
New South Wales Auditor-General's Report
Financial Audit

Volume Seven 2014
Focusing on Transport



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.

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Pursuant to the *Public Finance and Audit Act 1983*,
I present Volume Seven of my 2014 report.

A handwritten signature in black ink, appearing to read 'Grant Hehir'.

Grant Hehir
Auditor-General
18 November 2014

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Section One

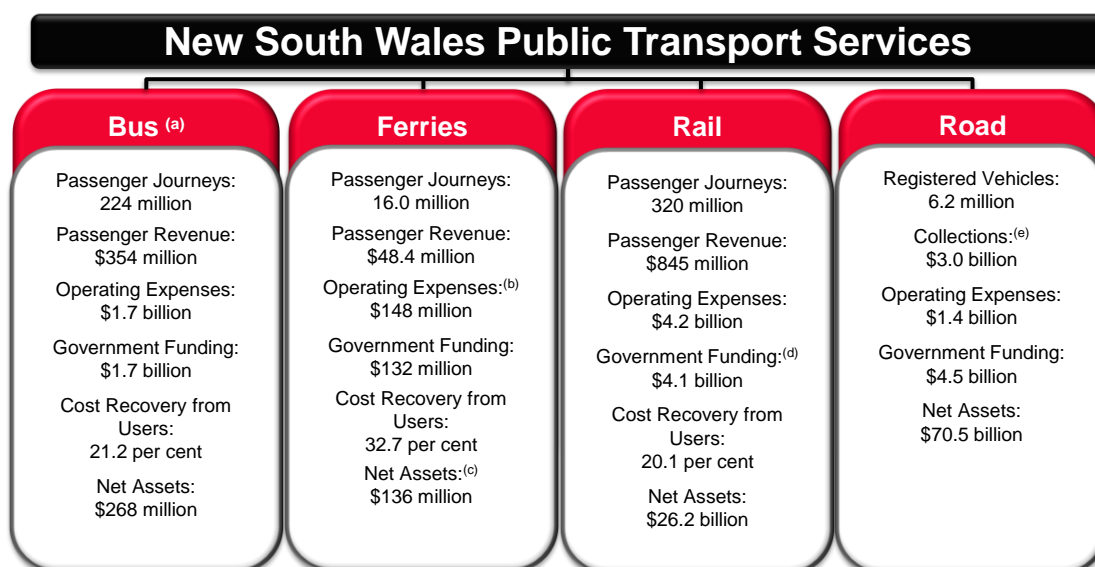
Transport



Introduction

This Volume covers the government's delivery of transport services and the public sector agencies involved in delivering these services. It includes rail, road, bus and ferry services and services delivered through New South Wales ports.

Operational Snapshot



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

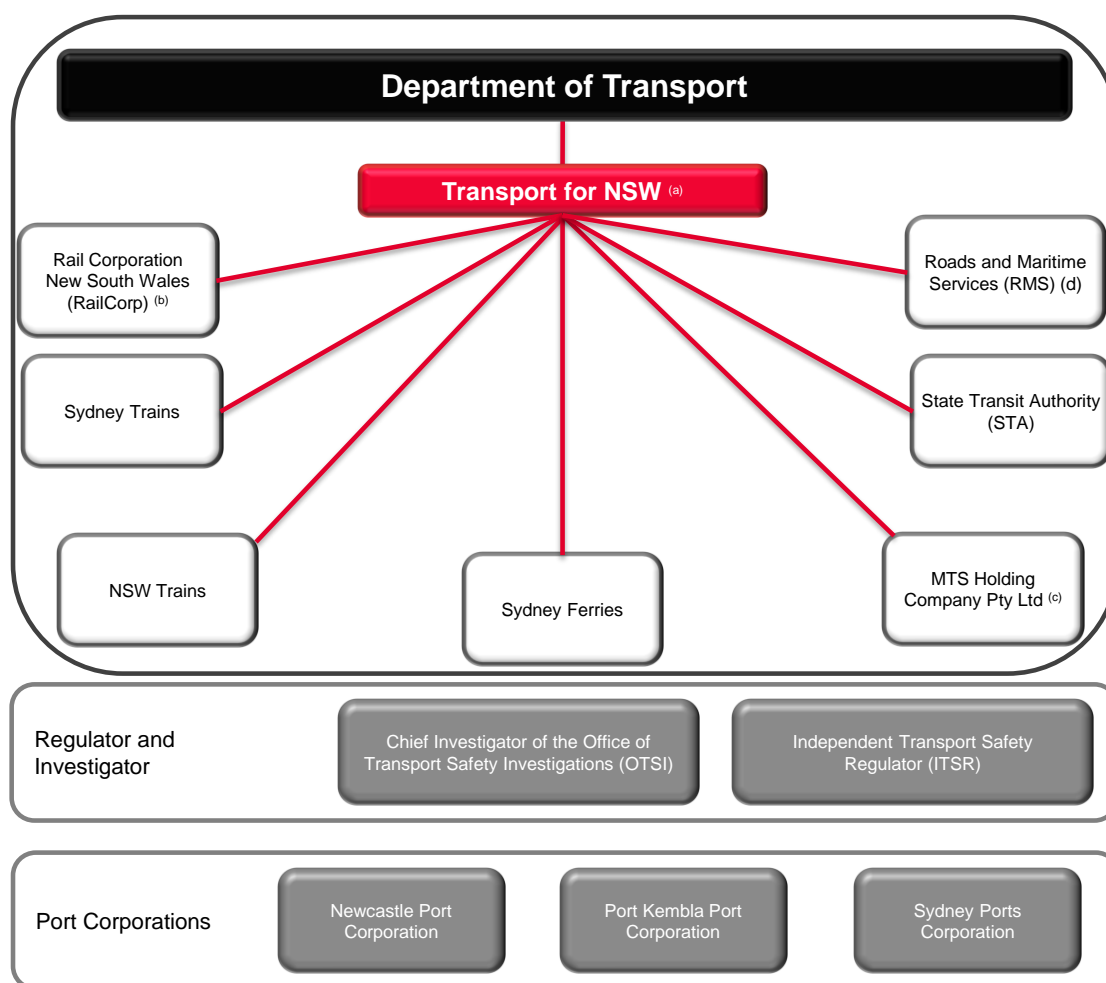
- a Passenger journeys, passenger revenue and Government funding include State Transit Authority (STA) and private bus operators. Operating expenses are made up of bus contract payments by Transport for NSW to bus operators. Net assets disclosed relate to STA only.
- b Operating expenses are made up 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 Government Funding includes operational and capital funding
- e 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 The Treasury.

Structure of the Transport Cluster

Transport for NSW is the lead agency in the Transport Cluster. It is responsible for the co-ordination, funding allocation, policy and planning and other delivery functions for the transport system.

Transport for NSW controls most agencies in the cluster but does not control the transport regulator or investigator or the port corporations.

The government's involvement in New South Wales port operations is primarily through three port corporations, Newcastle Port Corporation, Port Kembla Port Corporation, and Sydney Ports Corporation. This involvement has significantly reduced over the last two years as significant parts of the port operations have been transferred to the private sector on long term leases.



- a Transport for NSW includes Transport Service of NSW
- b Rail Corporation NSW includes Transport Cleaning Services and Trainworks Limited
- c MTS Holding Company Pty Limited was deregistered during 2014-15
- d Roads and Maritime Services includes the WestConnex Delivery Authority.

Executive Summary

This report sets out the results of the financial statement audits of the 18 Transport cluster agencies and their associated entities for the year ended 30 June 2014.

Unqualified audit opinions were issued on all financial statements for the year ended 30 June 2014.

The report also provides Parliament and other users of the financial statements with an analysis of the Transport cluster's results and key observations in the following areas:

- Financial and Performance Reporting
- Financial Controls
- Governance
- Service Delivery.

Financial and Performance Reporting

The quality of financial reporting continues to improve as indicated by the decreasing number of misstatements over the past five years. Unqualified audit opinions were issued on the financial statements for all agencies in the Transport cluster.

The early close procedures mandated by Treasury facilitated the earlier resolution of accounting issues. Early close financial statements were received within mandated deadlines for all agencies and all but one agency demonstrated compliance with the requirements of early close.

Our financial audits identified a significant issue with the capital structure of Rail Corporation NSW, Sydney Trains, and NSW Trains. A capital structure review by Treasury, Transport for NSW and the rail entities is in progress. This will assist in stabilising the financial position of these agencies and enable their financial performance to be properly assessed.

The Department of Transport prepares financial statements consolidating all the agencies within the Transport cluster except for the port corporations and the Independent Transport Safety Regulator and the Chief Investigator of the Office of Transport Safety Investigations. The consolidated financial statements included Government contributions of \$11.1 billion (\$9.9 billion in 2012-13), which was 81 per cent of revenue. The contributions were used to fund transport agency operations and capital investments.

Public transport service providers and operators are heavily reliant on government funding. Government funding for operating purposes totalled \$3.7 billion in 2013-14 (\$3.5 billion in 2012-13). Users of public transport only contribute a proportion of the revenue required to operate the services. The overall cost recovery from users of public transport in 2013-14 was 20.7 per cent (20.1 per cent in 2012-13).

The value of fines and penalties issued for all transport modes increased 278 per cent, from \$5.2 million to \$19.6 million in 2013-14 as the revised security and fare compliance arrangements continued to be put in place. This represents a return to the level of fines and penalties of 2011-12 and prior years.

The NSW Budget Papers show the NSW Government will spend a total of \$31.8 billion on transport projects over four years till 2017-18.

Financial Controls

Appropriate financial controls help ensure the efficient and effective use of resources and the implementation and administration of agencies' policies. They are essential for quality and timely decision making to achieve desired outcomes.

The 2014 audits of cluster agencies identified one risk issue rated extreme which related to the capital structure of Rail Corporation NSW, Sydney Trains, and NSW Trains. Generally, the internal controls of cluster agencies are adequately designed and operating effectively to produce reliable and timely financial reports.

The financial audits did identify areas where internal controls could be improved, and these were reported to the relevant agencies' management. A total of 41 issues were reported and eight of these were repeat issues. The issues were related to compliance with agency policies, asset management processes and controls over expenditure and payroll functions.

Information systems audits focused on the information technology (IT) processes and controls supporting the integrity of financial data used in the preparation of agencies' financial statements. In 2014, these audits identified a total of 27 IT issues for agencies within the Transport cluster, which is similar to the number of issues reported in 2013.

Managing excess annual leave continues to be a challenge for many cluster agencies and meeting the 30 June 2015 target of all staff having 30 days or less will be difficult.

Transport agencies are making some progress in reducing overtime expenditure, with total overtime costs falling five per cent, from \$217 million in 2012-13 to \$207 million in 2013-14.

The number of contractors employed by transport agencies increased slightly from 1,823 contractors in 2012-13 to 1,886 in 2013-14. Some contractors have been engaged for more than 11 years.

Capital renewal and backlog maintenance at 30 June 2014 was \$5.2 billion (\$2.7 billion in 2012-13).

Governance

Governance refers to the framework of rules, relationships, systems and processes within, and by which, authority is exercised and controlled in agencies. It includes the systems the agencies, and those charged with governance, use and are held to account by others.

Transport for NSW is the lead agency in the Transport cluster. It is responsible for co-ordination, funding allocation, policy and planning, and other delivery functions for transport in New South Wales.

The Secretary of Transport for NSW has the ability to issue directions to most transport agencies under the *Transport Administration Act 1988*. The Secretary through Transport for NSW and the Department of Transport controls most agencies in the Transport cluster for accounting and administrative purposes.

Transport for NSW operates within a network of alliances in providing both transport and other services. Some transport service providers are Government transport operators (e.g. Sydney Trains), while others are private sector operators.

NSW 2021 A Plan to make NSW Number One was originally published in September 2011 however baselines and targets have not yet been established for a number of measures set for the Transport cluster.

Following the long term lease of the Port of Newcastle, the operations of Sydney Ports Corporation, Port Kembla Ports Corporation and Newcastle Ports Corporation were combined in one entity on 1 July 2014. This entity is now trading as the Port Authority of NSW.

The Port of Newcastle long-term lease contributed \$1.8 billion in gross proceeds to the State which was received at the start of the lease term. A gain of \$488 million was recognised in the Total State Sector financial statements. The transaction was completed on 30 May 2014.

Compared to other clusters relatively high levels of fraud were reported within the Transport cluster and agencies need to maintain a focus on fraud control.

Service Delivery

The achievement of Government outcomes can be improved through the effective commissioning of the right mix of services, whether from the public, private or not-for-profit sectors. Cluster agencies have been working to achieve the goals and targets outlined in NSW 2021 and to provide transport services in the most efficient and effective way possible.

Total passenger journeys on all public transport modes increased from 547 million to 560 million journeys in 2013-14 representing a 2.4 per cent increase. The proportion of trips by public transport compared to motor vehicles has not changed since 2009. This indicates it will be difficult to meet the 2021 target.

The cost of providing services per passenger journey has increased slightly for bus services but decreased slightly for rail and ferry services.

The measure of on-time running and of peak hour windows should be consistent across transport modes.

Six out of 16 suburban and intercity lines did not achieve their on-time running targets in 2013-14. It has been eleven years since the regional passenger services now operated by NSW Trains achieved their on-time running target of 78 per cent. State Transit Authority has not met its on-time running target in any of its four metropolitan contract regions for the last three years.

During 2013-14, most modes of transport experienced an increase in the level of customer satisfaction. Public transport customers reported they were satisfied with seat availability and personal space on all modes of transport.

However Sydney Trains and NSW Trains had 41,916 complaints in their first year of operation, representing a 34.4 per cent increase on Rail Corporation of New South Wales' complaints last year. A significant proportion of these complaints related to the new train timetable introduced in October 2013.

The most recent survey data indicates less than 30 per cent of train driver hours were spent driving trains. This compares poorly to North American average of over 55 per cent and European average of 50 per cent.

The Opal card was used for 27,635,000 rail journeys, 1,161,000 bus journeys and 895,000 ferry journeys in 2013-14. The Opal card system has provided 5.1 million free journeys across the transport modes in 2013-14.

Fatalities on our roads have continued to trend down, however they slightly increased in 2013-14. Average travel speeds on Sydney roads decreased slightly for both the morning and afternoon peaks. While the morning peak average speed decrease was very slight the afternoon peak decreased from 37.1 kilometres per hour to 36 kilometres per hour in 2013-14.

Transport for NSW advised it is unlikely the target of container freight movement by rail through Port Botany will be achieved without significant government intervention.

Recommendations

1. The Treasury, Transport for NSW, and the rail entities should finalise the capital structure of the three rail entities as soon as possible.
2. Transport for NSW should ensure a consistent measure of on-time running and peak hour windows across all transport agencies.
3. Transport for NSW should publish on-time running results for outer metropolitan bus regions.
4. All transport agencies should do more to reduce excessive annual leave balances to ensure they will comply with new targets set by the Premier.

Financial and Performance Reporting

Financial and performance reporting is an important dimension of good governance. It is only when people have access to accurate and timely information about what their Government is doing can they hold it to account.

Timely and accurate financial reporting is a key element in the transparency of Government agencies. Government requires accurate and timely financial and performance information from agencies to enable effective decision making.

Quality of financial statements across the cluster

The quality of the year-end financial statements improved as evidenced by fewer reported misstatements in 2013-14 compared to prior years. There were no qualified audit opinions issued for Transport agencies in 2013-14.

In 2013-14, there were no misstatements reported for six agencies and the number of misstatements reported for most remaining agencies has reduced significantly. Newcastle Port Corporation reported nine misstatements in 2013-14. These errors were due to complex accounting issues associated with the leasing of Newcastle Port to the private sector.

The table below summarises the audit results for agencies in the Transport cluster:

Agency	Audit Result		Reported Misstatements for the year ended 30 June *				
	Modified Opinion	Number of Significant Matters	2014	2013	2012	2011	2010
Cluster lead entity							
Department of Transport **	No	--	2	5	5	1	1
Transport for NSW	No	--	--	1	10	N/A	N/A
Transport Service Providers							
Rail Corporation NSW	No	1	1	3	10	9	6
Sydney Trains	No	1	1	N/A	N/A	N/A	N/A
NSW Trains	No	1	--	N/A	N/A	N/A	N/A
Roads and Maritime Services	No	--	--	1	19	N/A	N/A
State Transit Authority	No	--	--	1	5	3	4
Port Corporations							
Newcastle Port Corporation	No	--	9	3	3	5	2
Port Kembla Ports Corporation	No	--	1	6	4	6	2
Sydney Ports Corporation	No	--	1	1	5	4	5
Other Agencies							
Chief Investigator of the Office of	No	--	--	2	4	7	--
Independent Transport Safety	No	--	1	6	6	8	3
MTS Holding Company Pty Ltd	No	--	--	5	2	N/A	N/A
Sydney Ferries	No	--	1	4	5	8	6
Transport Cleaning Services	No	--	2	4	N/A	N/A	N/A
Transport Service of New South	No	--	2	2	3	N/A	N/A
WestConnex Delivery Authority	No	--	2	N/A	N/A	N/A	N/A
Trainworks Ltd	No	--	8	7	4	3	N/A

N/A indicates the agency did not exist in that year.

* Number of misstatements includes corrected and uncorrected misstatements. All material misstatements were corrected.

Note: Number of misstatements reported in the Department of Transport consolidation has been adjusted to exclude misstatements reported against the individual agencies.

Source: Audit Office of New South Wales.

A review to determine the appropriate capital structure for Rail Corporation NSW, Sydney Trains and NSW Trains is still underway. More analysis regarding the financial impact of this issue has been performed in the Financial Sustainability section below.

The Independent Auditors Report for Trainworks Limited included an emphasis of matter. The emphasis of matter drew attention to the fact that Trainworks Limited's financial statements were prepared on a non-going concern basis. The Company has ceased trading and its operations transferred to a new not-for-profit company, Transport Heritage NSW, from 1 July 2014. The directors have advised their intention to deregister the Company during 2014-15.

Compliance with Treasury's Early Close procedures

During the year, Treasury issued TC 14/02 'Mandatory early close procedures for 2014'. 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.

Performance of financial reporting of transport agencies has been summarised below:

Agency	Early close procedures		Financial statements		Audit	
	Received by statutory date	Days late	Received by statutory date	Days late	Completed by statutory date	Days late
Cluster lead entity						
Department of Transport *	N/A	N/A	Yes	--	Yes	--
Transport for NSW**	No	2 - 29 days	Yes	--	Yes	--
Transport service providers						
Rail Corporation NSW	Yes	--	Yes	--	Yes	--
Sydney Trains	Yes	--	Yes	--	Yes	--
NSW Trains	Yes	--	Yes	--	Yes	--
Roads and Maritime Services	Yes	--	Yes	--	Yes	--
State Transit Authority	Yes	--	Yes	--	Yes	--
Port corporations						
Newcastle Port Corporation	Yes	--	Yes	--	Yes	--
Port Kembla Ports Corporation	Yes	--	Yes	--	Yes	--
Sydney Ports Corporation	Yes	--	Yes	--	Yes	--
Other agencies						
Chief Investigator of the Office of	Yes	--	Yes	--	Yes	--
Independent Transport Safety	Yes	--	Yes	--	Yes	--
MTS Holding Company Pty Ltd	Yes	--	Yes	--	Yes	--
Sydney Ferries	Yes	--	Yes	--	Yes	--
Transport Cleaning Services	N/A	N/A	Yes	--	Yes	--
Transport Service of New South	N/A	N/A	Yes	--	Yes	--
WestConnex Delivery Authority	N/A	N/A	Yes	--	Yes	--
Trainworks Ltd	N/A	N/A	Yes	--	No	1 day

N/A indicates early close procedures were not required by TC 14/02.

* Agencies elected to conduct some early close procedures while not required by TC 14/02.

** Early close financial statements were received by the due date, however many work papers were late.

Source: Audit Office of New South Wales.

All but one agency submitted early close procedures and financial statements on time. However, a number of agencies did not fully assess the impact of new and updated standards or complete early revaluations of property, plant and equipment by the due date. These procedures aimed to provide agencies an opportunity to respond to the new requirements in Australian Accounting Standards, AASB 13 Fair Value and AASB 119 Employee Benefits, before year end. However, due to the large volume of work required and limited guidance available in applying new accounting standards, agencies experienced delays in completing these procedures.

Transport for NSW submitted pro forma financial statements on time but delayed a number of early close procedures between two and 29 days.

Transport Service of New South Wales submitted year-end financial statements on time; however, there were delays in the provision of some supporting working papers.

I reported observations and made recommendations in the Reports on Early Close Procedures to individual agencies. All transport agencies submitted year-end financial statements on time and audits were completed by statutory dates except for Trainworks Limited. The audit for Trainworks Limited was completed one day late.

Department of Transport Consolidation

The Department of Transport is a not for profit NSW Government entity which controls all of the transport agencies within the NSW transport cluster except for the port corporations, the Independent Transport Safety Regulator and the 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 NSW transport cluster is separately included in this report.

Department of Transport's Consolidated Abridged Statement of Comprehensive Income

Year ended 30 June	2014	2013	Increase / (Decrease)	Increase / (Decrease)
	\$m	\$m	\$m	%
Employee related expenses	2,776	2,892	(116)	(4.0)
Depreciation and amortisation	2,598	2,287	311	13.6
Grants and subsidies	673	650	23	3.5
Finance costs	328	233	95	40.8
Other expenses	3,961	3,577	384	10.7
Total expenses	10,336	9,639	697	7.2
Government contributions	11,061	9,947	1,114	11.2
Sale of goods and services	1,911	1,857	54	2.9
Investment income	134	153	(19)	(12.4)
Other revenue	518	503	15	3.0
Total revenue	13,624	12,460	1,164	9.3
Other losses	(707)	(1,269)	562	(44.3)
Net result	2,581	1,552	1,029	66.3
Total other comprehensive income*	2,751	4,834	(2,083)	(43.1)
Total comprehensive income	5,332	6,386	(1,054)	(16.5)

* Includes transactions taken directly to equity, such as asset revaluation movements and actuarial movements on defined benefit superannuation plans.

Source: Department of Transport Financial statements (audited).

Government contributions for operating expenditure and capital investment totalled \$11.1 billion (\$9.9 billion in 2012-13), which was 81.2 per cent of revenue. Total expenses increased by 7.2 per cent to \$10.3 billion.

Other losses of \$707 million (\$1.3 billion) mainly represent impairment of assets and losses on assets disposed during the year. Total other comprehensive income mainly represents the upward revaluation of RMS roads system assets of \$2.1 billion during the year.

The 13.6 per cent increase in depreciation and amortisation is mainly the result of increases in infrastructure assets, as well as the asset revaluation at RMS.

Finance lease interest charges have increased from \$162 million in 2012-13 to \$240 million in 2013-14. This increase mainly related to the delivery of the final 33 train sets under a public private partnership for Sydney Trains rolling stock.

The increase of \$384 million in other expenses is mainly from increases in maintenance expenditure for rail infrastructure systems of \$257 million and trains of \$75.8 million.

Department of Transport's Consolidated Abridged Statement of Financial Position

Year ended 30 June	2014	2013	Increase / (decrease)	Increase / (decrease)
	\$m	\$m	\$m	%
Current assets	2,066	1,471	595	40.4
Non-current assets	108,950	102,554	6,396	6.2
Total assets	111,016	104,025	6,991	6.7
Current liabilities	4,633	3,542	1,091	30.8
Non-current liabilities	6,365	5,833	532	9.1
Total liabilities	10,998	9,375	1,623	17.3
Net assets	100,018	94,650	5,368	5.7

Source: Department of Transport Financial Statements (audited).

Non-current assets at 30 June 2014 included \$107 billion of property, plant and equipment. A revaluation increment of \$2.8 billion along with \$6.5 billion of property, plant and equipment purchases contributed to the increase in non-current assets.

The increase in current liabilities was mainly due to increase in current New South Wales Treasury Corporation borrowings at Rail Corporation NSW of \$224 million and Roads and Maritime Services of \$246 million, along with increased accrued expenses at Transport for NSW of \$292 million.

Department of Transport's Consolidated 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	
	2014	2013	2014	2013
Rail services	1,100	439	28,902	26,904
Bus and related services	42	(86)	268	221
Roads and maritime services	996	779	70,536	67,260
Ferry services	(93)	(42)	136	147
Integrated transport services	620	326	166	76
Inter-services eliminations	(84)	136	10	42
Total all service groups	2,581	1,552	100,018	94,650

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.

Department of Transport's Consolidated Abridged Statement of Cash Flows

At 30 June	2014	2013	Increase/ (Decrease)	Increase/ (Decrease)
Statement of Cash Flows	\$m	\$m	\$m	%
Operating Payments	(7,868)	(8,054)	186	(2.3)
Operating Receipts	14,105	11,933	2,172	18.2
Investing Payments	(6,006)	(4,334)	(1,672)	38.6
Investing Receipts	77	198	(121)	(61.1)
Financing Payments	(785)	(1,157)	372	(32.2)
Financing Receipts	1,115	1,599	(484)	(30.3)
Increase in Cash	638	185	453	244.9

Source: Department of Transport Financial Statements (audited).

The increase in operating receipts and investing payments was due to increases in capital appropriations and capital expenditure.

Financial Sustainability

Recommendation

The Treasury, Transport for NSW and the rail entities should finalise the Capital Structure of the three rail entities as soon as possible.

As with any well run business, transport agencies must manage their finances so they can meet current and future spending commitments to provide transport services, adapt quickly to emerging risks and remain financially sustainable.

The majority of agencies in the Transport Cluster are largely funded through government grants and appropriations, and do not have indicators of concern for their financial sustainability.

However, the table below highlights a number of agencies where financial indicators show a potential issue with their long term financial sustainability:

	Net result \$m	Net assets \$m	Liquidity	State government funding (%)	Overall assessment
Transport service providers					
NSW Trains	(67.7)	(183.8)	0.4	80%	●
Sydney Trains	(171.3)	534.2	0.4	40%	●
Rail Corporation	1,468.3	25,780.1	0.5	86%	●
Other agencies					
Chief Investigator of the Office of Transport Safety Investigations	(0.1)	(0.3)	0.3	99%	●

Note: Refer to Appendix Three for descriptions of ratios and the risk assessment criteria.

Source: Financial Statements (audited).

Sydney Trains and NSW Trains commenced operations on 1 July 2013 when certain assets, liabilities and operations were transferred to them from Rail Corporation NSW. Sydney Trains and NSW Trains were separated from Rail Corporation NSW to focus on the provision of rail operator and maintenance services, with Rail Corporation NSW retaining asset ownership, including liabilities associated with asset ownership. These three entities are assessed as at risk entities in our overall assessment.

NSW Trains was established with net liabilities position. It had an operating loss of \$67.7 million, low liquidity and consequently required a letter of financial support from The Treasury at 30 June 2014 to enable the financial statements to be prepared on a going concern basis, meaning it will be able to meet its obligations as and when they fall due.

Sydney Trains operated at a loss, and has low liquidity. It also had a net cash outflow from operations of \$118 million and utilised an advance of \$198 million from Rail Corporation.

The infrastructure which enables the operation of the services provided by Sydney Trains and NSW Trains remains the property of Rail Corporation NSW. At 30 June 2014 Rail Corporation NSW had property, plant and equipment of \$26.8 billion, and an associated depreciation expense of \$816 million. Sydney Trains and NSW Trains do not pay for the use of this infrastructure, therefore their financial results do not reflect the full costs of providing these services.

Rail Corporation NSW has strong net result which is boosted by government grants of \$2.3 billion towards the construction of new infrastructure. If these capital grants were excluded from the result it would have had a net loss of \$815 million with depreciation its most significant expense. It is reliant on its ability to borrow, supported by a State Government guarantee, to operate as a going concern.

A Capital Structure review by the Treasury, Transport for NSW and the rail entities to determine the appropriate level of capital that the government should place in these rail entities is continuing. This review should be finalised as soon as practical to stabilise the financial position of these agencies and enable their financial performance to be properly assessed.

The Chief Investigator of the Office of Transport Safety Investigations (OTSI) incurred a deficit in 2013-14. OTSI has operated with net liabilities for the last eight years and its financial position has not improved in 2013-14. Transport for NSW has again provided a letter of financial support to ensure that OTSI will be able to meet its debts as and when they fall due.

Trainworks Limited's and MTS Holding Company Pty Ltd's financial statements for the year ended 30 June 2014 were prepared on a liquidation basis. From 1 July 2014 a private sector not for profit company, Transport Heritage NSW Limited, took over the operations of Trainworks Limited, following a government decision to support the consolidation of transport heritage activities in one private sector company. The directors have advised they intend to wind up and deregister Trainworks Limited during 2014-15.

The operations, asset and liabilities of MTS Holding Company Pty Ltd were transferred to Transport for NSW during 2013-14. This company was used by the government to purchase the existing light rail operation and the monorail during 2012-13. The monorail was subsequently dismantled and Transport for NSW now holds the assets relating to the light rail network. MTS Holding Company Pty Ltd was wound up on 9 September 2014.

For details on the performance of transport agencies, please refer to summary of financial information in Appendix One below.

Revaluations

TC 14/02 'Mandatory early close procedures for 2014' required agencies to conduct an early revaluation of property, plant and equipment.

The table below summarised results of revaluations undertaken by transport agencies in 2013-14:

Revaluation result for the year ended 30 June 2014				
Agency	Asset class	\$ of revaluation movement in FS (\$m)	NBV of revalued asset class (\$m)	%
Transport for NSW	Infrastructure systems	92.6	1,864.6	5.0
Rail Corporation NSW	Rolling stock, major plant	39.9	2,144.5	1.9
Sydney Trains	Rolling stock, major plant	426.5	3,034.7	14.1
Roads and Maritime Services	Infrastructure, land and buildings	2,114.0	64,391.0	3.3
State Transit Authority	Land and ferries	14.2	160.9	8.8
Sydney Ferries	Land and buildings	(3.1)	8.1	(38.3)
Newcastle Port Corporation #	Buildings, roads, wharves, jetties and plant	794.0	1,273.2	62.4
Sydney Ports Corporation	Land, buildings, roads, wharves, Jetties and breakwaters	17.9	350.6	5.1
MTS Holding Company Pty Ltd *	Light rail infrastructure	76.0	80.6	94.3
Total		3,572.0	73,308.2	4.9

Newcastle Ports Corporation revalued and then transferred assets as part of the lease transaction, which result in a net book value (NBV) at 30 June 2014 much lower than the revaluation increment. For the purpose of analysis NBV is restated to the value prior to the transfer.

* MTS has revalued light rail infrastructure and transferred to Transport for NSW during 2013-14. NBV at 30 June 2014 is restated to the value prior to the transfer for analysis in this comment.

Source: Financial Statements (audited).

A total of \$3.6 billion in revaluation increments was recognised by transport agencies during the year ended 30 June 2014.

The highest revaluation increment was recognised by Roads and Maritime Services. In years between full revaluations road, bridges and tunnel infrastructure are revalued at depreciated replacement cost using a unit prices index. The \$2.1 billion increment was a 3.3 per cent increase on the net book value of these assets.

The highest percentage increase was on light rail infrastructure in MTS Holding Company Pty Ltd. The light rail assets had previously been valued using the income approach, but were valued at depreciated replacement cost prior to transfer to Transport for NSW in 2013-14. This change resulted in a \$76.0 million revaluation increment.

Most land and building assets were valued by reference to market value, while infrastructure and ferries were valued at depreciated replacement cost.

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.

The Independent Pricing and Regulatory Tribunal is currently conducting a review of these external benefits to assess how much of the total cost should be paid by the users of public transport. This review is scheduled to be completed in March 2015.

Transport service providers and operators are heavily reliant on government funding. Government funding for operating purposes totalled \$3.7 billion in 2013-14 (\$3.5 billion in 2012-13).

Year ended 30 June	Government funding		Movement
Service Providers and Operators	2014	2013	
	\$m	\$m	%
Rail Entities - government contributions *	1,828	1,763	3.7
Bus operators - Service Contract Payments**	1,672	1,629	2.6
Sydney ferries operators - Service Contract Payments ***	132	126	4.8
Light Rail Operators - Service Contract Payment	18	16	12.5
Total funding to transport service providers and operators	3,650	3,534	3.3

* Operating grants only

** Represents the value of service contract payments Transport for NSW paid to State Transit Authority and private bus operators for operating the bus networks, plus finance costs and amortisation expense of finance leased buses.

*** Figures are Service Contract Payments made to private operators

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

Government funding to the rail entities for operating purposes increased by \$65.0 million to \$1.8 billion. In addition to funding for operating purposes the Government also provides capital funding for major rail projects and the acquisition of assets. For rail entities this capital funding increased by \$699 million to \$2.3 billion in 2013-14.

Cost Recovery from Users

The overall cost recovery from users of public transport in 2013-14 was 20.7 per cent (20.1 per cent in 2012-13).

The percentage of costs recovered from users of public transport is calculated based on revenue from customers and the cost to the Government of providing services.

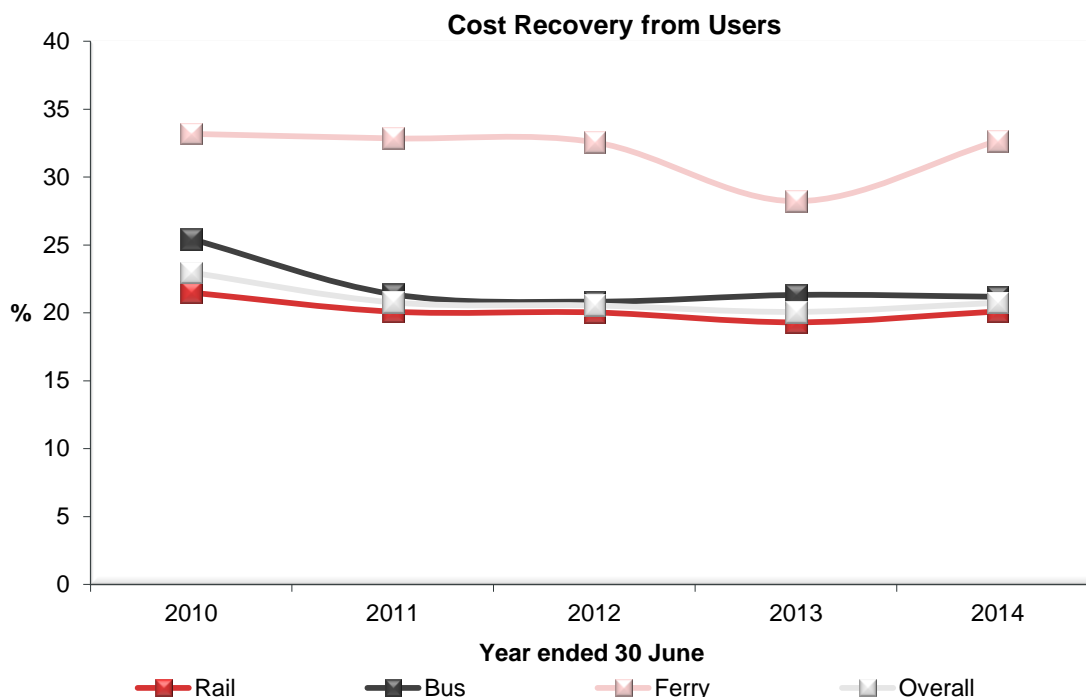
Transport for NSW contracts with various public and private sector entities for the provision of public transport. It provides funding to operate the service and receives passenger revenue for bus and ferry services. Under the rail services contracts it reimburses the provider if passenger revenue is significantly different from budget. Therefore Transport for NSW bears the risk of shortfalls in passenger revenue for public transport.

The percentage of costs recovered from users of rail services has decreased over the last five years, from 21.5 per cent in 2009-10 to 20.1 per cent in 2013-14.

The cost of providing bus services includes bus contract payments made to all bus operators, finance costs and amortisation of finance leased buses incurred by Transport for NSW. Over the last five years, cost recovery from passengers decreased from 25.4 per cent in 2009-10 to 21.2 per cent in 2013-14.

Over the last five years, cost recovery from ferry services was stable except in 2012-13. The lower cost recovery in 2012-13 was due to the one-off cost incurred by Sydney Ferries during the transition of ferry services to private operators. In 2013-14, cost recovery has increased to 32.7 per cent, which is consistent with earlier years.

The trend of cost recovery from users over last five years is shown below:



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

The cost of providing services per passenger journey has increased for bus services but decreased for rail and ferry services.

Year ended 30 June	Rail		Ferries		Buses**	
	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$
Cost of services provided per passenger journey	13.28	13.32	9.27	10.47	7.46	7.40
Passenger revenue per passenger journey	2.67	2.57	3.03	2.95	1.58	1.58
Net cost per passenger journey*	10.61	10.75	6.24	7.52	5.88	5.82

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

** Note: Passenger journey for buses does not include children under the School Student Transport Scheme nor passengers travelled on free shuttle bus routes.

Source: Amounts were calculated based on audited financial statements of Rail Corporation NSW, Sydney Trains, NSW Trains and State Transit Authority, and information from Transport for NSW (unaudited).

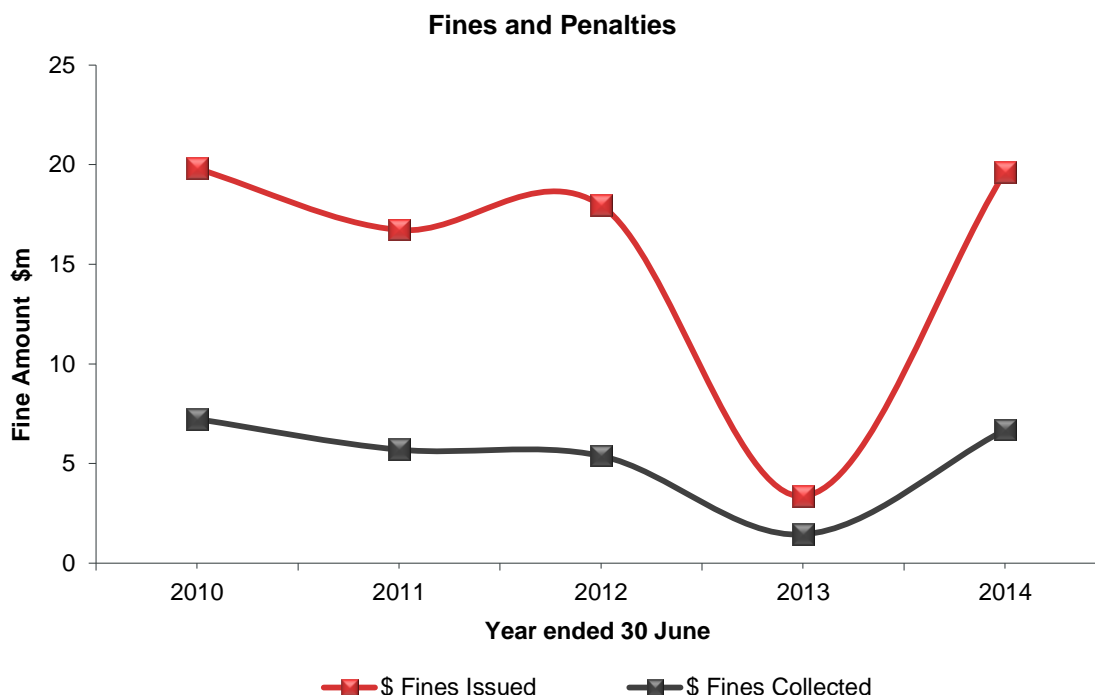
The rail entities had a 1.3 per cent decrease in net costs per passenger journey due to a 6.9 per cent increase in passenger revenue.

As a result of completion of the transition of ferry services in 2012-13, cost per passenger journey for ferry services decreased 11.5 per cent in 2013-14. The net cost decreased to \$6.24 per journey.

Cost and revenue per passenger journey of bus services was relatively unchanged in 2013-14.

Fines and Penalties

The Police Transport Command is responsible for providing a safe and secure NSW public transport system for the commuting public. The Fare Compliance Unit was established in May 2013 to provide dedicated revenue protection services across the rail, bus, light rail and ferry transport networks. 38 Transport Officers commenced in May 2013 and the Unit increased to its full strength of 150 by October 2014.



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

As a result of the staged transition to the new Police Transport Command structure during 2013, both the number and dollar value of fines and penalties issued and collected declined significantly in 2012-13. The deterrent to fare evasion and behavioural offences has been restored in 2013-14. There has been a 245 per cent increase in the number of fines issued, from 29,000 to 100,000 which is in line with the number of fines in 2011-12.

The value of fines and penalties issued for all transport modes has increased 278 per cent, from \$5.2 million to \$19.6 million in 2013-14.

A major success in the strategies implemented to reduce fare evasion has been the modification of ticket vending machines to not sell concession tickets while a ticket window is open, requiring proof to purchase a concession ticket. Between June and December 2013, the percentage of concession tickets sold has reduced by 9.0 per cent compared to the same period in 2012. Comparing June 2013 with December 2013, the proportion of concession misuse in all infringement notices has reduced from 71.0 per cent to 58.0 per cent.

Major Transport Projects

The NSW Budget Papers show the NSW Government will spend a total of \$31.8 billion on transport projects over four years till 2017-18.

In 2014-15, \$7.3 billion is allocated for transport infrastructure. The 2014-15 allocation includes \$3.8 billion on road projects, \$2.6 billion on rail projects, \$850 million on other transport projects and \$53.3 million on ports.

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 transport projects are shown below:

Major Rail Projects

Project	Forecast completion year	Original project cost	Latest revised project cost	Total spend to 30 June 2014
		\$m	\$m	\$m
North West Rail Link	2019	8,300	8,300	1,394
South West Rail Link	2015	2,100	1,794	1,695
Northern Sydney Freight Corridor	2016	1,100	1,045	468
Waratah Rollingstock enabling works	2014	790	684	618
Transport Access Program	na	772	772	na
Wynyard Walkway	2016	306	306	142

na Not applicable, the Transport Access program is provided over four years to improve transport infrastructure where it is needed most.

Source: Budget Paper 2014-15 and rail agencies (unaudited).

The North West Rail Link will be a high frequency single deck train system operating 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 2019. At 30 June 2014, a total of \$1.4 billion has been spent on the project and \$863 million is budgeted for 2014-15.

At September 2014, the following milestones were achieved:

- sixteen major construction sites were established across the Hills region
- two out of four tunnelling machines had arrived and tunnelling started four months ahead of schedule
- the \$3.7 billion North West Rail Link operations contract had been awarded to Northwest Rapid Transit for 15 years commencing from the first half of 2019.

Next year, the project will focus on tunnel excavation and lining, viaduct construction, and surface work including bridges and demobilisation.

The South West Rail Link project comprises an 11.4 km twin track extension from Glenfield to Leppington and includes two new stations at Edmondson Park and Leppington, an upgrade of Glenfield station, new car parking and a train stabling facility. The total forecast cost of the project at 30 June 2014 was \$1.8 billion. On 13 September 2014 the Minister for Transport announced construction of the project has been completed and services will commence in early 2015. The project has been completed \$300 million under budget and 12 months earlier than forecast.

Major Road Projects

Project	Forecast completion year	Original project cost	Latest revised project cost	Total spend to 30 June 2014
		\$m	\$m	\$m
WestConnex	2023	11,500	14,900	45
NorthConnex	N/A	3,000	3,000	10
Hunter Expressway	2014	1,700	1,700	1,623

Source: Budget Paper 2014-15.

WestConnex, involves a 33 kilometre link between Sydney's west and the airport and Port Botany precinct. The project will be delivered in three stages:

- Stage 1 from Parramatta to the City West Link, due to start in early 2015
- Stage 2 will increase capacity along the M5 East corridor and extend the motorway to St. Peters. The work will start in 2015 and is expected to be complete in 2019
- Stage 3 will deliver a motorway tunnel between the first two stages. Detailed design and construction work will commence in late 2018 and is due to open to traffic in 2023.

The estimated total cost for WestConnex is \$14.9 billion, including inflation over the construction period; \$4.2 billion for Stage 1. The NSW Government has allocated \$1.8 billion from Restart NSW towards the project, the Commonwealth Government will grant \$1.5 billion and have pledged a \$2 billion subordinated loan for Stage 2. The balance of funding will come from private sector debt and equity capital.

The NSW Government will establish a new company, the Sydney Motorway Corporation Pty Limited, to manage the State's financial interests in the project.

A Performance Audit report on the WestConnex project will shortly be tabled in Parliament.

NorthConnex will deliver a nine kilometre, tolled motorway linking the M1 Pacific Motorway to the Hills M2 Motorway. Funding for the \$3.0 billion project consists of a \$400 million contribution from the Commonwealth Government and \$502 million from the NSW Government (including up to \$400 million from Restart NSW). The remaining funding will come from tolls on the new NorthConnex tunnel and M7 concession changes.

Hunter Expressway project was continued from the prior year. It was scheduled to be completed in 2013 and was delivered in March 2014. At 30 June 2014 cost to date was \$1.6 billion. Finalisation works are continuing in 2014-15 and the total project cost is forecast to be \$1.7 billion.

Roads and Maritime Services also performed upgrades on the Pacific Highway, Great Western Highway, Princes Highway, Hume Highway and Central Coast Highway.

Other Projects

Project	Forecast completion year	Original project cost	Latest revised project cost	Total spend to 30 June 2014
		\$m	\$m	\$m
CBD and South East Light Rail	2019	1,600	1,600	172
Opal card system*	2015	1,200	1,800	443

* Latest project costs are escalated costs, while the original project cost did not take into account escalation during the term of the project.

Source: Information obtained from Budget Paper 2014-15 and provided by Transport for NSW (unaudited).

Opal card is the electronic ticketing system being introduced to streamline travel on the public transport network. The roll out to ferry and rail was four months ahead of schedule and on schedule for bus and light rail. The total cost to build and maintain the Opal card system over the 15-year term of the contract was originally budgeted at \$1.2 billion and escalating to \$1.6 billion over time. The latest revised budget is \$1.8 billion with escalation and the allocation for 2014-15 is \$157 million. Total expenditure to 30 June 2014 was \$443 million.

The Government budgeted \$1.6 billion to construct a new light rail line from Circular Quay along George Street to Central Station then to Kingsford via Anzac Parade and to Randwick via Alison Road. A Public Private Partnership to design, build, operate and maintain the new light rail will be awarded ahead of major construction starting in 2015. The project is expected to be operational in 2019 or 2020.

Buses Capital Expenditure Program

State Transit Authority's capital expenditure program decreased by 26.0 per cent from \$54.3 million in 2012-13 to \$40.2 million in 2013-14.

Ninety three per cent of capital expenditure (87.3 per cent in 2012-13) was for new buses to support fleet growth and replacement.

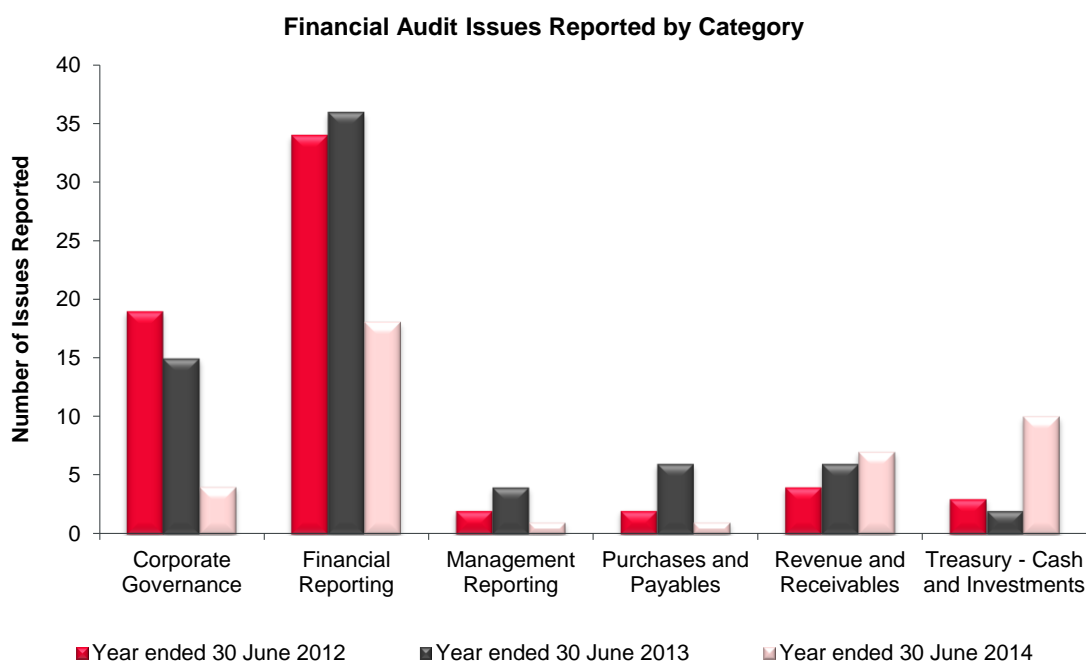
Seven per cent (12.7 per cent in 2012-13) was spent on the redevelopment of depots to accommodate future expansion of the fleet.

Financial Controls

Appropriate financial controls help ensure the efficient and effective implementation and administration of Government and agency policies in the achievement of agency outcomes.

Financial Audit Issues

Financial audits focused on the processes and controls supporting the integrity of financial data used in the preparation of agencies' financial statements. In 2013-14, these audits identified a total of 41 issues for agencies within the Transport cluster, which is lower than the number of issues reported in 2012-13 (69 issues). Information systems issues have been included in the following section.



Source: Audit Office of New South Wales.

The risk of each issue can be rated as extreme, moderate or low based on the likelihood of the risk occurring and the consequences if the risk does occur. In 2013-14 three extreme issues were reported. The extreme issue was related to the capital restructure occurring in Rail Corporation NSW, Sydney Trains and NSW Trains.

In 2012-13, the Audit Office reported one extreme issue relating to Trainworks Limited's lack of a well devised plan to ensure a smooth transition from the entity being wound up and all its assets, rights and liabilities being transferred into Rail Heritage NSW. 34.1 per cent of issues were rated as moderate (44.2 per cent in 2012-13) and 59.5 per cent were rated as low (53.5 per cent).

Reconciliation issues accounted for 12 of the financial audit issues identified in 2013-14. Over half related to the absence of sound reconciliation processes for bank accounts including unmatched receipts, late preparation and review of bank accounts and uncleared balances. In relation to inter-entity accounts there were transactions and balances which were unreconciled and unexplained. Reconciliation issues accounted for 80 per cent of the number of issues reported in the Treasury cash and investments category.

Unsatisfactory documentation and record keeping accounted for 12 of the financial audit issues identified in 2013-14. Issues included supporting documentation not being attached to journals, variance analysis not being performed, insufficient information being disclosed in the financial statements, and poor quality work papers. The number of unsatisfactory documentation issues identified is similar to 2012-13 when it also accounted for 13 of the financial audit issues identified. Unsatisfactory documentation and record keeping issues were prevalent in the corporate governance, financial reporting, management reporting and revenue and receivables categories.

Control weaknesses accounted for eight of the financial audit issues identified in 2014. Issues included lack of regular reviews of system logs and journals being performed and unapproved timesheets being processed. The number of control weakness issues identified has decreased from 2012-13 which accounted for 13 of financial audit issues identified.

The total number of management letter issues for 2013-14 was 41. This is lower than the number of issues recorded in 2012-13 (43 issues). The number of repeat issues for 2013-14 was 8, a decrease of 33.3 per cent recorded by transport agencies (12 in 2012-13). The decrease in repeat issues is a result of management responding more effectively to matters raised in the current and prior year audits.

Management Letter Recommendations issued by the Audit Office

Transport Entity	Number of recommendations			Number of repeat recommendations		
	2014	2013	2012	2014	2013	2012
State Transit Authority	7	10	8	1	2	1
Transport for NSW*	9	16	23	5	4	3
Sydney Trains	5	N/A	N/A	--	N/A	N/A
NSW Trains	4	N/A	N/A	--	N/A	N/A
Trainworks Ltd	--	8	8	--	3	5
Transport Cleaning Services	--	--	N/A	--	--	N/A
Rail Corporation	5	4	5	--	1	--
Independent Transport Safety Regulator	1	2	2	--	1	1
Chief Investigator of the Office of Transport Safety Investigations	1	2	2	--	1	1
Sydney Ferries	--	7	2	--	1	2
Roads and Maritime Services	8	14	6	2	2	2
Port Kembla Port Corporation	1	2	--	--	--	--
Sydney Ports Corporation	--	--	5	--	--	1
Newcastle Port Corporation	--	4	3	--	1	--
Total	41	69	64	8	16	16

N/A The entity was not operating in the current year.

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

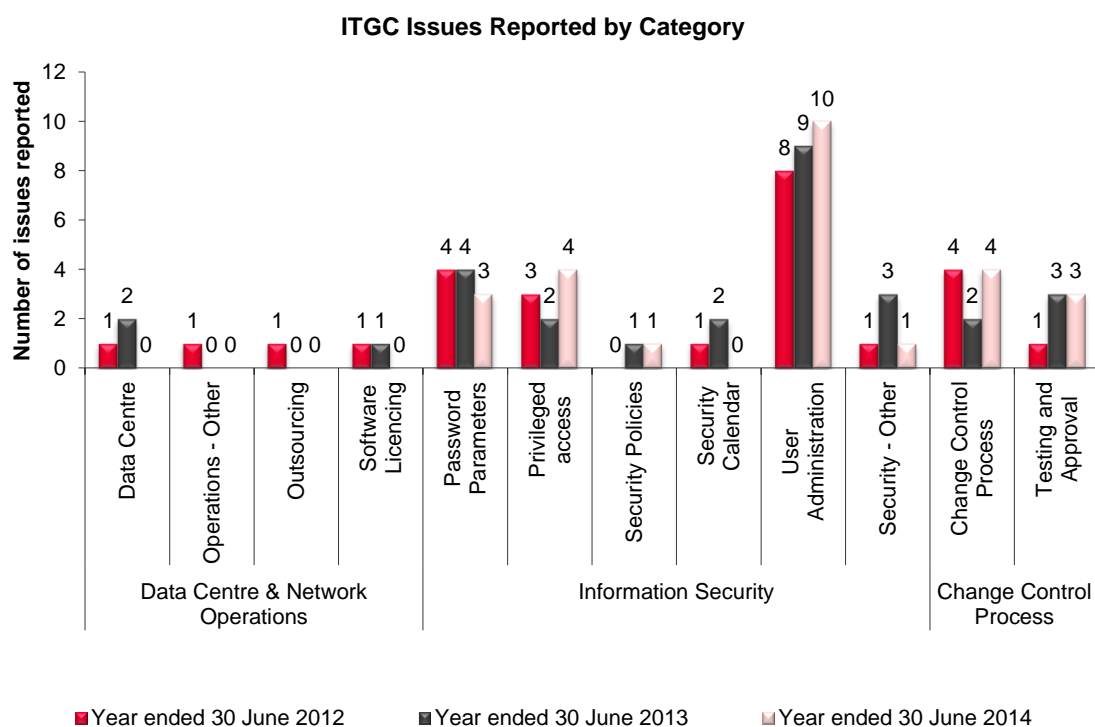
Source: Audit Office of New South Wales.

Although the number of specific repeat issues has decreased in 2013-14, approximately half of the financial audit themes identified in 2014 were also present in 2013, in relation to unsatisfactory documentation and control weaknesses. Control weaknesses that are not addressed promptly may expose agencies to fraud and misstatements in the financial statements. Unsatisfactory documentation exposes the agency to errors and misstated financial statements.

Information Technology

Information Systems Issues

Information systems audits focused on the information technology (IT) processes and controls supporting the integrity of financial data used in the preparation of agencies' financial statements. In 2013-14, these audits identified a total of 27 IT issues for agencies within the Transport cluster, which is similar to the number of issues reported in 2012-13.



All IT issues identified in 2013-14 were in relation to information security and change control processes.

Information security issues accounted for 73 per cent of IT issues identified in 2013-14, of which over half related to the absence of, or weak user administration processes surrounding user access reviews and timely termination of user access to systems. Weaknesses in these areas increase the risk of users having excessive or unauthorised access to critical financial systems. This may compromise the integrity and security of financial data residing in these systems.

Information security issues that are not addressed promptly may expose agencies to security attacks and result in data integrity issues, fraud and/or identity theft. Weaknesses in agencies' change control processes that are not addressed promptly may result in changes to financial systems not being appropriately authorised or adequately tested. This increases the risk of financial systems not operating in line with business requirements and presents potential data integrity issues.

Disaster Recovery Planning

In 2014, agencies completed a self-assessment of their disaster recovery planning and testing capabilities. Agencies had established and regularly reviewed disaster recovery plans for their critical financial systems; however some agencies had only performed partial testing of their recovery capabilities and plans. Without adequate testing, agencies have little comfort over the effectiveness of their disaster recovery plans in helping to restore their financial processes and systems in the event of a disaster.

Legacy Systems

Concerns with the operational management of legacy IT systems are increasingly prevalent with Transport agencies, with many experiencing the following challenges:

- Technical limitations of legacy systems may prevent agencies from meeting their business objectives, regulatory requirements and achieving efficiencies
- Susceptibility to newer and advanced security attacks
- Poor or no compatibility with newer technology platforms and hardware
- Integration with other systems not possible, or difficult and costly to implement
- Systems not being easily maintainable and supportable
- Staff with the relevant skills to support legacy systems are increasingly difficult to find and retain.

As projects to replace legacy systems can span many years, Transport agencies should be mindful of the risks associated with managing legacy systems and establish appropriate strategies to address these risks during the transition period.

Projects are already underway to replace the financial, human resource/payroll and procurement legacy systems for Transport agencies. This is a \$151 million project to consolidate various systems across the cluster into a single SAP solution. Total costs to date at 30 June 2014 were \$76.5 million. The projects original completion date of 31 December 2015 has been revised to 2 January 2017.

Management have responded to some of the early challenges of the project, including project team changes and scope changes with re-alignment of project plans and delivery timelines. While much attention has been given to ensuring the technical requirements for the project are delivered, the project team should also adequately plan for business transformation aspects of the implementation. This includes the management of structural and process changes arising from the project, the delivery of adequate training around the new system and processes to end users, and ensuring appropriate support arrangements are in place.

A performance audit on the security of critical infrastructure IT systems will shortly be tabled in Parliament.

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 2014, 3,162 (2,062 in 2012-13) transport cluster staff, or 14.4 per cent (7 per cent) of the transport workforce, have excessive annual leave balances.

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

In 2013-14, there has been a 53 per cent increase in total excess leave. Transport entities will face challenges in the coming year as the maximum allowable days decrease. At 30 June 2014, Rail Corporation NSW had two employees with annual leave in excess of 150 days. Roads and Maritime Services, Sydney Ferries, Transport for NSW and Sydney Trains each had employees with annual leave in excess of 100 days.

Staff with excess leave as per Memorandum 2012-07 (2012-13 >40 days and 2013-14 >35 days)

At 30 June		2014		2013		2012	
Transport entities	Trend	Number of employees	Amount \$'000	Number of employees	Amount \$'000	Number of employees	Amount \$'000
Rail Corporation New South Wales	↓	180	1,035	1,147	5,193	1,291	6,124
Sydney Trains*	--	1,321	4,749	N/A	N/A	N/A	N/A
NSW Trains*	--	134	383	N/A	N/A	N/A	N/A
State Transit Authority	↓	81	153	121	323	162	449
Roads and Maritime Services	~	898	2,292	596	1,873	716	2,507
Others#	↑	548	2,785	198	1,156	137	3,638
Total	~	3,162	11,397	2,062	8,545	2,306	12,718

Note: Excessive leave based on 35 days for non-shift workers and 45 days for shift workers.

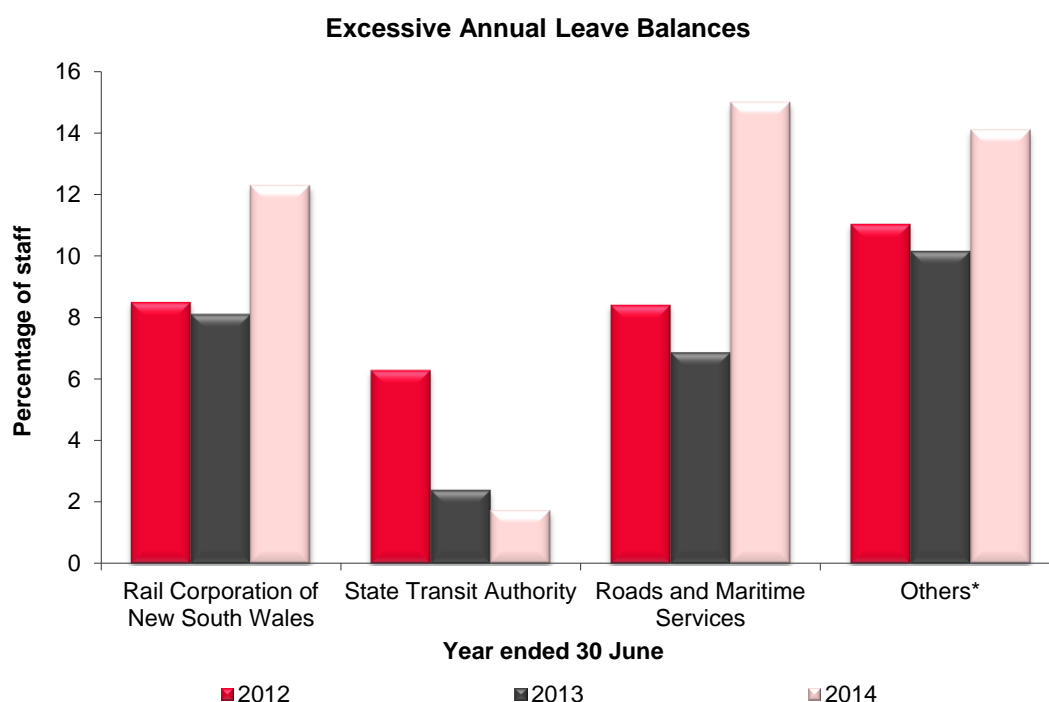
* Sydney Trains and NSW Trains first year of operation.

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

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

Source: Transport for NSW (unaudited).

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



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

Source: Transport for NSW (unaudited).

Sydney Trains had 17.5 per cent and NSW Trains had 11.6 per cent of staff with excessive annual leave. These agencies commenced operations on 1 July 2013 and are not included in the above graph.

At 30 June 2014, Rail Corporation New South Wales was in the process of moving all its remaining staff to Sydney Trains, NSW Trains and Transport Service, this was completed in August 2014. Due to this, the data for Rail Corporation of New South Wales is not comparable. Sydney Trains and NSW Trains have implemented leave procedures and an Enterprise Agreement which requires line managers to ensure annual leave rosters are in place for all employees.

State Transit Authority had a small increase in annual leave from five per cent to eight per cent. Sydney Ferries had five staff members at 30 June 2014, all had excessive leave.

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.

The health and welfare of staff can 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.

Overtime

Transport agencies are making some progress in reducing overtime expenditure, with total overtime costs falling five per cent, from \$217 million in 2012-13 to \$207 million in 2013-14. Overtime continues to represent a significant employment expense.

Overtime costs in large transport agencies:

Year ended 30 June	Overtime cost	
Transport entity	2014	2013
	\$'000	\$'000
Rail Corporation NSW	9,040	129,245
Sydney Trains **	99,251	N/A
NSW Trains **	18,272	N/A
State Transit Authority	45,107	42,591
Roads and Maritime Services	29,609	42,971
Others *	5,289	2,629
Total	206,568	217,436

* Others consist of the Department of Transport, Transport for NSW, Office of the Transport Safety Investigator, Independent Transport Safety Regulator, Sydney Ports Corporation, Port Kembla Port Corporation and Newcastle Port Corporation.

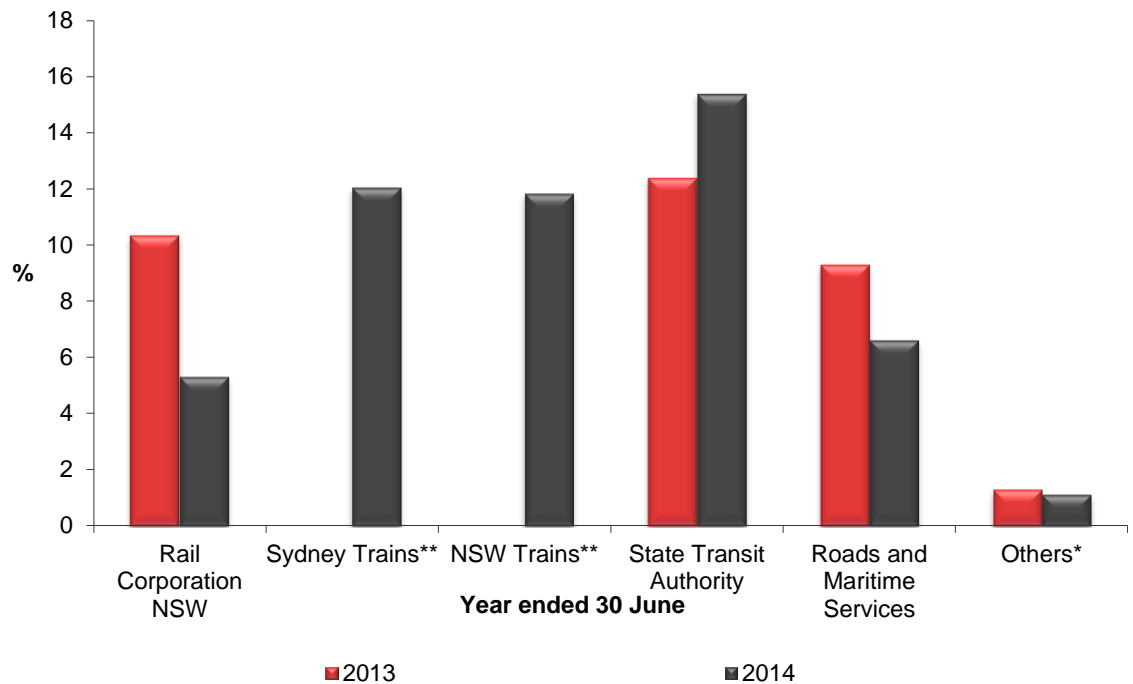
** Sydney Trains and NSW Trains commenced their operations on 1 July 2013.

N/A Not applicable

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

In 2011-12, a performance audit reported on how well Roads and Maritime Services manage overtime and made ten recommendations. Roads and Maritime Services have been implementing the recommendations; its overtime cost has decreased 31.2 per cent, from \$43.0 million in 2012-13 to \$29.6 million in 2013-14. 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



* Others consist of the Department of Transport, Transport for NSW, Office of the Transport Safety Investigator, Independent Transport Safety Regulator, Sydney Ports Corporation, Port Kembla Port Corporation and Newcastle Port Corporation.

** Sydney Trains and NSW Trains commenced their operations on 1 July 2013.

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

Major contributors to overtime at Transport agencies include:

- transport operations requiring work at night and on weekends in metropolitan areas due to traffic considerations
- needing 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.

Sydney Trains and NSW Trains' operations run 24 hours a day, 365 days of the year. The operations require overtime to ensure front line operations are staffed and maintenance and construction occur outside normal operating hours.

State Transit Authority 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		2014		2013	
Overtime paid as a percentage of annual salary	Number of employees	Overtime paid \$'000	Number of employees	Overtime paid \$'000	
>100	--	--	3	171	
90-100	--	--	2	95	
80-89	1	43	7	328	
70-79	13	608	35	1,504	
60-69	50	2,040	85	3,459	
50-59	171	5,915	251	8,474	
40-49	701	19,202	888	24,787	
30-39	2,017	43,840	2,175	46,117	
20-29	3,991	60,969	3,950	58,974	
10-19	5,406	50,989	5,489	50,066	
>0-9	9,287	22,963	9,017	23,461	
Nil overtime	4,614	--	9,009	--	
Total	26,251	206,569	30,911	217,436	

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

The table shows 82.4 per cent of employees (70.9 per cent in 2012-13) received an overtime payment in 2013-14 and 235 employees (383 employees) were paid 50 per cent or more of their annual salary in overtime.

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

Year ended 30 June		2014			2013	
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	TfNSW	79,213	75	RMS	98,999	146
2	TfNSW	74,361	61	RMS	81,880	69
3	TfNSW	66,582	64	RMS	73,802	92
4	Sydney Trains	60,982	57	RMS	65,652	65
5	Sydney Trains	60,813	59	RMS	65,597	78
6	Sydney Trains	59,886	55	TfNSW/DoT	65,962	57
7	Sydney Trains	59,723	55	RMS	64,588	64
8	Sydney Trains	59,627	58	RMS	62,452	61
9	Sydney Trains	59,166	64	RMS	61,385	94
10	Sydney Trains	58,083	72	RMS	60,805	72

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

A Transport for NSW employee received the highest overtime payment. Roads and Maritime Service's highest overtime payment has decreased from \$98,999 in 2012-13 to \$40,510 in 2013-14. State Transit Authority's highest overtime payment in 2013-14 was \$42,847 (\$39,399 in 2012-13). As the majority of the employees were transferred to Sydney Trains and NSW Trains, the highest overtime payment for Rail Corporation NSW decreased from \$58,600 in 2012-13 to \$49,155 in 2013-14.

Train Driver Overtime Bonus

Last year's Report to Parliament recommended action to reduce the amount of overtime bonuses paid to train drivers. Despite this recommendation the total amount paid in 2013-14 increased by 16 per cent to \$2.9 million from \$2.5 million in 2012-13. These bonuses were 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.

Engagement of Contractors

Management of contractors remains a concern within the Transport cluster. A number of contractors have been employed for more than eleven years. The number of contractors employed by transport agencies has increased from 1,823 contractors in 2012-13 to 1,886 in 2013-14, an increase of 3.5 per cent. The total cost of these contractors also increased from \$161 million in 2012-13 to \$173 million in 2013-14.

Contractor numbers in Transport for NSW and the Department of Transport were the major contributor to the increase in contract numbers with an increase of 174 contractors. Transport for NSW advised this increase was due to an increase in functions and responsibilities transferred from the Transport operating entities.

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 the past two years.

Contractor numbers and expense by agency:

Year ended 30 June		2014		
Transport agency	Number of contractors	Total cost of contractors \$'000	Term of longest serving contractor Years	Highest amount paid to a contractor \$'000
Transport for NSW*	1,021	40,467	11	514
Rail Corporation NSW	23	1,866	5.2	449
Sydney Trains	328	63,395	5.8	498
NSW Trains	11	5,681	5.2	531
Roads and Maritime Services	473	60,063	12.3	322
Independent Transport Safety Regulator	23	1,135	4.5	400
State Transit Authority	5	361	0.9	150
Sydney Ports Corporation	2	74	1	63
Total	1,886	173,062		

* Includes the Department of Transport.

Source: Transport for NSW (unaudited).

The total cost of contractors of \$173 million in 2013-14, has increased 7.5 per cent from previous year mainly due to the increase of total contractors cost in Transport for NSW and Roads and Maritime Services by \$9.3 million and \$1.1 million respectively.

Sydney Trains and NSW Trains had contractors vested from Rail Corporation NSW in 2013-14.

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

Year ended 30 June	2014		2013	
Duration	Number of Contractors	Proportion of Total Contractors %	Number of Contractors	Proportion of Total Contractors %
> 6 years	57	3.0	76	4.2
5-6 years	26	1.4	25	1.4
4-5 years	38	2.0	54	3
3-4 years	60	3.2	108	5.9
2-3 years	104	5.5	175	9.6
1-2 years	467	24.8	424	23.3
Less than one year	1,134	60.1	961	52.6
Total	1,886	100	1,823	100

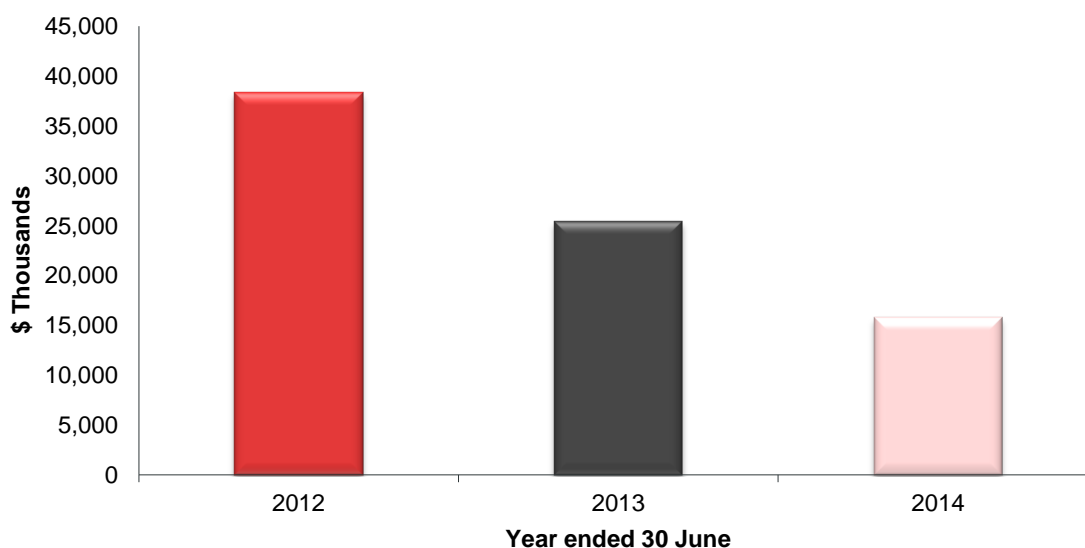
Source: Transport for NSW (unaudited).

Transport for NSW and Roads and Maritime Services had the longest serving contractors who have been engaged for over eleven years. This indicates that the position may have been more effectively filled by a permanent employee.

Workplace Health and Safety

Workers' compensation claims for transport entities have decreased in 2013-14, with the exception of Sydney Ports Corporation and Roads and Maritime Services. The decrease is due to workplace health and safety initiatives and programs that have been put in place by the transport and port entities. In 2013-14 the Transport cluster had a total of 1,480 claims and a workers' compensation expense of \$15.2 million, a decrease of 38 per cent (\$24.5 million in 2012-13). Ports entities had a total of 28 claims and workers' compensation expense of \$601,000, a decrease of 32.5 per cent (\$891,000 in 2012-13).

Workers' Compensation Expense



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

Sydney Ports Corporation had 16 workers compensation claims in 2013-14, up from ten in 2012-13. It has implemented risk assessments, workplace inspections, procedures, a safety audit program, induction and training programs including manual handling and workstation ergonomics, and employee consultation processes in response to the increase in the number of claims.

Roads and Maritime Services had 396 workers' compensation claims in 2013-14 slightly up from 395 in 2012-13. It has initiative and programs in place to manage work health and safety risks. It has also implemented a new work health and safety operating model to embed safety into business operations.

State Transit Authority had 394 workers' compensation claims in 2013-14 down from 410 in 2012-13. It undertakes a range of activities to actively promote, facilitate and monitor workplace health and safety and reduce workplace accidents and incidents. This includes conducting risk assessments, site and equipment inspections, investigations and consultation with workers.

NSW Trains which had its first year of operations in 2013-14 had 180 workers' compensation claims in 2013-14. NSW Trains has implemented a number of initiatives and strategic projects that focus on Employee safety. The Target Zero program is a two year program, designed to raise awareness of the importance of safety with all employees and to embed a culture that considers a target of zero safety incidents to be achievable.

Sydney Trains had 496 workers' compensation claims in 2013-14. There has been significant investment in safety education and awareness programs to change and improve Sydney Trains safety culture. In Sydney Trains' first year of operation this has been largely channelled through the development and deployment of the Target Zero safety behaviour program.

Security and Cost of Vandalism

Rail Corporation NSW, 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. The Command currently comprises over 400 officers, and will expand to 610 police officers by December 2014.

Expenses allocated to the Command are as follows:

Year Ended 30 June	2015	2014	2013
Expense Type	Budget \$'000	Actual \$'000	Actual \$'000
Employee related	57,300	38,325	28,637
Other operating	1,700	905	628
Total Expenditure	59,000	39,230	29,265

Source: Transport for NSW (unaudited).

Expenditure for the Police Transport Command for 2013-14 was \$39.2 million, an increase of 33.8 per cent (\$29.3 million in 2012-13). The expected increase in expenditure for 2014-15 is \$19.8 million, 50.5 per cent. The increased employee related expenditure is the result of additional officers being recruited as the program expands.

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

Officers attached to the police transport command have laid more than 9,000 charges and issued more than 92,000 infringement notices for drug possession, arson, indecent and sexual assault, and malicious damage since taking charge in May 2012.

Safety and security customer satisfaction

The customer satisfaction index has shown improved customer satisfaction levels for feeling safe on all transport modes.

Mode	Train		Bus		Ferry	
Survey Date	May 2014	May 2013	May 2014	May 2013	May 2014	May 2013
Feeling safe at the station/stop/wharf	83.7	80.6	90.3	85.3	97	95.9
Feeling safe while on the vehicle	85.4	82.5	94.6	89.9	98	97.1

Source: Transport for NSW (unaudited).

Cost of Vandalism and Graffiti

Last year I recommended that Rail Corporation NSW and the Sydney Ferries operators should implement systems to record instances of vandalism. Sydney Ferries, Sydney Trains and NSW Trains have responded that these systems have not been implemented in the current year. However various data is collected to assist in the management and response to instances of graffiti and vandalism.

Overall statistics on the number of instances of vandalism at major transport agencies over the past six years are not available. Sydney Trains, NSW Trains and Sydney Ferries, and previously Rail Corporation, do not record the number of instances of vandalism.

Sydney Trains and NSW Trains estimated their cost of vandalism and graffiti for 2013-14 was \$33.8 million, an increase of 9.4 per cent on that recorded by Rail Corporation (\$30.9 million in 2012-13). Additional costs in the year include high security fencing renewals to prevent vandalism, window film and glass replacement on V set trains and a targeted refurbishment programme for fibreglass interior and vestibule repairs on Millennium trains.

State Transit's 2013-14 cost of vandalism was \$1.1 million, an increase of 19.6 per cent (\$920,000 in 2012-13). Management has advised the increased costs are consistent with wage and material costs. However, the number of instances of vandalism recorded in 2013-14 (201 instances) was less than 2012-13 (313 instances in 2012-13).

For the light rail system the 2013-14 cost of vandalism was \$69,000, an increase of 60.5 per cent. Instances of vandalism have increased from four in 2012-13 to twelve in 2013-14. The cost of vandalism is not only driven by the number of instances but also the nature of the vandalism that occurs.

Asset Maintenance

In 2013-14, maintenance expenditure increased by 3.1 per cent, from \$1.5 billion to \$1.6 billion.

Year ended 30 June	Three year trend	2014	2013	2012
		\$m	\$m	\$m
Transport for NSW*	↑	125	111	1
Rail Corporation New South Wales	~	--	905	911
Sydney Trains	~	530	N/A	N/A
NSW Trains	~	376	N/A	N/A
State Transit Authority	~	5	8	7
Private Bus Operators	~	35	N/A	N/A
Sydney Ferries	~	12	N/A	N/A
Roads and Maritime Services	↓	486	494	525
Sydney Ports Corporation	↓	7	9	9
Newcastle Port Corporation	~	8	9	9
Total	↑	1,584	1,536	1,462

Source: Transport agencies (unaudited).

* Transport for NSW includes the Department of Transport.

Note: Office of the Transport Safety Investigator and Port Kembla Port Corporation did not incur maintenance expenses in 2013-14.

Note: Independent Transport Safety Regulator incurred a minimal maintenance expense of \$20,000 in 2013-14.

N/A No maintenance work was carried out in the year.

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

The table above does not include capitalised maintenance costs, employee related maintenance costs, or maintenance grants to Councils of the entities.

Roads and Maritime Services and Sydney Trains had capital renewal and operating backlog maintenance of \$5.1 billion and \$120 million respectively at 30 June 2014. All other transport entities advised they did not have backlog maintenance.

Roads and Maritime Services advised the significant increase in its backlog maintenance for its road and road related infrastructure assets, from \$2.7 billion in the prior year was due to the inclusion of road corridors and traffic systems for the first time in 2013-14.

Backlog maintenance indicates that maintenance tasks to repair, or prevent, equipment failures have not been completed. Asset maintenance is essential to ensure the optimal management of physical assets to maximise value.

Maintenance Plans and Target Spending

Rail maintenance and construction work ensures the delivery of safe, reliable train services to customers. Sydney Trains is building 12 new bases at Blacktown, Sutherland, Sydenham, Wollongong, Gosford, Hamilton, Lawson, Hornsby, Clyde, Glenfield, the CBD and Granville around their network. The new bases will support a range of improved systems and processes and enable Sydney Trains to decommission more than 120 smaller, older-style depots. The project is expected to be completed by December 2014. Maintenance bases house equipment, materials, staff amenities, administration and parking for Sydney Trains and employee vehicles.

Sydney Trains maintenance work includes maintenance and improvement works to network infrastructure and rollingstock, car parks, platforms, overbridges, fencing, embankments and network bases.

Roads and Maritime Services was allocated \$1.5 billion in 2013-14. This was announced by the NSW Government for maintenance and minor improvements to roads and bridges in New South Wales, including council owned infrastructure. This funding maintenance allocation included nearly \$379 million in Block Grants, repair funding and forecasted natural disaster payments to councils.

In 2014-15, the State government has budgeted another \$5.5 billion for roads, maritime and freight projects, with \$4.0 billion allocated to country New South Wales. \$1.2 billion of this allocation will be used to continue the upgrade of the Pacific Highway between Hexham and the Queensland border and another \$44.0 million provided for maintenance of the highway.

A state-wide road maintenance commitment of \$1.4 billion was also announced for 2014-15, with \$827 million of this funding being allocated to repairing roads, bridges and culverts in rural and regional New South Wales.

Governance

Governance refers to the framework of rules, relationships, systems and processes within, and by which, authority is exercised and controlled. It includes the systems the entities, and those charged with governance, use and are held to account by others.

Control of the Transport Cluster

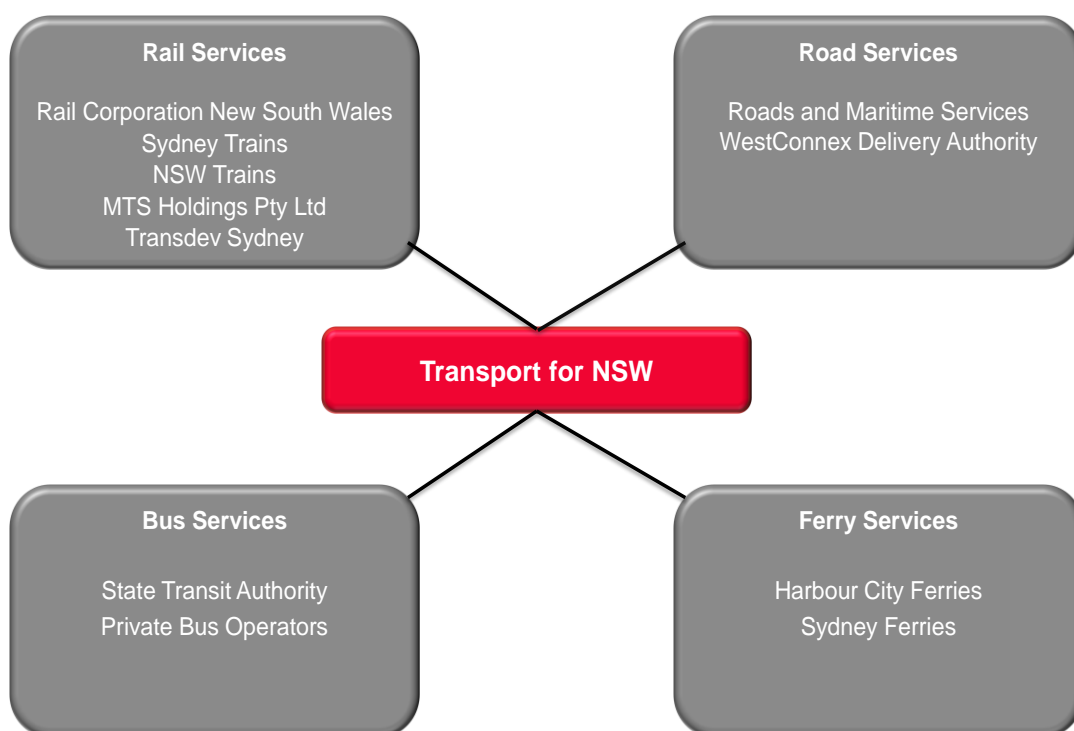
Transport for NSW is the lead agency in the Transport cluster. It is responsible for co-ordination, funding allocation, policy and planning, and other delivery functions for transport in New South Wales.

The Secretary of Transport for NSW has the ability to issue directions to most transport agencies under the *Transport Administration Act 1988*. The Secretary through Transport for NSW and the Department of Transport controls most agencies in the Transport cluster for accounting and administrative purposes.

Governance Framework

Transport for NSW operates within a network of alliances in providing both transport and other services.

Some transport service providers are Government transport operators (e.g. Sydney Trains), while others are private sector operators. Transport for NSW also contracts private sector service providers to deliver services (for example 131 500 transport information services).



In respect of the governance framework within the cluster, Transport for NSW has established performance based service agreements incorporating key performance indicators with public and private service providers to deliver transport services.

In addition to service agreements, the Secretary issues an annual Statement of Expectations to Roads and Maritime Services, Sydney Trains, NSW Trains and the State Transit Authority. Agencies are to determine their service delivery priorities having regard to the Secretary's expectations.

A Governance framework was established in 2011 and reviewed in late 2013. Transport for NSW has advised changes to the Governance framework in 2014 include Cluster chief executives now attending the Finance and Investment Committee, and Cluster Executive meetings have a more strategic approach.

Oversight arrangements have been established through various mechanisms to provide the Secretary with evidence that the Transport cluster is fulfilling its legislative objectives and functions. These mechanisms include performance agreements and performance meetings with each member of the executive team. Service contracts are monitored through regular contract review meetings.

Operating entity corporate plans are aligned to the overarching five year Transport for NSW Corporate Plan on an annual basis, providing a common link between strategic outlook and operator execution.

Each member of the Transport for NSW executive team, including agency Chief Executives, has a performance agreement with the Secretary. These agreements clearly define responsibilities and expectations. The actions in these agreements are cascaded into agreements and plans within business areas to ensure implementation.

Transport for NSW has established a number of governance committees to advise and support the Secretary in discharging his responsibilities. A number of other committees and consultation mechanisms both internal and external, also help to support decision making by the Executive and its subcommittees.

Performance Measurement Framework

Last year's report noted that Transport for NSW had completed its performance measurement framework but had not yet reported publicly against its performance measures. During the current year, the development of key performance measures and indicators in line with the Framework has been progressed and a reporting format covering high-level, cluster-wide key performance indicators (KPIs) has been developed. Since February 2014, this report has been tabled at Executive meetings.

In 2013-14, Transport for NSW has also publicly reported KPIs through the following publications:

- Customer Satisfaction Index online
- NSW 2021 Performance Report

Despite original publication in September 2011, baselines and or targets have not yet been established for a number of the measures set for the Transport cluster in NSW 2021.

A review of the performance measures has been commissioned by the Secretary, to ensure the KPI framework meets the current requirements of the Executive and incorporates best practice. This review is expected to be finalised in late 2014. The implementation of recommendations will be pursued during 2014-15 by Transport for NSW.

Completed 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.

Fraud Control

Compared to other clusters, relatively high levels of fraud were reported within the Transport cluster and agencies need to maintain a focus on fraud control.

In February 2013, Management dismissed a Rail Corporation NSW executive who was found to have corruptly solicited and received more than half a million dollars from colleagues and contractors. In total he received \$638,000 between February 2012 and February 2013. He was a senior manager at Rail Corporation NSW at the time and had considerable influence over the completion of large-scale contracts and staffing decisions.

The NSW Independent Commission Against Corruption (ICAC) conducted an investigation and on 13 October 2014 recommended the Director of Public Prosecutions consider charging the former executive for corruption. The ICAC did not make any corruption prevention recommendations as this investigation did not raise any systemic issues.

With the discovery of this fraud, management revised the code of conduct for the entire cluster.

Transport for NSW's Corruption Control Framework helps meet the agency's responsibilities under Treasury's Internal Audit and Risk Management Policy, specifically in relation to the management of fraud and corruption risks. The Framework is composed of Transport for NSW's Corruption Control Policy and a 12-month Plan. The Policy outlines Transport for NSW's commitment to corruption control and includes broad corruption control objectives to prevent, detect and respond to corruption. The Plan is reviewed annually and outlines the activities the Corruption Prevention Unit undertakes to achieve its objectives.

Roads and Maritime Services has a Fraud and Corruption Framework which is currently under review. It has a dedicated section within the Audit and Risk Branch that assesses and coordinates investigations into suspected frauds. Fraud prevention training has been provided to senior managers and is ongoing, as well as ethical decision training to new staff in high risk areas.

NSW Trains has undertaken a Fraud Risk survey and has assessed its current Fraud Control initiatives. As a result, NSW Trains has identified improvements to its fraud control plan which are being implemented in a staged approach. The plan will be reviewed on an annual basis.

The State Transit Authority has policy and procedures covering fraud and corruption detection, investigation and prevention. Fraud Control activities are overseen by the executive and reported regularly at the Audit and Risk Committee. A fraud risk assessment has been conducted and is reviewed and updated annually.

Fraud Cases Reported and Investigated

Year ended 30 June	2014		2013		2012	
Entity	Cases Investigated	Cases Reported	Cases Investigated	Cases Reported	Cases Investigated	Cases Reported
Sydney Trains	88	128	N/A	N/A	N/A	N/A
NSW Trains	14	14	N/A	N/A	N/A	N/A
Rail Corporation New South Wales	25	31	275	331	386	472
State Transit Authority	20	20	22	22	42	42
Private Bus Operators*	1	1	--	--	--	--
Sydney Ferries	--	--	--	--	1	1
Roads and Maritime Services	23	31	9	11	12	14
Transport for NSW**	15	18	4	5	6	8
Independent Transport Safety Regulator	--	--	--	--	--	--
Office of Transport Safety Investigations	--	--	--	--	--	--
Total	186	243	310	369	447	537

Source: Transport for NSW (unaudited).

N/A Sydney Trains and NSW Trains started operations on 1 July 2013.

* Private Bus operators only includes cases reported to Transport for NSW.

** Transport for NSW also includes the Department of Transport and the Transport Service of New South Wales.

All complaints received through the 'Misconduct and Corruption Hotline' and the 'Report Misconduct Email' are registered in the Matter Management System. The system records all allegations and progress of investigations of reported fraud and corrupt conduct. Where a matter implicates more than one Transport cluster agency, the matter is managed through Transport for NSW.

The majority, or 71.2 per cent, (89.7 per cent in 2013) of reported fraud and corrupt conduct is from the rail entities. However, the number of reported cases at rail entities has decreased from 472 in 2012 to 173 in 2014.

Reported cases of fraud at Roads and Maritime Services have increased from 11 in 2012-13 to 31 in 2013-14 and now accounts for 12.8 per cent of total reported cases in the whole transport cluster (3.0 and 2.6 per cent in the previous two years). Management believes the increase is in part attributed to the recent training provided to managers and staff to report suspected frauds.

Transport Planning

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 first annual update of the Long Term Transport Master Plan was published in December 2013.

Corporate Services Reform

Transport Shared Services, a division within Transport for NSW provides various corporate services to entities with the Transport cluster. During 2014, service level agreements were signed for all agencies serviced by Transport Shared Services. The Audit Office first recommended this action in a 2012 report. Key performance indicators and targets have also been developed and are reported to client agencies monthly.

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.

As well as the above, the Transport Cluster had the following corporate services developments:

- Direct employment by Transport Service of the senior executives of Roads and Maritime Services, State Transit Authority, Sydney Trains and NSW Trains
- Abolition of the Roads and Maritime Services Division and the State Transit Authority and Western Sydney Buses Divisions, with staff of those Divisions transferred to the Transport Service of NSW

Restructures within Transport

There have been a number of changes to the public sector agencies in the Transport Cluster during the year.

Sydney Trains and NSW Trains commenced operations on 1 July 2013.

Transport for NSW assumed direct responsibility for light rail assets and contract payments, and MTS Holding Company Pty Ltd was deregistered on 9 September 2014.

Responsibility for transport heritage activities was transferred to Transport for NSW and the operations of Trainworks Limited were transferred to a private sector company.

Port of Newcastle Long-Term Lease

Highlights and Key Financial Information of the Transaction

The Port of Newcastle long-term lease contributed \$1.8 billion gross proceeds to the State which was received at the start of the lease term. A gain on sale of \$488 million was recognised in the Total State Sector financial statements. The transaction was completed on 30 May 2014.

Transaction Highlights	Financial and Other Information
Lease type	98-year lease encompassing assets and operations in the Port of Newcastle
Lease term started	30 May 2014
Gross proceeds	\$1.8 billion
Gain on sale of discontinued operations	\$488 million
Settlement of port corporation's borrowings from transaction proceeds	\$121 million
Net distributions to the NSW Government	\$1.6 billion
Retained functions of Newcastle Port Corporation	Marine safety and emergency pollution response, pilotage and navigation services, the role of Harbour Master, vessel traffic control, and the regulator of the Hunter Coal Export Framework.

Source: Information provided by Newcastle Port Corporation and audited financial statements.

Arrangements Facilitating the Transaction

In order to facilitate the long-term lease transactions, Newcastle Port Corporation (NPC) incorporated the following wholly owned subsidiaries in October 2013:

- Port of Newcastle Operations Pty Limited (as trustee for the Port of Newcastle Unit Trust) (PNO)
- Port of Newcastle Lessor Pty Limited (PNL).

In December 2013, 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 2014.

On 30 May 2014, PNO was sold to the successful bidder. On the same date the assets held by PNL were leased for 98-years to the successful bidder and the ownership of PNL was transferred to the Ports Assets Ministerial Holding Corporation for nil consideration.

Some staff from NPC was transferred to the private sector lessee, with certain guaranteed employment conditions and a transfer payment.

Usage of Transaction Proceeds

The NSW Government announced that 30 per cent of the proceeds will be directed toward projects in rural and regional New South Wales.

To date the NSW Government has announced that the proceeds will be used as follows:

- \$340 million for the revitalisation of the Newcastle CBD
- \$1.2 billion will be invested in the NSW Government's infrastructure fund – Restart NSW.

Restart NSW funds are focused on accelerating delivery of priority projects identified by Infrastructure NSW and in the State Infrastructure Strategy, including WestConnex and Resources for Regions.

Regulation of Ports under Long-Term Lease

The Government has retained regulatory oversight of certain port matters such as the Harbour Master and port safety.

Port Authority of New South Wales

The assets, rights, liabilities and staff of Sydney Ports Corporation and Port Kembla Port Corporation were transferred to Newcastle Port Corporation on 1 July 2014. Long term lease arrangements were completed for Port Botany and Port Kembla during 2012-13 on broadly similar terms to those for Newcastle Port.

Newcastle Port Corporation is trading as the Port Authority of New South Wales from 1 July 2014 as a State Owned Corporation which still retains the responsibility for commercial aspects of maritime trade and safety functions for the ports of Newcastle, Sydney Harbour, Botany Bay, Port Kembla, Eden and Yamba. The safety functions are detailed in the Port Safety Operating Licence issued to Newcastle Port Corporation.

These functions include the provision of:

- Harbour Masters
- pilotage and navigation services
- marine pollution emergency response
- port safety
- navigational safety and vessel traffic control
- regulation of the Hunter Valley Coal Export Framework.

Transport for NSW Freight and Regional Development Division has responsibility for issuing and overseeing the operation of the Port Safety Operating Licence and for government policy on ports.

Service Delivery

The achievement of Government outcomes can be improved through the effective delivery of the right mix of services, whether from the public, private or not-for-profit sectors. Cluster agencies have been working to achieve the goals and targets outlined in NSW 2021 and to provide transport services in the most efficient and effective way possible.

In an environment of increasing delivery through partnerships, outsourcing, devolution and shared services, audit reports have identified areas where improvement is required.

On-Time Running

Recommendation

Transport for NSW should ensure a consistent measure of on-time running and peak hour windows across transport modes.

From 1 July 2013 Rail Corporation NSW's passenger service operations were transferred to Sydney Trains and NSW Trains. Sydney Trains operates the suburban rail network in the area bounded by Berowra, Emu Plains, Macarthur and Waterfall. NSW Trains operates the intercity lines, as well as the regional TrainLink network (formerly known as CountryLink).

Sydney Trains achieved an average on-time running of 94.6 per cent for 2013-14. NSW Trains intercity services recorded an average on-time running performance of 85.6 per cent. Regional passenger services operated by NSW Trains achieved an average on-time running performance of 73.5 per cent.

State Transit Authority and private bus operators achieved an average on-time running rate of 93.9 per cent, up from 92.2 per cent in 2012-13.

Ferries achieved an overall on-time running rate of 99.1 per cent, consistent with last year.

Sydney Trains' performance is compared with previous CityRail suburban services and NSW Trains intercity performance is compared to CityRail intercity performance. NSW Trains regional services performance is compared with previous CountryLink performance.

Despite moves to coordinate services across the transport cluster, the measure of on-time running and of peak hour windows are not consistent. The table below highlights the inconsistencies across the different modes:

Mode		On-time Definition	Peak Period
Rail	Suburban	Suburban services arriving at Central Station within five minutes of timetable in the morning peak, or the last passenger stop for afternoon peak.	6 am to 10 am; and 3 pm to 7 pm
	Intercity	Intercity services arriving at Central Station within six minutes of timetable in the morning peak, or the last passenger stop for afternoon peak.	6 am to 10 am; and 3 pm to 7 pm
	Regional	Rail services arriving at their destination within ten minutes of scheduled time.	No specific peak period
Light Rail		No on-time running measure however Transport for NSW has set a target for each service to run with less than one minute deviation from planned frequency.	7 am to 10 am and; 3 pm to 6 pm
Bus		A bus service departing from the first stop no more than one minute and 59 seconds early, and no more than 5 minutes and 59 seconds late.	On-time running data is collected in the morning peak only, between 6 am and 10 am, over three separate days each month.
Ferry		Services are reported as being on-time if they depart from the service origin wharf less than five minutes late compared to the timetable.	No specific peak period

Source: Transport for NSW (unaudited).

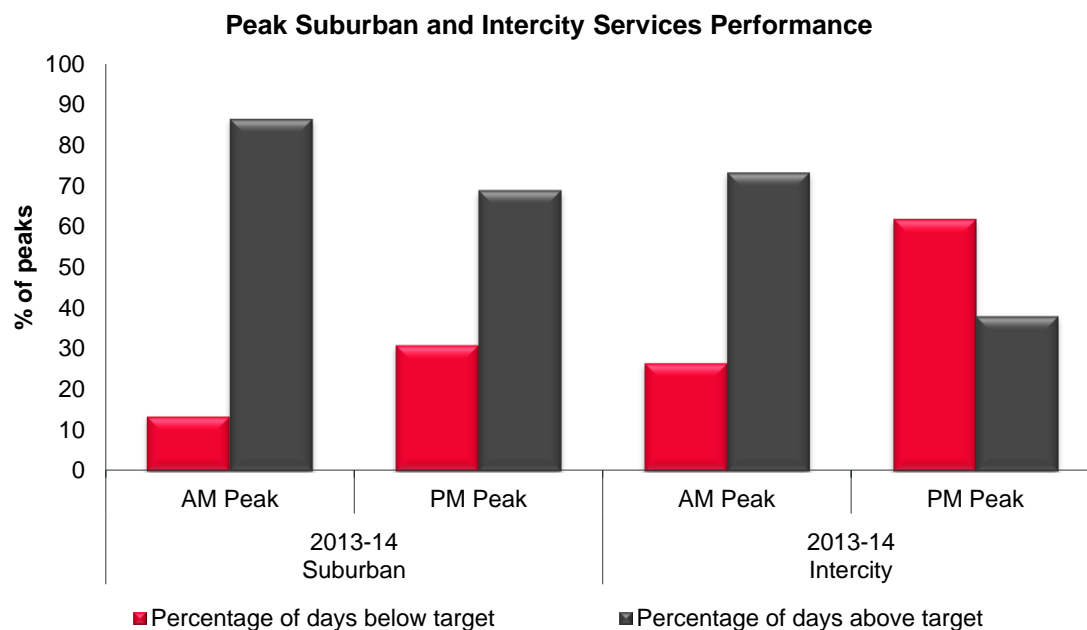
Targets for on-time running are set in the service contracts between Transport for NSW and the various operators. These targets are the same as those in NSW 2021.

Rail

Six out of sixteen suburban and intercity lines did not achieve their on-time running targets in 2013-14.

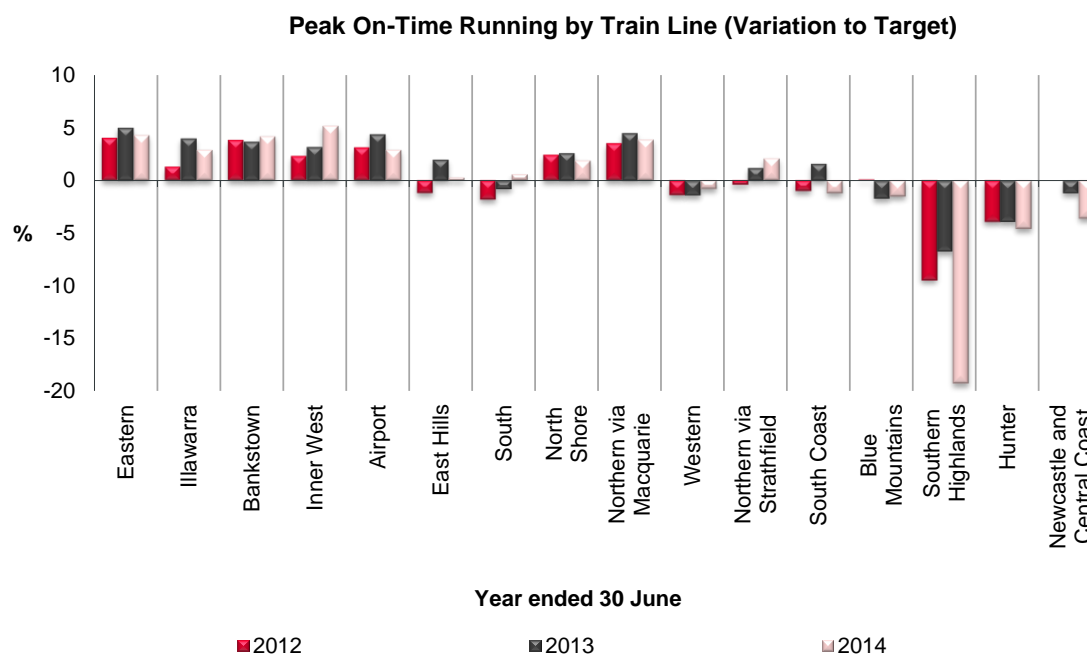
Sydney Trains achieved an on-time running average of 94.6 per cent. This compares well to the target of 92 per cent but is lower than an on-time running rate of 94.7 per cent for suburban services in 2012-13. NSW Trains intercity services achieved an average on-time running of 85.6 per cent, compared to 91.4 per cent in 2012-13. Regional services, now operated by NSW Trains achieved an average of 73.5 per cent on time running, slightly lower than 73.7 per cent in 2012-13. The target for regional services is to have 78 per cent of services arrive at their destination within 10 minutes of scheduled times.

During 2013-14 there were a number of days where suburban and intercity services did not achieve the 92 per cent target in the Rail Services Contracts. As shown in the graph below 61.9 per cent of intercity services afternoon peaks did not operate on time.



Source: Transport for NSW (unaudited).

The graph below shows the on-time running performance by rail line for the last three years for suburban and intercity services as the variation from the on-time running target of 92 per cent.



Source: Transport for NSW (unaudited).

The Newcastle and Central Coast line on-time running performance has deteriorated since 2010-11. The line achieved an on-time running performance of 88.4 per cent in 2013-14. The Southern Highlands line recorded the largest performance decrease from 85.3 per cent in 2012-13 to 72.8 per cent in 2013-14. The Inner West line on the other hand recorded the largest improvement from 95.2 per cent to 97.2 per cent.

It has been eleven years since the regional passenger services, now operated by NSW trains achieved their on-time running target of 78 per cent.

Intercity and regional services were transferred to NSW Trains on 1 July 2013. After recording an improvement in 2012-13, regional services on-time running performance slightly declined in 2013-14. It has been eleven years since the TrainLink service achieved its on-time running target of 78 per cent.

Performance results and targets for rail services are highlighted in the table below:

Year ended 30 June	Target			Actual		
	2014	2014	2013	2012	2011	2010
Percentage on-time running	%	%	%	%	%	%
Sydney Trains Suburban	92	94.6	94.7	93.6	94.8	96.1
NSW Trains intercity	92	85.6	91.4	91.7	93.2	94.3
NSW Trains TrainLink	78	73.5	73.7	62.1	72.8	74.7

Source: Sydney Trains and NSW Trains (unaudited).

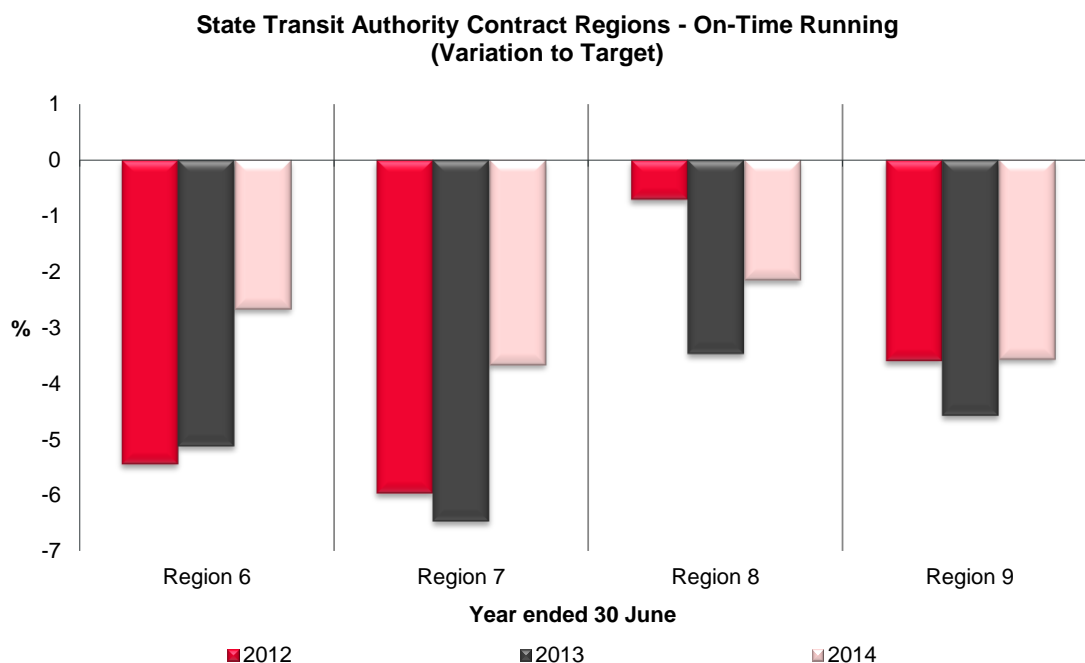
From 1 July 2013, the new measure of punctuality for Sydney Trains services and NSW Trains intercity services became effective. This new measure called peak punctuality differs from the previous on-time running measure as it includes longer peak periods, and it excludes services that skip a timetabled stop from being considered on time. The previous on-time results are in this Report to allow comparison to prior years. Peak punctuality will be used in the future as comparative information becomes available.

Buses

Recommendation

Transport for NSW should publish on-time running results for outer metropolitan bus contract regions.

The graph below shows the on-time running performance by State Transit Authority for the last three years for its metropolitan contract regions as the variation from the on-time running target of 95 per cent.



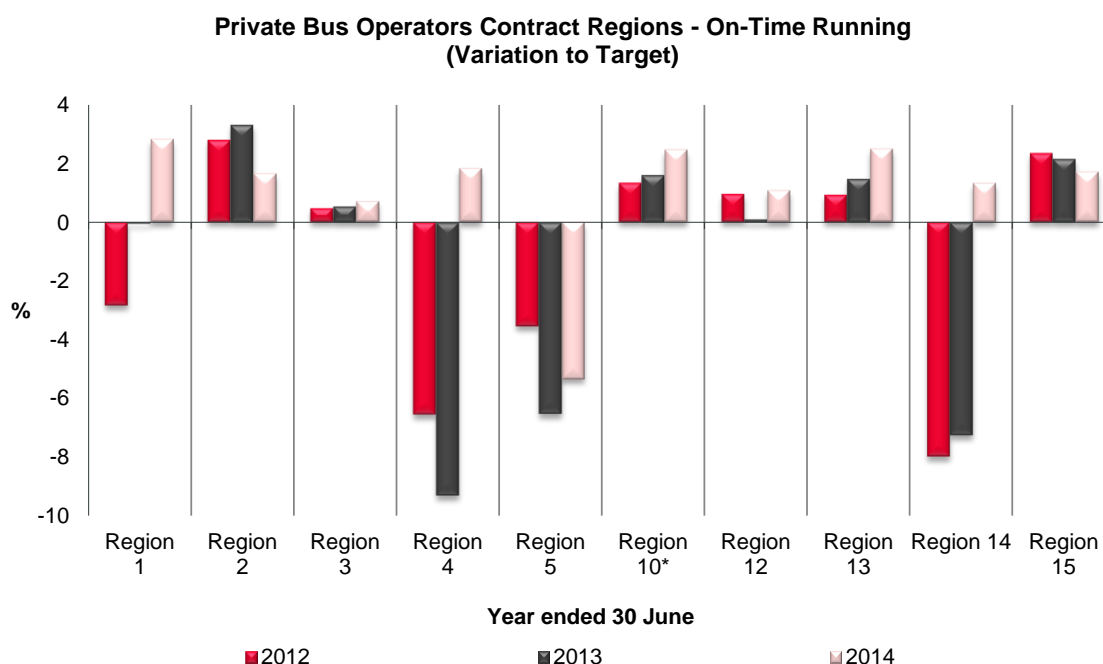
Note: Refer to Appendix Four for a description of the areas serviced by each bus region.

Source: Transport for NSW (unaudited).

State Transit Authority has not met its on-time running target in any of its four metropolitan contract regions for the last three years.

State Transit Authority has not met its on-time running target in any of its four metropolitan contract regions for the last three years. However all four regions have recorded improvements in 2013-14 compared to 2012-13, following the introduction of a program designed to improve business performance.

The graph below shows the on-time running performance by private bus operators for the last three years for their metropolitan contract regions as the variation from the on-time running target.



* Regions 10 and 11 were combined during 2012-13.

Source: Transport for NSW (unaudited).

All but one of the metropolitan regions managed by private operators achieved the on-time running target. Contract region five, servicing Lakemba, Mortdale, Punchbowl, and Roselands achieved an average on-time running performance of 89.7 per cent, compared to 88.5 per cent in 2012-13. Contract region one, servicing Blacktown, Penrith, Richmond and Windsor achieved the highest on-time running result with an average of 97.8 per cent, up from 94.9 per cent in 2012-13.

Transport for NSW publishes the average on-time running performance of each bus contract region by month on its website for metropolitan region contracts. On-time running performance data is not published for outer metropolitan bus contracts.

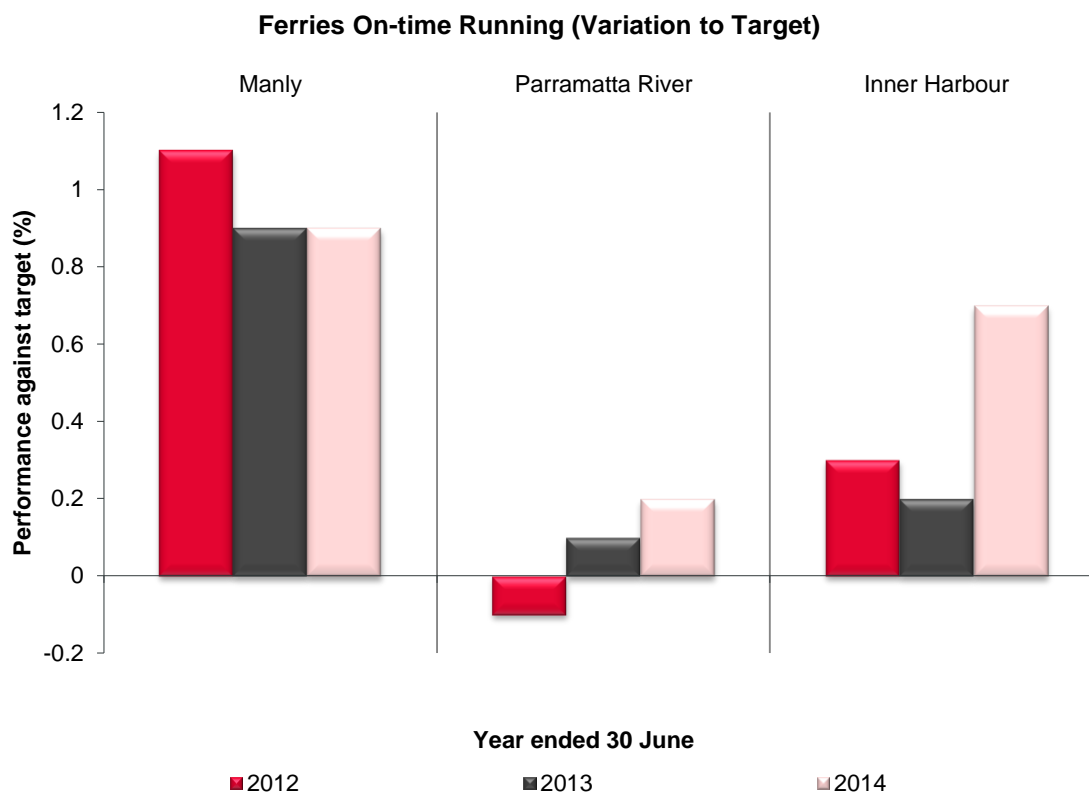
There are fourteen contract regions in the Sydney metropolitan area and ten regions in the outer metropolitan area. State Transit Authority provides services in four metropolitan regions, operating as Sydney Buses, and one outer metropolitan region. All other regions are serviced by private operators.

Transport for NSW advised that the current metropolitan bus contract period for measuring on-time running is twenty four hours a day utilising the Public Transport Information and Priority System (PTIPS). This will be expanded to the outer metropolitan contracts in future. However PTIPS on-time running results are not currently published.

NSW 2021 has a target for 95 per cent of Sydney Buses to run on time across the network; however there is no target for outer metropolitan bus contracts.

Ferries

On-time running performance for ferry services continues to be very strong. All service areas exceeded the target of 98.5 per cent in 2013-14 and in 2012-13.



Source: Transport for NSW (unaudited).

The May 2014 Customer Satisfaction Index update reported 96.9 per cent of ferry users were partly to very satisfied with the timeliness of ferry services, compared to 89.5 per cent of train users and 80.5 per cent of metropolitan bus users.

Compensation and Penalties

Monthly payments to bus operators under the metropolitan and outer metropolitan bus contracts can be reduced due to failure of meeting key performance indicators including on-time running. The light rail operations contract allows for penalties for not meeting certain operational requirements including service reliability, journey time and punctuality.

The ferry services contract and the rail services contracts on the other hand do not allow for adjustments to funding and service payments for failure to meet punctuality targets.

Transport for NSW advised that it does not provide compensation to public transport users for failure to meet punctuality or reliability targets. In contrast, Public Transport Victoria provides compensation in the form of complimentary travel tickets, or their equivalent value awarded to customers' electronic ticketing balances. The table below shows the performance thresholds that trigger compensation eligibility and the value of such compensation.

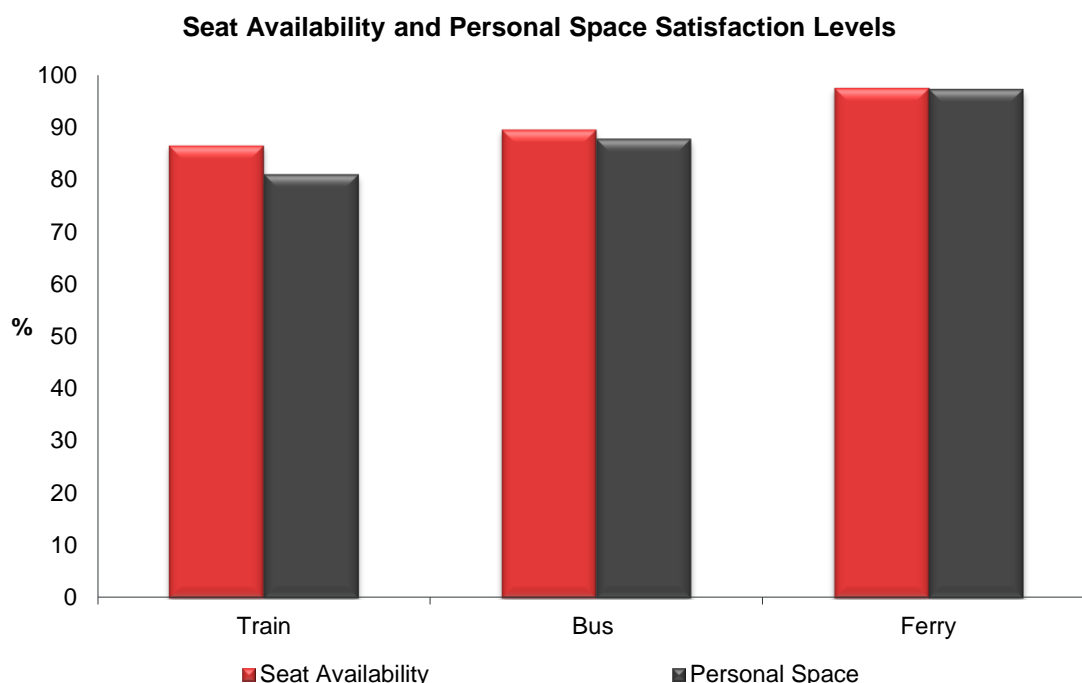
Operator	Performance Requirement	Compensation Value
V/Line	Less than 96 per cent of timetabled services are operated	One daily ticket equivalent
	Less than 92 per cent of services run on-time	One daily ticket equivalent
Metro Trains Melbourne	Less than 98 per cent of timetabled services are operated	One daily ticket equivalent
	Less than 95 per cent of timetabled services are operated	Two daily tickets' equivalent
	Less than 88 per cent of services run on-time	One daily ticket equivalent
	Less than 84 per cent of services run on-time	Two daily tickets' equivalent
Yarra Trams	Less than 98 per cent of timetabled services are operated	One daily ticket equivalent
	Less than 95 per cent of timetabled services are operated	Two daily tickets' equivalent
	Less than 77 per cent of services run on-time	One daily ticket equivalent
	Less than 74 per cent of services run on-time	Two daily tickets' equivalent

Public Transport Capacity

Public transport customers reported they were satisfied with seat availability and personal space on all modes of transport.

Load surveys are conducted on a bi-annual basis for ferry and train services. Results are made available on the Transport for NSW website. Crowding information is not published for buses, despite bus contracts requiring this information to be reported to Transport for NSW.

Transport for NSW has introduced a Customer Satisfaction Index for each mode of transport which includes a measure of satisfaction for seat availability and personal space. Public transport customers reported they were satisfied with seat availability and personal space on all modes of transport. The May 2014 seat availability and personal space by mode satisfaction results were as follows:

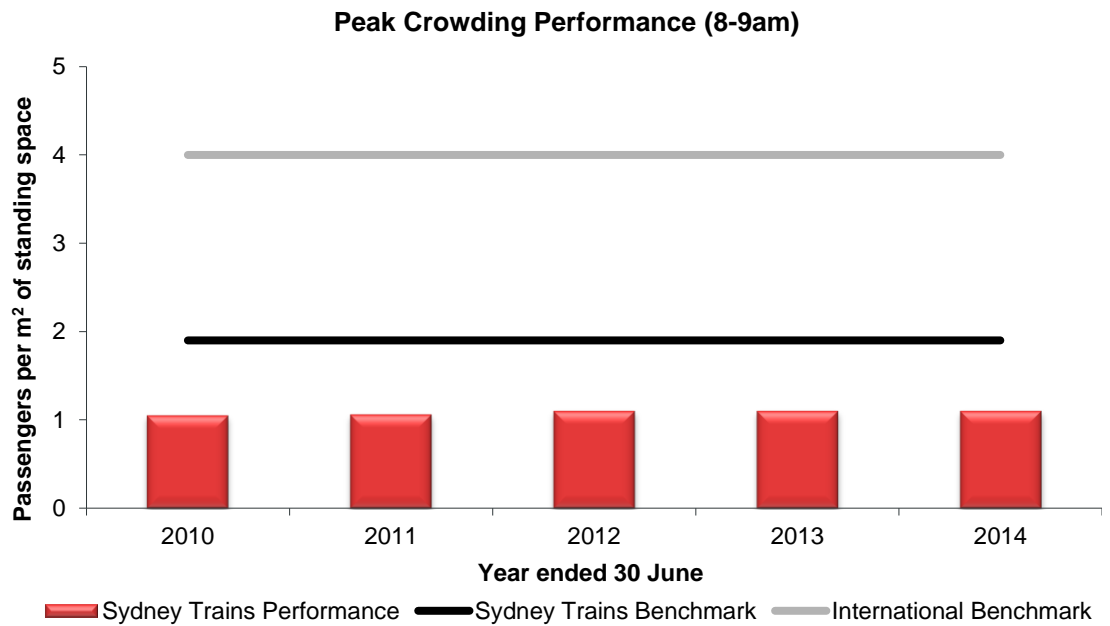


Source: Transport for NSW (unaudited)

In October 2013 an additional 1,700 weekly bus services, more than 1,000 additional weekly rail services as well as 55 ferry weekly services commenced to address frequency and capacity.

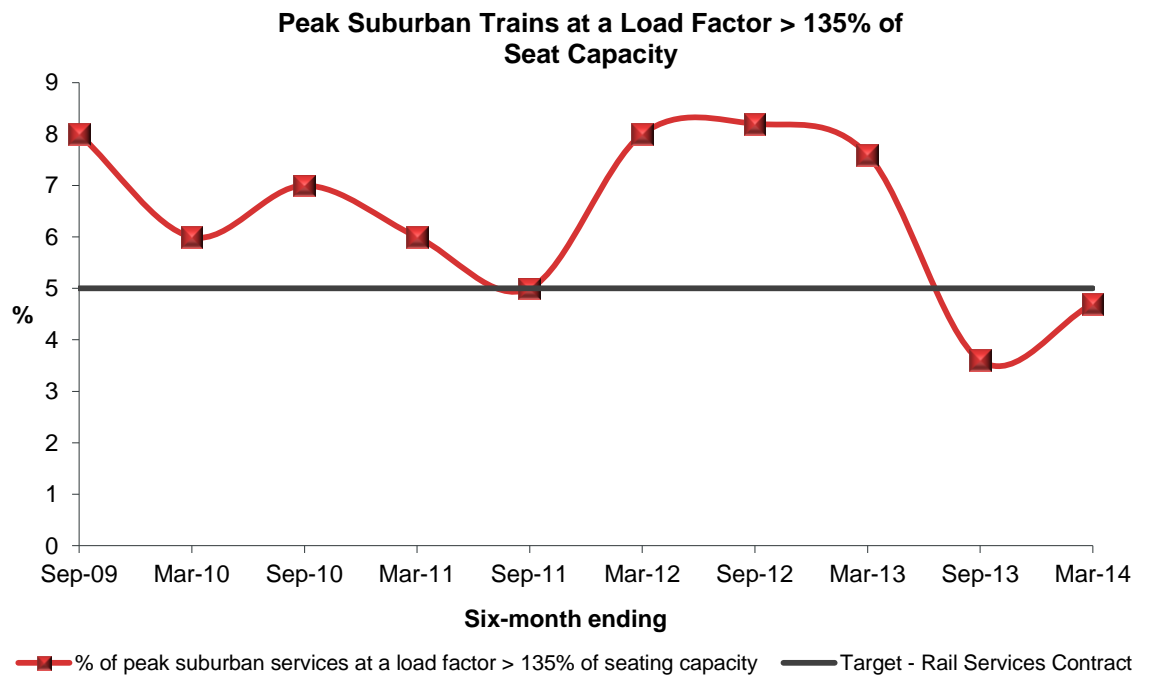
Sydney Trains and NSW Trains benchmark passenger crowding on their services against other global operators. The benchmark measures the number of passengers per square metre of standing space.

Sydney Trains and NSW Trains passengers continue to experience significantly lower passenger density than the global benchmark of no more than four passengers per square metre, achieving an average of 1.1 passengers in 2013-14 (1.1 in 2012-13). This also compares well with Sydney Trains' internal target of 1.9 passengers per square metre.



Source: Transport for NSW (unaudited)

Another measure of crowding on passenger rail services is the number of trains with over 135 per cent of seating capacity. A bi-annual train load survey records the average and maximum load of in the morning peak between 8 am and 9 am and in the afternoon peak between 5 pm and 6 pm. The results of peak hour load surveys over the last five years are shown in the graph below:



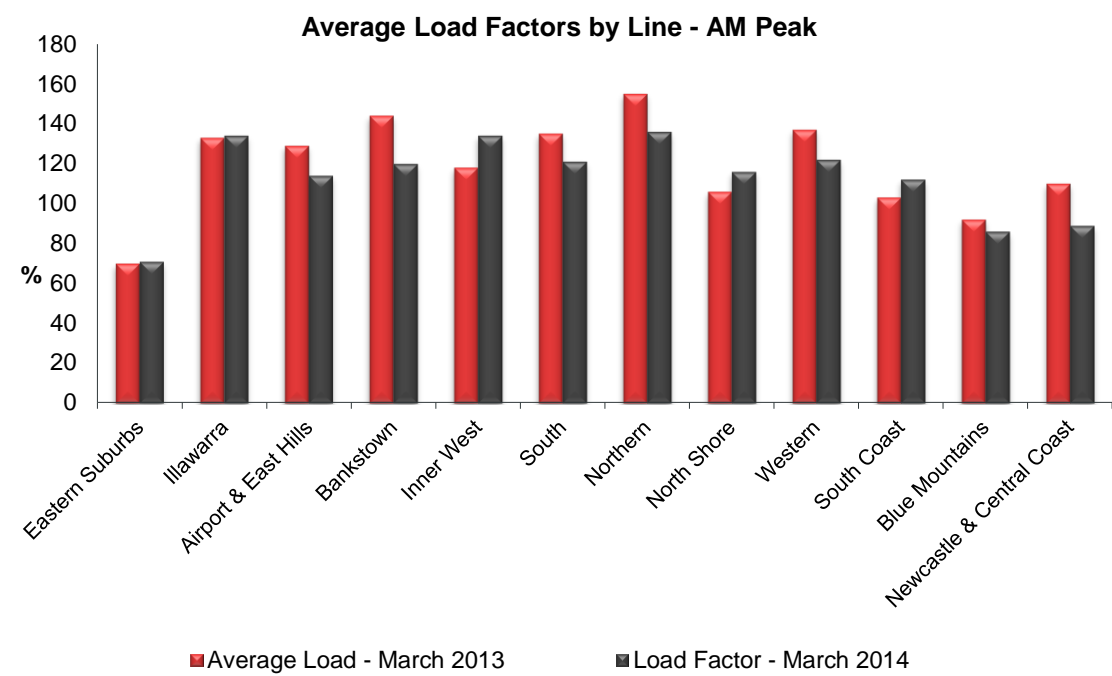
Source: Transport for NSW (unaudited).

A train running at 135 per cent capacity is equivalent to a train with all seats taken and five to six people standing on each level, as well as 15 to 16 people in each vestibule as illustrated below:



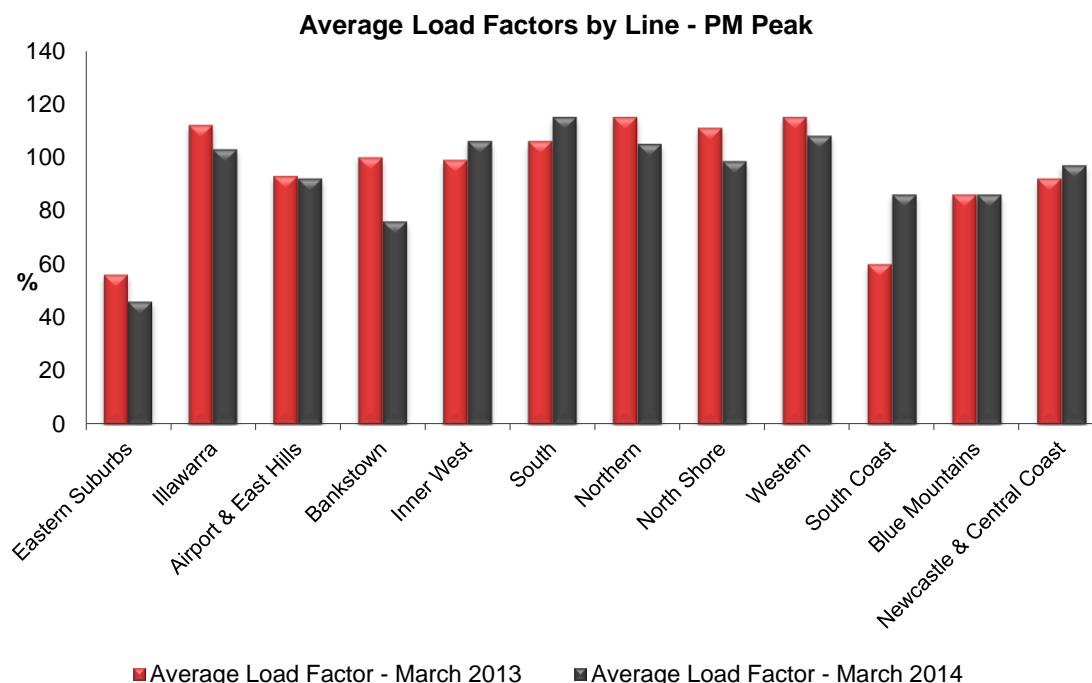
Source: Sydney Trains' Website

The charts below highlight the movement in the average loads recorded across the suburban and intercity lines. Comparisons are made between the March 2013 and March 2014 surveys. The March surveys are more representative than September and they allow a more accurate comparison.



Source: Transport for NSW (unaudited).

The average load during the morning peak has decreased on seven out of the twelve lines surveyed. The Bankstown line had the largest decrease in average load from 144 per cent to 120 per cent. There are two additional train services on the Bankstown line during the morning peak survey period. The Inner West line on the other hand lost one train service during the same period and experienced an increase in average load from 118 per cent to 134 per cent.



Source: Transport for NSW (unaudited)

In the afternoon peak survey period the Bankstown line experienced the largest improvement with average load decreasing from 100 per cent to 76 per cent. The number of services during the afternoon peak survey decreased to three on the South Coast Line, leading to an increase in the average load from 60 per cent to 86 per cent.

Patronage Growth

Total passenger journeys on all public transport modes increased from 547 million to 560 million journeys in 2013-14 representing a 2.4 per cent increase.

Rail patronage comprising Sydney Trains suburban services and NSW Trains intercity services increased by 2.6 per cent from 306 million in 2012-13 to 314 million in 2013-14. Regional services patronage decreased by 3.4 per cent compared CountryLink in 2012-13. Patronage on regional services has been decreasing since 2011-12 where it peaked at 2 million passenger journeys. There were less than 1.8 million passenger journeys in 2013-14, the lowest patronage recorded in the last five years.

Light rail patronage decreased by 7.7 per cent from 4.2 million passengers in 2012-13 to 3.9 in 2013-14 due to derailments and a number of weekend closures. The patronage figures in 2012-13 also included monorail patronage which was dismantled in June 2013.

Metropolitan bus patronage increased by a total of 4.2 million passenger journeys from 205 million in 2012-13 to 209 million in 2013-14, a two per cent increase. Outer metropolitan bus patronage however decreased slightly from 15.5 million in 2012-13 to 15.2 million in 2013-14.

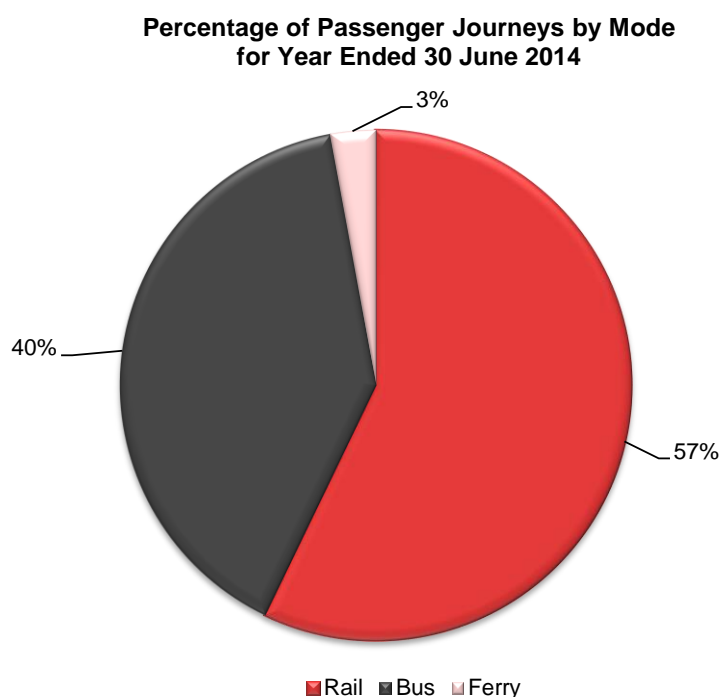
Patronage on Sydney Ferries increased from 14.9 million in 2012-13 to 16 million in 2013-14 representing a 7.4 per cent increase from 2012-13.

The graph below shows the movement in patronage over the last five years by mode.



Source: Transport for NSW (unaudited)

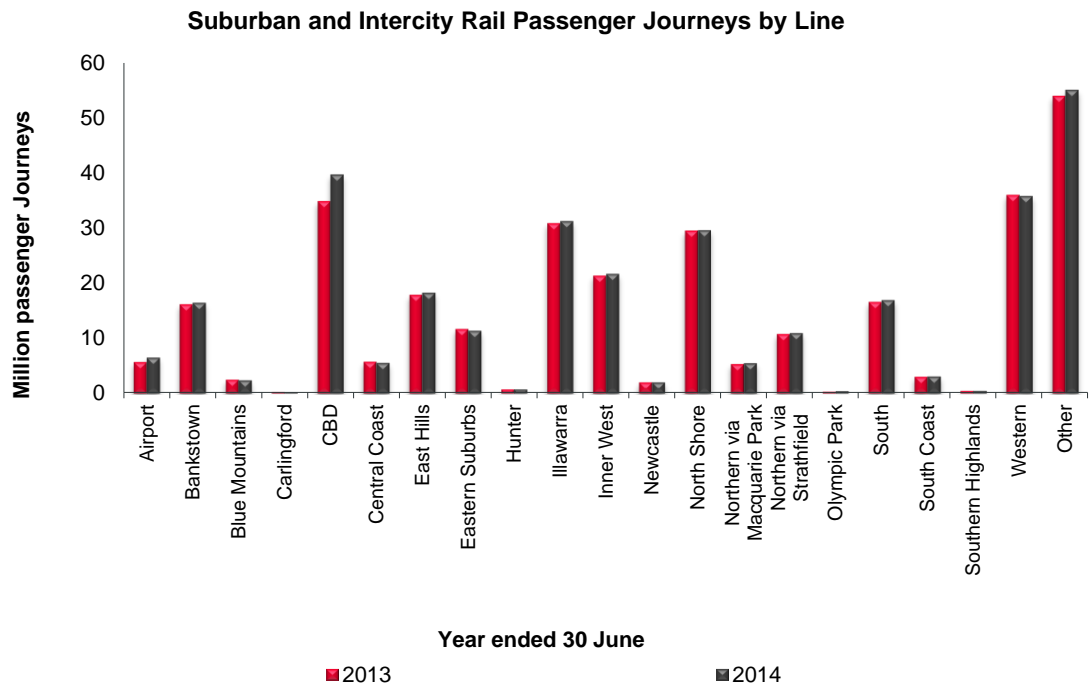
The split of public transport passenger journeys by mode is shown below:



Source: Transport for NSW (unaudited)

Rail which includes NSW Trains regional services and light rail, continues to carry the largest portion of passenger journeys.

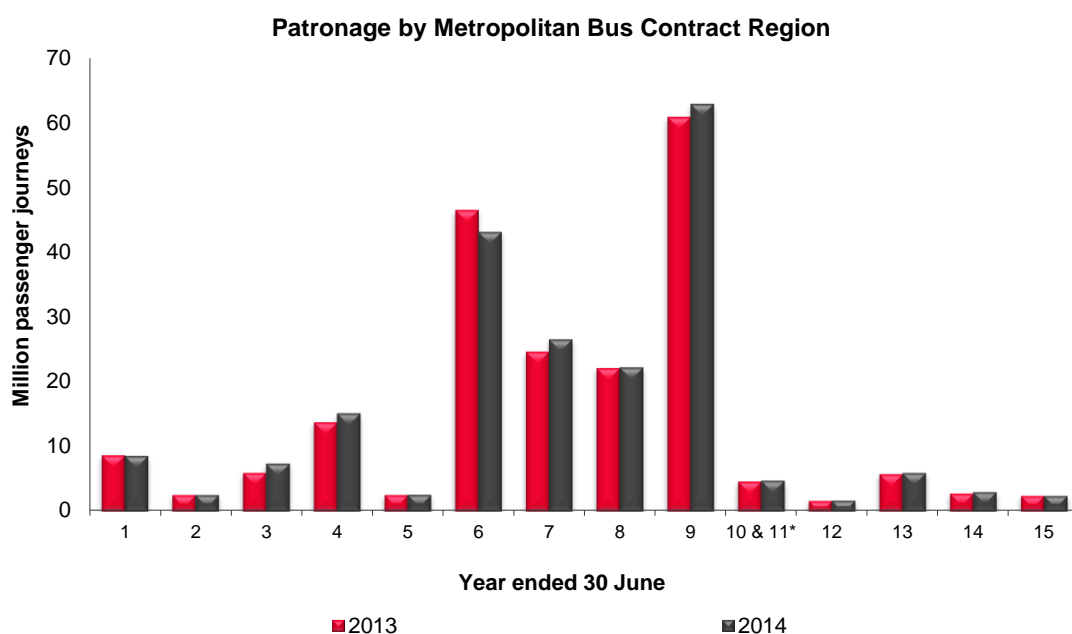
The introduction of the Opal card was accompanied by a change in the methodology of calculating patronage figures on trains. Opal journeys are assigned by the location where the customer commences their train trip by tapping on, compared to ticket sales where those rail journeys are assigned to the station of sale. This has had some impact on the comparison of individual lines between 2012-13 and 2013-14; however future comparisons will more accurately reflect the movement in patronage.



Source: Transport for NSW (unaudited).

Other refers to journeys based on tickets issued from vendors other than Sydney Trains and NSW TrainLink, such as State Transit Authority, Harbour City Ferries, Private buses, newsagents and convenience stores. This category also includes unpaid travel, such as free school passes and fare evasion.

The graph below highlights patronage on metropolitan bus services by contract region.

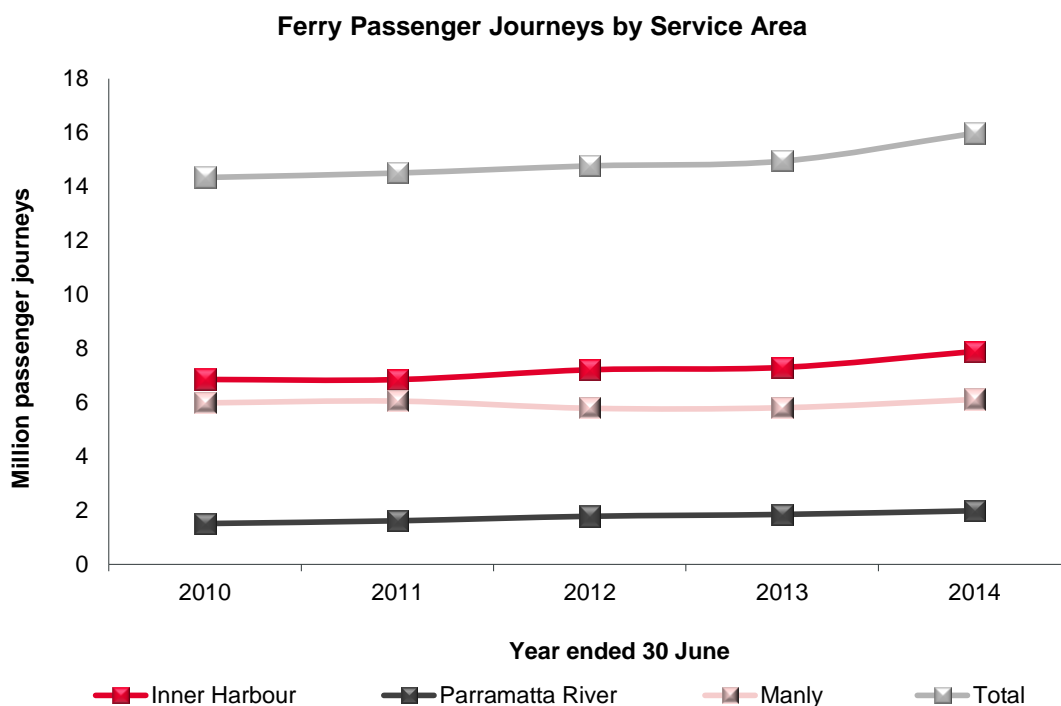


* Regions 10 and 11 were combined in 2012-13. State Transit Authority operates services in regions six, seven, eight and nine. The remaining regions are in the hands of private bus operators.

Source: Transport for NSW (unaudited).

Patronage in metropolitan contract regions managed by State Transit Authority increased slightly by 0.5 per cent in 2013-14, compared to a 6.9 per cent increase across regions serviced by private bus operators.

Patronage across ferry service areas increased by an average of 6.9 per cent, with the Inner Harbour area increasing by 8.1 per cent. Patronage on the Manly service area increased by 5.3 per cent and Parramatta River service area patronage increased by 7.4 per cent. The chart below shows the breakdown of patronage across ferry service areas:



Source: Transport for NSW (unaudited).

Increase in Public Transport Use

Goal eight of the NSW 2021 plan aims to increase patronage on public transport by making it a more attractive choice. The targets to be met as part of the goal include increasing the proportion of public transport use during peak periods to and from six different business districts. The results for each of the central business districts are highlighted below. Data for 2013-14 is not available.

The table below represents the percentage of journeys made by public transport to target central business districts (CBDs).

Year ended 30 June	2016	2013	2012	2011	2010
Region	Target (%)	Actual (%)	Target (%)	Actual (%)	Actual (%)
Sydney CBD	80	74.8	73.5	74.4	75.8
Parramatta CBD	50	43.0	41.2	41.0	39.6
Newcastle CBD	20	17.6	16.9	15.6	14.5
Wollongong CBD	15	9.8	8.5	8.2	8.7
Liverpool CBD	20	14.8	13.5	14.4	15.7
Penrith CBD	25	20.6	19.5	21.3	20.2

Source: NSW 2021 Performance Report 2014-15.

The proportion of trips by public transport compared to motor vehicles has not changed since 2009.

On an average weekday 47.2 per cent of trips were taken in a motor vehicle compared to 11.4 per cent by public transport. Other modes and walking made added up to 19.7 per cent, while motor vehicle as a passenger accounted for 21.8 per cent. Data for 2013-14 is not yet available.

The table below shows the split of total trips by mode of transport has changed very little over the last five years.

Year ended 30 June	2013	2012	2011	2010	2009
Mode	Actual (%)	Actual (%)	Actual (%)	Actual (%)	Actual (%)
Vehicle driver	47.2	46.9	46.8	46.7	46.9
Vehicle passenger	21.8	21.8	21.9	21.9	22
Train	5.4	5.4	5.2	5.2	5.1
Bus	6	5.9	5.8	5.8	5.8
Walk only	17.5	17.7	17.8	18	18
Other modes	2.2	2.3	2.3	2.4	2.3

Source: Transport for NSW (unaudited).

Customer Satisfaction

During 2013-14, most modes of transport experienced an increase in the level of customer satisfaction.

Under the NSW 2021 plan, Transport for NSW is responsible for putting the customer at the centre of their decision making process to ensure their needs, preferences and opinions are reflected. Transport for NSW performs bi-annual customer satisfaction surveys across transport modes to identify which areas need improvement when making decisions.

Set out below are the top three service attributes with the highest levels of customer satisfaction and the three service attributes with the highest levels of customer dissatisfaction from the May 2014 customer survey:

Mode	Well Performing Service Attributes	Poorly Performing Service Attributes
Rail	Ease of getting on and off the train	Availability of car parking facilities near train stations
	Trains turning up on time	Frequency of train services
	Ease of purchasing tickets	Cleanliness of trains
Bus	Feeling safe while on buses	Availability of information about service delays
	Ease of getting on and off buses	Frequency of bus services
	Buses being driven safely	Availability of next stop information on buses
Ferry	Feeling safe while on ferry	Availability of car parking facilities near ferry wharves
	Ferry being driven safely	Frequency of ferry services
	Seat availability on ferry	Choice of tickets that meet travel needs

Source: Transport for NSW (unaudited).

NSW 2021 includes a measure for the proportion of transport users partly satisfied to very satisfied with overall service. The NSW 2021 Performance Report 2014-15 sets a baseline of the 2012 results, however NSW 2021 has not set targets for the level of customer satisfaction it would like each mode to achieve.

Results of the customer satisfaction surveys were as follows:

Survey Date	May 2014	November 2013	June 2013	NSW 2021 Baseline
	** Partially to very satisfied	** Partially to very satisfied	** Partially to very satisfied	** Partially to very satisfied
Mode	%	%	%	%
Rail	85	83	81	79
Light Rail	89	86	94	91
Bus	87	85	85	79
Ferry	96	95	95	94
Taxi	81	82	81	N/A

Source: Transport for NSW (unaudited).

N/A Not applicable.

During 2013-14, most modes of transport experienced an increase in the level of customer satisfaction. All modes of transport had higher results than their baseline. Ferry customers continue to be the most satisfied, while taxi customers were the least satisfied.

Rail services achieved their highest satisfaction level of 91 per cent for the ease of getting on and off trains. One of the greatest dissatisfaction indicators was the availability of car parking facilities near train stations. The Transport Access Program is a major project handled by Transport for NSW to provide a better experience for public transport customers and aims to deliver accessible, modern, secure and integrated transport infrastructure where it is needed most. The project spans over a four year period and an estimated total cost of \$772 million.

In February 2013 Transport Cleaning Services was established to focus on the delivery of cleaning services and the improved presentation of railway stations, rolling stock and rail yard facilities. The 2013-14 Transport Cleaning Services' expenses were \$89.3 million and its efforts contributed to an improved satisfaction level. Cleanliness remains one of the major dissatisfaction attributes according to public transport customers.

Another high dissatisfaction indicator was the frequency of train service. In October 2013 a new rail timetable was introduced including 1,000 extra train services a week however customers continue to remain dissatisfied.

Bus services achieved their highest satisfaction level of 93 per cent on:

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

The greatest bus service dissatisfaction attribute was the availability of information about service delays. Transport for NSW has supported the creation of real time bus apps to help show when buses are running late. However the methodology for calculating on-time running does not utilise this information.

Ferry services achieved their highest satisfaction level of 98 per cent on feeling safe while on the ferry. The greatest dissatisfaction indicator was the availability of car parking near wharves.

Urban taxis achieved their highest satisfaction level of 92.8 per cent on the ease of getting in and out of taxis. The greatest dissatisfaction indicator was the availability of information at taxi ranks.

Transport for NSW advises initiatives to improve customer experience with transport services include:

- established two new customer-focused rail operators, Sydney Trains and NSW Trains
- completed the rollout of all 78 new air-conditioned Waratah trains
- completed new mobile phone coverage across the Sydney Trains network
- awarded the second round of metropolitan bus service contracts, bringing more than 60 new buses, and improved customer service.

Rail

Sydney Trains and NSW Trains had 41,916 complaints in their first year of operation, representing a 34.4 per cent increase on Rail Corporation of New South Wales' complaints last year.

The following table shows the number of complaints received by Sydney Trains and NSW Trains:

Year ended 30 June	2014	2013	Increase/ (decrease)	Increase/ (decrease)
	Number	Number	Number	%
Claim for reimbursement	92	148	(56)	(37.8)
Cleanliness	1,929	1,967	(38)	(1.9)
Environment	1,715	1,269	446	35.1
Facilities	2,722	2,424	298	12.3
Information	3,759	2,724	1,035	38.0
Internal Matters	180	260	(80)	(30.8)
On-time Running	5,863	5,093	770	15.1
Safety	2,021	2,027	(6)	(0.3)
Security	2,184	1,733	451	26.0
Service	7,759	6,250	1,509	24.1
Staff	3,873	3,512	361	10.3
Ticketing	5,015	3,324	1,691	50.9
Timetable	4,804	458	4,346	948.9
Total Complaints	41,916	31,189	10,727	34.4
Complaints per 100,000 passengers	13.3	10.1	3	31.1
Total Compliments	3,327	2,876	451	15.7

Source: Sydney Trains and NSW Trains (unaudited).

Timetable complaints increased by nearly one thousand per cent from the prior year. Sydney Trains advised that the majority of complaints were due to the introduction of the new timetable in October 2013.

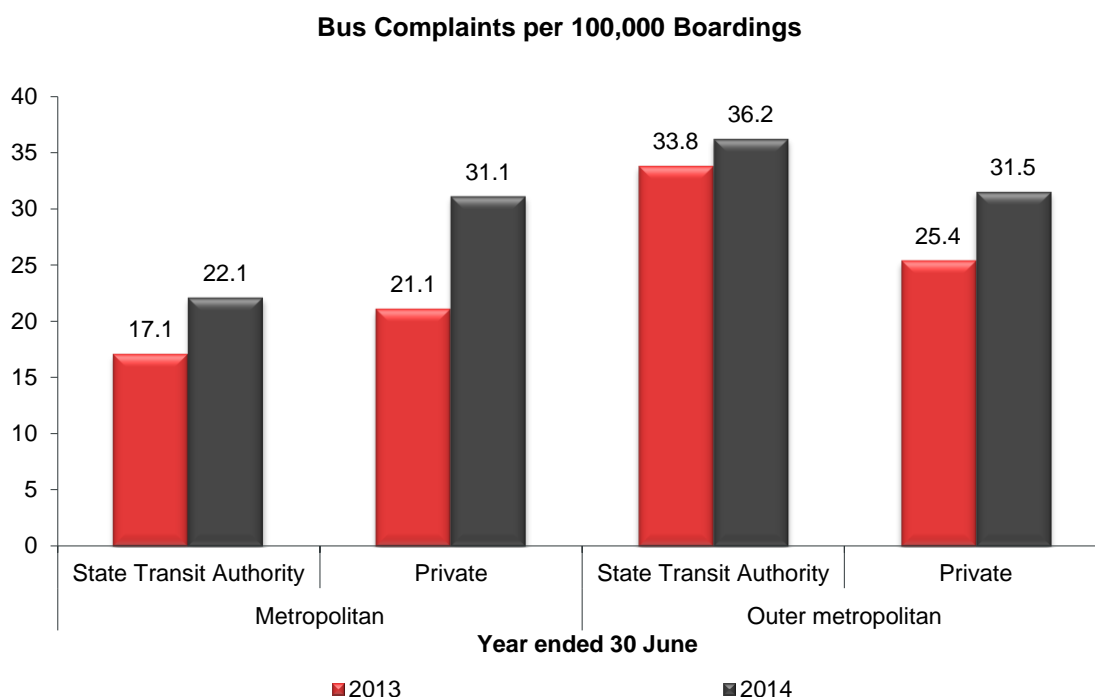
There was a 51 per cent increase in complaints for ticketing from the previous year, of which 1,865 of these complaints related to Online Ticketing. Online ticketing is the longer-term paper tickets only and does not include Opal.

Service remains the major area of complaints, representing 18.5 per cent of all complaints during 2013-14. Service complaints relate to the comfort and convenience experienced by customers. Sydney Trains advised that on-board temperatures were the biggest single cause of complaint, with 1,062 complaints about air-conditioning or its absence. As of June 2014 almost all of Sydney Trains' fleet is air-conditioned.

Compliments saw an increase of 15.7 per cent from 2,876 to 3,327 in 2013-14.

Buses

The following graph represents the number of complaints against State Transit Authority and private bus operators in metropolitan and outer metropolitan contract regions.



Source: Transport for NSW (unaudited).

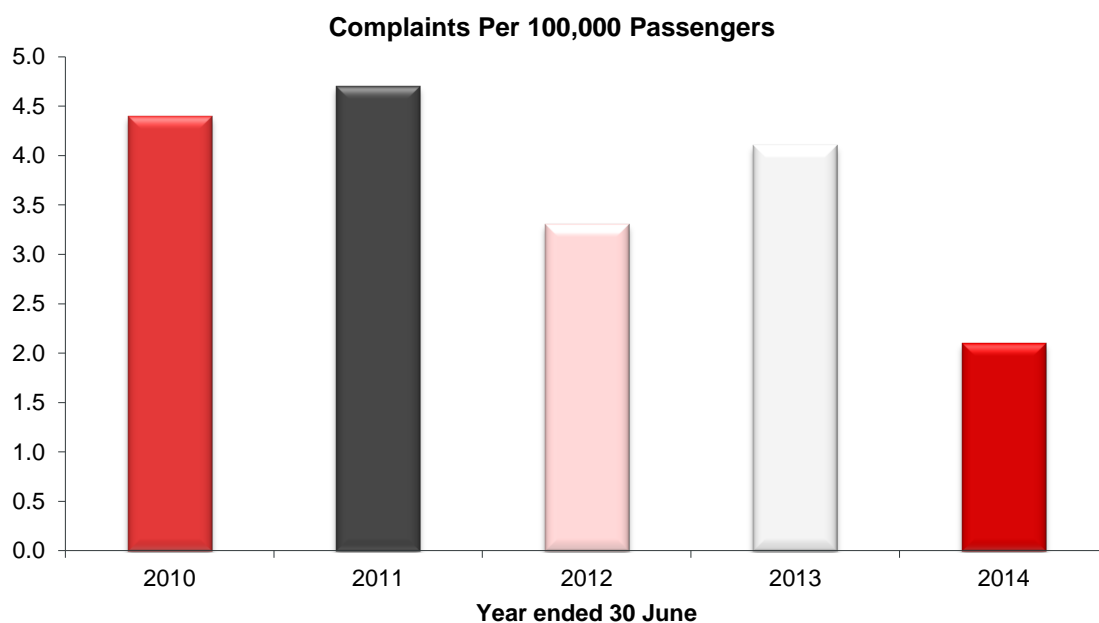
Metropolitan regions customer complaints increased from 36,979 to 50,947, which represents a 37.8 per cent increase. Complaints about private bus operators increased by 57.2 per cent from 10,692 to 16,805 while complaints about State Transit Authority increased by 29.9 per cent from 26,287 to 34,142. Outer metropolitan regions total complaints increased from 4,348 to 4,989.

The complaints per 100,000 passenger journeys were higher in outer metropolitan regions when compared to metropolitan. In 2013-14 there were 32.9 complaints per 100,000 passengers in outer metropolitan regions compared to 24.4 in metropolitan. This disparity was also evident in 2012-13 with 28 complaints per 100,000 journeys in outer metropolitan regions, compared to 18.1 in metropolitan.

Transport for NSW requires all bus operators to report on a monthly basis the total number of different types of customer feedback received by the operator or by the operator's behalf. This information is not made available on the Transport for NSW website; however the information is reported in aggregate in its annual report.

Ferries

The following graph shows the number of complaints per 100,000 passengers relating to ferry services:



Source: Transport for NSW (unaudited).

Harbour City Ferries complaints reduced to 338 complaints per 100,000 passenger journeys in 2013-14 compared to 581 in 2012-13, representing a decrease of 41.8 per cent. Harbour City Ferries began operations in July 2012 and the previous years' information relates to Sydney Ferries.

Light Rail

The following table shows complaints relating to light rail:

Year ended 30 June	2014	2013
	Number	Number
Light Rail Operations	117	26
Tickets and Fare	27	8
Timetable and Punctuality	17	0
Safety and Security	17	0
Cleanliness	7	1
Graffiti	1	1
Vandalism	0	0
Noise	27	2
Staff	67	9
Station Amenity	13	0
Customer Information	72	0
Inner West Extension Project	70	0
Other	63	3
Total complaints	498	50
Total compliments	39	12

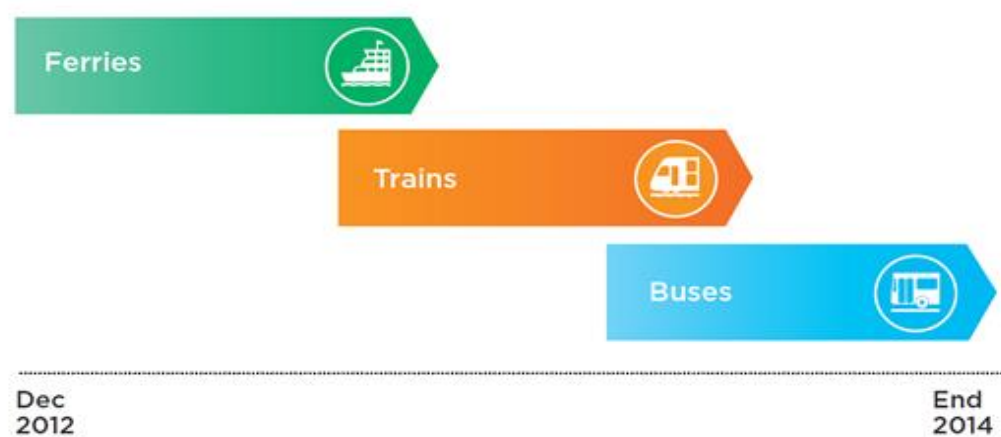
Source: Transport for NSW (unaudited)

Light rail has received 498 complaints in 2013-14 which is an increase of 896 per cent. Transport for NSW advised that the large increase in complaints in 2013-14 was due to the double derailments in October 2013 and various issues related to the Inner West Extension including customer dissatisfaction with the performance of the four leased vehicles. However compliments also increased from 12 in 2012-13 to 39 in 2013-14, representing an increase of 225 per cent.

Opal Card

The Opal card contract was awarded to the Pearl Consortium in May 2010. The contractor is responsible for the development, delivery, operation and maintenance of the new electronic ticketing system (ETS) known as Opal card for a period of 15 years. The 15 year contract includes a 5 year building phase and a 10 year operational term. The contract term ends on 30 September 2024. Transport for NSW will consider its ticketing system needs beyond 2024 closer to the contract expiry date.

Opal Card was introduced to the public on 7 December 2012 with the commencement of ferry trials on the Neutral Bay route. Opal was made available on all public Sydney ferries from 30 August 2013. The Opal Card was then rolled out to all Sydney Trains and NSW Trains by April 2014. The roll out to the bus network has commenced and is anticipated to be complete by December 2014.



Source: Transport for NSW

The Opal card implementation on light rail is in progress and scheduled to be completed in 2015.

The total cost to build and maintain the Opal card system on ferries, trains and buses over the 15 year term of the contract was originally budgeted at \$1.2 billion (unescalated) and \$1.6 billion (escalated). The original budget comprised:

- \$397 million in fixed charges payable to Pearl Consortium
- \$254 million in variable charges payable to Pearl Consortium 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 the light rail network in the ETS program, since the original budget was approved. The total amount of approved light rail capital funding is \$14.8 million for 2013-14 and 2014-15. The revised latest budget for the ETS is \$1.3 billion (unescalated) and \$1.8 billion (escalated). The increase relates to six additional Total Asset Management programs of work.

The total cost of the Opal Card at 30 June 2014 was \$443 million (\$287 million in 2012-13). Most of the expenditure associated with the project has been funded through borrowings. At 30 June 2014, these borrowings were \$328 million (\$261 million at 30 June 2013). Interest expense on these borrowings totalled \$29.7 million at 30 June 2014 (\$17 million in 2012-13), which is 6.7 per cent of the total Opal expenditure at 30 June 2014.

A direct comparison of Opal card ticket prices with paper ticket prices is difficult as 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 customers separate fares for individual train, bus and ferry trips.

In January 2014 paper ticket prices increased in line with the consumer price index while Opal fares remained unchanged. Despite Opal fares not increasing in line with paper tickets, a number of public transport customers may be worse off under Opal. The table below does not consider concession or pensioner excursion tickets.

Fare Winners	Fare Losers
Single mode of transport users	Some passengers using more than one mode of transport and purchasing MyMulti tickets
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

Transport for NSW claims that 90 per cent of customers will be the same or better off financially under Opal. The data used to arrive at that conclusion has been classified as Cabinet in Confidence.

In the year ending 30 June 2014, 338,276 adult Opal cards and 13,934 youth Opal cards were acquired. In November 2014 the Gold Opal cards for seniors/pensioners was released. The Opal card for concession travellers is anticipated to be released in early 2015.

On 1 September 2014, 14 paper ticket types were retired including three concession type tickets. There are more than 20 other paper tickets still available. Paper tickets that retired on 1 September 2014 are shown in the table below:

Paper Tickets retired on 1 September 2014			
MyTrain	MyMulti	MyFerry	Light Rail
Adult Off-Peak Return	Adult Monthly	Adult TravelTen	Adult Yearly
Adult Weekly	Adult Quarterly		
Adult Fortnightly	Adult Yearly		
Adult Monthly			
Adult Quarterly			
Adult Yearly			
Concession Monthly			
Concession Quarterly			
Concession Yearly			

Source: Transport for NSW (unaudited).

The Opal card was used for 27,635,000 rail journeys, 1,161,000 bus journeys and 895,000 ferry journeys in 2013-14. The Opal card system has provided 5.1 million free journeys across the transport modes in 2013-14.

Opal Revenue and Journeys

	Rail		Bus		Ferry	
Year ended 30 June	2014	2013	2014	2013	2014	2013
Opal revenue (\$'000)	61,270	117	983	na	3,443	77
Number of trips ('000)	20,275	45	447	na	758	28
Average fare per trip (\$)	3.02	2.60	2.20	na	4.54	2.75

Source: Transport for NSW (unaudited).

N/A Not applicable

Number of free trips taken by Opal card users

The Opal fare structure offers customers unlimited free trips after the first eight paid journeys. This leads to a portion of revenue that Transport for NSW and operators forgo as more customers take advantage of this benefit. There is also a \$15 cap on the total daily travel fares with the Opal card. No revenue is collected for journeys once customers reach the daily cap.

Below is a summary of free trips taken by mode of transport in the year ending 30 June 2014.



Source: The Audit Office of New South Wales.

The table below shows the number of free trips travelled by mode is increasing as the Opal card rollout continues.

Transport for NSW was unable to provide a value for these free trips, which depend on variables such as mode and fares.

	Number of Free Trips by Mode	
Year ended 30 June	2014	2013
Mode		
Rail	4,690,614	15,080
Bus	200,687	N/A
Ferry	255,104	2,998
Total	5,146,405	18,078

N/A Not applicable.

Source: 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

In previous years I recommended that Transport for NSW and Treasury should determine the most cost effective way to extinguish the borrowings for the discontinued T-card 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.

In 2014, the NSW Treasurer approved an equity transfer of Transport for NSW's T-Card debt liabilities amounting to \$116 million to the Crown Finance Entity on 1 July 2014, in line with our recommendation.

Fleet Acquisition and Utilisation

A number of major fleet acquisition programs across the transport cluster were underway in 2013-14 including the delivery of the final Waratah set in June 2014. A total of \$863 million was spent on acquiring 266 train carriages and 192 buses. Six new light rail vehicles were ordered and delivered in 2013-14 at a cost of \$19.0 million.

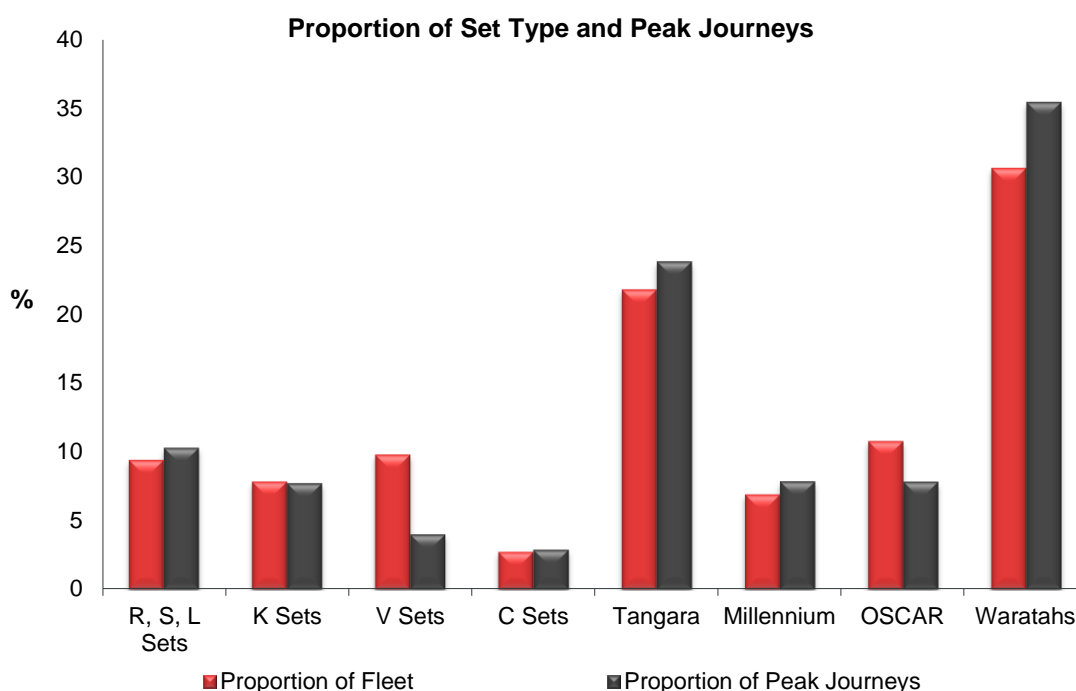
In April 2014 the contract for designing six new vessels to be delivered by 2016 was awarded. The new vessels form part of the Sydney Ferries' Future strategy which includes a plan to develop a major ferry hub at Barangaroo, connecting ferry passengers through Wynyard Walk. The ferry fleet replacement project is estimated to cost \$34.6 million.

A total of 199 new buses are planned to be delivered by 30 June 2015 comprising 44 new buses for State Transit Authority, 64 replacement buses for private bus operators and 99 growth buses for an estimated \$90.5 million.

The intercity rail fleet acquisition program announced in May 2014 aims to deliver 65 new intercity trains by 2024 for \$2.8 billion. The program will require the winning bidder to deliver and maintain the new fleet for up to fifteen years.

As at 30 June 2014 the Waratah fleet made up 30.6 per cent of the total rail fleet, and delivered 35.4 per cent of total peak journeys. The reliance on the Tangara set to deliver peak journeys has decreased to 23.9 per cent of peak journeys in 2013-14, compared to 28 per cent in 2012-13. The newer generation of trains offer additional safety and security features to customers and operate more efficiently compared to older sets.

The peak hour use of the various train sets and is shown in the graph below.



Source: Transport for NSW (unaudited).

Fleet Ageing and Reliability

Rail

The number of average monthly incidents affecting peak services has increased from 23 in 2012-13 to 35 in 2013-14, an increase of 52.2 per cent. Similarly the average number of delays in peak periods caused by electric fleet failures increased by 118 per cent from 119 to 259 in the same period. This increase in failures did not appear to impact on-time running for rail services in 2013-14.

The table below analyses all reported fleet faults for each train type monitored on a 24 hour basis.

Car Type	Number of Carriages 2014	Average Age (Years)	Average monthly carriage reported faults		
			Actual Faults	Rate 2014*	Rate 2013*
				%	%
R, S, L, K, C Sets	408	31.8	41	10	15
V Sets	200	29.5	44	22	27
Tangara - T Sets	444	22.4	47	11	14
Millennium - M Sets	141	10.7	17	12	14
OSCAR - H Sets	220	4.7	20	9	12
Waratahs	624	1.4	33	5	7
Total electric fleet	2,037	14	202	10	14

Source: Sydney Trains (unaudited).

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

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

Ten per cent of train carriages had a reported fault every month on average, a decrease from 14 per cent in 2012-13.

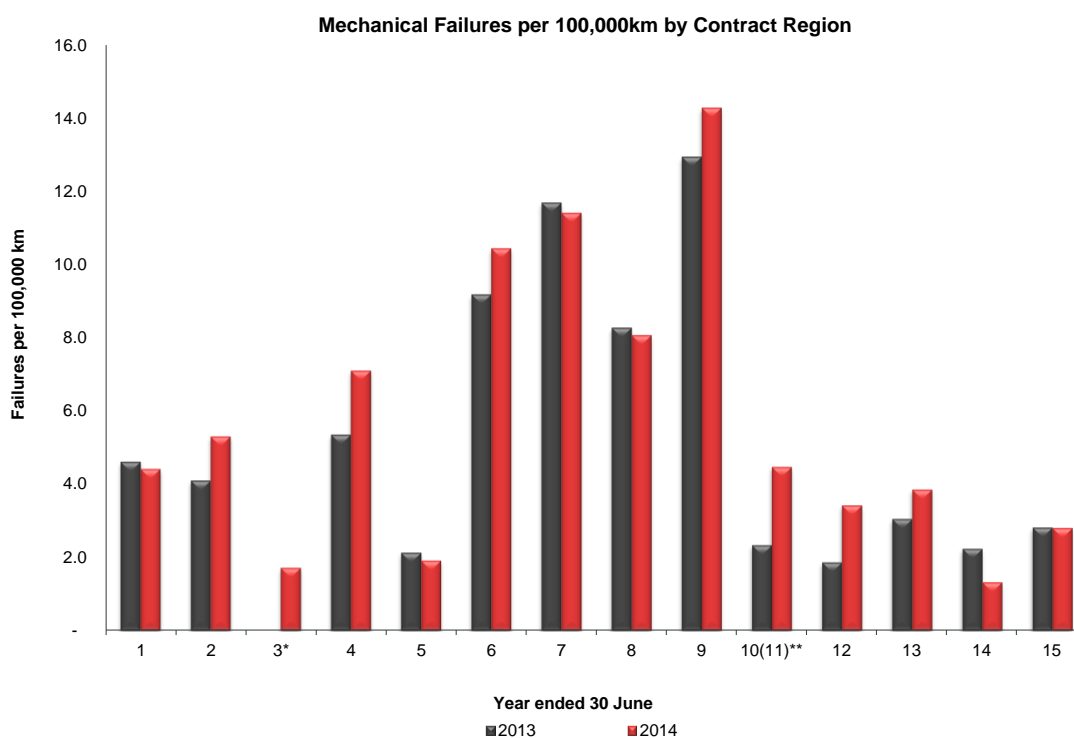
At 30 June 2014, 51.6 per cent of the rail electric fleet was more than 20 years old compared to 61.2 per cent as at 30 June 2013. Twenty per cent of the fleet was 30 years or older, down from 25 per cent as at 30 June 2013.

The weighted average age of all sets has continued to decrease. In 2012-13 the weighted average age of all sets was 17.8 years decreasing to 15.8 as at 30 June 2014 due to the introduction of the Waratah fleet into the service and the retirement of the older sets.

Buses

The total mechanical failures per 100,000 kilometres across all metropolitan bus contract regions have increased in 2013-14 from 70.6 to 80.5, an increase of 14 per cent from 2012-13.

The graph below shows all reported mechanical failures per 100,000 kilometres by each metropolitan bus contract region.



* No information for region 3 prior to October 2013.

** Regions 10 and 11 were merged in 2012-13.

Source: Transport for NSW (unaudited).

Bus contract region nine which covers Bondi Junction, Randwick, Maroubra, Botany, Mascot and Surry Hills, experienced the highest number of mechanical failures per 100,000 kilometres in both 2012-13 and 2013-14. Patronage in region nine in 2013-14 was the highest out of all metropolitan contract regions with 62.9 million passenger journeys out of 208 million.

The increase in mechanical failures in 2013-14 did not directly impact bus on-time running as the measure of on-time running is related to the bus leaving the first stop in the route.

Ferries

The average age of Sydney Ferries vessels as at 30 June 2014 was 24.5 years, with three quarters of vessels being over 20 years old. The Lady Northcott vessel has been in service for 40 years and had 11 breakdowns in 2013-14. The Louise Sauvage and SuperCat 4 were the youngest vessels and were 13 years old as at 30 June 2014.

As mentioned earlier in this report six new vessels are due to be delivered by 2016.

The table below shows number of engine hours, number of ferry breakdowns and mechanical failures per one thousand engine hours.

Year ended 30 June	2014	2013*
	Number	Number
Engine Hours	99,815	89,883
Break Downs	324	357
Mechanical Failures per 1,000 Engine Hours	103	125

Source: Transport for NSW (unaudited)

* 2013 data is from August 2012 to June 2013

Despite the number of engine hours increasing by 11 per cent in 2013-14, the number of break downs and mechanical failures per one thousand engine hours has decreased.

Safety Performance

During the year, passenger injuries increased on rail and ferry transport modes, and decreased on buses. Passenger safety performance measures the number of passenger injuries and fatalities that occurred as a result of the service operations. Non-passenger related injuries and fatalities do occur, but these are primarily outside the operators' control.

Year ended 30 June	2014	2013	2012	2011	2010
Mode	Number	Number	Number	Number	Number
Rail	1,079	730	916	898	615
Bus	700	708	642	594	516
Ferry	4	2	4	17	15

Source: Transport for NSW (unaudited),

Rail modes, including light rail reported the highest number of passenger injuries and fatalities. In 2013-14 there were 1,079 injuries and fatalities on rail up from 730 in 2012-13.

Bus services reported a slight decrease of injuries and fatalities from 708 in 2012-13 to 700 in 2013-14. There were four injuries and fatalities on ferries in 2013-14 compared to two in 2012-13.

Rail data includes on-train incidents involving passengers who 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. Rail's reporting regime for passenger on-train incidents does not differentiate incidents which caused an injury from those which did not.

The *Rail Safety National Law Act 2012* requires that rail transport operators submit occurrence notifications on rail safety incidents to the Office of the National Rail Safety Regulator (ONRSR). ONRSR commenced operations on 20 January 2013. ONRSR was created as part of the national rail agenda to establish a single national rail safety regulator. ONRSR publishes an annual national rail industry safety report. The 2012-13 report noted that the number of both passenger and public fatalities in NSW decreased from the prior year and there were no employee fatalities.

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

Year Ended 30 June	2014	2013	2012
Service Measure	Actual	Actual	Actual
Compliance activities completed	149	168	195
Statutory notices issued	140	78	110

Source: Independent Transport Safety Regulator

The number of statutory notices has increased by 79.5 per cent. Statutory notices have increased due to the trend in the industry requesting a formal notice to be issued before any information relating to incidents is provided to the regulator. Compliance activities completed have decreased steadily over the past three years. This is due to ITSR's focus on closing investigations and increased use of alternative regulatory activities such as monitoring and compliance enforcement.

The Office of Transport Safety Investigations (OTSI) investigates safety incidents involving bus, ferry and rail transport to identify reasons why incidents occurred and provides recommendations. A summary of its service measures follows:

Year Ended 30 June	2014	2013	2012
Service Measure	Actual	Actual	Actual
Notifiable incidents reported	618	1,808	2,998
Notifiable Rail incidents reported to ATSB	96	39	N/A
Incident Investigations conducted	16	16	14
Confidential Safety Information and reporting Scheme Investigations Conducted	12	18	13

Source: Office of Transport Safety Investigation

Since January 2013, notifications of rail incidents are reported to the Australian Transport Safety Bureau (ATSB). The number of notifiable incidents reported had been decreasing in previous years. This trend has been attributed to the repeal of the *Rail Safety Act 2008* which, relieved rail operators of the requirements to report incidents directly to OTSI.

North West Rail Link

Transport for NSW is responsible for delivering the North West Rail Link, a high frequency train system which will operate as a shuttle between Rouse Hill and Chatswood. The North West Rail Link will feature twin 15 kilometres of tunnels between Bella Vista and Epping and a 4 kilometre above-ground SkyTrain. It is estimated that the North West Rail Link will be open to passengers by the end of 2019.

The North West Rail Link project has had many changes in scope since the initial plans. Some of these have been listed below.

Changes in North West Rail Link Scope	
Initial Project Scope	Variations since initial plans
Construction of six railway stations in the North West Rail Link train line.	Construction of eight railway stations in the North West Rail Link train line. The two new stations include Bella Vista and an extension of the line for a new station at Cudgegong Road, west of Rouse Hill.
Commuter car parking provision of 3000 spaces.	Commuter car parking provision of 4000 spaces.
Initial plans for the North West Rail Link were for an extension of the CityRail network. Services were planned to operate to Sydney CBD.	The North West Rail Link is to operate as a rapid, high frequency integrated into but independent of the existing suburban network. North West Rail Link is being built as a shuttle to Chatswood, where passengers travelling to Sydney CBD will need to change service.
Initial plan included double deck trains similar to the CityRail network.	All trains on the North West Rail Link will be single deck rapid transit trains.
Trains driven and operated by drivers	Automatic driverless trains
Connect the existing Epping to Chatswood line.	Convert the Epping to Chatswood line for the new single deck trains under the rapid transit system.

Light Rail

In March 2014 services commenced on the Inner West Light Rail Extension featuring nine new stations and 5.6 kilometres of light rail tracks from Lilyfield to Dulwich Hill. The project also included procurement of new light rail vehicles which were delivered in 2013-14. The Inner West Light Rail Extension project commenced in 2010 and a total cost of \$220 million.

The NSW government announced in 2012 the CBD and South East Light Rail (CSELR) project which runs from Circular Quay through George Street to Central Station and to the University of New South Wales via Anzac Parade and Alison Road and High Street. The project is expected to cost \$1.6 billion and scheduled to open in 2019-20.

Planning approval was granted in June 2014 with key features including 20 light rail stops along the 12 kilometre route and 45 metre long light rail vehicles, compared to the current 30 metre long vehicles. The new light rail vehicles cannot be used on existing light rail platforms. These vehicles will feature a seating and standing capacity of 80 and 220 passengers respectively.

Transport for NSW advises that the private sector will be given freedom to propose its own solutions for meeting certain minimum performance requirements including an ultimate total system capacity of 9,000 passengers an hour in each direction.



Source: Transport for NSW.

In the Environmental Impact Statement lodged with the Department of Planning and Environment, the hourly maximum number of services is 20 at commencement of services in 2021, and 22 services in the year 2036. Assuming vehicles are operated at full capacity, this equates to 6,000 passengers an hour in each direction at opening and increasing to 6,600 in the year 2036.

One of the major risks identified during the tender process was enabling works required beneath George Street due to the complexity and size of the utilities network servicing a large portion of the Sydney CBD.

The project will be delivered and operated through a Public Private Partnership with the main contract expected to be awarded in early 2015.

Performance Benchmark Reporting

As of 2011, less than 30 per cent of train driver hours were spent driving trains. This compares poorly to North American average of over 55 per cent and European average of 50 per cent.

Rail Corporation New South Wales' performance benchmark reporting for calendar years 2008 to 2011 compared various aspects of the previous CityRail's performance against railway systems internationally. Rail Corporation New South Wales advises that the significant lag in reporting is due to rigorous data assurance and review processes.

The report highlighted a number of areas where CityRail was behind the average results of Nova and CoMET, two different railway system benchmarking groups. CoMET is a consortium of fifteen of the world's largest metros with members delivering more than 500 million passengers a year. Nova is comprised of fourteen small to medium size metros delivering less than 500 million passenger journeys per year.

CityRail performed well in the measure of cars used in the peak period, with approximately 88 per cent of its fleet used for peak period services in 2011. This is in line with CoMET and Nova's suggestion of 90 per cent peak period utilisation.

The measure of train driver hours has remained relatively constant since the previous report which provided data up to 2009. As of 2011, less than 30 per cent of train driver hours were spent driving trains. This compares poorly to North American average of over 55 per cent and European average of 50 per cent.

CityRail recovered approximately 30 per cent of its operating cost in 2011 through fare revenue compared to almost 100 per cent in North America and approximately 70 per cent for European members. The average fare revenue per passenger kilometre was slightly over 8 cents per kilometre. This is lower than the Asian, European and North American members' averages.

CityRail's measure of maintenance cost per car kilometre measure was also higher than Asian, European and North American members' average.

The full report is published on the Transport for NSW website and can be accessed at:

<http://www.transport.nsw.gov.au/sites/default/files/b2b/railcorp/CoMET-Nova-benchmarking-update.pdf>

Bus Contracts

Public bus services in the Sydney metropolitan area are provided under service contracts for fourteen regions. Four of these regions are operated by the State Transit Authority, and the rest are operated by private operators. Most contracts are awarded after a competitive tender process and run for a period of five years.

The contracts require periodic reporting by all operators on a range of key metrics including:

- service kilometres travelled
- punctuality and reliability information
- patronage numbers and trends including crowding
- customer feedback and satisfaction
- timetable changes
- bus fleet age profile
- mechanical failures and maintenance data.

The periodic reporting by operators allows Transport for NSW to manage and plan bus services to meet customer demands.

The contracts allow Transport for NSW to adjust monthly service payments to operators for failure to meet operational key performance indicators. In 2013-14 four penalties were issued against three private bus operators equalling \$99,000.

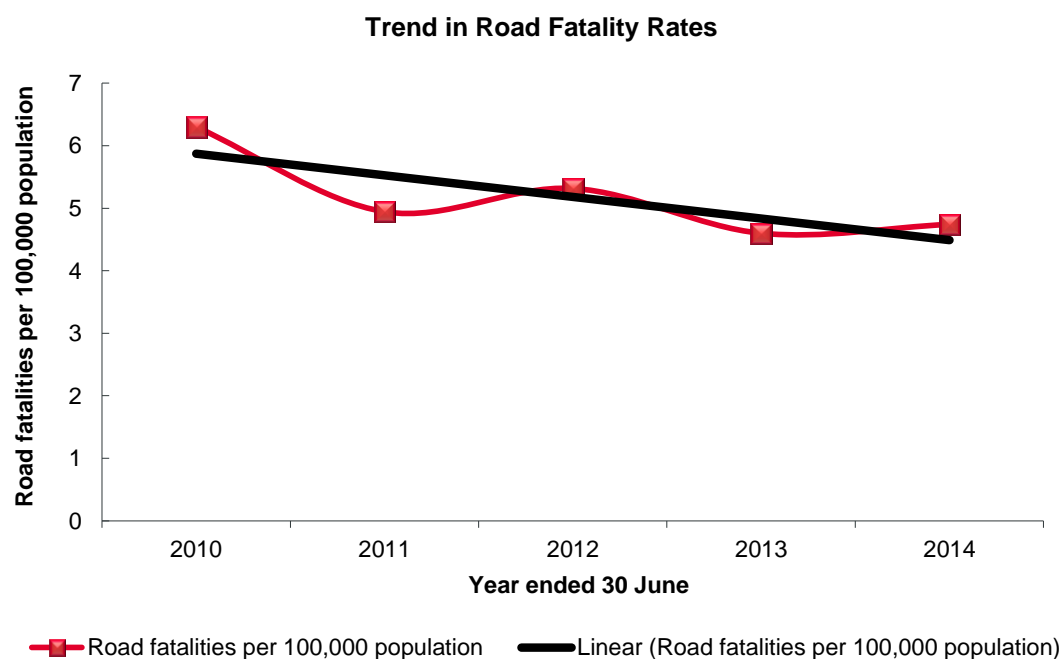
Transport for NSW estimates that the new contracts are providing average saving of more than \$45.0 million a year.

Road Safety Performance Outcomes

Transport for NSW is the lead agency for road safety in New South Wales and works with other agencies including the NSW Police Force and Roads and Maritime Services to improve road safety.

The NSW Centre for Road Safety within Transport for NSW reported 354 fatalities in 2013-14, slightly increasing from 341 in 2012-13. Transport for NSW has advised that the 2013-14 is a provisional figure and is still subject to change.

Road fatalities continue to trend down, however fatalities slightly increased in 2013-14.



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. For the year ended 30 June 2014 the rate was 4.7 fatalities per 100,000 consistent with 2012-13.

Transport for NSW will continue to implement a number of safety measures including:

- NSW Road Safety Strategy 2012-2021, as well as sub-strategies, focused on pedestrian, cycling, motorcycle and breakdown safety
- accelerated rollout of school zone flashing lights with all schools to have a set of flashing lights by December 2015
- delivery of the Restricted P1 Licence pilot to improve accessibility to licences in remote and regional communities identified as having low levels of driver licensing
- expansion of the Safer Driver Course for young learner drivers to around 250 locations in the State
- 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
- the Community Road Safety Fund which sees 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	2014	2013	2012	2011	2010
	Actual	Actual	Actual	Actual	Actual
Road fatalities per 100,000 population	4.7	4.6	5.3	4.9	6.3
Total fatalities	354	341	386	355	445
Total injuries	21,153	21,796	25,199	25,932	23,754

Source: NSW Centre for Road Safety (unaudited).

Managing Road Congestion

Roads and Maritime Services implemented measures to reduce congestion across the NSW road network. Some of the major initiatives to manage congestion and improve travel times are listed below. The initiatives also improve fuel consumption, reduce vehicle emissions, improve air quality and reduce motoring costs.

Initiative	Description	Funding	Duration	Expected Completion
		\$m		
Easing Sydney's Congestion (Pinch Points)	Network Congestion Management (Pinch Point) Strategy, including election commitments on Parramatta Road and Roper Road.	125	5 years	Jun-17
Easing Sydney's Congestion (Pinch Points) – Restart NSW component	Supplementary funding of the Network Congestion Management (Pinch Point) Strategy from the Restart program	121	4 years	Jun-17
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	Jun-15
Bus Priority on Strategic Bus Corridors	Treatments such as Bus Lanes and traffic signal facilities to provide priority for buses on Strategic Bus Corridors	14	Ongoing	Annually
Journey Reliability (Traffic Efficiency and Network Improvements)	Programs and projects aimed at improving traffic efficiency and traffic flow including Bells Line of Road improvements and various intersections improvements	86	Ongoing	Annually
Wayfinding Signage	Directional Signposting	15	Ongoing	Annually
Active Transport Initiatives	Programs and projects aimed at encouraging the use of cycling and walking infrastructure to ease the levels of road congestion.	31	Ongoing	Annually

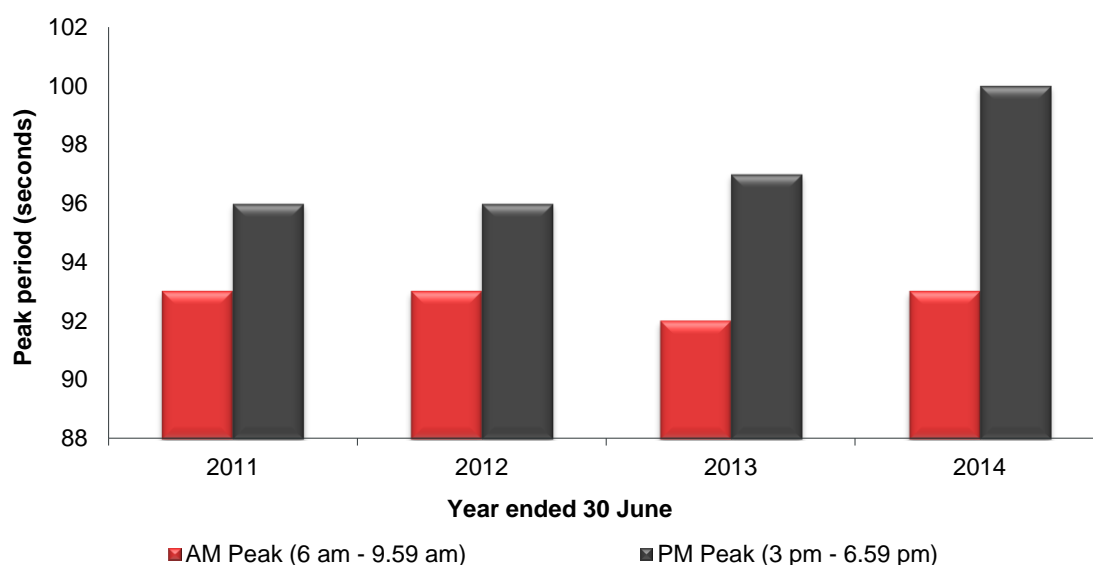
Source: Roads and Maritime Services (unaudited).

Average Travel Speeds

Average travel speeds on Sydney roads decreased slightly for both the morning and afternoon peaks. While the morning peak average speed decrease was very slight the afternoon peak decreased from 37.1 kilometres per hour to 36 kilometres per hour in 2013-14.

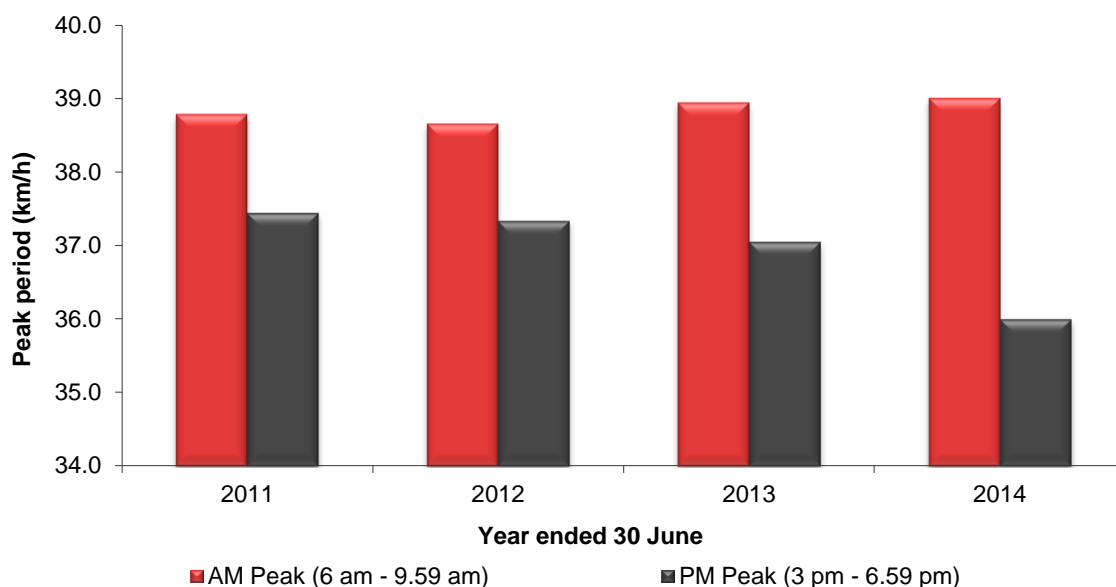
The average travel time and speed indicate the performance of the road network. The average travel time indicator estimates how long it takes on average for a vehicle to travel one kilometre on Sydney's road network during the AM and PM peak periods in peak direction. The average speed indicator indicates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

Average Time to Travel One Kilometre on Sydney Roads



Source: Roads and Maritime Services (unaudited).

Average Travel Speed on Sydney Roads

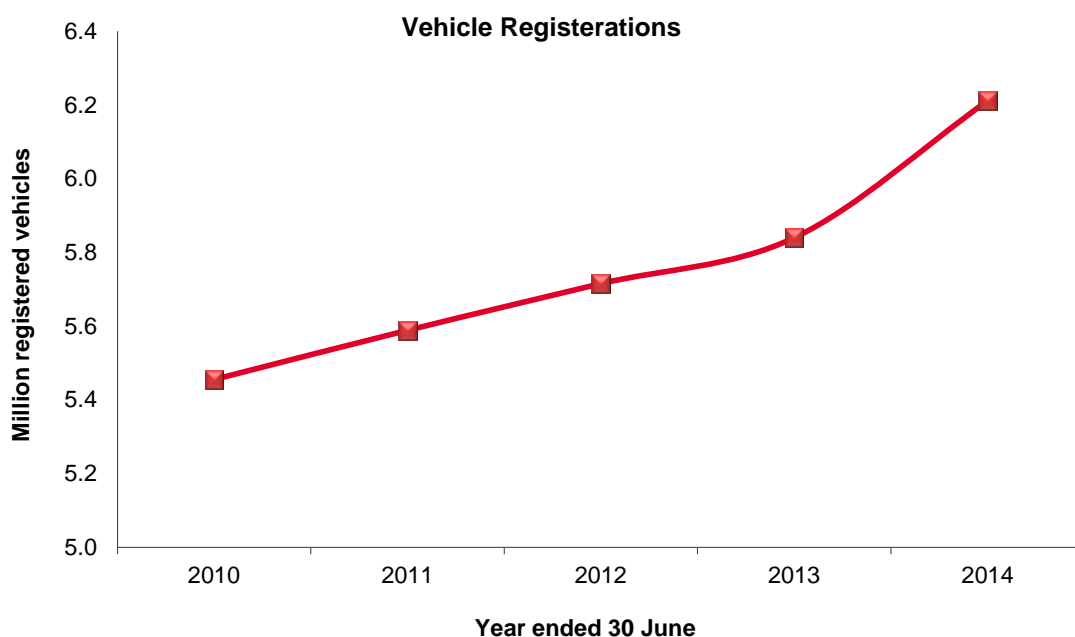


Source: Roads and Maritime Services (unaudited).

The estimated time to travel one kilometre on Sydney roads has increased for both the morning and afternoon peaks. The morning peak average increased from 92 to 93 seconds in 2013-14, while the afternoon peak increased from 97 to 100 seconds. The deterioration in the afternoon peak travel speeds is mirrored in the average travel speed decreasing from 37 km/h in 2012-13 to 36 km/h in 2013-14.

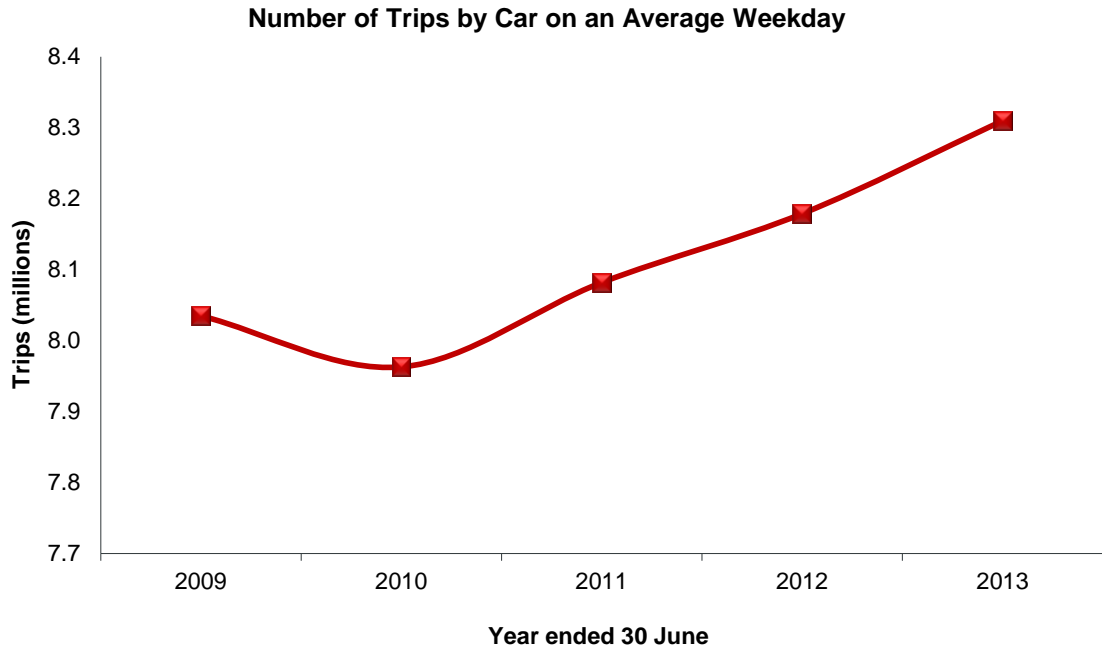
Roads and Maritime Services is responsible for improving efficiency, measured by travel speeds, on Sydney's major roads during peak times. The above graphs indicate that travel times and speeds continue to show broadly consistent trends in travel speeds for morning peak while the afternoon peak has been on a downwards trend over the last four years.

Roads and Maritime Services advised the number of cars on the roads continues to increase impacting travel times and road congestion. Vehicle registrations increased by 6.9 per cent over the prior year from 5.8 million registered vehicles to 6.2 million. The graph below illustrates the increase in vehicle registrations over the past five years.



Source: Roads and Maritime Services (unaudited).

The Bureau of Transport Statistics in its latest household travel survey reported that on an average weekday there were 8.2 million journeys by private motor vehicles. This figure is forecasted to grow to 11.9 million in 2016. The number of vehicle journeys on an average weekday is shown in the graph below. Figures for 2013-14 are not yet available.



Source: Roads and Maritime Services (unaudited).

Pavement Rebuilding Targets

Roads and Maritime Services has established target indicators for rebuilding the State Road Network. The indicators consist of contributions from both the major infrastructure program and the asset maintenance program.

The percentage of pavement rebuilding represents the road surface area repaired for structural damages compared to the total area of road surfaces. In 2013-14, Roads and Maritime Services exceeded its own short-term target of 1.7 per cent when it achieved 1.9 per cent.

The short-term pavement rebuilding rate is dependent on available funding for the repair and replacement of structural damage to the State Road Network.

The long-term rebuilding target is based on the following factors: a comparison with current age profile; a comparison with recent pavement rebuilding rates; and an analysis of strength data to estimate structural remaining life.

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

Statistics on pavement rebuilding over the past five years are as follows:

Year ended 30 June	2014	2014	2013	2012	2011	2010
	Target	Actual	Actual	Actual	Actual	Actual
Pavement rebuilding rate (%)*	1.7	1.9	1.1	1.6	1.5	1.6
Per cent achievement of two per cent long-term rate (%)**	85.0	96.0	55.0	80.0	75.5	80.0

Source: Roads and Maritime Services (unaudited).

* Short-term target set by Roads and Maritime Services.

** Two per cent long-term target set under the State's NSW 2021 Plan.

Roads and Maritime Services notes that its ability to effectively maintain service levels and sustain road infrastructure is impacted by the following factors:

- 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.

The demand for pavement renewal funding will continue to increase due primarily to the effects of an aging network and increased freight loading. While a return to wet weather patterns would result in further weakening of old and thin pavements triggering sudden pavement failure and precipitate unplanned rebuilding.

Ride Quality and Pavement Durability

The State's NSW 2021 Plan includes a 'Good Ride Quality' target of 93 per cent by 2016. Ride quality measures the 'roughness' of travel over road surfaces (including national highways) and is used as a primary indicator of road condition.

Roads and Maritime Services achieved its overall 'Good Ride Quality' target for 2013-14 and was only slightly below the NSW 2021 Plan target of 93 per cent. Rural roads have been more comfortable for travel than their urban counterparts.

The table below features the impact of wet weather on road smoothness for all roads between 2010 and early 2013 when road smoothness deteriorated. A return to drier weather has seen the indicators for all roads improve over the past year. The road smoothness of urban roads improved significantly in 2013-14 with very rough and highly trafficked concrete roads targeted for repair or rebuilding.

Roads and Maritime Services achieved its 2013-14 target for pavement durability, which measures road surface cracking on sealed State roads. The road surface plays an important role in providing a safe running surface for traffic and a waterproofing layer to protect the underlying pavement from moisture, the main cause of a road deteriorating prematurely.

These measures as a percentage of total roads over the last five years, are shown in the table below.

Year ended 30 June	2014	2014	2013	2012	2011	2010
	Target*	Actual	Actual	Actual	Actual	Actual
Ride quality ¹						
Good – Urban (%)	90.3	92.6	89.9	89.6	90.0	90.3
Good – Rural (%)	93.7	93.7	93.6	93.5	93.2	93.4
Good – Overall (%)	91.6	92.9	91.3	91.1	91.2	91.5
Pavement durability ²						
Good (%)	78.3	78.3	78.2	78.1	78.1	77.4

Source: Roads and Maritime Services (unaudited).

* Targets are set by Roads and Maritime Services.

1 Ride quality – is a measure of the longitudinal profile and undulations of the road surface and is 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. Smoother roads are safer and reduce accidents.

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.

Container Freight Movements by Rail

Transport for NSW advised it is unlikely the target of container freight movement by rail will be achieved without significant government intervention.

A target of NSW 2021 is to increase rail freight movements by doubling the proportion of container freight movement by rail through New South Wales ports by 2020.

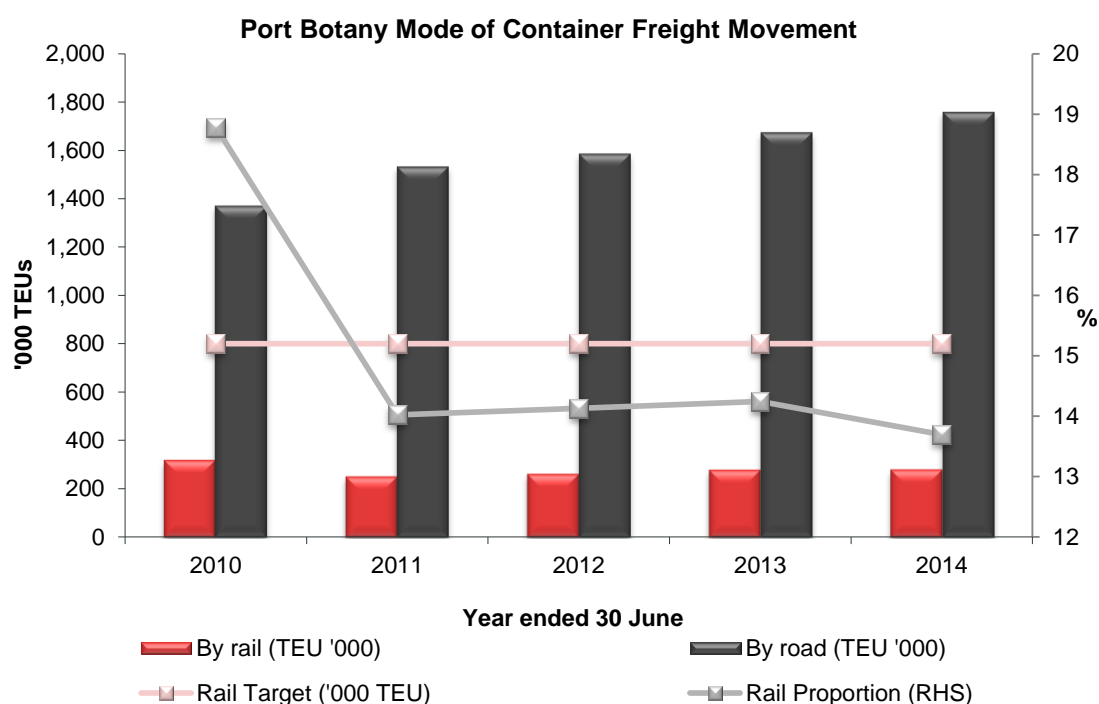
This target translates to 800,000 twenty foot equivalent container units (TEU) moved to and from New South Wales ports by rail in 2020 based on projected throughput. For four consecutive years the proportion of freight moved by rail has remained stable at around 14 per cent against the target of 28 per cent by 2020.

The vast majority of the containers in New South Wales are processed at Port Botany. The graph and table below detail Port Botany container freight movements by road and rail over the last five years.

Year ended 30 June	2014	2013	2012	2011	2010
Proportion of container freight movement	%	%	%	%	%
Rail	13.7	14.2	14.1	14	18.8
Road	86.3	85.8	85.9	86	81.2
Total	100	100	100	100	100
Container freight movement*	'000 TEUs	'000 TEUs	'000 TEUs	'000 TEUs	'000 TEUs
Rail	279	278	261	250	317
Road	1,758	1,674	1,586	1,533	1,371
Total	2,037	1,952	1,847	1,783	1,688

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

Source: Transport for NSW.



Source: Transport for NSW and NSW 2021 Plan.

The NSW Long Term Transport Master Plan states there are significant challenges in using infrastructure that is shared between freight and passenger journeys such as the current rail lines. This constrains in their capacity to carry passenger and freight services.

Transport for NSW advised it is unlikely the target of container freight movement by rail will be achieved without significant government intervention and identified the following factors that will affect the delivery of the target:

- implementation of Sydney's Rail Future may impact network access for freight train operators and the intermodal terminals that use the metropolitan rail network
- prioritisation of passenger services over freight services on the rail network managed by Sydney Trains means the existing system will not achieve the requirements for commercial viability of rail freight services to and from Port Botany
- a delay in the completion of Moorebank Intermodal Terminal Project will constrain the volume of containers that can be handled by the rail network.

The status of the four priority actions listed in NSW 2021 against this target are as follows:

Actions	Status
Develop and deliver the NSW Freight Strategy, integrated with strategic land use and transport planning	Completed in 2013
Prioritise the delivery of the Port Botany Landside Improvement Strategy to improve the efficiency of Port Botany, which currently handles 95% of container movements in NSW	In progress
Complete the creation of a third terminal and five new container berths at Port Botany to increase the capacity of the port	Completed in 2013
Undertake detailed modelling to determine future operating capacity of NSW ports including analysis of landside infrastructure and options to increase the use of rail to service ports.	In progress

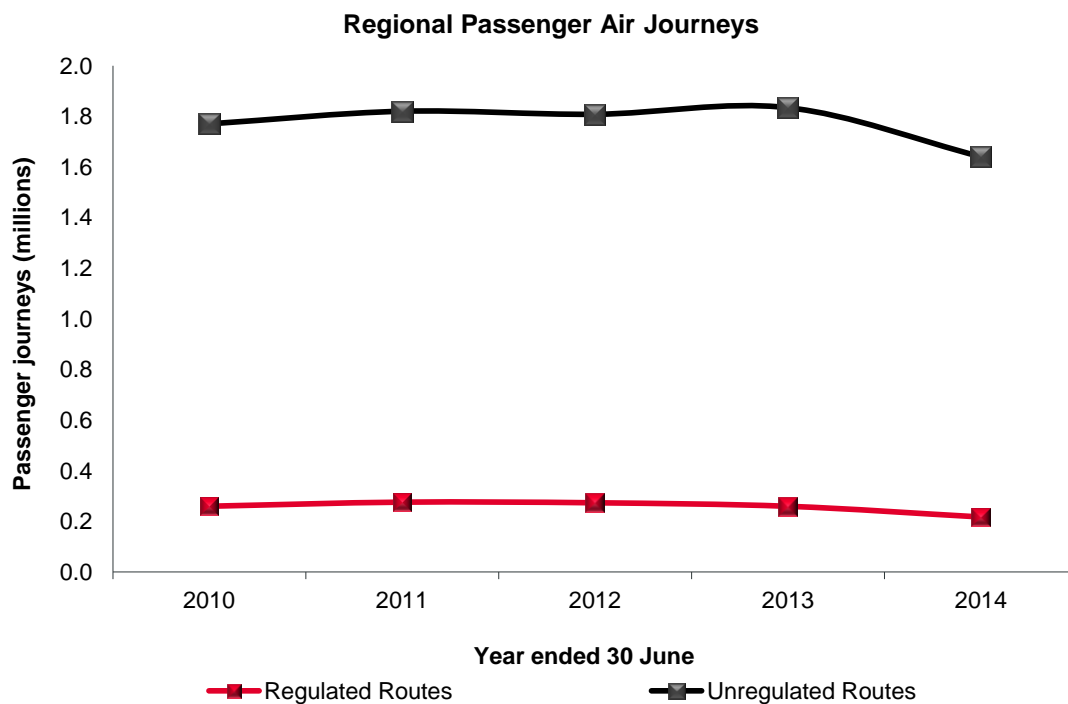
Source: Transport for NSW

Regional Air Travel

Transport for New South has the power and functions under the *Air Transport Act 1964* (the Act) to regulate intrastate air services within New South Wales. Transport for NSW licenses and accredits regional air operators on regulated routes. The Minister for Transport has the authority under the Act to declare certain routes as deregulated. Operators on those routes do not require a licence.

All intrastate routes that do not link to Sydney Airport have been declared as deregulated, in addition to 12 routes that connect with Sydney Airport. Transport for NSW states that low volume routes require regulation as they are considered vulnerable and licensing arrangements protects them from competition to increase stability and encourage market development.

The trend in passenger numbers in both regulated and deregulated routes was relatively constant over the past five years as the chart below indicates.



Source: Transport for NSW (unaudited)

In 2013-14 licences for five routes were cancelled. Transport for NSW offered licenses on a temporary basis and allowed customers affected by those disruptions free travel on NSW Trains' regional services.

Section Two

Appendices



Appendix One – Financial Reporting

Summary Financial Information

	Total assets		Total liabilities		Total revenue*		Total expense**		Net result	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Cluster lead entity										
Transport for NSW	5,318	4,469	2,444	2,004	11,417	10,441	11,159	10,263	258	178
Department of Transport (Parent)	18	13	18	13	12	25	12	25	--	--
Transport service providers										
Rail Corporation	27,377	28,264	1,597	3,772	2,764	4,654	1,296	4,102	1,468	552
Sydney Trains	3,899	--	3,365	--	3,053	--	3,224	--	(171)	--
NSW Trains	61	--	245	--	676	--	744	--	(68)	--
Roads and Maritime Services	74,244	70,986	3,708	3,726	5,443	5,371	4,447	4,531	996	840
State Transit Authority	922	940	654	719	673	674	640	711	33	(37)
Port corporations										
Newcastle Port Corporation	86	502	32	191	595	39	96	18	499	21
Port Kembla Port Corporation	28	72	8	11	53	57	52	72	1	(15)
Sydney Ports Corporation	438	476	118	168	111	2,431	112	289	(1)	2,142
Other agencies										
Chief Investigator of the Office of Transport Safety Investigations	--	--	--	--	2	2	2	2	--	--
Independent Transport Safety Regulator	7	5	2	2	17	16	15	16	2	--
MTS Holding Company Pty Ltd	--	8	--	2	15	18	15	33	--	(15)
Sydney Ferries	143	158	8	11	12	93	22	36	(10)	57
Transport Cleaning Services	12	11	12	11	89	35	89	35	--	--
Transport Service of NSW	1,820	30	1,820	30	1,100	207	1,003	207	97	--
WestConnex Delivery Authority	--	--	--	--	40	--	40	--	--	--
Trainworks Limited	0.4	0.4	0.3	0.3	1.9	2.0	1.9	1.9	--	--

* Total revenue includes other gain, gain on disposal, capital contribution which were shown separately on financial statements.

** Total expense includes other loss, loss on disposal, income tax expense which were shown separately on financial statements.

Source: Financial statements (audited).

Performance against Budget

	Transport for NSW		Roads and Maritime Services		Rail Corporation NSW		Sydney Trains		NSW Trains		State Transit Authority	
	2014 actual \$m	2014 budget \$m	2014 actual \$m	2014 budget \$m	2014 actual \$m	2014 budget \$m	2014 actual \$m	2014 budget \$m	2014 actual \$m	2014 budget \$m	2014 actual \$m	2014 budget \$m
Abridged statement of comprehensive income - year ended 30 June												
Employee expenses	--	--	450	543	281	111	1,107	1,213	229	211	248	256
All other expenses and losses	11,158	11,328	3,997	3,105	1,015	1,227	2,117	2,006	516	514	392	375
Total expenses	11,158	11,328	4,447	3,648	1,296	1,338	3,224	3,218	745	725	640	631
Government contributions	864	611	126	121	2,283	--	1,215	1,179	544	541	--	--
Other revenue	10,552	10,916	5,317	5,262	481	2,921	1,838	1,785	132	121	673	646
Total revenue	11,416	11,527	5,443	5,383	2,764	2,921	3,053	2,965	676	662	673	646
Net result	258	199	996	1,735	1,468	1,583	(171)	(254)	(69)	(63)	33	15
Total other comprehensive income/(expense)*	94	--	2,280	2,335	43	--	389	--	(26)	--	14	--
Total comprehensive income/(expense)	352	199	3,276	4,070	1,511	1,583	218	(254)	(95)	(63)	47	15
Abridged statement of financial position - at 30 June												
Current assets	1,034	594	597	664	432	--	400	--	59	--	88	--
Non-current assets	4,284	4,114	73,647	74,440	26,945	--	3,499	--	2	--	834	--
Total assets	5,318	4,708	74,244	75,104	27,377	--	3,899	--	61	--	922	--
Current liabilities	1,165	627	1,605	1,331	944	--	1,143	--	150	--	190	--
Non-current liabilities	1,279	1,439	2,104	2,326	653	--	2,222	--	95	--	464	--
Total liabilities	2,444	2,066	3,709	3,657	1,597	--	3,365	--	245	--	654	--
Net assets/(liabilities)	2,874	2,642	70,535	71,447	25,780	--	534	--	(184)	--	268	--

Note: Budget not available for abridged statement of financial position for certain agencies in the table above.

* Includes transactions taken directly to equity, such as asset revaluation movements and actuarial movements on defined benefit superannuation plans.

Source: Financial statements (audited) and respective transport agency.

Appendix Two - Financial Sustainability

Indicator	Formula	Description
Surplus/ (deficit) (\$)	Net result from statement of comprehensive income	A positive result indicates a surplus, while a negative result indicates deficit. Operating deficits cannot be sustained in the long term.
Net assets \$	Net assets from the statement of financial position	A positive result indicates that assets exceed liabilities, while a negative result indicates that liabilities exceed assets. Net liability positions cannot be sustained in the long term and indicate that the agencies may be unable to pay its debts as they fall due.
Liquidity (ratio)	Current assets / current liabilities	This measures the ability to pay existing liabilities in the next 12 months. A ratio of one or more means there are more cash and liquid assets than short-term liabilities. Current liabilities exclude long-term employee provisions and revenue in advance.
Government funding (%)	Government grants and contributions/ total revenue	Indicates the proportion of total revenue which is contributed by State and Federal Government. A higher percentage means that the agency relies on the Government to fund its expenditure. This percentage is expected to be lower for self funding agencies.

Appendix Three - Cluster Information

Agency	Website
Cluster lead entity	
Department of Transport	http://www.transport.nsw.gov.au
Transport for NSW	http://www.transport.nsw.gov.au
Transport service providers	
NSW Trains	www.nswtrainlink.info/
Rail Corporation NSW	www.transport.nsw.gov.au/railcorp
Sydney Trains	www.nswtrainlink.info/
State Transit Authority	www.statetransit.info
Sydney Ferries	www.transport.nsw.gov.au/content/sydney-ferries
Roads and Maritime Services	www.rms.nsw.gov.au
Port corporations	
Newcastle Port Corporation	www.newportcorp.com.au
Port Kembla Ports Corporation	www.kemblaport.com.au
Sydney Ports Corporation	www.sydneysports.com.au
Other agencies	
Chief Investigator of the Office of Transport Safety Investigations	www.otsi.nsw.gov.au
Independent Transport Safety Regulator	www.transportregulator.nsw.gov.au
MTS Holding Company Pty Ltd	This agency is now deregistered
Transport Cleaning Services	*
Transport Service of New South Wales	www.transportregulator.nsw.gov.au
WestConnex Delivery Authority	www.westconnex.com.au
Trainworks Limited	www.trainworks.com.au

* This entity has no website.

Appendix Four – Bus Contract Regions

Contract Region	Area Served
1	Penrith, Mt Druitt, St Marys, Richmond and Windsor
2	Liverpool, Glenfield, Ingleburn, Bringelly and Hoxton Park
3	Liverpool, Fairfield, and Holroyd
4	Blacktown, Rouse Hill, Castle Hill, Dural and Parramatta
5	Lakemba, Mortdale, Punchbowl and Roselands
6	Sydney Olympic Park, Burwood, Ashfield, Leichhardt, Campsie and Rockdale
7	North Sydney, Chatswood, Macquarie Park, Epping, Ryde and Parramatta
8	Palm Beach, Brookvale, Manly, Mosman and North Sydney
9	Bondi Junction, Randwick, Maroubra, Botany, Mascot and Surry Hills
10*	Hurstville, Miranda, Menai, Bankstown, Caringbah, Cronulla and Kurnell
12	Berowra, Hornsby, Gordon and Chatswood
13	Parramatta, Burwood, Bankstown and Liverpool
14	Chatswood, Belrose, Terrey Hills and St Ives
15	Campbelltown, Narellan and Camden

* Regions 10 and 11 were combined in 2012-13.

Source: Transport for NSW.

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

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