

**Submission  
No 6**

**FOLLOW UP OF THE AUDITOR-GENERAL'S  
PERFORMANCE AUDITS APRIL 2012 – AUGUST  
2012**

**Organisation:** Sydney Trains  
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**Position:** Chief Executive  
**Date Received:** 11/11/2013

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Our Reference: DSYD2013/13433

11 November 2013

Mr Jonathan O'Dea MP  
Chair  
Public Accounts Committee  
Legislative Assembly  
Parliament of New South Wales  
Macquarie Street  
Sydney NSW 2000

Dear Mr O'Dea

**Auditor-General's Report on Managing Overtime: RailCorp**

I refer to your letter regarding the Auditor-General's Report on Managing Overtime in RailCorp and enclosed is our submission detailing responses and progress on implementing the Auditor General's recommendations from the report.

I am pleased to report that RailCorp (and now Sydney Trains) has made significant progress in implementing reform and productivity initiatives to improve the management and reduce the level of overtime.

On 15 May 2012, the "Fixing the Trains" reform was announced by the Minister for Transport. This included the announcement of the creation of Sydney Trains and NSW Trains from 1 July 2013 as well as the creation of a separate cleaning subsidiary and a voluntary separation program for up to 750 middle management and corporate support staff.

I can confirm that Sydney Trains, one of the successor organisations to RailCorp, has accepted the recommendations of the Auditor General in relation to managing overtime. In particular, this includes the process of determining appropriate levels of overtime, setting overtime targets, comparing ourselves against international benchmarks and implementing improved regular reporting on overtime levels.

As recommended, the overtime percentage hours target for RailCorp has been cascaded to Directorate level. RailCorp achieved a reduction in overtime hours to normal hours from 8.02% in 2011/12 to 7.93% in 2012/13 and a year on year reduction in overtime expense of 4.5% (or 7.7 % wage adjusted) over the same period.

A key focus is the major reform of significant functional areas across the business. The Auditor General's report had noted the savings in overtime that could be achieved through a more fundamental reform program, similar to the one previously carried out at stations.

In 2012, The 'Fixing the Trains' program initiated a major reform program in Maintenance which included:

- maximising labour productivity through rostering and scheduling
- maintenance productivity through capacity
- maintenance planning improvements
- streamlining and amalgamation of work teams and sites.

This program is due for completion in 2015.

Concurrently Train Crewing commenced reform of its operations to drive improvements in train crew "footplate time" through a range of initiatives. International benchmarking has shown that both Sydney and NSW Trains can achieve much improvement in work practices in this area.


- Reforms are also underway in the cleaning of trains and stations and as a first step we have contracted out the management of cleaning to a professional cleaning services organisation

As we have progressed with this major reform program it has become increasingly clear that the existing Enterprise Agreement, which expires in March 2014, is a major impediment to the implementation of best practice work practices in many areas. Planning for the negotiation of the new 2014 Enterprise Agreement is well advanced and discussions have commenced with the unions. A new Enterprise Agreement/s that removes existing restrictions and provides the flexibility to restructure work practices to achieve much need productivity improvements is key.

While these changes will drive improvements in the level of customer service and reliability of rail operations, they will also change the ways in which work is carried out and provide a step change in the fundamental need for overtime and penalties.

- For the Committees information, in March 2013 the previous RailCorp Chief Executive, Rob Mason, met with Peter Achterstraat, the then Auditor-General and his team to review the Managing Overtime recommendations, implementation plans and progress. We understand this update was favourably received.

Yours sincerely



**Howard Collins OBE**  
Chief Executive



**PERFORMANCE AUDIT: MANAGING OVERTIME: RAILCORP**

**IMPLEMENTATION OF RECOMMENDATIONS**

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS AND COMMENT	RESPONSIBILITY
<p>1 RailCorp should determine acceptable levels of overtime for operational purposes (by 31 December 2012).</p>	<p>Accepted</p>	<p>Further analysis and reporting of overtime will be undertaken that focuses on the drivers of overtime to enable better transparency of the amount of overtime that is required for planned operations.</p>	<p>31/12/2012</p>	<p><b>In Progress.</b> Overtime is principally driven by operational requirements.  As a 24 hour, 365 day operation overtime is, under the current industrial arrangements, a key enabler to ensure that frontline operations are staffed and that access can be obtained to infrastructure and rollingstock assets outside of normal operating hours in order to perform necessary maintenance and construction which supports the delivery of customer service.  Staffing of operations also utilises overtime to meet peak demands such as special events, increased project work and critical skill shortages. The trade-off between staff levels and use of overtime is managed within both the current industrial arrangements, as well as considerations of customer service, health, fatigue and safety.</p>	<p>All Directorates in conjunction with Finance, &amp; People and Corporate Services</p>

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS AND COMMENT	RESPONSIBILITY
<p>2 RailCorp should further investigate and report on the impact of high levels of sick leave and job vacancies on overtime (by 31 December 2012).</p>	<p>Accepted</p>	<p>Analysis of overtime will be undertaken to identify how much is being driven by sick leave and job vacancies. In addition further initiatives are in place to reduce the level of sick leave in the organisation.</p>	<p>31/12/2012</p>	<p>Enhanced reporting on the drivers of overtime is expected to come from the current extended rollout of rostering tools as well as a new time and attendance system.</p> <p><b>Ongoing</b></p> <p>It is recognised that high levels of absenteeism and vacancies may have an unfavourable impact on overtime levels.</p> <p>There are a range of strategies and reporting in place to address this.</p> <p>The rollout of "Visual Management Centre" reporting across the organisation has been established. This approach, which monitors operational performance metrics on a weekly basis, also incorporates reporting on overtime, staff absences and headcount.</p> <p>Measures and key performance indicators on a number of people related issues including staff attendance levels have also been incorporated into senior and middle management business plan scorecards.</p> <p>There have also been a range of</p>	<p>People &amp; Corporate Services</p>

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS AND COMMENT	RESPONSIBILITY
3	Accepted	In addition to current overtime budgeting and reporting, further reporting will be introduced focusing on overtime cost ratios and will extend to all significant divisions. As in the past all groups will have specific overtime budgets.	31/12/2012	<p>attendance management activities that have focused on staff with high levels of sick leave, excess levels of annual leave as well as staff that are off roster.</p> <p><b>Completed.</b></p> <p>In addition to overtime budgets and associated financial reporting, Directorate targets for overtime hours were established in December 2012.</p> <p>RailCorp achieved a reduction in overtime hours to normal hours from 8.02% in 2011/12 to 7.93% in 2012/13 and a year on year reduction in overtime expense of 4.5% (or 7.7% wage adjusted) over the same period.</p> <p>Given the ongoing Rail reform cost based ratios were not deemed an appropriate measure during such a period of change. This will be revisited once the reform is further advanced.</p> <p>Following the disaggregation of RailCorp, Sydney Trains has adopted an equivalent target for overtime hours of &lt;10.2%.</p>	All Directorates in conjunction with Finance & People and Corporate Services
4	Accepted	Railcorp already has a number of initiatives in place to improve efficiency in train crewing. These will continue to	Ongoing	<p><b>In progress.</b></p> <p>The Fixing the Trains reform includes various initiatives to</p>	Operations
		Railcorp should revise its current overtime targets and introduce further targets that focus on overtime costs across all divisions as part of broader reforms (by 31 December 2012).			
		RailCorp should strive to achieve international benchmarks for train crewing to improve			



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<p>efficiency and reduce overtime. This should include better aligning shifts and rosters to meet demand (ongoing).</p>		<p>be pursued and further opportunities will be considered within the constraints of the current Enterprise Agreement, as part of the Fixing the Trains program.</p>		<p>improve train crewing efficiency and "footplate time".</p> <p>In addition the area of train crew productivity has been an area identified for discussion with unions as part of the 2014 Enterprise Agreement.</p>	
<p>5 RailCorp should prepare a plan to accelerate the revision of work practices in infrastructure maintenance and renewals divisions, similar to rolling stock initiatives, to create greater flexibility and improve productivity (by 31 December 2012).</p>	<p>Accepted</p>	<p>Consideration has been given to such work practice revisions and the planning of these will be progressed as recommended.</p>	<p>31/12/2012</p>	<p><b>Planning completed. Implementation in Progress</b></p> <p>A program for maintenance reform has commenced.</p> <p>Key work streams focus on aligning operational models to work flows, maximising labour productivity through rostering and scheduling, increased maintenance productivity through capacity and maintenance planning improvements and streamlining and amalgamation of work teams and sites.</p>	<p>Maintenance</p>
<p>6 RailCorp should prepare a plan to include the equally significant allowances and penalties relating to work outside normal hours when reviewing overtime practices (by 31 December 2012).</p>	<p>Accepted</p>	<p>Penalty payment arrangements are specified in the current Enterprise Agreement and in many cases are functions of the timeframes in which operations are provided to the travelling public and the timeframes operational and maintenance activities can be performed without</p>	<p>31/12/2012</p>	<p><b>Planning completed. Implementation in Progress</b></p> <p>The Fixing the Trains reform is focusing on opportunities for improved work practices and increased productivity.</p> <p>In conjunction a key discussion</p>	<p>All Directorates in conjunction with Reform, Finance, &amp; People and Corporate Services</p>

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS AND COMMENT	RESPONSIBILITY
		<p>disrupting services. However, as part of ongoing reform, consideration will be given to rostering and work scheduling that minimises, to the extent possible, penalty payments.</p>		<p>area with unions as part of the 2014 Enterprise Agreement will be in relation to rostering and utilisation aligned with customer and organisational needs.</p>	
<p>7 RailCorp should further improve reporting to monitor the achievement of overtime targets across all divisions (by 31 December 2012).</p>	<p>Accepted</p>	<p>Targets will be established for separate operational areas based on the nature of their operations and reporting against these targets will be introduced.</p>	<p>31/12/2012</p>	<p><b>Completed.</b></p> <p>As noted in 2) above there have been a range of reporting enhancements that incorporate overtime among other key operational and performance metrics.</p> <p>These include the rollout of Visual Management Centres to key areas of the business; enhanced overtime reporting to the executive; and the development of business plan scorecards for senior and middle management.</p>	<p>All Directorates in conjunction with Finance &amp; People and Corporate Services</p>