

**Submission
No 8**

**EXAMINATION OF THE AUDITOR-GENERAL'S
PERFORMANCE AUDIT REPORTS JULY 2015 –
JANUARY 2016**

Organisation: Transport for NSW
Name: Mr Stephen Troughton
Position: Deputy Secretary
Date Received: 26 September 2016



Mr Bruce Notley-Smith MP
Parliament of NSW
Macquarie St
SYDNEY NSW 2000

Dear Mr Notley-Smith,

Performance Audit: Sydney Metropolitan Bus Contracts

I refer to your letter of 6 September 2016 regarding the above mentioned performance audit. I am writing to provide you with an update on the actions taken to date in relation to the recommendations of that audit.

Transport for NSW has undertaken a detailed review of all ten audit recommendations and has implemented management action plans for each recommendation.

As requested, a summary of Transport for NSW's response to the audit recommendations and details of actions taken to date are enclosed in the recommended table format.

Transport for NSW will continue to progress any remaining actions as relevant, including implementing further improvements to processes and systems.

If you have any further questions regarding this matter, please contact Ms Jenny Birch, Director, Metro Service Delivery & Performance on PH: (02) 8202 2867.

Yours sincerely,

Stephen Troughton
Deputy Secretary
Infrastructure & Services

IMPLEMENTATION OF RECOMMENDATIONS

Transport for NSW
Sydney Metropolitan Bus Contracts

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
1		TfNSW will refresh its future procurement strategies based on recent experience with bus contracts. This will include a review of academic literature and contemporary strategies.	30/06/2017	ON TRACK Contract terms vary: SMBSC for PBO (tendered) 5 years + 3 year option SMBSC for PBO (negotiated) 7 years + 1 year option SMBSC for STA (negotiated) 5 years + 2 year option Anticipate work on new contracts will commence one year prior to end of initial contract term. A refresh has already occurred for integrated services under the Newcastle contract. Further work will occur in 2017.	Service Delivery and Performance
2		TfNSW acknowledges the findings to work towards a full purchaser-provider model for STA's contracts, noting that this recommendation will be subject to government decisions and directions to go to market for a new contract.	30/06/2017	ON TRACK STA Contract term is 5 years + 2 year option Anticipate work on new contracts will commence one year prior to end of initial contract term (2017).	Service Delivery and Performance
3		TfNSW will continue to work with STA to reduce costs	30/06/2017	ON TRACK TfNSW has negotiated an additional \$10.5m in contract savings for 15/16, on top of the already identified efficiencies. TfNSW will continue to work with STA to reduce costs.	Service Delivery and Performance
4		Ongoing TfNSW Contract Management Process.	30/06/2017	ON TRACK TfNSW continues to closely monitor bus contract performance including compliance to KPIs and inclusive of On Time Running (OTR) and will apply contract abatements as determined under the contract and contract management plan.	Service Delivery and Performance
5		TfNSW will continue to manage mid-trip and end of trip punctuality targets operationally to improve punctuality and will investigate other options which may be available under the contract. Operators have been informed of the findings of the audit report in this regard, and are investigating options to improve performance in these areas.	9/03/2017	ON TRACK TfNSW continues raise the need to improve mid and end point OTR and is seeing improvements in some contracts. The assessment is now standard discussion in monthly contract meetings. As a result, a number of operators are reviewing current midpoint locations and timetables and are implementing changes to improve midpoint and end point OTR. Where additional trip time is required TfNSW has stipulated this is to be at the operator's cost.	Service Delivery and Performance
6		TfNSW supports this recommendation and is actively working with STA on a number of projects to improve punctuality. A Strategic Governance Committee oversees the STA reform program to drive improvement. In addition, an STA On Time Running Working Group has been established comprising representatives from STA and TfNSW's contract management and planning areas to identify the root causes and remediation action.	9/03/2017	ON TRACK Work is continuing with STA to improve OTR. Additional funding from TfNSW has been made available to STA to improve On Time Running Performance. A State Transit / TfNSW OTR Working Committee has been established to manage this process and monitor performance change. Currently STA advises that it will implement service changes to improve OTR in Contract 6 commencing late 2016. Contract 9 commences February 2017. Contracts 7 and 8 are to be determined.	Service Delivery and Performance
7			9/03/2017	ONGOING TfNSW is enhancing PTIPS to allow the operator to mark a trip as "cancelled" in near real time, and during end of day processing, to either mark as "cancelled" or provide evidence that the trip has operated.	Service Delivery and Performance
8		TfNSW will investigate the best course of action to address this issues by either modifying the wording or refreshing the KPI and enacting the order requiring all new buses to have security systems.	9/03/2017	ONGOING The intent of the indicator is working as TfNSW can retrieve CCTV and other footage as a result of new bus specifications. However, TfNSW will review this KPI and make it stronger in next round of contracts.	Service Delivery and Performance
9			9/03/2017	ONGOING TfNSW is working on delivering improved reporting systems and has introduced OSD Exchange to identify changes in services by Operators to better monitor changes.	Service Delivery and Performance
10		Agreed.	9/03/2017	ONGOING TfNSW has a full sign off process in place required for applying and waiving any KPI outcome.	Service Delivery and Performance