

**EXAMINATION OF THE AUDITOR-GENERAL'S
PERFORMANCE AUDIT REPORTS FEBRUARY 2016
– SEPTEMBER 2016**

Organisation: Transport for NSW

Name: Mr Tim Reardon

Date Received: 16 March 2017

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

Dear Mr Notley-Smith

**Auditor-General's Performance Audit Report
Franchising of Sydney Ferries Network Services**

I refer to your letter of 14 February 2017 regarding the abovementioned performance audit. I am writing to provide you with an update on the actions taken to date in respect to the recommendations of that audit.

The attached document outlines the recommendations that TfNSW supports and has actioned, those that TfNSW acknowledges and will take into consideration in future contract processes, and those with which TfNSW does not concur.

TfNSW fully supports recommendations 1.1, 1.2, 2.1, 2.2 and 3.1. Recommendation 3.1 has already been implemented.

TfNSW acknowledges recommendations 2.3 and 2.4 and will take them into consideration when future Ferry Service contracts are being developed.

Recommendations 2.5 and 3.2 are not supported by TfNSW for the reasons contained in the document.

Yours sincerely



**Tim Reardon
Secretary**

Encl.

15 MAR 2017

IMPLEMENTATION OF RECOMMENDATIONS

Transport for NSW Franchising of Sydney Ferries Network Services

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	1.1 TfNSW should prepare a single document outlining expected costs and net benefits for government consideration.	Accepted	This will be considered in the future franchising process.	In Future Franchising Process. (Current Contract expires in July 2019)	On track (To be actioned at a future date)	Infrastructure & Services
	1.2 Adopt appropriate assumptions in any Financial Base Case prepared and used to test the reasonableness of bids	Accepted	This will be considered in the future franchising process.	In Future Franchising Process. (Current Contract expires in July 2019)	On track (To be actioned at a future date)	Infrastructure & Services
2	2.1 Incorporate customer satisfaction and travel information indicators and targets to align with government priorities.	Accepted	This will be considered when renewing the Ferry System Contract.	When renewing the Ferry System Contract (Current Contract expires in July 2019)	On track (To be actioned at a future date)	Infrastructure & Services
	2.2 Include specific service reliability incentives.	Accepted	This will be considered when renewing the Ferry System Contract.	When renewing the Ferry System Contract. (Current Contract expires in July 2019)	On track (To be actioned at a future date)	Infrastructure & Services

	2.3 Remove the financial penalty for patronage growth, and replace it with a specific revenue protection indicator and target.	Acknowledged	This Key Result Area will be reviewed as part of the next contracting process. TfNSW will consider the addition of a revenue protection indicator if supported by research and operational requirements at that time.	When renewing the Ferry System Contract. (The current contract expires July 2019)	On track (To be actioned at a future date)	Infrastructure & Services
	2.4 Remove service improvement projects directed by TfNSW as a contractual remedy.	Acknowledged	TfNSW acknowledges this recommendation. It will consider whether this facility will be included in future contracts.	When renewing the Ferry System Contract. (The current contract expires July 2019)	On track (To be actioned at a future date)	Infrastructure & Services
	2.5 Improve the measurement methodology used to assess vessel cleanliness.	Rejected	The current methodology was developed in conjunction with an independent research company, customer focus groups and TfNSW. This methodology is used consistently across the majority of modes. Therefore it is not appropriate to modify the methodology in isolation.	N/A	N/A	Infrastructure & Services
3	3.1 Rectify minor deficiencies in procedure documents.	Accepted	TfNSW supports this recommendation.	August 2016	Completed Q1 CY 2016	Infrastructure & Services
	3.2 Develop procedures to ensure service improvement projects specified by TfNSW continue not to be used as a contractual remedy.	Rejected	It is noted that Harbour City Ferries (contract service operator) bid on an open market tender and entered into a contract with TfNSW on the understanding that this remedy was available. Whilst this contractual remedy exists in the contract, it hasn't to date been utilised by TfNSW. This facility exists in the contract, and provides TfNSW the ability to rectify significant failure in services. Therefore it should not be removed.	N/A	N/A	Infrastructure & Services