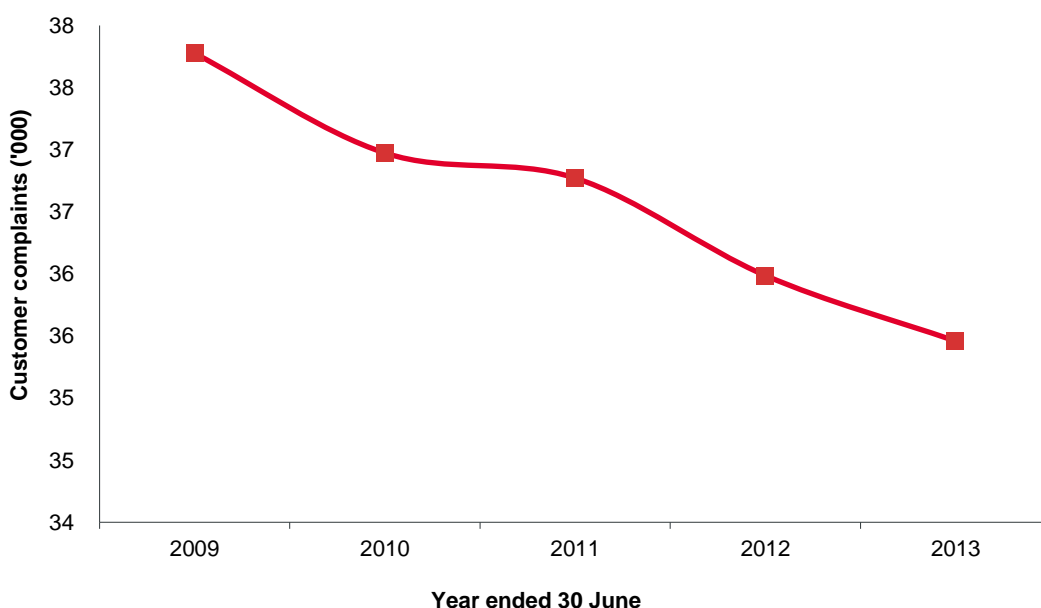
The major categories of customer complaints were for buses running late or failing to stop. The State Transit Authority advises that it has a strong focus on improving service reliability and customer service standards through its driver training programs.

Other Performance Information

Refer to the Transport matters section of this comment for additional performance information.

Ferries

Franchising of Sydney Ferry Operations

On 28 July 2012, Harbour City Ferries (HCF) commenced operations under a franchise agreement. The NSW Government continues to own the fleet and Balmain shipyard, and maintains control over fares and service levels. HCF lease, maintain and operate the fleet. The leased assets are to be returned to Sydney Ferries after seven years in the same condition as they were leased subject to fair wear and tear.

Sydney Ferries paid a total of $28.2 million to employees in redundancy and transfer incentive payments to facilitate the implementation of the new franchising arrangements. Sydney Ferries will also meet the cost of employee leave entitlements of $11.9 million accrued to 28 July 2012 for staff that transferred to HCF. At 30 June 2013, the outstanding balance of this liability was $8.4 million. Transport for NSW provided funding to Sydney Ferries to meet these costs.

Transport for NSW advised the primary purpose of the new arrangement is to ensure that Sydney Harbour public passenger ferry services are run by an efficient and experienced operator. The operator is expected to sustain improvements in service delivery and provide assistance in developing longer term service expansion and fleet procurement strategies.

In May 2013, the NSW Government released 'Sydney's Ferry Future', a 20 year plan to modernise and grow the ferry system. The plan includes a budget of $35.0 million for the procurement of six new vessels by 2016-17.

Revaluation of Ferry Vessels

Ferry vessels were revalued at 30 June 2013, resulting in an increase of $41.0 million in their value. This increase reversed valuation decrements recognised in 2006 and 2010. The main contributing factor to the increase was a reassessment of the remaining useful lives of the vessels.

Performance Information

Operational Performance

Over 99 per cent of ferry services ran on time in 2012-13. Transport for NSW and Sydney Ferries provided the following operational performance information:

Year ended 30 June	Target		Actual			
	2013	Trend	2013*	2012	2011	2010
Operational performance						
Services that run on time (%) (a)	98.5	↑	99.1	98.8	98.5	98.1
Vessel reliability (%) (b)	na	~	95.7	96.7	96.5	96.4
Vessel availability (%) (c)	na	↑	87.8	86.8	85.9	86.0
Number of customer complaints	na	~	581	489	677	639
Number of significant incidents (d)	--	~	1.0	--	1.0	--
Number of passenger injuries (e)	16.0	↓	2.0	4.0	17.0	15.0

Key: ↑ Trend upwards, ↓ Trend downwards, ~ No trend.

* 2013 data is for 48 weeks from 28 July 2012 to 30 June 2013 when services were operated by Harbour City Ferries

na Not available

a Proportion of services with vessel departing from the first wharf within five minutes of its scheduled departure time. Delays due to force majeure events are not included.

b Proportion of vessels that remain in service without breakdown as a consequence of mechanical failure.

c Proportion of vessels available for scheduled services.

d Incidents resulting in loss of life, life-threatening injury or injury to multiple persons, and/or damages over $100,000.

e Passenger injury that occurs in connection with ferry operations requiring medical attention.

Source: Transport for NSW and Sydney Ferries (unaudited).

Sydney ferry services achieved an on-time running rate of 99.1 per cent (98.8 per cent in 2011-12), exceeding its target of 98.5 per cent. The rate has improved for three consecutive years.

Vessel reliability has decreased by one per cent from previous year to 95.7 per cent in 2012-13. The vessel fleet availability increased from 86.8 per cent to 87.8 per cent in 2012 13.

Customer complaints increased in 2012-13 but were below the average of the previous three years. Transport for NSW undertook a customer survey of ferry users in November 2012 and found that 94 per cent of customers were partly to very satisfied with the overall service. This improved to an overall customer satisfaction rate of 95 per cent in the June 2013 customer survey by Transport for NSW.

Passenger safety on ferry services has greatly improved in the last two years with the number of passenger injuries significantly reduced.

Financial Information

Department of Transport

The Department of Transport is a not for profit NSW Government entity which controls all of the transport agencies within the New South Wales transport clusters except for Independent Transport Safety Regulator and Chief Investigator of the Office of Transport Safety Investigations. The controlled entities are consolidated in the financial statements of the Department.

The Department's abridged consolidated financial statements are presented below. Additional financial information on transport agencies in the New South Wales transport cluster are separately included in this report.

Department of Transport's Consolidated Abridged Statement of Comprehensive Income

Year ended 30 June	2013 $m	2012 $m	Increase/(Decrease) $m
Employee related expenses	2,741	2,946	(205)
Depreciation and amortisation	2,287	1,994	293
Grants and subsidies	650	552	98
Finance costs	233	206	27
Other expenses	3,577	3,553	24
Total expenses	**9,488**	**9,251**	**237**
Government contributions	9,921	9,646	275
Sale of goods and services	1,857	1,917	(60)
Investment income	152	164	(12)
Other revenue	530	513	17
Total revenue	**12,460**	**12,240**	**220**
Other losses	(1,269)	(1,404)	135
Net result	**1,703**	**1,585**	**118**
Other comprehensive income/(expense)	**4,596**	**(1,423)**	**6,019**
Total comprehensive income	**6,299**	**162**	**6,137**

Source: Department of Transport Financial Statements (audited)

Government contributions totalled $9.9 billion ($9.6 billion in 2011-12), which is 80 per cent of revenue. The contributions were used to fund transport agency operations and capital investment. Transport agencies spent $4.3 billion ($4.9 billion) on purchases of property, plant and equipment.

Other losses of $1.3 billion ($1.4 billion) mainly represent impairment of assets and losses on assets disposed during the year. The $6.0 billion change in other comprehensive income was mostly the result of an upward revaluation of RMS roads system assets of $4.2 billion during the year.

The 14.7 per cent increase of depreciation and amortisation is mainly from the increase in depreciation of the road system from $850 million in 2011-12 to $1.1 billion in 2012-13. This was the result of changes in useful life assumptions and value of the road system.

Employee related expenses declined by seven per cent due to a reduction in average staff numbers during the year while positions were being restructured. There was a reduction in full-time employees from over 30,200 at 30 June 2012 to around 29,800 at 30 June 2013. This expense included redundancy payments of $101 million in 2012-13 ($124 million in 2011-12).

Grants to local councils for the maintenance of transport infrastructure increased from $380 million in 2011-12 to $404 million in 2012-13. In addition, there were $68.6 million of roads and bridges transferred to local councils.

Finance lease interest charges have increased from $120 million in 2011-12 to $162 million in 2012-13. This increase mainly related to the lease of a maintenance facility, simulators, and trains under a public private partnership for RailCorp rolling stock. The increase also related to lease arrangements for buses under the Sydney, metropolitan and outer metropolitan bus contracts with private transport operators.

Department of Transport's Consolidated Abridged Statement of Financial Position

Year ended 30 June	2013 $m	2012 $m	Increase/(Decrease) $m
Current assets	1,471	1,592	(121)
Non-current assets	102,554	95,966	6,588
Total assets	**104,025**	**97,558**	**6,467**
Current liabilities	3,542	3,126	416
Non-current liabilities	5,588	5,702	(114)
Total liabilities	**9,130**	**8,828**	**302**
Net assets	**94,895**	**88,730**	**6,165**

Source: Department of Transport Financial Statements (audited)

Non-current assets at 30 June 2013 included $101 billion of property, plant and equipment. A revaluation increment of $4.2 billion along with $4.3 billion of property, plant and equipment purchases contributed to non-current assets increasing by $6.6 billion.

The increase in current liabilities was mainly due to increased borrowings at RailCorp of $427 million to fund capital works.

Abridged Service Group Information

The Department's net result by service group is detailed below:

Year ended 30 June	Actual net result surplus/(deficit) $m		Actual net assets/ (liabilities) $m	
	2013	2012	2013	2012
Rail services	513	148	26,962	26,093
Bus and related services	(75)	3	247	231
Roads and maritime services	845	1,174	67,422	62,159
Ferry services	(42)	10	147	85
Integrated transport services	455	263	76	173
Inter-services eliminations	7	(13)	41	(11)
Total all service groups	**1,703**	**1,585**	**94,895**	**88,730**

Source: Department of Transport Financial Statements (audited)

Integrated transport services include the provision of grants to the other service groups. Bus and related services includes the results for State Transit Authority and the costs of services provided by private sector bus operators.

Transport Agencies Information

Transport Agencies Information	Chief Investigator of the Office of Transport Safety Investigations		Department of Transport		Independent Transport Safety Regulator	
Year	**2013 $'000**	**2012 $'000**	**2013 $'000**	**2012 $'000**	**2013 $'000**	**2012 $'000**
Abridged Statement of Comprehensive Income (year ended 30 June)						
Employee related expenses	1,784	1,910	24,350	97,406	10,199	11,559
Depreciation and amortisation	57	59	--	16,235	223	278
Grants and subsidies	--	--	--	2,417,142	1,520	--
Finance costs	--	--	--	21,398	--	--
Other expenses	587	563	243	447,010	3,987	3,227
Total expenses	**2,428**	**2,532**	**24,593**	**2,999,191**	**15,929**	**15,064**
Government contributions	2,283	2,187	1,083	2,947,455	15,404	14,895
Sale of goods and services	--	7	--	1,069	244	176
Investment income	3	6	--	2,682	147	180
Other revenue	95	141	23,510	75,021	260	896
Total revenue	**2,381**	**2,341**	**24,593**	**3,026,227**	**16,055**	**16,147**
(Losses)/gains	--	--	--	(7)	--	--
Net result-surplus /(deficit)	**(47)**	**(191)**	**--**	**27,029**	**126**	**1,083**
Other comprehensive income	--	--	--	--	--	--
Total comprehensive income/(expense)	**(47)**	**(191)**	**--**	**27,029**	**126**	**1,083**
Abridged Statement of Financial Position (at 30 June)						
Current assets	145	103	13,052	94,114	4,320	4,797
Non-current assets	49	73	--	--	275	412
Total assets	**194**	**176**	**13,052**	**94,114**	**4,595**	**5,209**
Current liabilities	375	397	13,052	94,114	1,836	2,854
Non-current liabilities	87	--	--	--	278	--
Total liabilities	**462**	**397**	**13,052**	**94,114**	**2,114**	**2,854**
Net assets/(liabilities)	**(268)**	**(221)**	**--**	**--**	**2,481**	**2,355**
Key Performance Indicators (year ended 30 June)						
Current Ratio (%)	39	26	100	100	235	168
Per cent of staff with overtime over total staff	0	0	***	***	0	7
Per cent of staff with excessive annual leave over total staff	9	9	***	***	6	11
Per cent of staff over the age of 50 over total staff	91	91	***	***	55	47
Per cent of contractors over total staff	N/A	N/A	***	***	28	10
Cost of service per passenger journey ($)	N/A	N/A	N/A	N/A	N/A	N/A

Transport Agencies Information	MTS Holding Company Pty Limited		Rail Corporation NSW		Roads and Maritime Services	
Year	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012# $'000
Abridged Statement of Comprehensive Income (year ended 30 June)						
Employee related expenses	684	177	1,531,662	1,615,792	585,264	443,759
Depreciation and amortisation	326	75	872,217	873,208	1,207,563	618,077
Grants and subsidies	--	--	--	--	428,535	330,992
Finance costs	18	1	79,830	32,943	79,102	61,639
Other expenses	17,139	3,723	1,572,144	1,363,659	1,086,034	867,719
Total expenses	**18,167**	**3,976**	**4,055,853**	**3,885,602**	**3,386,498**	**2,322,186**
Government contributions	--	-	3,340,881	3,051,724	4,431,246	3,090,652
Sale of goods and services	16,192	3,003	1,220,266	153,131	567,524	351,596
Investment income	14	7	2,696	677	40,609	30,027
Other revenue	1,634	264	118,783	73,600	317,483	224,568
Total revenue	**17,840**	**3,274**	**4,682,626**	**4,304,634**	**5,356,862**	**3,696,843**
(Losses)/gains	(14,637)	--	--	--	(1,064,065)	(297,907)
Net result -surplus/(deficit)	**(14,964)**	**(702)**	**626,773**	**419,032**	**906,299**	**1,076,750**
Other comprehensive income	656	--	148,136	(347,884)	4,440,604	1,659,893
Total comprehensive (expense)/income	**(14,308)**	**(702)**	**774,909**	**71,148**	**5,346,903**	**2,736,643**
Abridged Statement of Financial Position (at 30 June)						
Current assets	3,118	1,523	416,833	304,486	529,604	771,999
Non-current assets	4,952	18,856	27,850,935	26,240,960	70,456,656	65,599,344
Total assets	**8,070**	**20,379**	**28,267,768**	**26,545,446**	**70,986,260**	**66,371,343**
Current liabilities	2,164	1,272	1,689,990	1,335,929	1,262,428	1,482,471
Non-current liabilities	--	71	2,012,228	1,424,917	2,302,190	2,812,703
Total liabilities	**2,164**	**1,343**	**3,702,218**	**2,760,846**	**3,564,618**	**4,295,174**
Net assets	**5,906**	**19,036**	**24,565,550**	**23,784,600**	**67,421,642**	**62,076,169**
Key Performance Indicators (year ended 30 June)						
Current Ratio (%)	144	120	25	23	42	52
Per cent of staff with overtime over total staff	N/A	N/A	83	75	56	58
Per cent of staff with excessive annual leave over total staff	N/A	N/A	8	9	7	8
Per cent of staff over the age of 50 over total staff	N/A	N/A	39	40	50	47
Per cent of contractors over total staff	N/A	N/A	4	4	5	5
Cost of service per passenger journey ($)	N/A	N/A	$13.07	$12.52	N/A	N/A

Transport Agencies Information	State Transit Authority		Sydney Ferries		Trainworks Ltd	
Year	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Abridged Statement of Comprehensive Income (year ended 30 June)						
Employee related expenses	403,916	404,788	11,327	90,525	655	573
Depreciation and amortisation	27,265	29,933	19,080	21,411	11	8
Grants and subsidies	--	--	--	--	--	--
Finance costs	18,880	24,550	--	473	--	--
Other expenses	250,513	217,269	5,620	40,445	1,262	1,003
Total expenses	**700,574**	**676,540**	**36,027**	**152,854**	**1,928**	**1,584**
Government contributions	1,391	1,409	--	--	--	--
Sale of goods and services	617,131	630,148	10,556	134,517	762	619
Investment income	29,752	27,983	327	413	12	12
Other revenue	25,993	24,090	45,831	27,948	1,235	955
Total revenue	**674,267**	**683,630**	**56,714**	**162,878**	**2,009**	**1,586**
Gains/(losses)	--	--	36,689	(203)	--	--
Net result - surplus/(deficit)	**(26,307)**	**7,090**	**57,376**	**9,821**	**81**	**2**
Other comprehensive income	41,699	(20,496)	1,799	(9,466)	--	--
Total comprehensive income/(expense)	**15,392**	**(13,406)**	**59,175**	**355**	**81**	**2**
Abridged Statement of Financial Position (at 30 June)						
Current assets	100,052	66,321	17,773	78,910	339	221
Non-current assets	839,554	947,487	140,468	71,549	46	21
Total assets	**939,606**	**1,013,808**	**158,241**	**150,459**	**385**	**242**
Current liabilities	179,984	184,411	10,672	65,711	273	210
Non-current liabilities	512,878	598,045	346	106	--	--
Total liabilities	**692,862**	**782,456**	**11,018**	**65,817**	**273**	**210**
Net assets	**246,744**	**231,352**	**147,223**	**84,642**	**112**	**32**
Key Performance Indicators (year ended 30 June)						
Current Ratio (%)	56	36	167	120	124	105
Per cent of staff with overtime over total staff	85	87	0	77	0	0
Per cent of staff with excessive annual leave over total staff	5	6	50	3	25	25
Per cent of staff over the age of 50 over total staff	49	48	42	34	N/A	N/A
Per cent of contractors over total staff	<1	<1	N/A	N/A	N/A	N/A
Cost of service per passenger journey ($)	$3.02	$2.93	$10.47	$8.49	N/A	N/A

Transport Agencies Information	Transport Cleaning Services		Transport for NSW		Transport Service of NSW	
Year	**2013 $'000**	**2012* $'000**	**2013 $'000**	**2012 $'000**	**2013 $'000**	**2012 $'000**
Abridged Statement of Comprehensive Income (year ended 30 June)						
Employee related expenses	29,869	N/A	341,314	164,255	207,264	40,465
Depreciation and amortisation	--	N/A	160,700	34,678	--	--
Grants and subsidies	--	N/A	7,751,852	5,527,878	--	--
Finance costs	--	N/A	79,668	43,498	--	--
Other expenses	5,608	N/A	1,929,347	1,204,097	25	--
Total expenses	**35,477**	**N/A**	**10,262,881**	**6,974,406**	**207,289**	**40,465**
Government contributions	--	N/A	9,894,148	6,768,254	25	--
Sale of goods and services	35,421	N/A	378,781	330,757	197,931	35,792
Investment income	56	N/A	27,327	8,185	--	--
Other revenue	--	N/A	125,988	118,072	9,333	4,673
Total revenue	**35,477**	**N/A**	**10,426,244**	**7,225,268**	**207,289**	**40,465**
Gains/(losses)	--	N/A	14,936	--	--	--
Net result - surplus/(deficit)	**--**	**N/A**	**178,299**	**250,862**	**--**	**--**
Other comprehensive income	--	N/A	--	--	--	--
Total comprehensive income/(expense)	**--**	**N/A**	**178,299**	**250,862**	**--**	**--**
Abridged Statement of Financial Position (at 30 June)						
Current assets	10,535	N/A	800,096	684,856	30,436	12,486
Non-current assets	--	N/A	3,669,359	1,564,722	--	--
Total assets	**10,535**	**N/A**	**4,469,455**	**2,249,578**	**30,436**	**12,486**
Current liabilities	10,535	N/A	809,072	595,138	30,436	12,486
Non-current liabilities	--	N/A	1,194,999	1,050,693	--	--
Total liabilities	**10,535**	**N/A**	**2,004,071**	**1,645,831**	**30,436**	**12,486**
Net assets	**--**	**N/A**	**2,465,384**	**603,747**	**--**	**--**
Key Performance Indicators (year ended 30 June)						
Current Ratio (%)	100	N/A	99	115	100	100
Per cent of staff with overtime over total staff	0	N/A	16**	17**	***	***
Per cent of staff with excessive annual leave over total staff	N/A	N/A	10**	11**	***	***
Per cent of staff over the age of 50 over total staff	N/A	N/A	29**	33**	***	***
Per cent of contractors over total staff	N/A	N/A	47**	27**	***	***
Per cent of cost per passenger ticket sold	N/A	N/A	N/A	N/A	N/A	N/A

*   Transport Cleaning Services did not exist in 2011-12.

**   Transport for NSW includes Transport for NSW, Department of Transport and Transport Service of NSW.

***   Included in Transport for NSW.

N/A Not applicable.

\#   Eight months period.

Agency Activities

Chief Investigator of the Office of Transport Safety Investigations

The Chief Investigator of the Office of Transport Safety Investigations (OTSI) investigates transport accidents and incidents. It covers rail, bus and ferry passenger transport and rail freight. OTSI is an independent statutory office and operates under the *Transport Administration Act 1998.*

For more information on OTSI, refer to www.otsi.nsw.gov.au.

Department of Transport

The *Transport Legislation Amendment Act 2011* created Transport for NSW on 1 November 2011 to take over the roles and functions previously carried out by the Department of Transport.

The Department continues to provide policy advice to the Minister for Transport and the Minister for Roads and Ports.

For further information on the Department, refer to www.transport.nsw.gov.au.

Independent Transport Safety Regulator

Independent Transport Safety Regulator (ITSR) facilitates the safe operation of railway operations in New South Wales. ITSR works with the rail industry to encourage the adoption of better practices in risk and safety management. ITSR is a statutory corporation under the *Transport Administration Act 1988.*

From 20 January 2013 ITSR delivers rail safety regulatory services in NSW as a branch of the Office of the National Rail Safety Regulator under Rail Safety National Law.

For further information on ITSR, refer to www.transportregulator.nsw.gov.au.

MTS Holding Company Pty Limited

MTS Holding Company Pty Limited (MTS) (formerly ACN 156 211 906 Pty Ltd) operated and managed the Light Rail system in Sydney in 2012-13. It also operated the Monorail system until its closure on 30 June 2013. MTS is a fully owned subsidiary of Transport for NSW created on 12 March 2012.

Rail Corporation of New South Wales

Rail Corporation of New South Wales (RailCorp) is a statutory authority established under the *Transport Administration Act 1988.*

From 1 January 2004 until 30 June 2013, RailCorp provided passenger rail transport to greater Sydney through CityRail and rural passenger services in New South Wales and interstate through CountryLink. It was responsible for the safe operation, crewing and maintenance of passenger trains and stations. It continues to own and maintain the metropolitan rail network and provides access to freight and passenger operators.

For further information on RailCorp, refer to www.transport.nsw.gov.au/railcorp.

Roads and Maritime Services

Roads and Maritime Services (RMS) is a statutory authority established on 1 November 2011 under the *Transport Administration Act 2088*.

Its principal functions include:

- building and maintaining road infrastructure
- administering motor vehicle and boat licence and registration
- providing safety management
- delivering traffic management
- delivering environmental solutions
- managing tolling services
- regulating users of roads and waterways.

For further information on RMS refer to www.rms.nsw.gov.au.

NSW Trains

The Transport Administration (General) Amendment (Sydney Trains and NSW Trains) Regulation 2012 under the *Transport Administration Act 1988* created NSW Trains to take over certain roles and functions of RailCorp.

On 1 July 2013, NSW Trains operating as NSW TrainLink replaced the regional train and coach services that were formerly provided by CountryLink. It also took on the Intercity services operating from the Sydney central business district formerly operated by CityRail.

For further information on NSW Trains, refer to www.nswtrainlink.info/.

State Transit Authority of New South Wales

State Transit Authority of New South Wales (STA) is a statutory body incorporated under the *Transport Administration Act 1988*. It operates certain bus services in Sydney and bus and ferry services in Newcastle. For further information on State Transit, refer to www.statetransit.info.

Sydney Ferries

Sydney Ferries is a statutory authority under the *Transport Administration Act 1988*. It operated ferry passenger services on Sydney Harbour and the Parramatta River. Its principal objective was the delivery of safe and reliable ferry services in an efficient, effective and financially responsible manner.

Since 28 July 2012, Harbour City Ferries, a private sector partnership, has operated the ferry services previously provided by Sydney Ferries. Sydney Ferries retains ownership of the vessels and Balmain Shipyard maintenance facility.

For further information on Sydney Ferries, refer to www.transport.nsw.gov.au/content/sydney-ferries.

Sydney Metro

Sydney Metro was a not-for-profit Public Trading Enterprise, incorporated under the *Transport Administration Act 1988.* Sydney Metro's residual activity was to manage claims relating to the discontinuation of the Sydney Metro project in February 2010.

Sydney Metro's assets, rights and liabilities were transferred to Transport for NSW, and it was dissolved on 1 July 2013.

Sydney Trains

The Transport Administration (General) Amendment (Sydney Trains and NSW Trains) Regulation 2012 under the Transport Administration Act 1988 created Sydney Trains to take over certain roles and functions of RailCorp.

On 1 July 2013, Sydney Trains replaced CityRail as the provider of metropolitan train services for Sydney. Sydney Trains provides train services throughout the Sydney central business district and metropolitan area.

For further information on Sydney Trains, refer to www.sydneytrains.info/about/.

Trainworks Limited

Trainworks Limited (Trainworks) is a public company limited by guarantee created on 15 December 2010 of which RailCorp is the sole member.

Trainworks operates the rail heritage site at Thirlmere which has a significant rail heritage collection associated with the history of the railways in New South Wales.

For further information on Trainworks, refer to www.trainworks.com.au.

Transport Cleaning Services

The Transport Administration (General) Amendment (Transport Cleaning Services) Regulation 2012 under the *Transport Administration Act 1988* created Transport Cleaning Services on 28 September 2012.

Transport Cleaning Services took responsibility for the cleaning and presentation of rolling stock and major railway stations and platforms.

Transport for NSW

Transport for NSW was established on 1 November 2011 and took over the roles and functions previously carried out 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
- provision and deployment of staff and services
- ticketing for transport services
- procurement.

Transport for NSW (through the Director General of the Department of Transport) may give directions to public transport agencies.

For further information on Transport for NSW, refer to www.transport.nsw.gov.au.

Transport Service of NSW

The Transport Service of NSW (Transport Service) was established on 1 November 2011 as an agency to employ staff to enable Transport for NSW, which cannot directly employ staff, to undertake its functions.

The Transport Service is controlled by Transport for NSW, which is in turn controlled by the Department of Transport.

For further information on Transport for NSW, refer to www.transport.nsw.gov.au.

Appendix 1
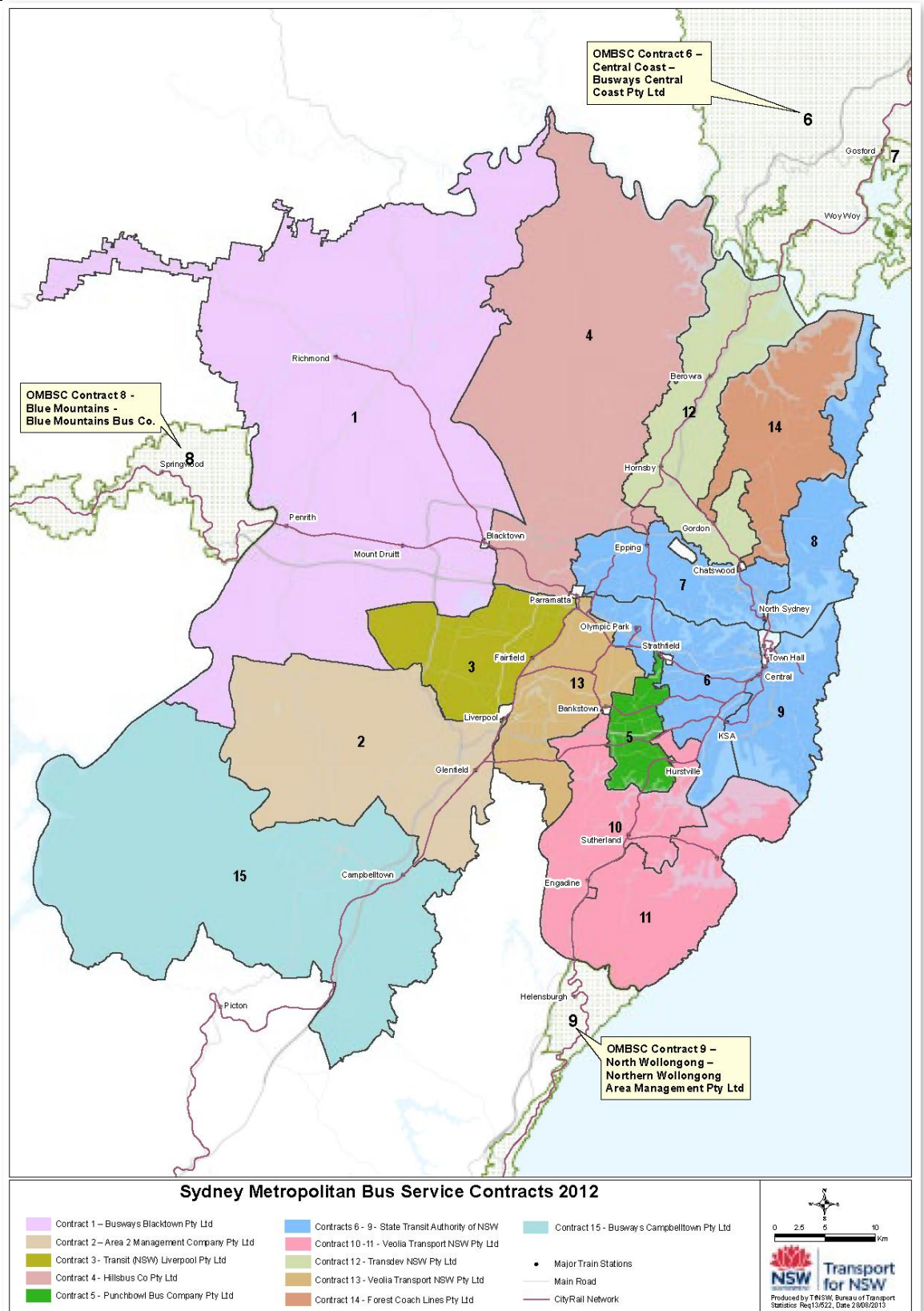
Source: Transport for NSW Annual Report 2013

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To make the people of New South Wales
proud of the work we do.

Our mission

To perform high quality independent audits
of government in New South Wales.

Our values

Purpose – we have an impact, are
accountable, and work as a team.

People – we trust and respect others
and have a balanced approach to work.

Professionalism – we are recognised
for our independence and integrity
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Professional people with purpose

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