

REPORT ON PROCEEDINGS BEFORE

PUBLIC ACCOUNTS COMMITTEE (PAC)

**EXAMINATION OF THE AUDITOR-GENERAL'S PERFORMANCE
AUDIT REPORTS OCTOBER 2016 – MAY 2017**

At Macquarie Room, Parliament House, Sydney, on Monday 17 September 2018

The Committee met at 9:30

PRESENT

Mr Bruce Notley-Smith (Chair)

Mr Stephn Bromhead

Mr Lee Evans

Mr Ryan Park

Mr Greg Piper

The CHAIR: Good morning and thank you for attending this public hearing being held as part of the Public Accounts Committee follow-up of the Auditor-General's performance audits. Today we will be taking evidence related to selected performance audits from October 2016 to May 2017. My name is Bruce Notley-Smith, I am the Committee Chair and member for Coogee. Today with me are my colleagues Mr Stephen Bromhead, the member for Myall Lakes; Mr Ryan Park, the member for Keira; Mr Greg Piper, the member for Lake Macquarie; and Mr Lee Evans, the member for Heathcote.

I ask everybody to switch off their mobile phones or at least switch them to silent as they can interfere with the Hansard recording equipment. I now declare the hearing open and welcome the Auditor-General, Ms Margaret Crawford, Deputy Auditor-General Mr Ian Goodman and Assistant Auditor-General Ms Claudia Migotto from the Audit Office of New South Wales, who will be with us for the entire hearing to provide additional information as required. I also welcome our first witnesses from NSW Treasury and the portfolio departments of Planning and Environment, Justice, Premier and Cabinet, and Industry. Thank you all for appearing today before the Public Accounts Committee to give evidence.

MARGARET CRAWFORD, Auditor-General, Audit Office of New South Wales, affirmed and examined

CLAUDIA MIGOTTO, Assistant Auditor-General, Performance Audit, Audit Office of New South Wales, affirmed and examined

IAN GOODWIN, Deputy Auditor-General, Audit Office of New South Wales, sworn and examined

BEN GALES, Executive Director, Economic Strategy Division, NSW Treasury, affirmed and examined

SIMON OFFICER, Chief Financial & Operating Officer, Department of Planning and Environment, affirmed and examined

JOHN HASWELL, Executive Director, Justice Performance and Assurance, Department of Justice, affirmed and examined

DON WEATHERBURN, Executive Director, NSW Bureau of Crime Statistics and Research, Department of Justice, affirmed and examined

WAYNE EVANS, Executive Director, Corporate and Ministerial Services Branch, Department of Premier and Cabinet, affirmed and examined

DAVID BUCKLAND, Manager, Program Evaluation, Department of Industry, sworn and examined

SHAUN SMITH, Deputy Secretary, Corporate Service Partners, Department of Industry, affirmed and examined

The CHAIR: Thank you very much. Would any or all of you like to make an opening statement?

Mr GOODWIN: No.

Ms CRAWFORD: No.

Ms MIGOTTO: No.

Mr GALES: No.

Mr OFFICER: No.

Mr HASWELL: No.

Dr WEATHERBURN: No.

Mr EVANS: No.

Mr BUCKLAND: No.

Mr SMITH: No.

The CHAIR: We will go straight into the questions. In order for the Committee to get an overview of the approaches of individual agencies to evaluate their own programs, how does each agency ensure the appropriateness of programs selected for evaluation activity?

Dr WEATHERBURN: Do you want anyone to volunteer and answer?

The CHAIR: Anybody can jump in and start.

Dr WEATHERBURN: Basically the way it works in my neck of the woods is that there is a constant stream of people on the door knocking, wanting a program evaluated. The first question is whether or not the program can be evaluated; some cannot be. I can go into that, if you like, in more detail. Once we have established that it is possible to evaluate it, a decision gets made within the office about the priority. That is, in many cases, determined by the length of time it will take for sufficient numbers of cases or events to take place for an evaluation to occur. The next question is whether we have the resources. Ninety-nine per cent of the time we have the resources to do it. Where we do not have the resources, usually arrangements are set in place to try to obtain them for that purpose. Is that too general? Do you want something more specific?

The CHAIR: You mentioned whether some things can be evaluated or not. Can you go into that a little bit more?

Dr WEATHERBURN: I will give two examples. One example would be one where you have got a policy that is introduced across the State as a whole, so you do not have a valid counterfactual. In other words, you have got no way of knowing for sure what would have happened had the policy not been implemented, so the best you can do is do a before-after study. Of course, that is always vulnerable to the possibility that the things

you observe afterwards would have happened anyway. A second example would be where, for example, implementation of the program is too poor to allow for a rigorous evaluation to take place. An example of that would be the circumstance where a bail assistance program was offered in New South Wales and no record was kept of the people who were offered assistance or what kind of assistance was offered. That seriously hampers the possibility of a rigorous evaluation. There are plenty of other examples.

The CHAIR: Do any other agencies have any comments on the first question?

Mr SMITH: Within the Department of Industry we have got a program evaluation unit that looks after the coordination of all of the program evaluations across the department and that is supported by a program evaluation group. So a series of executives come together from across the department to look at programs that are currently within the scope of delivery and then evaluates which ones of those should go forward for evaluation within any given financial year based on looking at the evaluation guidelines that have been published by the New South Wales Government.

The CHAIR: Do you agree with the good practice model identified in the Auditor-General's report?

Mr SMITH: The Auditor-General's report did identify that the Department of Industry was one of the areas where the good practice model, all four elements of it, had been established. So that provides a basis for us to do evaluations within the department.

The CHAIR: Do the other agencies have a comment on the Auditor-General's report with regard to the good practice model identified?

Mr EVANS: The Department of Premier and Cabinet [DPC] have adopted the various components of the report. We—through a machinery of government—changed some of the evaluation team that were in Industry at the time and have moved across to DPC. This has formed a core group for us that can actually conduct evaluations. We have adopted the approach the Audit Office recommended but also the guys who came across from Industry had already, I guess, set up. So we have now set up a program evaluation reference group, a similar set up with executives from all parts of the department and the cluster. We have reviewed the programs that have been proposed for evaluation, considered the number to be handled throughout the year and also the future years. That is put up to our senior executive board, comprising deputy secretaries and the Secretary of the department, after discussion with the various cluster agency heads to ensure that we have got full agreement on that. Then either our evaluation group will do the review itself or we will bring in an external party to assist with that evaluation.

The CHAIR: I address this question to all of you. Are you satisfied that the performance information that you provide enables the Government to make evidence-based decisions for investment and funding purposes?

Dr WEATHERBURN: I am sorry, what was the question again?

The CHAIR: Are you satisfied that the performance information that your agencies provide enable the Government to make evidence-based decisions for investment and funding purposes?

Dr WEATHERBURN: It definitely is but there is a long way to go. For example, it is not yet clear that we are able to do effective cost-effectiveness or cost-benefit evaluations, which would be a bigger step forward than the one we have got. At the moment in the bureau we have got good and rigorous externally evaluated or reviewed evaluations on outcomes so we know what sorts of interventions have what sorts of effects, but the step beyond that would be to get a clearer picture of the relative cost of various options and beyond that the cost benefits associated with options. That is work that still needs to be done in the justice department.

Mr RYAN PARK: I am interested in Mr Gales' area about the financial management transformation [FMT]. Can you give the Committee a status as to where the FMT project is at?

Mr GALES: So FMT in the move to outcomes budgeting being implemented in terms of the link between evidence and outcomes, I think as you map out under outcomes budgeting of the cluster to the program group, to the program and then when we think about program evaluation at the sub-program level, we have now got a position where across the whole of the New South Wales Government we have mapped those outcomes in terms of those clusters, program groups and programs. Now we are mapping out the types of evidence and evaluation that Dr Weatherburn was just talking about up into those program groups and programs but it will take time to build that full suite of evidence.

Mr RYAN PARK: What sort of time line are we talking about?

Mr GALES: We always talk about this being a kind of medium term generally. We are not at the start of the journey but we have made some good progress, and we will build evidence over time in terms of the response to the Audit Office report around more systematically collecting the evidence and evidence-informed

policy decisions. There is good progress but I do not think you can give a precise time line to it. It is certainly better now than it was five years ago and it will be better in five years time but it is part of a continuous improvement program.

Mr RYAN PARK: To date how much has the Government spent on FMT?

Mr GALES: I will take that on notice.

The CHAIR: We will start with the Department of Planning and Environment. The agency response notes that elements of individual recommendations have been completed and some are on track for completion. This includes three out of the four elements of the good practice model. For recommendations listed as "on track" what has been the reasons for the delays in the implementation?

Mr OFFICER: I can confirm the fact that as at today they are now all fully implemented. As at February this year they were partly implemented but they are now fully implemented.

Mr STEPHEN BROMHEAD: Does that include the alignment of the program evaluations with government priorities?

Mr OFFICER: We have developed an enterprise program management office and within that we have developed guidelines and frameworks. We have developed an evaluation steering committee that makes sure of the fact that it is across cluster. The evaluation steering committee ensures the fact that all of our list of programs are appropriately prioritised and are going through the evaluation process. This would include the fact that, where relevant, they are lined up to outcomes the Government has defined for that program.

The CHAIR: So all agencies are part of the Treasury evaluation strategy working group, is that correct?

Mr OFFICER: Yes.

The CHAIR: What have been the results of the deliberations with this group for the planning department?

Mr OFFICER: We have now ensured the fact that our framework is now aligned to the Treasury TPP. We have ensured the fact that as a best practice group there are regular meetings to share learnings with regards to evaluation and we have ensured the fact that our guidelines, our tools and so forth have been shared amongst the group to ensure the fact that we can learn from each other's development of these instruments.

The CHAIR: The Department of Industry mentioned earlier that there had been a transfer of parts of the industry program evaluation function to DPC as a result of reallocated responsibilities in the machine. What has the impact of that transfer been?

Mr SMITH: As far as the Department of Industry is concerned there has been minimal impact for us. We retained some of the capability that already existed in the department in the transfer to DPC, so not everyone went across. We have currently got the central evaluation unit that does the coordination, and divisions within the Department of Industry also have their own evaluation units as well.

The CHAIR: So it has not affected the implementation of the program evaluation function?

Mr SMITH: No.

Mr RYAN PARK: This question is probably best addressed to NSW Treasury. Has the State's outcomes framework been approved yet?

Mr GALES: Can I take that on notice? Sorry to answer the same again.

Mr RYAN PARK: Sure. Are proposals going to the Expenditure Review Committee [ERC] for instance—obviously I do not want the details of them—now all containing a component that clearly identifies that this is an evidence-based request for additional dollars or an additional program or a reallocation of spending, et cetera? I understand from listening to some of you and from reading it that some of the evaluation is built in within what is happening within departments. I am more interested in if the Executive of Government has a line of sight when approving or not approving program bids or maintenance bids or enhancement bits or any other language that you may or may not call them now. Is there that evidence base that underpins a request from a particular Minister and/or their department for Cabinet's review?

Mr GALES: Early in the year we updated the Treasury Circular TC18-03 Program Evaluation. As a part of that we require that all program-related submissions to Cabinet include details of when the program was last evaluated or subject to another form of effectiveness assessment and when the program will be next evaluated or subject to an effectiveness assessment. That is how we ensure that when Cabinet or Cabinet committees are considering program bids the full suite of evidence is provided to them.

Mr RYAN PARK: Is that always completed?

Mr GALES: I cannot give you a definitive answer on if it is always completed, sorry.

Mr GREG PIPER: Mr Weatherburn, the Auditor-General indicates that the agency has substantially implemented three out of four. I guess the question is where is the agency in the full implementation of the program? Is there an update?

Dr WEATHERBURN: I cannot recall a fourth that was not implemented. Perhaps someone can enlighten me.

Ms MIGOTTO: I can help with that. We found partial implementation of process for cluster-wide program identification based on agency and cluster strategic planning processes. We found partial implementation of the master list of all cluster programs including a tiered ranking and links to New South Wales Government priorities and we have found partial implementation of objective processes to prioritise cluster agency programs across the whole cluster, taking into account capability and capacity. Full implementation of an evaluation centre of excellence—

Dr WEATHERBURN: The procedures for determining priority have only just recently been set in place. Our guidance up to this point has been on the basis of the Premier's priorities, the Government's priorities. That would have driven the initial decision about what is the most important thing to do. But up to this point we have had the capacity to do all the evaluations we have been asked to do, so it has not really been an issue. There is no stage so far where we have simply refused to do something because we do not have the resources.

Mr GREG PIPER: This is more to do with the communication of what is happening. I am not quite sure. You were not sure which one was missing there. While that has been explained, I imagine you have not been kept in the dark as to that; there would have been communication on that. I am just a little bit surprised that there is a disconnect between what you understood and what the Auditor-General has just reported. You are saying basically that you believe all of those requirements are being fulfilled?

Dr WEATHERBURN: Yes.

Mr GREG PIPER: Specifically, can you update the Committee on the progress of recommendation Nos 1 and 4, stated to be completed in July 2018?

Dr WEATHERBURN: Which are 1 and 4? Sorry, I did not come prepared for those quite specific questions.

Mr GREG PIPER: It is about the progress of the implementation of recommendation Nos 1 and 4 for the justice department. I am asking you to elaborate on the details of recommendation Nos 1 and 4.

Mr HASWELL: I am happy to talk on behalf of the department on these two if that suits. The first one is to have a centre of evaluation. Obviously, the Bureau of Crime Statistics and Research [BOCSAR] has been in place for quite a number of years and has demonstrated itself as an independent centre for evaluation. Recommendation 4 was around programs that are objectively prioritised, taking in the department's capacity and capability to conduct the evaluation. On that front we do have a justice transformation board which has got members of the New South Wales police plus some of the other smaller agencies in the cluster as well as the key representatives of the department itself. It looks at what programs should be prioritised and then also what decisions are then made in terms of further transformation of the justice sector. We also have established a project evaluation advisory group as well. I think with those two components we have probably got sort of a bottom up and a top down approach, which is probably one of the key components that was missing in terms of evidence of us having an end-to-end process.

Mr GREG PIPER: Does that committee or working group, however you described it, meet regularly?

Mr HASWELL: It meets every two months. It has got representation from the whole of the department. It is fairly new but there is a great deal of enthusiasm around evaluation. The hope is then, because we have got a couple of units that have some responsibility, that it means we will actually end up with some end-to-end processes and a better understanding for everyone within the department itself of what the forward plan is.

Mr RYAN PARK: Mr Gales is probably best to answer this. When the evaluation process is submitted and departments are putting up bids through the ERC process or the Cabinet process and some of the evaluation material it presented, how is there an understanding in almost a scorecard or a dashboard type of way so that Treasury and others can get a sense of the value of that program? For instance, are we all using a common scale? A very strong public servant can write a very good evaluation piece, as they should if they are making a request for that, but someone else might not be as well versed in that type of form or that type of presentation. How do we ensure that the Executive Government is comparing apples with apples when looking at things? I am

particularly concerned about a smaller agency that maybe does not have the same sorts of resources available to present. I am just interested in how Treasury gets what I would call a baseline or a dashboard understanding that a program put up by the police is about X and it has a scale of Y as compared with a program put up by NSW Health. I understand they are two different portfolios, but what is our interrogation to try to compare apples with apples on that level?

Mr GALES: Firstly in terms of the consistency of approach, we have developed something which we are calling the New South Wales Evidence Bank. Then we are systematically collecting the evidence which has been provided to Treasury and provided to Cabinet committees. By "evidence" what we mean is going from what is in business cases and what is in the cost-benefit analysis through to the type of performance reporting from its audits and the performance reporting might go into the budget and then through to those evaluation findings. Firstly, we are just systematically collecting that in a consistent manner across all clusters and we are working with our colleagues on the various evaluation centres of excellence to do that. That enables us to firstly check that we are recording it in a consistent way and it facilitates exactly those discussions around how the evidence compares. We have, as you would expect, a way of showing what is the quality of the evidence being provided. I think I would echo Dr Weatherburn's point: The quality of evaluation can be difficult sometimes.

Mr RYAN PARK: Very loose.

Mr GALES: We try to make it not loose but, as we say, you cannot do a randomised controlled trial [RCT] when you have got a statewide rollout of a program. But we try and make it systematic and then, through communities of practice, we try and share learnings across various clusters.

Mr RYAN PARK: The evidence bank interests me enormously because I am probably one of those rare people who believe in using evidence-based policy-making—strange in this place. How developed is the evidence bank? I understand it is an ongoing task obviously—things change in what happens and what works and what does not work changes, I get that—but how far into what I would call having a good picture of an evidence bank or a good suite of information there that can be used to evaluate particularly around Premier's Priorities and that type of direction are we going?

Mr GALES: I think the evidence bank supports what we have been doing previously in the ERC evaluation schedule, so we can now map across all clusters the programs, the evaluation activity linked to those programs, ensuring that we are covering those Premier's Priorities, State priorities, and obviously it facilitates the discussion with our colleagues, and making sure we are doing evaluations that are needed. It is a journey. I am pleased with how it is going, but it is a journey. What it definitely does is make sure that we are systematically collecting that evidence now, where previously it was more piecemeal in terms of the collection.

Mr RYAN PARK: And, Dr Weatherburn, in your area, there is a lot of evidence based around what works and does not work in relation to law and order, crime and justice et cetera.

Dr WEATHERBURN: Yes.

Mr RYAN PARK: With something as fantastic as BOCSAR, rather than agencies reinvent the wheel, if you have got an agency that does not have a BOCSAR, and that is a lot, is BOCSAR able to help or assist other agencies in terms of good-quality evaluation? I think all of us in this room who has had anything to do with you and BOCSAR would say that that is probably world's best practice, and I know Health has gone down a similar sort of path. But not everyone can have a BOCSAR, and that is completely understandable, but more practices and the way of doing things et cetera, is that able to be transferred or replicated or informed or educated across government?

Dr WEATHERBURN: The first thing to know is that the primary evidence bank for our work, and in fact in general for the social sciences, is the Campbell Collaboration. You would be familiar with that.

Mr RYAN PARK: Yes, I am.

Dr WEATHERBURN: And the big gap that creates is that what works well or badly in one location may work badly or well in another location and program evaluation in Australia is in its infancy—there is an extraordinarily poor range of evaluations that have been properly evaluated. I have a paper on that. So far as helping others is concerned, I have a paper which is a simple, plain-person's guide to program evaluation, and a presentation which I give whenever people want it, and I am more than happy to give it to anybody who wants it. It basically explains the elements and the various options available for it. There is plenty of scope for giving those lectures more often; it is just a case of not wanting to force myself on people who do not want it. But there is a lot of work there that can be done, and, frankly, you do not need all the resources of the bureau to do a good evaluation; a lot of the bureau's resources go to other purposes.

It is also true that—you may not be aware of this—the Federal Government has recently rearranged the funding rules for universities so that they get the same credit for grants obtained from government that they used to get only from the Australian Research Council grants. So it is possible now for universities to team up with departments and do very good work, and frankly very cost-effective work compared with the private sector in some cases. So I would certainly urge people who do not have the in-house resources to look at forming a team with a relevant university. They have got an enormous amount of untapped expertise to draw upon.

Mr RYAN PARK: Hear, hear!

Dr WEATHERBURN: And they are more than willing to make themselves available for it.

Mr RYAN PARK: We were speaking about that with the University of Technology Sydney the other day. It is amazing how much we do not use what we have already paid for multiple times.

Dr WEATHERBURN: Indeed. Monash University, for example, has some of the world's leading experts on prison population forecasting. You can go on and on. Compared with the United States we are very poor at teaming up with universities to solve public policy problems. So I think there is plenty of scope for improvement there.

Mr RYAN PARK: Who does program evaluation well internationally, from a government program perspective?

Dr WEATHERBURN: Probably the best example is the Washington State Institute for Public Policy, which reports directly to Parliament in Washington State and which undertakes evaluations across the spectrum. That would be the best single example I can think of. Lots of agencies within states in the United States do do that sort of thing, but I would go straight there if I were you, just to get a picture of what can be done in terms of providing government with rigorous independent cost-benefit advice on programs that work.

Mr RYAN PARK: Because we are going to have this wicked problem for ever and day, are we not—Treasury and others have said it before—where the demand for new et cetera, et cetera is certainly outstripping our revenue coming in, and making sure we put money where it actually works is probably going to be one of the biggest challenges for governments over the next 10 or 15 years because, from all accounts, income is going to be restrained and growth, particularly in some of those high-demand programs, is going to continue to go up?

Dr WEATHERBURN: I am very optimistic, I must say. After 30 years of working in the public sector it is only in the last 10, and really only in the last five, that I have seen a genuine enthusiasm across government to rigorously evaluate programs. It is interesting and ironic that it has been driven by Treasury officials concerned about getting value for money rather than by scholars concerned to see rigorous evidence-based policy. So that has been a big plus.

Mr RYAN PARK: Good on you, Ben.

Dr WEATHERBURN: As long as there is commitment on the part of the agencies to rigorous and independent evaluation there is no reason why in five years we will not have a much bigger evidence bank than we have currently got.

The CHAIR: On the Washington thing, what you perceive to be best practice, what about the outcomes? The performance evaluation, setting the standard, are we seeing the outcomes of government reflected in this commitment?

Dr WEATHERBURN: That is a good question. I would say that is a work in progress. I think that for so long public servants have judged themselves on what they did rather than what effect it had, and I do not think that is easy for people to do, but I think progress is being made on that front. One of the problems that agencies face is that a program may not appear to work and it may turn out, on analysis, that that is because of a simple problem with the program. For example, the Safer Pathway program, which is designed to reduce domestic violence, does not appear to be working. It now appears that one of the reasons it is not working is that the screening instrument—that is to say, the tool that is supposed to identify women at high risk of domestic violence—is flawed; it does not predict at all well. Large numbers of women who are at serious risk are not getting the Safer Pathway program and those who are not at serious risk are getting it.

So in that circumstance the question of whether or not the Safer Pathway program is working or not invites a broader question: Are all elements of the program working? I would be loath to see a program thrown out the window without some attempt, for example, to fix this defect we have discovered to see whether it is still working. So it is not a pass/fail thing; sometimes it is a check, find there is a problem, look for an explanation, change the program, re-evaluate it. That cannot go on for ever, but it would be a mistake of judgement, in my view, to simply abandon a program at the first sign of trouble.

The CHAIR: And you believe that there is too much of a propensity to do that?

Dr WEATHERBURN: I think amongst people who are not familiar with evaluation or, if you like, research and development, there is a tendency to think there is only one answer to a question on whether the program works. Just as when your lawnmower does not work, sometimes it is because you have not put petrol in it, not because the machine is broken.

Dr WEATHERBURN: Forgive my crude analogy.

The CHAIR: No, it is a great analogy.

Mr STEPHEN BROMHEAD: I can understand that one.

Dr WEATHERBURN: But that is my point, you need an intelligent assessment of the evidence not a mechanical assessment of the evidence.

The CHAIR: This is probably a question for Mr Gales and Mr Evans. Who is taking overall responsibility for the program evaluation initiative?

Mr EVANS: I think it is fair that the Department of Premier and Cabinet has kindly asked Treasury to look into this and really run that. It sort of fits in the move as we go into the FMT, so we have outcomes and programs in the FMT. The programs at that level are a different level to the program evaluations we are having. But, if you like, that is a sub-program level that we are doing the evaluations on in the terminology I guess we are using, and that really does fit with the FMT work that is occurring in Treasury. So, yes, that is with Mr Gales and his team.

The CHAIR: Kick the ball to you?

Mr GALES: Yes, I think we are in the right place to be responsible for that oversight across the New South Wales Government.

The CHAIR: I think there was a lack of clarity in where the ultimate responsibility lies.

Mr RYAN PARK: Have people been responsive to it? It is a big change. I do not think it is out of order to say that it is a fairly big change. Some of the things that Treasury has introduced in the past have not always been welcomed. Have we been able to communicate the benefits? Have people been what I would loosely call on board with this?

Mr GALES: Yes, I think you can see from the response of my colleagues my answer is yes. It has been refreshing. With initiatives such as the evidence bank where we talk about—it is very much a collaboration. This is us working with our colleagues to systemically put together the evidence. It is not a Treasury initiative; it is a joint initiative. I think it is working in that way and the clusters are actively engaged.

The CHAIR: You might not be able to answer this, but when do you expect all of the agencies to complete their program master lists?

Mr GALES: I think we effectively have done that. As we have moved to outcomes budgeting and, as I said earlier, across all the clusters, we have now mapped the expenditure to those program groups and programs, and then it is below there. That is effectively the master list of the sub-programs. Within the FMT, that master list has effectively been done.

The CHAIR: When will you complete the performance monitoring and evidence requirements of the FMT?

Mr GALES: I think that is a never-ending and continuous improvement process. As I articulated earlier, we are definitely not there at the moment in respect of having a full suite of evidence informed—all the policy. It is a journey and we are getting there. I do not want to put a date on it.

The CHAIR: Auditor-General?

Ms CRAWFORD: Thank you. I guess what I heard is really positive reinforcement of the value that this audit contributed. One of the things we did after tabling the audit was, in fact, bring agencies together to discuss the findings and look to how collectively we could continue to improve. I think particularly positive has been the discussion around the progress being made linked to the FMT and budget processes. That definitely was what we were hoping to see, so that is really, really positive. As Mr Gales said, there is probably still some room to move and further to go but there is good progress being made.

Ultimately from an Audit Office perspective, when this matures further it will provide an opportunity to look again at one of the Public Account Committee's recommendations, which was about providing objective

assurance of performance reporting as well as the objective assurance that the Audit Office gives currently over financial reporting. Linking that into actual outcomes and performance would be a good next step. But, collectively, the sector is starting to embrace program evaluation and agency by agency moving forward, but most pleasing is the coordination with Treasury through the FMT project, so it is a positive outcome.

The CHAIR: Now you have this infrastructure in place, what are the performance outcomes and what is the broader Government acceptance of that? Then there is educating the community around how resources are allocated or reallocated according to outcomes of a particular program. We have got a long way to go, but how can we accelerate that?

Dr WEATHERBURN: Work with the managers of programs who, in my view, obviously put an enormous amount of energy into their programs and are sometimes horrified to discover that they do not work the way they think; getting people accustomed to the fact that every program is tentative until you find out whether it is working. The best reactions are, "Great. Let us work with you and see if we can find out how to fix this." The worst reactions are stick your head in the sand, "This cannot be right."

Mr RYAN PARK: Because they get too close to it?

Dr WEATHERBURN: They get very close to it. I think that is part of the issue. I think when you spend two years putting a program together and your heart is in it, and public servants certainly put their heart into programs in our work, it is hard to accept that something may not be working or that you might need to have another look at it, change it, re-evaluate it. I think that is a tough call for some people.

Mr GALES: Having data to help those program managers understand the effectiveness of what they are doing is really tough. I think we are getting better. If I can do a plug for social impact investing and what we have done through various social impact bonds, the real learning—and it has informed our thinking around this whole agenda evaluation—but putting in place a clear understanding of what outcomes you are trying to achieve and then what is the data to help you understand. Not in a set and forget, come back in seven years, but from day one of launching the program, what is the data we can use—ideally administrative data—to help us understand whether the expected performance is being realised.

Having that data if not day from one from 12 months into a program has really helped people on the ground understand are we getting the impact that we wanted? I think to echo your point, Mr Weatherburn, the response to it not working well is not that we stop, but we think how can we do it better? What is working better in one intervention or area that we can bring into another? But you need the data and the evidence in order to do that. Better data is absolutely essential here.

Mr OFFICER: Also, we have had a history of measuring outputs and sometimes it is more effective that we use the different measures to look at the efficiency, the effectiveness. What are we trying to measure here and what is the best measure of that outcome?

Mr RYAN PARK: Mr Gales or Mr Officer, this is a joint question, but probably Mr Gales can answer it. One of the programs that I have been interested in recent times—I have not looked at the data yet in our respective electorates—is the \$100 for children participating in sport; whatever that program is called, sport kids or whatever it is. You would obviously see people take that up. I am interested in how does something like that, from an evidence base, get ticked off? How would we know? I am assuming your aim from Government is to increase the physical activity of young children. That is the outcome. But how do we know that Ryan Park, whose two children are already active or playing, is just going to get \$100 or \$200—however the system works—and there is no change?

Money is spent, I understand that. But it is the outcome. How do we know when we are making a big ticket recurrent expenditure commitment like that—how does Executive Government know—that it is going to drive the change that we actually want, which is increasing participation level and not just maintaining participation level? Sorry, I do not know enough about the program, but it is a program that we all are familiar with in our respective areas and there are people in my community who use it, need it and benefit from it.

Mr GREG PIPER: The measure there would be reduced health costs, I assume, because we are trying to reduce obesity and reduce health costs.

Mr RYAN PARK: I do not know.

Mr GREG PIPER: That would be a measure that you would try to evaluate—that \$100 per child investment—against, I would imagine, what that overall societal benefit would be.

Mr EVANS: Understand the direct measure on that was working with the relevant sporting bodies. So you had to actually have the sporting body accepting the \$100 voucher and so the participation rate was what they were measuring. If you had two before—

Mr RYAN PARK: That is what I am asking. That has not changed.

Mr EVANS: That has not changed. But we are now seeing clubs getting extra teams because there are more participants coming through? To try and take it through to reduce health costs, I am not in a position to comment on how Health can measure things but that would be quite a difficult thing, in my own opinion.

Mr RYAN PARK: Just a lot of money.

Mr GREG PIPER: But, anecdotally, it is fairly evident that that is going to be the outcome if you get more young people playing, apart from injuries on the rugby league field or something like that. That would be the expectation that we are going to be doing: improving lifestyles and, therefore, long-term health outcomes?

Mr EVANS: Yes.

The CHAIR: Excellent. Are there any other questions? I think we covered everything. You can all breathe out now. Thank you for coming in today and appearing before us. The Committee may have some additional questions that we will supply to you in writing, the replies to which will form part of your evidence and be made public. Would you all, if need be, be prepared to provide a written reply to such questions within five days?

Mr GOODWIN: Yes.

Ms CRAWFORD: Yes.

Ms MIGOTTO: Yes.

Mr GALES: Yes.

Mr OFFICER: Yes.

Mr HASWELL: Yes.

Dr WEATHERBURN: Yes.

Mr EVANS: Yes.

Mr BUCKLAND: Yes.

Mr SMITH: Yes.

The CHAIR: That looks like a yes. Thank you very much.

(The witnesses withdrew)

(Short adjournment)

STEPHEN VICTOR TROUGHTON, Deputy Secretary, Infrastructure and Services, Transport for NSW, affirmed and examined

MARGARET JOAN PRENDERGAST, Coordinator General, Transport Coordinator, Transport for NSW, sworn and examined

MARGARET CRAWFORD, Auditor-General, Audit Office of New South Wales, on former oath

IAN GOODWIN, Deputy Auditor-General, Audit Office of New South Wales, on former oath

CLAUDIA MIGOTTO, Assistant Auditor-General, Performance Audit, Audit Office of New South Wales, on former oath

The CHAIR: I now welcome our next witnesses from Transport for NSW [TfNSW]. I note Mr Stephen Fox was to be here but he is unable to attend because of illness. Mr Troughton and Ms Prendergast, would either of you like to make a brief opening statement before the commencement of questions?

Ms PRENDERGAST: No, thank you. We are fine to proceed.

The CHAIR: In the Auditor-General's report it was noted that the CBD and South East Light Rail project suffered from many of the same issues that have been reported in earlier audits regarding the Albert "Tibby" Cotter Walkway, the WestConnex and large construction projects. Can you update the Committee on what Transport for NSW learned from the findings of these audits and what subsequent changes were instituted to avoid making the same mistakes?

Mr TROUGHTON: Certainly from the audit reports we have undertaken, certainly in my time we have taken a lot from the Parramatta Light Rail. We have taken a lot of lessons learnt from Parramatta and also from Newcastle. In trying to understand how we manage the community, stakeholders, we are doing a lot more work up-front. On Parramatta we have got all of our third party stakeholders agreed and already set in place. We are working with them on how we move forward. Newcastle has been a relative success as well. We have engaged very well with the community through the Hunter chief executive officer Mike Castle as well. I think a lot of the knowledge in the lessons learnt have been put on to the other two projects that are being delivered.

The CHAIR: The Audit Office recommended that Transport for NSW finalise all outstanding design and scope issues by December 2016. The agency response stated that these issues have now all been agreed upon and any modifications and claims are managed with the project deed. When were these outstanding design and scope issues finalised?

Mr TROUGHTON: I will have to come back to you on the exact date but it has been quite a while now and the scope has been fully nailed down. Certainly if you look out on site at the moment we have nearly laid all of the alignment—we have about one kilometre left on the tracks that have to go and a significant amount of paving is going in. We have finished most of the work in the ground, so most of the services are now complete. Stops are being installed, substations are being energised, so certainly the scope is finished, it is complete. Hopefully we will start to see a lot of the barriers come down over the next few months and you will start to see a finished product on the streets. We had our first tram being tested in the daytime, we have been testing trams at night. You can start to see the project is really coming to shape. So the scope has been nailed down for quite awhile. We feel that has all been agreed and it is being signed off by independent reviewers as well at the moment.

Ms PRENDERGAST: I can also add that all third party agreements were actually finalised by the end of 2016 shortly after the audit came out. The last one was with the University of New South Wales; there were some technical issues that were still being worked through. But all those third party agreements were finalised by the end of 2016.

The CHAIR: What were those technical issues?

Ms PRENDERGAST: About electromagnetic interference with equipment and it was about how we actually balanced that with the needs of the university.

The CHAIR: Are there any further outstanding design and scope modifications that are yet to be resolved?

Mr TROUGHTON: As I said here recently, there are minor bits of design that change all the time really around light poles—we have got a standard power foundation but we go in and there is a big gas main so you have got to change it. That is very much minor. It is not scope; it is design detail. So there is design still ongoing

but it is of a very, very minor nature. It really depends on what we find as we go through putting light foundations in and a few other little bits of utilities are not quite where they are meant to be. So it is minor design stuff really, it is not major scope determination.

Ms PRENDERGAST: But all stage three designs are actually finalised and the contractor is proceeding to build to that. As Mr Troughton said, it is just when we find something that was not anticipated that you may tweak it slightly or to avoid a tree, for example, and we will change design for that.

The CHAIR: In recommendation 1 (b) the Auditor-General recommended that the Project Advisory Board confirm that controls over the budget and use of contingency funds are consistent with New South Wales Government decisions and NSW Treasury guidelines. This was in response to the audit finding that contingency funds would be used to cover any contract variations in addition to any known risks that may emerge during the construction and delivery. In your response you stated that the advisory board confirmed that the use of contingency funds is consistent with the New South Wales Government and Treasury decisions. Can you provide the Committee with more detail on how this was established and how the use of the contingency funds meet this threshold?

Mr TROUGHTON: With regular meetings with the advisory board the project would present to them the progress of the project and also how the finances were going. They would take-up any potential modifications to the board and they would be discussed at those board meetings and approved, or not, as required in line with standard practice.

The CHAIR: The agency response notes that financial statements and quantitative risk analysis are generally made available to the advisory board monthly. Does Transport for NSW provide financial statements and quantitative risk analysis to the advisory board?

Mr TROUGHTON: Yes.

The CHAIR: How frequently is the quantitative risk analysis updated?

Mr TROUGHTON: I will have to take on notice when the exact updates were done.

The CHAIR: When was the last time those statements and analyses were made available to the advisory board.

Mr TROUGHTON: I will have to take on notice to get that date.

Mr GREG PIPER: Mr Troughton, can you tell me what the contingency fund is? What percentage was factored in for contingencies on a project like this that obviously has a lot of risk associated with it? Has it varied along the way at all?

Mr TROUGHTON: The total part of the project at billed cost was \$2.1 billion, that has been reasonably widely in the press. The contingency really is a commercial-in-confidence for us as we deal with all track and as part of that process of working through.

Mr GREG PIPER: Most major projects would have a percentage set aside or forecast?

Mr TROUGHTON: The contingencies usually work through the P50, P90 really depending on the quantity of risk assessment at the start of the project. We do not apply a standard percentage to our projects. We do an assessment of the potential risks coming through and the outcome of that is worked through in a standard P50, P90 sort of risk assessment and the relative values of that are appropriated to each project.

Mr GREG PIPER: You are saying that in this particular case it is covered by commercial in confidence because of the arrangements with the primary contractor?

Mr TROUGHTON: At the moment, yes.

Mr RYAN PARK: Is the total capital cost now locked in at \$2.1 billion?

Mr TROUGHTON: The total capital cost has always been \$2.1 billion at this point, yes.

Mr RYAN PARK: What about modifications around the dam issue?

Mr TROUGHTON: They are subject to commercial discussions at the moment.

Mr RYAN PARK: Are they included in the \$2.1 billion?

Mr TROUGHTON: Yes.

Mr RYAN PARK: We have not got an amount on that yet?

Mr TROUGHTON: No, we are in commercial negotiations with ALTRAC and have been on those for a while now.

Mr RYAN PARK: If we are in negotiations we cannot really say whether that is going to be included in the \$2.1 billion.

Mr TROUGHTON: All claims have been assessed at the moment to be within the \$2.1 billion and we are negotiating those claims at the moment.

Mr RYAN PARK: Who gave the Premier the advice that the extra \$500 million was due to customer service improvements?

Mr TROUGHTON: I would have to take that on notice. I was not with transport at the time.

Mr RYAN PARK: It is substantial though, because it is actually not due to customer service improvements, is it?

Ms PRENDERGAST: As the audit outlined, a proportion of it was omissions and that is because they went to tender. They did a business case based on their best knowledge. They then went to a tender process and the market came back with a different result that brought some enhancements in terms of greater capacity, some different technology and wire-free sections using a different technology. It was that market process that led to the greater amount. It was because at the beginning, as the audit highlighted, there were some omissions in what the scope was. But we always rely on the market to then tell us how they can deliver to the scope that we have put out. That is where the increased value came from.

Mr RYAN PARK: I understand that of the \$549 million it went up by \$517 million of that was caused by mispricing and omissions in the business case, yet the Premier says that the increase of that amount was due to customer service improvements and enhancements. That is a substantial error. I am interested in how a Premier would make that claim given that—I am assuming—she was being advised that \$517 million of it was mispricing and omissions.

Ms PRENDERGAST: I also was not with the project at that time but what I can say is that the Premier and the Minister for Transport and Infrastructure have addressed this on multiple occasions. There was a business case done with a scope that went to market and the market came back with a different solution. Some of it was enhanced capacity, et cetera, but that is what the market told us it would cost to deliver this.

Mr RYAN PARK: Would we do this project again?

Ms PRENDERGAST: Absolutely we would do this. This project is transformational. We could not simply keep adding buses into the central business district [CBD]. We had to find a better transport solution. What light rail offers us, in a combination with bus, is an ability to provide the capacity we need for the south-east. The city was just a quagmire of buses. Every single tram that we run is the equivalent of up to nine standard buses that we can remove from the network. Given the growth that is occurring across the transport network at present, we need any space we have got on our city streets for other growth buses. Public transport is experiencing the most extreme growth that we have ever experienced in the last three decades. Light rail is more reliable, it has less variable travel time than bus and it will provide a fantastic solution for the people of the east and through the city.

Mr RYAN PARK: Did we know the problems with utilities and did the ERC and Executive Government know the problem and challenges of the utilities issues when they made a decision to do this project?

Ms PRENDERGAST: They knew that this was a very complex project. They had done significant mapping of utilities. However, what has transpired is that there was obviously a lot more under the ground in different places and it was unknown.

Mr RYAN PARK: Did Acciona know?

Ms PRENDERGAST: That is subject to legal proceedings so I cannot really go into detail, but they were fully aware of the utilities that we knew of at that stage. They also were aware of the risk.

The CHAIR: Did any of the tenderers for the project come in anywhere near the \$1.6 billion?

Ms PRENDERGAST: I am sorry, I cannot comment. I really do not know.

Mr TROUGHTON: It would be commercial in confidence.

Mr RYAN PARK: When will the project be complete?

Ms PRENDERGAST: At the moment it is scheduled to be completed in March 2020. We have got barriers down. A substantial civil completion will be largely completed by the end of the year and ALTRAC have

released a strategy which will have the barriers removed along the alignment between November and February. Then they will have to come back and do some final touches, being completion of the stops and finishing touches such as furniture and poles. Street furniture and trees will be the final stage and, of course, the systems work. Then we will go through a process of testing and commissioning the vehicles, which we have already commenced—both night and day testing. Then there will be a period of driver training. But it is the civil construction that I think has the greatest impact and that will be largely complete by the end of the year if not completed totally by February—is what ALTRAC have committed to.

Mr RYAN PARK: Has Acciona ever had legal proceedings in any other jurisdiction that they have done government-based work with?

Mr TROUGHTON: They are a pretty big worldwide organisation. I am probably sure they have. Although I would not be able to speak on their behalf, I would expect that they have. The number of projects that they have completed is significant.

Mr RYAN PARK: Given that this is, I assume, going to be a protracted dispute, how much money to date have we spent on legal fees?

Ms PRENDERGAST: We would have to take that on notice.

Mr TROUGHTON: We will take that on notice.

The CHAIR: The audit recommended that the project benefit be readily accessible to the public. Your response notes that a cost-benefit analysis is available. The public website currently states that the benefit to cost ratio is 1.4 as per a fact sheet published in January 2018. Has the benefit to cost ratio changed during the life of the project to date?

Ms PRENDERGAST: The cost of \$2.1 billion that came in after tender has been available and public since the end of December 2014. The audit highlighted that there was not enough information about the benefit-cost ratio and the updated benefit-cost ratio [BCR], so it was in late 2016 straight after the audit that we originally published the light rail benefits fact sheet. It has been updated subsequently, so it is dated January 2018, but it has been well in existence since late 2016. So, yes, the cost-benefit ratio has changed during the period because of the increased cost.

The CHAIR: It is still 1.4?

Ms PRENDERGAST: It is 1.4 and it is generating \$3 billion in economic benefits.

The CHAIR: How current is the data being used to inform that figure?

Mr TROUGHTON: I do not think it has been updated as a BCR since the original data. If we were to go and update it now obviously we would go through the same company that did it before. There is quite a lot that has changed assumptions-wise. There is a lot of significant development occurring, particularly around the Randwick area—a lot more than I think was originally planned. There would be quite a lot of change to that BCR because of the benefits, but we have not done that work at this point in time.

Ms PRENDERGAST: What I can say is that the 1.4 BCR is actually based on the \$2.1 billion, so it is the latest figure given we are still working towards the \$2.1 billion.

As Mr Troughton noted, we now have \$6.1 billion worth of development along the alignment, and that is only from Circular Quay to Chalmers Street; there is also a lot in the east. So there is probably additional benefit that is being generated that has not been included. It is proceeding at a rapid pace and every week we are getting a new DA—we are up to 100 DAs just in the city alone along the alignment.

Mr RYAN PARK: Would you call it minor design issues still to remain, or major?

Mr TROUGHTON: Minor.

Mr RYAN PARK: Including the dam?

Mr TROUGHTON: The dam is built.

Mr RYAN PARK: But the disputes around that?

Mr TROUGHTON: The commercial dispute around that is ongoing around the dam, yes.

Mr RYAN PARK: Would you consider it, in your expertise, a minor dispute, that is, a low amount of money in comparison, or a fairly substantial amount?

Mr TROUGHTON: As you can see with the court case that has been there, I think the dispute was of a major nature—it is a large amount of money that has been claimed under the misrepresentation. So you can all judge whether you think it is minor or major, but it is a significant claim. We do not agree with it and we are fighting it.

The CHAIR: It was not really touched on in the report, could you give the Committee an overview of the dam that Mr Park is referring to?

Mr TROUGHTON: The work along Austin Road where the dam is, there is a retaining wall that had to be built for the Kensington Ponds. That has always been required under the contract. It has been built, it is complete, and the construction of that is using a sheet pile with a capping beam on it, and it has got a pedestrian and cycleway footpath behind it. Other parts of it are built with water-retaining structures and geotextiles. It is a pretty standard bit of civil engineering for a water-retaining structure. Significant amounts of work around it were done by ALTRAC Consortium to manage requirements of Randwick City Council, and that was under agreements that they had with Randwick regarding managing the flooding, which was their responsibility under that design plan.

Mr RYAN PARK: In terms of information available, one of the recommendations coming out was that TfNSW should update its information about project costs and benefits et cetera. When and how frequently was that information last updated about this project?

Ms PRENDERGAST: The light rail benefit fact sheet that is live on the website is the master copy for any changes. It tweaks only slightly as different things emerge and we update about urban renewal et cetera, but it has been live since 2016 and has all of the current information on it.

Mr RYAN PARK: And the 1.4 that we talk about, when did we analyse that to make sure that that is still 1.4?

Ms PRENDERGAST: The 1.4 is based on the \$2.1 billion, so it has remained unchanged. And, as we noted, we think there will be additional benefits going forward, given the rate of development and activity that we are seeing along the alignment.

The CHAIR: Although it predates either of your involvement in the project, I was curious as to how the framework, which had been long established within government for managing major infrastructure and the oversight of it, had seemed to slip through some gateways which it should have gone through.

Ms PRENDERGAST: Effectively all our transport projects comply with the New South Wales Government procurement processes and assurance framework, including this project. But assurance processes have been refined and we have adapted in line with that refinement. Infrastructure NSW [iNSW] plays a far stronger role and we go through all of those processes for any transport project.

Mr TROUGHTON: I understand that the project assurance undertaken at that time was all done in accordance with agreements with government. As I understand it, the process of governance that took place and the assurance was agreed with government at the time.

The CHAIR: But since then, in hindsight, to be defective or in need of improvement?

Mr TROUGHTON: I do not know if I would say that. I think certainly what we have seen since then is a change to the iNSW regime and a governance framework in place. I am not aware of the previous framework, but what I could say at the moment is that I work quite closely with Infrastructure NSW on a number of my projects; we have regular reviews. I really value those reviews; I think that often you can pick up wood from the trees type stuff when you have the involvement in the project. They have got some real experts who come in and review, bring experiences from other cities and other places. I think the current framework works very well.

Certainly, like all things in life, you have got to continuously improve and what I would suggest at the moment is the current framework is working well. We have got another review due on this project commencing this month and, again, it is starting to look at getting ready to get operational. We have just had one for Newcastle, a gateway review, which is getting ready for their operations review; it has picked up some good points that we are allowed to focus on, and I expect the review that is just about to commence will also pick up some good points that allow us to move the project forward and get into revenue service.

The CHAIR: The agency response notes that Transport for NSW provides six-monthly meeting reports of the internal audit and risk committee on the project and notes that the last meeting occurred on 6 February 2017. Was there a meeting in March 2018?

Mr TROUGHTON: I think there have been two meetings this year. I attended one of those meetings. March and June 2018 were meetings with the audit and risk committee. So we do attend them every six months.

The project director will attend or I will attend as well if the project director is not available. So we meet on a regular basis.

The CHAIR: Were any actions taken regarding risk mitigation following the most recent meetings?

Mr TROUGHTON: I will have to take that on notice because I did not attend the most recent one.

The CHAIR: Although the Auditor-General's report notes that it is not unusual for Transport for NSW projects in the concept stage to have a project sponsor and project director as one and the same, but they are then split, how is it that the project sponsor and the project director were one and the same for so long on this project?

Mr TROUGHTON: I am not aware of that. Certainly all the projects within my portfolio I act as the project sponsor and we have project directors allocated, which are not me—I would not like to be the project director as well as the sponsor. All the projects have a project director. I act as a project sponsor. I think that generates a good level of governance around those projects; it is something that we use as standard within the organisation and have done ever since I have arrived for two years. Often, particularly in the review space, with iNSW I have a number of conversations with the reviewers, but it is the project director that takes on a lot of the detail around the dates they work because of the project.

The CHAIR: Had this role been split, as it is now, at an early stage in the project, do you think we might have had a clearer understanding of the risks associated with this project prior to the tenders being let and finalised?

Ms PRENDERGAST: The reality is that this is the first major light rail that we have done. We know from around the world that they are complex projects. It is a very, very difficult project. Not only being in the centre of the road, but digging up what has been there for hundreds of years beneath the road is incredibly complex. We have learnt the lessons for Parramatta in respect of the preparation work, the stakeholder engagement, the form of contract, so it is good to be number two or three.

Mr RYAN PARK: Why would we not make Parramatta number one? Going through the CBD of light rail, this is not the first time it has been proposed. There are countless reports going back decades that this was always going to be challenging. Why would we not—for want of a better word; a technical word—practise and get the skills right on a smaller project and scale up, rather than the reverse?

Ms PRENDERGAST: What I can say is that Parramatta—

Mr RYAN PARK: I accept that you were not at the start of the project, so that it is not a—

Ms PRENDERGAST: I understand. Parramatta is an incredibly important project. It has emerged in line with the Greater Sydney Commission work of the three cities and the importance of having a connector to go with Metro West, being the heavy transit. It will be a place-making project and regenerate many areas servicing the new stadium and all the other growth that is occurring at Parramatta. What I can say in respect of the CBD East Light Rail is that it was desperately needed. We physically could not fit more buses down George Street. We are experiencing growth like we have never seen it before in Sydney. We have areas such as Green Square growing off the Richter scale. We have Victoria Road corridor growing off the Richter scale. We have incredible growth occurring in the south-east region. All those areas need more buses heading towards the city to cater for mass transit. To be able to remove up to nine standard buses for each and every tram, of which there will be 15 trams in each direction, liberates us to provide services to other areas. It is a juggle. It is an integrated transport plan.

Metro is our game-changer to provide the link from the north-west right through the south-west and our Metro West. Light rail is a really important connector and feeder, connecting the city, enabling us to remove buses so that we can actually introduce buses from other growth areas, as does the metro from the north-west, I might add, but it also provides an important connection between the city, Surry Hills and of course Moore Park up to Randwick and Kingsford. The level of development around the hospital in Randwick is phenomenal and the growth of University New South Wales. This provides us a fantastic opportunity to give it a more reliable public transport form and free the roads from buses so that we can fill them with buses from other growth areas.

I must say, we know how popular inner west light rail is. This is a reliable form of transport. It is environmentally friendly. It will run at peak capacity from 7.00 a.m. to 7.00 p.m. with 13,500 passengers per hour with 6,750 in each direction. We can, under the contract, increase that from 15 to 20 trams per hour in each direction up to 9,000. It will cater for the growth that we are seeing in the south-east, complemented by those peak express bus services, some all stops across regional. As I said, the growth we are experiencing on public transport is really phenomenal. It is about balancing our resources the best we can.

The CHAIR: The audit flagged that various changes had been made to the projected capacity of the light rail which impacted on the cost-benefit analysis. Have there been any changes made to the projected capacity since the December 2014 economic appraisal referred to in the audit?

Ms PRENDERGAST: Again, that was one of the changes that came with the tender. They came back with a different mode of operating insofar as it was a longer tram. It had a greater capacity. Each tram fits 450 people on it, which enables us to move 13,500 in each direction—sorry in both directions per hour, so 6,750 people in each direction. In the peaks, that will be complemented by bus and the environmental impact statement was very, very clear to say that light rail would be accompanied by bus as the solution. That capacity has not changed and will not change. We now have nine light rail vehicles here, three more at Port Kembla and many more arriving.

The CHAIR: And can you comment on the bus capacity? What is anticipated to be a bus demand and bus capacity in the peaks when the light rail is actually—

Ms PRENDERGAST: Sure. Since 2013 we have obviously experienced significant growth in the south-east corridor, so what we are working on now is based on actual Opal data. We are doing a design of the new bus network to complement light rail upon introduction. The final details of that operating plan will be done closer to go live, based on the absolute latest demand figures we have. But there will be, effectively, peak express buses, as we have always noted, some all stops for the regions where it is harder to get to the light rail, and of course new emerging trans across regional travel. We will look at opportunities for more cross-regional buses as well. There will be some buses that feed into light rail, but there will still be direct services to the city. Together, they make the transport plan for the south-east—light rail, plus bus. The fact is that by introducing light rail, it enables us to reduce the demand for buses coming through corridor. That is important because there is demand coming from every other locations in the city that are running buses in here.

The CHAIR: Where are you up to with RMS with regards to traffic signal management for the light rail?

Mr TROUGHTON: We are working closely with RMS through the design of all of the signals throughout the route. I think half of them have now been completed. It is something that is often done or should be done towards end of the project. Traffic changes. Certainly the volumes around where construction sites are do change. We have got the latest traffic figures and we are working through those. The signal design process, we have a model already in place that we will feed into and run. As I say, that work is ongoing. We are working very close with RMS. I had a meeting with them on this just two weeks ago and it is going very well.

Ms PRENDERGAST: We are also finalising speed zoning, which also feeds into the model and the model process itself is iterative. We test scenarios so the signal designs then feed into the model to test outcomes.

Mr RYAN PARK: Mr Troughton, you were saying earlier that 2.1 covers all of the modifications. How many modifications are there?

Mr TROUGHTON: I will tell you the exact number on notice, but I think it is around 45.

Mr RYAN PARK: Are they considered major, minor?

Mr TROUGHTON: Some are minor, some are major, depending on your view. Certainly a lot of these were taken in the early days of the project, so there have been very few modifications, if any, over the last year.

Mr RYAN PARK: How many would have occurred over the last year, roughly?

Mr TROUGHTON: I will take that on notice.

Mr RYAN PARK: Are any of those major?

Mr TROUGHTON: No.

Mr RYAN PARK: What would you consider major, in your experience? Above what?

Mr TROUGHTON: You are trying to put numbers to things, and I think when we talk about modifications, it is often about when and what the implication will be to the project. If you understand that for most projects, when you commence a variation, you have a discussion with the contractor, ask him what the impacts of doing this would be. He will look at it and come back to you and advise you time cost and other issues that he may have. That would allow you then to consider whether you go ahead with that modification or not. Again, I think it is an iterative process throughout the project. Every project has changes, as we know. We find things in the ground that are unforeseen. We come across heritage items and we have to make changes. It is a standard process in any project and I think that you cannot really say whether it is major or minor, because each one has its individual idiosyncrasies that determine what that is.

Mr RYAN PARK: But there are still around, give or take, 40-odd modifications?

Mr TROUGHTON: No, most modifications have been resolved.

Mr RYAN PARK: What are the ones we would call "outstanding"?

Mr TROUGHTON: That is commercial in confidence. I cannot really talk about that with a contractor.

Mr RYAN PARK: Have you got a number of those that are outstanding, rather than a description of what they are?

Mr TROUGHTON: No, there is no modification—

Mr RYAN PARK: What I am trying to get at is if this 2.1 figure is accurate—the Committee is trying to get an understanding; I am trying to get an understanding. If there are still modifications out and in dispute, how many are there? If they are of a significant scale, then that 2.1 also becomes an issue.

Mr TROUGHTON: What I can say is that Transport have made an assessment of all those modifications and we have reassessed that a number of times. We do not think that they are significant or major, as you would like to put it. We are working through that with the contractors commercial in confidence. Most modifications have been implemented now—they have been built. They are there and they are agreed. We are in discussion commercially over valuation of those and that is a matter that is commercial in confidence.

Mr RYAN PARK: Sitting here now, you would not be able to inform the Committee how many modifications are what we would call "outstanding"—that is, not complete?

Mr TROUGHTON: All modifications are agreed and accepted by the ALTRAC consortium. They are working through them. They have agreed so they have been built. There are no modifications that, what you would say, are not agreed. They are all being built.

Mr RYAN PARK: What is in dispute is the amount?

Mr TROUGHTON: There are disputes around the amounts, yes.

Mr RYAN PARK: How many of the modifications are in dispute?

Mr TROUGHTON: I think that has got to be commercial in confidence for us and the ALTRAC to work through.

Mr RYAN PARK: A key finding of the audit was that there was no provision for independent assurance during the planning and procurement of this project. Are there any mechanisms or policies that have been put into place for the independent assurance or review for the project going forward?

Mr TROUGHTON: Yes, with Infrastructure NSW, as I was saying, we have regular independent reviews. We have them ongoing certainly since I have been on board for the past two years. All assurance-related activities, I believe, have been in line with previous guidance or as per agreed with Government on this project. We continue to use the independent assurance process with iNSW. As I said before, I think it works very, very well.

Ms CRAWFORD: Our report noted that, as Mr Troughton said, Transport for NSW at the time was authorised to manage the assurance over this project. The audit, though, did comment that two steps in the approved process were missed at the time, one being the preliminary business case and the second being a gateway review at the early strategic assessment stage. That was all at the time. But again, as Mr Troughton has said, since then, the arrangements have changed and Infrastructure NSW does provide the assurance over the project as opposed to Transport doing it for itself.

The CHAIR: Which is the most appropriate way.

Ms CRAWFORD: Certainly that is consistent with audit recommendations on this project and three others at the time.

Ms PRENDERGAST: All our projects go through that process and we welcome it. It is actually really helping us.

Mr TROUGHTON: All our projects over a certain value—we still do a lot of internal assurance on our small projects ourselves. That is part of our process, not Government's process internally.

The CHAIR: That is up to how much in value?

Mr TROUGHTON: I think it is only over \$100 million in value or of significant risk. That is the tendency. We will take it on notice to confirm.

Ms PRENDERGAST: That is right. There is a threshold.

Mr GREG PIPER: Mr Troughton, at what point are different elements of the project deemed to be commercial in confidence? There is a number there but you said that they were matters that were commercial in confidence. Are these predetermined areas that are a no-go for inquiries such as this or for public consumption, or is it something that you are interpreting on the day? It would be your prerogative, I would imagine. But it seems to me that a number of those areas I would question whether or not these are commercial in confidence, that, as an answer, would be unnecessary in my view. What level of pre-consideration of elements being commercial in confidence is taken?

Mr TROUGHTON: I think anything that is of a commercial nature between two parties. For me to talk in a public setting about any values or any discussions or anything that is potentially even subject to a court hearing would be of a commercial nature, and I do not think it is appropriate for me to discuss that in a public space setting.

Mr GREG PIPER: You are making the interpretation on the fly, based on the nature of the questions?

Mr TROUGHTON: I assess every question you have put to me independently. At the end of the day, we have got to work through this. I would not go into any project in a public setting around the commercial nature of that project. It would be unprofessional.

The CHAIR: Mr Troughton, perhaps we could send you those questions and you will have a week to consider whether you are able to answer any or all of them as a follow-up?

Mr TROUGHTON: Absolutely, Mr Chair.

Mr LEE EVANS: In comparison to the rest of the world, how big is this particular project? Is it number 47 or is it number 157? Is it a big project? It is a huge project for little old Sydney, but on the world stage is it a big project?

Mr TROUGHTON: It is not a significant project on the world stage in terms of engineering. I think the big thing about it is that it is going through the middle of a city. If you look at a lot of the light rail projects that are built, it is where they are. It is the location of it; it is going through one of our oldest streets, one of our busiest streets, and that is what makes it a significant project. In terms of size and costs on the world scale, it is not.

Ms PRENDERGAST: The whole purpose of light rail is to connect places and, therefore, it has to be in the places that are the most popular. So it is in George Street, in Devonshire, on Anzac Parade. It is the balancing of not only the impacts of civil construction to businesses and residents, but also traffic movements and existing bus movements. It is a very complex project. Metro is far more complex in terms of engineering but we are jealous of them. They pop up and everyone is really, really happy. They are underground and they come up. It is a very different thing than what we have to do. They have their complexities and their interfaces too, but building in such a public area that interfaces and impacts so many is the complexity of this. We are going through the densest part of Sydney and also some of the sensitive parts, such as Moore Park. That is where the complexity comes from, plus you have got underground hundreds of years of accumulation of stuff. That is what we are dealing with. We are trying to build a really good product that not only gives us a reliable transport option but also brings urban amenity improvement. That is what light rail does.

Mr LEE EVANS: My electorate houses the Tramway Museum. It sort of sucks that we did not stick with the old trams and modernise them. It would have been a lot easier.

Ms PRENDERGAST: It surely would. We found old tram tracks under the road with many other heritage items. We know that the trams have their place. We are seeing their resurgence in America, in Europe. They are an important part of the integrated transport plan. The metro is your heavy lifter with Sydney Trains, then we have light rail and bus and all of those play a part in a growing city.

Mr RYAN PARK: Our city is a bit different now.

Ms CRAWFORD: Without prolonging this further, if I could just add one comment of clarity? Page 15 of the audit report sets out a time frame for changes to the business case and it does make clear that the elements of mispricing were identified quite progressively through a period and in fact were known before the signing of the contract. I am not disputing Ms Prendergast's comments around the product to be delivered did make changes. It is different to what was originally anticipated, but the errors in the case that we identified were in fact before that. I just make that clear.

The CHAIR: Finally, there has been some comment on the website. Have you got any feedback on how user-friendly it is and have you done anything to make it more accessible?

Ms PRENDERGAST: We totally revamped the website in mid-2016 to make it far more user-friendly; it was not originally. We have now grown in terms of the usage and the hits. We have also got Facebook, which has more than 30,000 followers. We also do numerous notifications, numerous newsletters. We use the website as the core channel to make sure that all that information gets out publicly.

The CHAIR: Thank you for appearing before the Committee today. The Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and be made public. Would you be happy to provide written replies to any further questions within five days?

Ms PRENDERGAST: Definitely.

(The witnesses withdrew)

STEPHEN TROUGHTON, Deputy Secretary, Infrastructure and Services, Transport for NSW, on former oath

MARGARET JOAN PRENDERGAST, Coordinator General, Transport Coordinator, Transport for NSW, on former oath

ANTHONY DAVID BRAXTON-SMITH, Deputy Secretary, Customer Services, Transport for NSW, affirmed and examined

HOWARD PAUL COLLINS, Chief Executive, Sydney Trains, and Acting Chief Executive, NSW TrainLink, sworn and examined

MARGARET CRAWFORD, Auditor-General, Audit Office of New South Wales, on former oath

IAN GOODWIN, Deputy Auditor-General, Audit Office of New South Wales, on former oath

CLAUDIA MIGOTTO, Assistant Auditor-General, Performance Audit, Audit Office of New South Wales, on former oath

The CHAIR: The Committee welcomes an additional representative from Transport for NSW and a representative from NSW TrainLink for the report on passenger rail punctuality. Would anyone like to make an opening statement?

Mr COLLINS: We have reviewed the recommendations from the audit report. Obviously everyone is focusing on the reliability particularly of our railway at the moment. Certainly I have come armed with obviously any questions regarding the recommendations but also any information even about today's performance of the railway.

The CHAIR: The Audit Office recommended that Transport for NSW ensure programs addressing rail patronage growth over the next five to 10 years be provided to the Government for Cabinet consideration as soon as possible. Can you update the Committee on what, if any, plans have been developed to address rail growth patronage over the next five to 10 years?

Mr TROUGHTON: We have completed the medium-term rail level plan, which covers the next 10 years. This was taken up to Cabinet and approved late last year. We are also currently working through the second phase of More Trains, More Services. More Trains, More Services stage one resulted in the implementation of the timetable at the end of last year. It was also involved with significant upgrades to power and other parts of the network to allow that timetable to be introduced. We have got a final business case going to Cabinet towards the end of this year for approval for More Trains, More Services stage two, which will cover essentially the next four to five year's work on the network to upgrade the network. That is a final business case that will go in this year to Cabinet.

The CHAIR: Will we expect a public release of that later this year?

Mr TROUGHTON: There have been a number of statements already about what will be as part of that business case but I would expect there will be a potentially redacted release of that business case at some point after approval.

The CHAIR: In response to recommend No. 1 references are made to the Future Transport 2056 strategy, noting that programs are being developed that will guide transport investment over the longer term. Noting that the audit identified a need to increase the capacity of the network after 2019, what current programs are in place or are being developed to address the short- to medium-term transport needs?

Mr TROUGHTON: As I said, we had a significant timetable upgrade last year and we are working towards the next upgrade. The capacity of the network is also being significantly enhanced with the introduction of metro. We will see Northwest open, hopefully, towards the middle of next year and that will provide a significant increase in patronage and accessibility of people living in the north to access the city. With regards to other works that we are undertaking, we are just starting out—we were awarded \$851 million to commence the digital systems work, which is a really major bit of work.

The European Train Control System is actually—we will digitise the whole of the electrified network over the next 10 to 15 years but we have got a significant amount of investment to start that work off. We should see the first stages, the first trial areas complete, which will be on the T4 line, in 2023. That bit of work will provide significant benefits in terms of reliability, safety and also an increase in the number of trains that are able to run on our network. So the start of a major investment in digital systems I think is a very exciting time for our network going forward.

Mr COLLINS: I suppose I can speak from a bit of experience of seeing in London a 30 per cent to 40 per cent growth in a similar time. Certainly that is what we have seen here. If you look at the numbers for Sydney Trains and NSW TrainLink from 2013, there were just over 300 million customer journeys a year. Now I think the July figure is 407 million, so a significant growth. Obviously the timetable was a way forward to run More Trains, More Services but it is also good to see that we have got new, more reliable trains starting in service—the Waratah series B services started last week. It is all about focusing on not only performance for the next year but also bringing in the new technology, which will allow us to literally run more trains on a dedicated piece of track. That is what we certainly need in Sydney and beyond Sydney.

The CHAIR: Does the network have the electricity capacity?

Mr COLLINS: Part of the work that we are doing with my colleague Stephen Troughton is upgrading the power system. As you run more trains and more services you quite rightly need a greater capacity on certain areas. That is working through, introducing new substations and upgrading. We are introducing a new dedicated rail operations centre. That will include all functions within the rail network including power, maintenance of fleet and signalling control and will be ready for the introduction of the modern digital rail system.

Mr RYAN PARK: There is pressure on the South Coast line. What upgrades or modifications are Transport for NSW or Sydney Trains looking at to increase capacity on that line?

Mr COLLINS: As you may be aware, I am a user every day of the T4 line from Cronulla and I travel down quite often to Wollongong and talk to customers about that. We are working on a number of short-term initiatives to improve the services. We have seen significant growth on the South Coast. Part of the segregation and plans for the T4 line is looking to see whether we can ensure that the new digital system gives us capacity to allow freight and faster trains dedicated routes in that network. Also following the changes we made in October 2013, it is sometimes trying to deal with the passengers who hop on that South Coast service and only go as far as Hurstville. We introduced the 10-minute service at Hurstville, which has certainly helped. But we recognise there certainly is more work to do in that area.

As to reliability and performance in terms of bringing in new trains, obviously the introduction of the new intercity fleet, which will eventually come to the South Coast, will allow us to dedicate more OSCar fleet, which is a challenge at the moment with the current fleet configuration. We are certainly trying to ensure that we provide services. Many, many people are coming up from Wollongong going into the city as well as making local commutes as well.

Mr RYAN PARK: One of the big problems on the 3.24 p.m. and those afternoon services is what you said: people use the Hurstville option. But, as I understand it, there have been no warnings or fines issued to people who do that. How do we try to discourage people from doing that if there is no enforcement?

Mr COLLINS: It is very difficult. From previous railways that I am aware of it is very difficult to try to stop people getting on off-trains or board-only or alight-only trains. The practical steps of that are very difficult. Really what we are looking at is greater capacity and we are reviewing those trains. I know them very well because they are pretty full trains in the afternoon leaving Sydney. We are looking at those activities and hopefully fairly soon there may well be a review of that once we free up some more stock. The whole point of the Waratahs arriving is that it just sort of has this cascade effect. We recognise that journey times do get impacted by local commuters getting on fast trains and longer journey times as well.

Mr RYAN PARK: You do not think a crackdown, so to speak, on people alighting at Hurstville would assist?

Mr COLLINS: In my experience, I think it gives more hassle to people. Lots of people do not understand those rules. I think in today's world the best thing to do is to look at providing more trains and more services, which we are doing, and certainly trying to ensure that we get the reliability. One thing we have seen is a huge improvement in the performance of the OSCar fleet in terms of reliability. My team have revamped it at Eveleigh and have produced 60,000 to 70,000 kilometres between service-affecting failure, which is twice what it used to be. We are seeing OSCars being more readily used on the South Coast, but really what we need is the arrival of the new intercity fleet and the cascade of the Waratahs themselves.

Mr GREG PIPER: A lot of new stock has come into the network and I am sure everybody is very pleased about that. Are any particular parts of our fleet particularly problematic still?

Mr COLLINS: Any one of my customers in the Macarthur area would tell you the difficulty we have at the moment is that because of the increase in services and because of the increase in customer demand we have brought out of hibernation S sets. They are doing the best they ever have done in terms of reliability and we spent a lot of time dedicating some resources to keep them going, but they are of a 1960s and 1970s vintage. They are

going to be displaced and finally leaving the railway. That will be as a result of bringing in the Waratah fleet. I expect to see the first of the S sets coming off our timetable permanently from tomorrow, the first one.

Mr GREG PIPER: That is big news. I am from up north, on the Newcastle line. How long will it be before we see the intercity fleet there? Can I also throw in a question about what we are doing about the conflict between passenger and rail freight on that particular line? It is a really big issue.

Mr COLLINS: I will certainly answer the second one but Mr Troughton looks after the new intercity fleet arrival, so I will hand over to him.

Mr TROUGHTON: First trains in the new intercity fleet will begin testing and commissioning in early 2019. Customers will be able to take brand new trains on the Central Coast and Newcastle line in planned late 2019. New trains will start operating on the Blue Mountains line in mid-2020 and on the South Coast in 2021.

Mr COLLINS: On the freight side, if you want me to answer that question, it is certainly very topical. Last week I met a number of the chief executives of the freight organisations along with a dedicated meeting on freight. It is true to say that we have had a number of delays due to freight trains having reliability issues but we have seen an improvement in performance over the last few months. We are sharing a lot more data in terms of performance. I have had some good assurances from a number of the freight operators about ensuring that they have their best trains dedicated to some of the gradient challenges that we know have been a problem at Cowan or even Jannali. When the weather is wrong these trains struggle. But I can assure you that we focus on that.

The beauty of our rail operations centre is we will have a dedicated freight desk. We are working closely. Pacific National, for example, have built their own 24/7 control centre at North Sydney and we will be sharing a lot more data. I appreciate freight has to travel because we need it to get goods and service around the network. But whilst we have the same windows of opportunity in terms of timetable, obviously with a more intense rail service and more people travelling that often becomes a bit of a challenge when you have got freight and passengers sharing the same network. Ideally, and I think there was some work done previously, segregation and an amicable divorce between freight and passenger would be a good solution. I think we are certainly looking as a transport agency to work on that in the future.

Mr RYAN PARK: The separation has interested me for a long time. One of the projects that would allow that is Maldon-Dombarton, which I am sure you are aware of. What do you think of that project?

Mr COLLINS: Personally I think in the long term it may well be a route that needs to be finished. That is my personal view. But I think there are other priorities at this stage particularly for trains which are sharing the western line corridor and also the main north where there are a number of projects which are in the medium-term and long-term pipeline. In terms of the long-term ambition, I think generally in a metropolitan rail network we are quite unusual to share so much of our infrastructure with freight. My freight colleagues would say that it was originally a freight line and we came along and put passenger trains on it. But I would say that is certainly my ambition. I know the Transport for NSW agency are working through that with a number of options on the routes which could be made available to us.

The CHAIR: You said there were problems with the line gradient at Cowan. How is it that a freight train could be dispatched with inadequate haulage power or means by which it could navigate an incline in this day and age? It is not rocket science. You know how much the thing weighs. That gradient at Cowan has been there for how long?

Mr COLLINS: Since about 1880 or something, I think.

The CHAIR: It should not come as a surprise. The electric diesels that are hauling these carriages, who makes the decision to dispatch that train, sending it, not to its grief—it probably would not happen, unlike an airliner which if overloaded is catastrophic. It is not a catastrophic outcome but it certainly inconveniences a hell of a lot of people.

Mr COLLINS: Firstly, none of these trains that we aware are overloaded. We have more dedicated detection equipment on our railway than probably the rest of Australia put together, which has helped us understand where brakes are dragging, something is loose on the train or there is heat being generated by one of the locomotives, which means that it is under strain. I know, for example, a number of the operators have changed some of their historic fleet. I was surprised to find when I first arrived here Danish locomotives, which were second-hand from 1970, running around the place.

I think we have seen certain conditions and often, if we believe we are at risk for any reason whatsoever, we do assign those freight cars into a siding until we have had those vehicles and locomotives checked. Often there are three, four, sometimes more than that, locomotives on board. It sometimes can be weather conditions or the fact that they have been held at certain points and then have to literally come back from a standing start. We

are working on those strategies. I think the most important thing from our point of view is that the more information we share between ourselves and our freight colleagues the better, and also the ability for us to monitor further out to understand when these trains come in from the Australian Rail Track Corporation network or other lines we get an understanding of how well they are running.

We do not run freight in what we call the curfew period; we do not operate them during the rush hours because of various reasons. I have every sympathy for those customers who have got caught, particularly on the Central Coast, by a couple of trains stalling on the bank. But we now have a pretty good response team to deal with those types of failures. It is difficult. Why do things break down? It just happens to be a combination of events—weather, gradient and maybe a locomotive which is performing beautifully until a certain point when it is put under load. But if you look at the data—and I shared some of that last week with my colleagues—we have seen a gradual reduction and an improvement of the quality and the age of the fleet which all freight operators have been operating on the metropolitan network in the last few months.

Mr LEE EVANS: I have got a couple of questions. One question that has intrigued me for a while is how many trains do we actually have running, as far as models?

Mr COLLINS: In terms of types to start with?

Mr LEE EVANS: Yes.

Mr COLLINS: There are probably eight different types; some of those are subsets. We made S sets and V sets for almost 15 or 20 years before we decided we needed a different design. That is a challenge for us, and certainly we have got two types of train operating for our passengers. We have the modern fleet—Millenniums, OSCars, the Waratah fleet—and then we have got we colloquially and affectionately call the silver sets. All those silver sets are now on a program to be pensioned off and to be retired, whether that is a V set with the new intercity fleet, the S set with the non-air-conditioned fleet. I think long term we will look for the final season K sets to be pensioned off as those are, again, 30, 40 years old.

Mr LEE EVANS: Spare parts, are they all interchangeable on these trains?

Mr COLLINS: On the conventional trains pretty much so. I would say that we are into re-engineering. There are some fantastic Australian engineers sitting there in quite often small engineering firms re-engineering old parts. As you can imagine, there are only so many years' life expectancy of a brake cylinder or something, so we do have a good support from the team who is dedicated to do that. But at the end of the day, if you look at basic reliability between, say, a Waratah achieving 130,000 kilometres between customer service failure and an S set, which is about 11,000—which has gone up from 6,000—you can see why I have a keenness to replace most of those old trains, not just because they are a customer freezer in the winter and a hotbox in the summer but also because their reliability is a lot, lot less.

Mr LEE EVANS: My second question is in relation to encouraging people to use public transport. I have a particular issue in one of my suburbs, Sutherland, of people travelling long distances to get to Sutherland because of the amount of trains that are going through it as a hub. We are at basically parking capacity at Sutherland and the issue for me as the local member is although I do not want to discourage people getting on public transport, how do we encourage them to get on public transport in their own area? On that, somebody needs to take a compass out and work out the area of the Opal card charges because in Heathcote it goes up, I think, \$10 from Engadine. So to Engadine and then Heathcote is \$10 more expensive, hence people travel to Engadine, Loftus, Sutherland because of that cost difference.

Mr COLLINS: I will hand to my colleague Tony Branxton-Smith.

Mr BRAXTON-SMITH: The fare bands for the rail network have been set for a number of years and the fare bands themselves have not changed. In terms of the cost difference, the maximum you can pay on the rail network for travel during the day is capped at \$16.

Mr LEE EVANS: Whatever the thing is, it is halfway through my seat. That is why I have got inordinate amounts of people travelling from—

Mr BRAXTON-SMITH: So this would be an amount per week you are referencing?

Mr LEE EVANS: Yes. For Keira, for example, it is just that they travel to Sutherland rather than just be hit with that extra \$4 or \$5 or whatever it ends up being because of that. Again, parking in Sutherland is at capacity. Is there any way we can encourage people to stay in their own areas and fill up car parks all the way down the South Coast?

Mr BRAXTON-SMITH: There are a couple of different measures that we are currently looking at to assist customers who want to get to the railway station and have parking space. The first is Opal car parks we are

travelling at the present time on the B-line; we have got five car parks equipped with Opal card access to the car park. If you have travelled on public transport you exit for free; if you have not travelled on public transport, which we find is a significant proportion of people who are parking in commercial centres, then you now pay a commercial price. Our assessment of various car parks is the percentage of people who park in the car park who are not using public transport can be significant. In the case of Kogarah it is almost 50 per cent not using public transport but occupying space in the car park.

So we have a trial, which the Government authorised. We are currently analysing the results of that in terms of the usage of the car park and how it affects travel, and the intent of that is to make more spaces available for commuters. The second thing we are doing is we are trialling on-demand transport. On-demand transport is being trialled in a number of areas around Sydney at the moment. The on-demand transport is designed to provide a more flexible way of getting the first mile, last mile for a small additional payment. Particularly as we roll those trials out—for instance, at the present time in region 6 we are trialling it—we are looking at different models of payment to understand how customers react and respond to it being part of an overall integrated fare. So there are a number of controlled experiments to understand what works best operationally to provide the service, what is appealing to customers and the price points.

The third thing I would say, on reflection, about Opal fares generally is that the overall setting of the framework is determined by the Independent Pricing and Regulatory Tribunal [IPART]. They conduct a review every four years and make recommendations to government as to how government might change the pricing structure. The evidence you talked about about some customers being very price sensitive, our market research would indicate that there are about one-third of customers that are in that particular category where they are sensitive to the pricing and will make a change in their behaviour according to the prices that are set, but there is always going to be a boundary somewhere, and it would be for IPART to recommend a change to boundaries and then for Government to give consideration to the options we could then put up to suggest alternative pricing structures on different sorts of travel patterns.

Mr LEE EVANS: Our local council did a survey on numberplates and where people live. Two-thirds of people parked in our transport parking areas were not from the area.

Mr GREG PIPER: While we are talking about passenger rail and country rail, I was wondering about risks associated with extreme weather. I know we are talking about the general punctuality and you have addressed there are new timetables that will take into account the improved fleet. You have got capacity there. You are rolling out digital signalling. We are coming into summer. We are getting more extreme events, particularly heat events. The big ones are power outages, rail buckling, things like that. That is something that occurs on the network. I assume late in the afternoon all hell breaks loose for the network. What are you doing to safeguard against that?

Mr COLLINS: Obviously I appreciate that and certainly Sydney and the surrounding areas throw in extreme weather on a fairly regular basis. Let us start with rail buckling, though. Having come from other agencies, I would say the dedication to replace the rails and form a modern concrete sleeper, continuous route of rail, has actually improved our performance. In fact, rail buckling is a very rare event, unlike many other capital city rail agencies, so I am very confident and certainly have felt that the team has dedicated a lot of resource on that. We have a lot of new technology, special dedicated trains which check the whole network every two weeks and ultrasonic testing. When we find things, we try to fix them as quickly as possible.

In respect of reliability, if you just take a couple of Fridays ago, not only was the railway having a few issues with flooding here and there but the airport was shut, the M5, the M7 were shut due to excessive weather. What I did see was dedicated teams. They are available to us. We are on the case more. I think one of the challenges with more trains, more services—and we are running 336 Sydney Trains in the peaks and almost 50 NSW TrainLinks—is that when things go wrong, things get more difficult. It is a bit like a motorway when you have lots more traffic. We are now focusing on trying to ensure our response times are better. We have nine locations where we have qualified paramedics because about 10 per cent of all of our delays were due to sick passengers waiting for an ambulance to arrive. Quite often it was just needing someone who was first aid or paramedic qualified to remove that person or agree to meet the ambulance with a paramedic at Central rather than hold us up at Wollie Creek. Those things have started to make a big difference.

There is no doubt when we do have a delay those challenges are more significant nowadays than they were even five years ago, and that is why we are really focused on investment in new trains, the operation centre, almost \$300 million worth of investment. For the first time since 2013 when the Rail Management Centre was opened, I think that can make a massive difference to our ability to respond, not only to us but to work along Sydney Metro, the Australian Rail Track Corporation and other operators.

Mr GREG PIPER: On punctuality, on the North Coast line or the Newcastle line, the Newcastle Central Coast, is the introduction of a fast train with you, Mr Troughton?

Mr COLLINS: You mean the existing Newcastle Flyer, as they call it unofficially, which is seven minutes faster?

Mr GREG PIPER: Yes, by not stopping to pick up passengers. We have limited opportunities to get on in Lake Macquarie, but I am not complaining about that now. The question is, how is that working for the system, for commuters, particularly from the Central Coast, and does it satisfy what was being sought?

Mr COLLINS: I certainly think that one of the challenges of fast trains or more frequent trains, you probably could run a train almost under two hours if there was only that train on the network between Newcastle and Central, but obviously we have a huge demand for additional services throughout the Central Coast and Newcastle. We have watched that particular train. We have seen its performance is pretty good, depending on other circumstances. On 30 September we are changing, as part of the closure of the EC rail, as we call it, between Epping and Chatswood—we are putting dedicated services, 15 minutes, for example, from Gosford into Central terminal. We are certainly looking to improve and adjust the services to give a dedicated route for those customers who are coming from the Central Coast into the city. It will mean a little bit more interchanging at Central Station, but it will give customers a bit more of a regular service from the key Central Coast locations.

Mr GREG PIPER: The new service is still under review, is it?

Ms PRENDERGAST: It is staying, yes.

Mr COLLINS: It is saying in service. The published timetable is out already or on the website. It will show those additional services every 15 minutes during the peak from Gosford into Central CBD.

Mr STEPHEN BROMHEAD: With punctuality on that same line, you mentioned the need for a dedicated line. Are there any plans, medium or long term, to duplicate the line between Newcastle and Sydney?

Mr COLLINS: Obviously in the short term I am working with Mr Fox. Particularly the north main has the capability. We have looked at schemes in the past, which are in the medium plan, of looking to put additional tracks in—quad the line—more than we have done at the moment. One of the good things about the network up to Newcastle is it is a pretty wide corridor. Also, with some more focused attention on some of the track infrastructure we could obtain higher speeds. We need trains that can go above 120 or 130 kilometres an hour. We know the V sets do make the timetable, but dedicated drivers do the best they can to keep up. Whereas you know the OSCars are much faster and have a much better chance of keeping to the timetable.

Mr TROUGHTON: I think it has been asked, but some Federal funding has been made available to examine a faster rail between Sydney and Newcastle. That bit of study is about to commence or has already commenced.

The CHAIR: Recommendation 4 (b) in the report states, "The response noted Transport for NSW is working with Sydney Trains and NSW Trains on an ongoing basis to develop additional plans and protocols regarding train priorities during disruptions." It was stated that this process would likely be completed in late 2018. What is the current status of the project? Has it been finalised or is the protocol still being developed? If it has not been finalised, what is the estimated completion time?

Mr COLLINS: Probably the most significant thing now is I am the boss of both, being the acting chief executive of TrainLink and Sydney Trains, but that is not the solution entirely. I think also we have been focusing on ensuring that the teams work together with a dedicated focus on prioritisation. Part of the commissioning of the rail operation centre, which is on schedule for the commission towards the end of this calendar year, will be having those protocols implemented and also the layout of the room puts everybody in the same place and allows live dedicated decisions with a network incident manager who has responsibilities for both entities, not just being biased towards one or the other.

I think it is fair to say that the audit did identify concerns that NSW Trains had about being prioritised out of the network when, say, there was a delay and then further delay was incurred as trains were trying to enter the suburban network. We have worked pretty hard on that and I am hoping to demonstrate that in reality. The good thing is that when you look at the last three months' performance for the intercity network, we have seen a big uplift in the improvement of the reliability and also making sure those trains are slotted in on the timetable. It is not always the case. If a train is four or five minutes late from the Southern Highlands, it can get caught by the next suburban service because it has missed its slot, in effect. It is a bit like the airlines you were describing earlier.

I think that is one of our challenges but I can assure you that the management teams of both organisations are aware that I am dedicated and support both entities as one now, as opposed to differences of opinions and playing table tennis between the two organisations.

The CHAIR: Auditor-General, did you have anything?

Ms CRAWFORD: We did call that out. You were correct that we called it out, so you just have to argue with yourself now.

Mr COLLINS: I do, but I think it is important.

Mr RYAN PARK: You do not do that?

Mr COLLINS: Sometimes I resort to that. I do think that it is important that we looked at this network as a network. That is certainly what we are doing with TrainLink and Sydney Trains and what we are going to do with Sydney Metro as well because, obviously, they are another party to join us very soon.

The CHAIR: In response to recommendation 5, you have noted that Sydney Trains has a regular audit program to validate adjustment factors used to address areas when determining a train's punctuality status. You have stated that this last was completed in July 2007. When will the next audit of adjustment factors occur?

Mr COLLINS: According to the date I have in my mind, I will have to take that on notice but we have certainly looked at that data very recently. The good thing is we have a lot more of our network on what we call Advanced Train Running and Information Control Systems [ATRICS], which is the computerised network. The Sydney-Illawarra line was done the other month. The other thing is we have a look to—I think there was concern about where transponders were and whether the adjustment was correctly being recorded. We have double-checked that, we have looked at it and we feel confident that we are giving accurate information in terms of our recommendation 5. We welcome further discussion on that and I can give you an absolute time and month when we have done that.

The CHAIR: We still have a number of questions, which we are probably going to need answered due to the large part of the hearing being parochial in nature.

Mr GREG PIPER: You did not mention Coojee once. That is unusual.

The CHAIR: Thank you for appearing today and for the double appearance, Ms Crawford and Mr Troughton. The Committee will send you some additional questions in writing, the replies to which will form part of your evidence and be made public. Would you be happy to provide written replies within five days?

Mr COLLINS: Absolutely.

The CHAIR: That would be excellent. Thank you again for appearing.

(The witnesses withdrew)

(Short adjournment)

MARGARET CRAWFORD, Auditor-General, Audit Office of New South Wales, on former oath

CLAUDIA MIGOTTO, Assistant Auditor-General, Performance Audit, Audit Office of New South Wales, on former oath

IAN GOODWIN, Deputy Auditor-General, Audit Office of New South Wales, on former oath

ANTHONY MANNING, Chief Executive, Department of Education, affirmed and examined

The CHAIR: Mr Manning, thank you for appearing before the Public Accounts Committee today. Would you like to make an opening statement?

Mr MANNING: Other than to thank you for the opportunity to provide an update on the progress of the Audit Office report on planning and school infrastructure and that all recommendations are in the process of being implemented or have been implemented as we continue to roll into our future program.

The CHAIR: Very brave of you to come alone. No, I am only joking.

Mr MANNING: I have all my friends with me.

The CHAIR: The Audit Office recommended that the Department of Education regularly revisit and evaluate the School Assets Strategic Plan to keep it contemporary, refine it based on learnings and update cost estimates to reflect actual results and respond to available funding. What is the current progress on the regular evaluations of the School Assets Strategic Plan and how have these evaluations assisted in refining cost estimates to reflect actual results?

Mr MANNING: We are going through a process at the moment of looking at the plan as it existed. We have 170 projects on our books at the moment. About 150 are funded and moving into the construction phase, so we are learning a huge amount in terms of the planning process around projects, the robust budgeting for projects, planning around things like pop-up schools to enable us to do whole developments rather than partial developments. There is a lot of information that is now beginning to flow back into the asset plan, understand how we can reconfigure existing facilities rather than simply build new ones, and how we begin to allow appropriate time and cost to enable those things to occur. Also, we are beginning to build an organisation that has got the capability to drive those things.

We have been building on that capability in the last 12 months and have grown our project delivery capability and implemented our infrastructure planning division so we take the time to plan projects before they move into the construction phase and begin to look at the sensible phasing and staging of projects so that we can deliver them efficiently. The other thing I think we have worked really hard on is around our communication and engagement strategies to make sure we have enough horsepower to engage local communities ahead of projects. So they are aware of what is going on and we can really understand what the issues are locally so we can try and manage those as best we can. If we can try and sweep up existing issues we will but we will do it with the least stress we can on those local communities. I think they are some major learnings that have come out of certainly the first 12 months and will continue as we roll our complex program out.

The CHAIR: What are some of those learnings?

Mr MANNING: Really around genuine engagement with local communities. We found from the Ultimo experience that the pop-up school was strongly resisted in the first place. It has now been delivered and I think it has been really positively received by the local community. We have learned a lot just out of simply that process: how we engage community in a pop-up sense, the skills we need that are different to a major project development to get that to work and understand the local dynamics, and working more closely with local councils rather than simply necessarily presuming that something could occur without any consultation. That has been a really big piece of that. We are beginning to look at a part of our organisation that solely focuses on delivery of pop-up schools because where we have got major developments we are finding that it is not simply a question of tacking on additional facilities, we have actually got to remove some existing facilities in order to do it effectively and we need to house kids while we are going through that process.

We look at it from a health and safety aspect too to make sure that we are not bringing construction into conflict with the day-to-day operations of school. That is certainly one area of learning. Another area of learning we have got is beginning to look at whilst school infrastructure in itself is not complex from a delivery perspective, the consultation process around making sure that we are enabling efficient operation of the school into the future is quite a complex process. So we are spending more time consulting with school communities on the ground to make sure that we properly understand, rather than necessarily delivering something that from the office looked like it made sense but when you are on the ground it really does not. So there are few of those projects. We have

had to spend a little bit more time in the consultation phase before we get to construction to make sure that we have got everyone on the right page.

The CHAIR: The agency response to recommendation 1 noted that the next review would be updated to align with the revised State Infrastructure Strategy and other subsequent population projects, including the 2036 demographic horizon. Can you give the Committee more information on how the School Assets Strategic Plan will align with the revised State Infrastructure Strategy?

Mr MANNING: Absolutely. We have a series of forums where we work with central agencies to understand some of the work that is going on. So with Treasury, DPC and Infrastructure NSW we are looking at our asset maintenance program but also our future projection and where we think those things are going to align with the State Infrastructure Strategy. We also have a working group with the Department of Planning and Environment that looks at a range of issues, one of which is the population projection demographics that are coming through, where they are seeing some changes and how that begins to affect some of the assumptions that we have in our system. We have got a similar forum with the Department of Transport. Whilst we do look at individual projects we are also beginning to glean some of the data that they have, which begins to look at some of the population data that we are looking at to help us with our interpretation of those. So we have some really strong relationships with those agencies and we are beginning to see more data and some more information flow through.

We have identified across the State effectively 365 clusters of schools and we are working through a process of beginning to understand within each of those clusters what we are beginning to see from a demographic perspective what we think the impact of those could be on schools and to some extent what we think the appropriate infrastructure response is or the operational response is to manage some of those implications and impacts as they work their way through. We have identified a first order of priority for those and we have begun to understand what we think the next 10 years will look like, what are the sorts of project activities that we might need to do—sort of short-, medium- and long-term solutions—and in time they will be informed around budgets.

As we begin to progress through our existing portfolio we are getting a much better sense of what the real cost of delivery of school infrastructure is on the ground and that will begin to inform some of the budgets when we are going forward as part of that process. But I think we are getting to a point where we can begin to have a really good set of conversations around different interventions in different locations, what is the best way to solve some of those problems and how we deal with them from an operational perspective. Some interventions are relatively small—tidying up existing facilities, providing dead space within existing buildings that can be turned into learning spaces—and some are major rebuild type approaches: where the timing sits in those, what can be done in the short-term and how we can get those moving.

The CHAIR: The response to recommendation 2 noted that School Infrastructure NSW would continue to investigate alternative procurement options for approval by government at the appropriate time. Can you provide the Committee with more information about how School Infrastructure NSW has progressed in developing a framework for partnering with the private sector and what has been the role of NSW Treasury in the development of alternative options?

Mr MANNING: There are a number of layers to that from our perspective. We have begun to look at a sort of asset public-private partnership [PPP] approach to schools. We already have two fleets of schools that were procured in 2006 and 2007 through PPPs. We have begun to look at how we think that might work now that the size and scale of schools does not ordinarily lend itself to that being terribly efficient and effective for us. But we have also identified areas where there is major development happening residentially and commercially and we have begun to work through mechanisms to talk to developers or a series of developers in terms of how they might co-deliver educational facilities as part of what they are doing. We are working through Treasury and we are getting some probity advice on that.

We are also working with some of the non-government schools. They have needs in very similar locations to ours and where something might not necessarily suit us it may well suit them. We are beginning to work with them and beginning to form a series of memorandums of understanding [MOUs] both with non-government schools and then with a number of providers to say that if you have got things moving or you have got land that is available for a school or you have some opportunity in some of the developments that are going on, let us work through a mechanism that would allow that to be done through a proper probity process in terms of how that works its way through.

We continue to work with the construction industry through Infrastructure NSW and the construction leadership group to look at how we can be more efficient in the straightforward delivery of infrastructure and the design process and construction process. Again, there is quite a bit coming through that in terms of simplification of processes, of working more collaboratively with contractors and giving them more of a heads up in terms of

the projects that are working their way through, and allowing some mechanisms for them to bring some skills to the table rather than simply going down a "construct only" road or a "design and construct" route. We are looking at various models. There is quite a range of interventions and innovations that we are looking at across that piece.

The CHAIR: You mentioned the MOUs. Are they enforceable?

Mr MANNING: They are non-binding agreements to proceed and they provide an envelope or a set of rules around how we can share information. We have signed up with a number of Catholic school providers. We are sharing information, we are sharing ideas of where we want to invest and we are sharing what some of the plans are that are working their way through that. But they are non-binding agreements as to how we proceed between us.

The CHAIR: Given the scale of the strategic plan and the potentially confrontational nature of some of the aspects of the strategy, you have talked about engagement with the community, but how have some of the concerns that have been expressed been allayed?

Mr MANNING: A lot of the concerns we get are really focused on very local issues and so we do a lot now in terms of drop-in conversations with the community and we do forums. There are two sides to it: there is the school community itself and then there is the community that lives immediately around the school but might not actually have kids at that school. We find a lot of the issues are relating to traffic and parking and we find some fears around community use of school facilities outside of hours and noise and traffic generation. Quite a lot of it is really sitting down in those forums, going through the concerns and trying to work through some resolutions around those issues. We are going to work with councils in some areas around no stopping zones and no parking zones to try to alleviate some of the traffic and transport issues.

In terms of some of the community use of facilities, we begin to position them on the periphery of the school. The school community may be worried about people coming onto the school site out of hours and creating damage and issues. We begin to look at how that affects security but also how we get people away relatively quickly. They tend to be quite locally driven concerns and issues. We manage them on a project-by-project basis and try to establish a rapport with key members of the community. There is a project reference group on every single project and we would have the parents and citizens association represented and we really begin to go through the issues as we see them and come up with a range of options to manage our way through that.

The CHAIR: There has been a lot of talk about the school campus being opened to the community for use outside of school hours. There is nothing new about that. Most of the schools in my electorate have arrangements with private operators for various classes, schools or activities outside of school hours. How is this new approach that has been articulated from the Minister on down different from what exists today?

Mr MANNING: In some cases it is a lot more organised than it used to be. In some cases there will be sporting facilities that we develop that are co-funded by councils. They are much more intensively used than the school hall being used on an ad hoc basis. Particularly sporting facilities, be they netball courts or basketball spaces, you will see them more much intensively used on a Saturday and a Sunday period. Some of the neighbours get quite anxious about the volume of use and the noise that gets made and it is far more regular than has ever been done before. Those are some of the anxieties that work their way through that are really quite different to the odd use of a community hall. There tends to be quite small-scale use of community halls as part of that process too.

Mr LEE EVANS: I was involved with Endeavour Sports High School, which has a PPP sporting facility on their site. They have 10 hectares, so it is a fairly large school, and it has been very successful. Is there a chance in the future to do more of that?

Mr MANNING: We are looking at as many of those opportunities as we think we can manage within the program where we have land available and we propose to include sporting facilities. We are talking to councils and we have a series of MOUs with councils. What we find is councils are really good places for the various sporting bodies to bring their demand through. Where we are able to we either shape our development so that it allows them to do something following on from us if the timing does not quite work, or we have got opportunities where they can contribute funding as part of a program for us to build more facilities than we would otherwise build. We then shape an agreement around its ongoing use. It really then falls to implementation by the principal as part of how the school operates to make those things work and make those things successful.

Mr LEE EVANS: I heard something this morning on Alan Jones, so it must be right. Is our target to build 12 schools a year?

Mr MANNING: We have identified a volume of learning spaces that we need to deliver over the coming years. The Minister made a reference to the volume of learning spaces "being the equivalent of", so we are working to deliver that.

Mr LEE EVANS: It is not 12 new schools a year.

Mr MANNING: We focus on a volume of learning spaces. In some years that may well be 12 new schools but we are working on a volume of learning spaces. Again, depending on the distribution of how they may be required over a period of time, some of them will be brand new schools, some of them will be complete rebuilds and some will be additions to them.

Mr LEE EVANS: What is the typical age of the stock?

Mr MANNING: The average age of schools is about 48 years.

Mr STEPHEN BROMHEAD: Recommendation 7 of the audit report seeks a 10-year capital planning limit from New South Wales Treasury. Has there been any commitment of funding by the New South Wales Government to implement the School Assets Strategic Plan? If so, when can the public expect to see the details of the funding and will the funding be provided incrementally or in stages?

Mr MANNING: Treasury provided us with an interim 10-year funding program which we are working our way through. Part of the work that we are doing at the moment looking to 2036 is really beginning to understand what we think the required profile of that is going to be into the future. At the moment that is being informed by a lot of the projects that are rolling through now in terms of getting costings and the whole range of those things right. We are working through formalising how that goes into the future. That will be part of a future budget process that we work our way through. But certainly the volume of projects we have at the moment is informed by that interim capital planning envelope that we have.

Ms CRAWFORD: That is not a budget per se; it is just a planning limit?

Mr MANNING: It is an overall planning limit and each budget process we work through individually within that overall limit.

The CHAIR: In response to recommendation 6, the department stated that further information about school assets and enrolments, including the status of assets, current and projected enrolments and planned school projects may be added to the school infrastructure website as needed. How do you make a determination about the level of detail of school assets and enrolment information that you provide on the website?

Mr MANNING: At the moment we have just completed a substantial update of the website, including a completely new functionality so we can add things to it. At the moment we populate the website with all the projects that we have in hand. So all projects, regardless of whether they are in the planning phase or in the delivery phase, effectively are lodged on the website as part of that process, to provide more information in terms of target dates, the scopes of projects, including when we do drop-in sessions for the community access, and a range of others. We are beginning to look forward in terms of further information that we might publish on the website in terms of general asset information outside of projects.

The CHAIR: What about enrolment information?

Mr MANNING: At the moment we do not put enrolment information on the website. I think quite often that can be found on local school websites. Obviously, school has its own website which is really focused on the school and curricula activities that it does. So I think we would see that being part of that website role rather than necessarily hours, which is really to inform on capital projects both future, current and, to some extent, past projects.

The CHAIR: And the data that is published on the website, is that responding to external requests?

Mr MANNING: It is a mixture. Quite often the questions we get asked most when we go to projects are some of the frequently asked questions and those sorts of things, and where we have specific projects with some specific challenges we will add to the website in terms of making sure that the community more broadly understands what is happening with those projects and what those issues are.

The CHAIR: And how often do you update that?

Mr MANNING: On a very regular basis. These days websites are pretty much live information. So at least once a month.

The CHAIR: The demographic data that you use for projections, what is the source of that?

Mr MANNING: The Department of Planning's demographic information.

The CHAIR: In the past were they using different datasets than what was provided by the Department of Planning?

Mr MANNING: No, we have always used DET. I think there is a question about the level of interrogation we give to the data and then a level of looking at other similar datasets—for example, the Department of Transport, some of their information and some of their data—just to get a sense of dwellings for this kind of activity. So I think there is a lot more work that is going into looking at the associated bits of information to validate the information we are receiving from the Department of Planning. We will look at development applications in certain locations to get a sense of some comparators in terms of where the Department of Planning projections are going and where we think it is actually happening on the ground locally and we will sit down with the Department of Planning and begin to understand where we think we will begin to see some differences as to how those things might play out.

So I think there is a much smarter process of looking at that data and beginning to interrogate it and question it and then understanding what it really means. I think some of the assumptions we made with that data in terms of how many people are living in apartments now and their access to schools as well, I think we are learning quite a lot from that process in terms of how we interpret that level of data and information in terms of its impact on our schools.

The CHAIR: Do you have a risk contingency framework, given that your estimates are conservative? What obstacles and unexpected costs might arise if you just get it wrong?

Mr MANNING: Do you mean from an individual project perspective or from a portfolio perspective?

The CHAIR: Both.

Mr MANNING: One of the things we have been doing is looking at robust budgeting for projects and making sure we have contingencies on projects to manage the scopes that we have; so recognising there are a series of risks, and over time those risks either eventuate or they do not. The need for some funding begins to disappear, so we begin to look at more robust contingency planning within individual projects. We also manage the program we have as a portfolio; so recognise that on some projects there may well be a series of events that occur and we might need to draw on funding from within the portfolio to manage that. So we kind of manage it on both those bases. We have certainly got more robust in that space. We are much more effective at tracking where we are against that and quarantining that contingency so it does not get spent on other things, and being really clear about what is the change to our project scope, which may be nice to have, and what is something that just occurs that we may need to deal with—for example, remediation under the ground that we had not foreseen—and where we have to manage that. There is no middle ground there; we have to deal with it.

So we have begun to be much more clear in terms of our governance processes around how that contingency gets allocated, how it gets spent, and if it does not get spent it gets returned into the program, managing across our portfolio basis as well. I also think from a broad planning perspective, there have been a few locations where there has been a discrepancy between our view of population projections and a local community's view of population projections and we have begun to work through scenarios. Rather than spend a great deal of time arguing whose numbers are right, we look at what are the scenarios that we might respond to depending on which set of numbers is right to make sure that we are always reserving our capability. The numbers are likely to change—nobody has a crystal ball, no matter how much you put in to trying to project the numbers. Making sure that we have got some room that if the numbers are slightly different to what we have seen we are still able to meet that demand and respond to those requirements.

The CHAIR: Because the public school system is come one, come all and you have to take them, whereas the private school has a set number of teaching spaces—learning spaces I think they are called now—so they do not have that uncertainty around who is going to be turning up at the front door.

Mr MANNING: That is right. There is a bit of work we do as well looking at school capacity and trying to understand what we think we have capacity for and how do we manage that.

The CHAIR: Just on the cost of maintenance of the asset and procurement, I get reports that there is a very large difference in what could be provided were the school to source it as opposed to the department.

Mr MANNING: I am involved in quite a lot of those conversations as well. We have started a process of working with schools and just beginning to give them some room to undertake small, low-risk works themselves with some support from us rather than us being in control of it, to see whether there is a reality to that or not. We are trying to be more responsive to schools' needs, particularly where P&C-funded works want to occur, and trying to enable those schools that have a capability to do works under guidance from us rather than necessarily us carrying those works out, to allow those things to occur, because quite often they say we can take too long, we

can be too expensive, and a whole range of other bits and pieces. So we have started to let some schools manage more work themselves, keeping hold of the really complex projects. But yes, we have begun in response to that; we have just reset, through Property NSW, the maintenance and minor works panels. So in terms of value for money we are beginning to drive some better value for money as part of that process.

We are beginning to look at some alternative procurement ideas, particularly around direct access to local trades for some of the things we do. We have heard that from a few locations and are keen to involve—noting that the department has spent a substantial amount of money in the last year or so allowing principals to be educational leaders rather than asset managers. Again, we are working to make sure they are not spending anymore time than they would otherwise be dealing with asset issues that we should be dealing with. We are working with our teams to be more responsive than they have been historically.

The CHAIR: Whilst it is not part of the audit, what gets spent at the front line across the—

Mr MANNING: Yes, 2,200 and something schools.

The CHAIR: It becomes big dollars which, ultimately, the Government has to spend. Auditor-General, is there anything?

Ms CRAWFORD: No. Just listening to the evidence, it is a very big program, and clearly Mr Manning has the capacity to manage this. The sense I get is that you are still in those early stages but making good progress. Perhaps the only thing I would want to emphasise is that our recommendation 6 that you have referred to, Chair, was quite clear about trying to bring together in that transparent way the information about the projects and projected enrolments. As you say, while enrolments may be published school by school, the real benefit would be to try to bring that together in one place. I would not want us to step back from that.

The CHAIR: Is having it all in one place a problem?

Mr MANNING: From our perspective, it is making sure that any information we produce is accurate and we are working our way through that. I think that is the—

Ms CRAWFORD: Hard thing.

Mr MANNING: That is the hard thing from our perspective, so we will work with the school operations division around those sorts of numbers.

Ms CRAWFORD: Those projections.

Mr MANNING: We quite often see there is a difference between—we think of what the enrolments are and what we are seeing. We will continue to work on that and make that better as part of that process.

Mr STEPHEN BROMHEAD: Is there any scope in the budget? Let us say Old Bar Public School is having seven classrooms built and the building has room for eight but they are only going to fit out the seven. There is a space for a future eighth. The demographics are that it has grown already and there is a need for number eight. We have got the site fence up, we have turned the sod. Is there any capacity now for someone to step in and say, "If we do not build eight, we will retain the demountables". The whole idea of this project was to get rid of the demountables. How would one go about—

Mr MANNING: The answer is yes, there is. We try to plan our intervention such that we really do not want to come back to a school in a big building sense within the next four to five years. We try to project the capacity. We do not want to build it for the day we finish. In some cases we deliver some shelf space and allow the fit-out to occur later on. We manage the fit-out under some of the minor works budgets that we have available to us, but we are constantly looking at what are we about to commit to, are we convinced it is right? Because I do not want to be back five minutes later building another two classrooms on the end or any of those sorts of things. We try to look at that and we look at every project on that basis. There are probably a number in the current portfolio where we have looked at the scope of them quite critically and will squeeze a bit more infrastructure into the scope we have got to enable that to be the answer rather than for us to come back again straightaway, absolutely.

Mr STEPHEN BROMHEAD: Old Bar Public School, mid North Coast.

The CHAIR: A number of the P&Cs in my schools are bursting at the seams and have some people with incredible skills and expertise on them, and those schools benefit enormously from either advice or work done gratis.

Mr MANNING: In kind, yes.

The CHAIR: There are some schools that the P&Cs, especially when you get into high schools—it has always been the case that you get a large P&C in primary and infant schools and then it falls off in senior schools. They are also called parents and friends. How could schools or the department look upon it as extending that reach of the school into the community, not just having parents who participate in the P&C and the school's future, but getting local residents, particularly those who have skill sets, perhaps retired engineers, educators or carpenters, et cetera, to be part of that school community as opposed to being a transient P&C member?

Mr MANNING: One of the things we have done over the last few months is look at our asset management processes. We have spent some time with a range of principals and P&Cs to talk about their experiences of delivering small-scale projects. We have come up with a list of some 20 activities that we are comfortable that P&Cs could carry out on their own, and we are encouraging them to begin to reach out to undertake those works. Previously we said it can only be below \$30,000 and only one trade. We have said, look, there are procurement guidelines. If you spend more than \$30,000 you need to be cognisant of that. We can help you with those, but here is a range of activities from small plumbing items and small electrical items that you can get on with. Here are some checklists to advise you as to how to undertake those works safely and this is the certification you will need to get as part of that process. We are beginning to unlock those P&Cs so they can get on and do those small works.

Quite often they are either funded through P&C activities or can be done in kind through the P&C. They allow us to take those into account rather than flying everything through the asset management units so we have to carry everything out. We have started to go through that process. I think we have had some 36 applications from schools saying, "We want to do these works under our own steam", and that is good. We will continue to roll through that as a series of pilots to ensure those things are carried out safely and that we get the right answers that we need. We will begin to grow that. Those opportunities are all there and it is really for the P&Cs to extend themselves. Beyond the asset piece, school operations would need to provide some commentary on how they might use P&Cs outside of that process, but certainly from an assets perspective, we are trying to provide more room for them to be involved in the asset management of the school and to carry out those small value works so they can get them done faster and cheaper, otherwise we would be doing them.

The CHAIR: Great. Thank you, Mr Manning. If there are any questions that the Committee may have we will send those to you in writing, the replies to which will form part of your evidence and be made public. Would you be happy to provide a written reply within five days to any further questions?

Mr MANNING: Certainly.

The CHAIR: Thank you again for appearing today. That concludes the public hearing on selected performance audit reports. I thank the witnesses who appeared today, Committee members for their contributions, Hansard and the wonderful Committee staff, headed up by the inimitable Mr Norton, and the Auditor-General and her amazing team.

(The witnesses withdrew)

The Committee adjourned at 13:05