



PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

2009-10 AND 2010-11 FINANCIAL AND PERFORMANCE OUTCOMES QUESTIONNAIRE — PART TWO

TRANSPORT

Question 1

From 30 November 2009, DOT has received the full fare box collection across all transport modes. This has resulted in a significant increase in revenue to DOT, with income from ‘sale of services’ increasing from \$159.8 million in 2008-09 to \$384.0 million in 2009-10 and \$577.5 million in 2010-11 (*Annual Report 2009-10*, p.87; *Annual Report 2010-11*, p.48).

- (a) Please provide details of the new arrangements for the collection and administration of fare box revenue.

Under the new rail franchise arrangements, which commenced on 30 November 2009, the former government determined that during the myki start up period, the State would receive all farebox revenue and guarantee to pay the franchisees their contracted level of farebox income. The guarantee continues up to 18 months after the Metcard system is decommissioned. After this date, the train and tram operators will receive a share of the actual farebox revenue.

- (b) What is the rationale for the new arrangements?

These arrangements were constructed to shelter franchisees from farebox volatility during the myki start-up period in an effort to better balance risk and provide a better value for money proposition.

- (c) What benefits have been achieved through the new arrangements?

The new arrangements have sheltered franchisees from farebox volatility during the myki start up period. This has enabled franchisees to remain focused on delivering operational outcomes and not be distracted by farebox volatility due to the implementation of myki which is largely outside of their control.

- (d) What are the impacts/implications on the Department’s budget?

The Department’s budget was adjusted to record all farebox revenue being received by the State and contracted guarantee farebox payments being made to franchisees.

Question 2

The *DOT Plan* indicator ‘transport infrastructure projects delivered on time and budget’ has a target of 80 per cent. With respect to timeliness, the Department achieved 69 per cent in 2009-10 and 59 per cent in 2010-11 and, with respect to budget, the Department achieved 100 per cent in 2009-10 and 82 per cent in 2010-11 (*Annual Report 2009-10*, p.176; *Annual Report 2010-11*, p.135).

- (a) Please provide details of how this indicator is measured, including:
- (i) are all projects underway included, or just ones completed in the relevant year?
 - (ii) what timeliness and budget targets are progress compared to?
 - (iii) how much variation from that timeliness/budget target is still counted as meeting the target?

- (i) Only projects reaching practical completion are included in the indicator for the relevant financial year. There may be some minor works or rectifications for defects following practical completion.
- (ii) The budget target is based on the project’s agreed budget. The timeliness target is based on the project’s planned duration.

(iii) Both the budget and timeliness targets have a variation of zero. If the forecast final cost at practical completion is greater than the project's agreed budget, then the project is considered to be over budget. If the actual duration at practical completion is greater than the project's planned duration then the project is considered to be late.

(b) To what reasons does the Department attribute not meeting its target each year?

For 2009-10 and 2010-11, there are various reasons for the variation from targets each year, including:

- delays due to adverse weather conditions;
- longer than expected timeframes required for Planning Scheme Amendments, Environmental Effects Statements, Cultural Heritage Plans;
- meeting land acquisition requirements; and
- delays due to change of contractor going into receivership.

Further details on specific projects can be found in the 2009-10 and 2010-11 DOT Annual Reports.

(c) Please explain how in 2009-10 the delayed projects had no impact on the budget and in 2010-11 a substantial proportion of projects which did not meet their timeliness targets met their budget target.

Best practice project management in the construction and engineering industries is to include contingencies in the project costs to accommodate changes in project cost due to the impact of unforeseen circumstances.

Project contingencies for projects managed by DOT are based on two components: (1) a risk assessment of the impact of likely or known risks, and (2) a provision for unknown risks proportional to the estimated cost of the project.

(d) What processes has the Department established to improve its performance in this area?

DOT has developed and implemented a Project Management Framework (PMF). The PMF describes a common methodology, philosophy and language for the development and delivery of transport projects.

The PMF provides the structure, processes and tools to help transport portfolio project managers manage projects. The PMF covers the lifecycle of a project, from identification, through development, funding and delivery to maintenance and outcomes.

DOT's PMF is consistent with DTF's Gateway methodology.

Following an extensive internal review, DOT released an updated version of its PMF in August 2011. The revised Framework includes strengthened sections on project scoping, cost estimation, scheduling, risk management and project governance.

In accordance with DTF requirements, Gateway Reviews are being conducted on project proposals that are classified as 'High Value High Risk'.

Following a nation-wide analysis of project cost estimation by Evans and Peck, DOT participated in the development of the Australian Government Department of Infrastructure and Transport's new guidelines for 'Best Practice Cost Estimation Standard for Publicly Funded Road and Rail Construction'.

DOT has been working closely with DTF to identify best practice and improve the rigour and adopt a uniform methodology for the cost estimation of construction projects. DOT will further update its internal cost estimation approach and the PMF once these standards are finalised.

Question 3

Compared to a target of 80 per cent, the results of a staff survey on rating the Department as a great place to work were 64.1 per cent (June 2010) and 60 per cent (2010-11) (*Annual Report 2009-10*, p.176; *Annual Report 2010-11*, p.135) How has the Department responded to the results of these surveys?

The Department has continued to strive to achieve the target of 80% for being a great place to work. It has done so by developing and implementing initiatives and programs that seek to maximise staff engagement and happiness at work as well as improve business performance. Initiatives have been determined and designed using a consultative approach with DOT people and have been focussed on the following areas:

a) Engagement and Empowerment. During 2009/10 DOT launched a program called *Building and Shaping Our Future* to reinvigorate our business focus and commitment to our people. A number of initiatives took place including the Building our Future theatre sessions, collaborative workshops, the DOT People Forum and finally the *Shaping Our Future Open Space* sessions including 'Bubbling in the Boardroom' which concluded in late July 2010. In total *Building and Shaping Our Future* saw 2000 attendances across the different sessions, which is significant because it shows DOT people's continued commitment and willingness to work together and help ensure DOT is a great place to work.

The information from this was then combined with the insights gained from the 2010 State Services Authority's People Matters Survey into one action plan. Again DOT people were given the opportunity to provide their input into appropriate actions to address the priority themes by attending workshops on each topic. These workshops were facilitated by the Executive leadership in late 2010. The results of these workshops were reviewed, re-prioritised and organised differently under four focus areas which formed the basis for DOT's People Action Plan.

The People Action Plan for 2010 – 2012 details objectives, actions, timing and responsibility (identifying the relevant Executive(s) to drive the initiative). The plan is organised under the key four themes of *Values in Action*, *Fulfilling our Potential*, *Relationships Matter* and *How we Work*. DOT's People and Organisational Development division report six monthly on achievements against this plan. This report is reviewed by the People Matters Group and then provided to DOT's Executive Leadership Team (ELT) for endorsement. To date ELT have endorsed and published two progress reports. Additionally in March 2011 DOT conducted its own People Survey. The results of this survey were communicated to the divisional leadership teams and their people.

b) Manager and Team member relationship. DOT has also focused on strengthening the quality of the manager and team member relationship. The major building blocks have been the *Managing in DOT* program, Manager Induction and Leadership for all. The 2011 DOT People Survey saw an improved performance in how people perceive their managers and how they manage. Of the *Managing in DOT* program itself, 97% of managers who have participated found the sessions useful or very useful and provided practical and useful tools and information. To date 232 managers have completed the program with another offering of the core sessions in early 2012. DOT also offers a monthly *Leadership Speaker* series for all DOT people to attend. On average each session sees over 180 people attend and in the last 12 months, approximately 1800 people have attended.

c) OHS & Wellbeing Initiatives. DOT has introduced a number of key activities and initiatives using positive psychology methods aimed at maximising the physical and psychological health for all DOT people. The initiatives include:

- The "*Wellbeing at DOT*" program and online portal which provides a range of health and nutrition information, activities and seminars.

- A new contemporary Employee Assistance Program aimed at providing pro active coaching and counselling support in 4 key streams - Employee Assist, Career Assist, Conflict Assist and Manager Assist.
- The Early Intervention Support Program to provide assistance to DOT people and their managers who may be suffering from psychological and/or mental health issues or other Life Altering events.
- Respectful Behaviours awareness sessions and processes aimed at minimising conflict in the workplace and maximising strong and effective workplace relationships.

While the OHS & Wellbeing program was primarily introduced to engage and maximise personal and work potential for all DOT people, there has been a flow on effect through improved OHS and WorkCover performance in 2010 - 2011.

d) Broadened Professional Development Offerings. The Department has also expanded the learning and development offerings in order to address people's survey responses. This has included the following a focus on *Career Planning*, and soft skills such as *Giving and Receiving Feedback*, *Having Courageous Conversations*, *Learning at Work* and *Facilitation Skills*.

To date, the local and DOT wide initiatives are seeing good progress and the next SSA People Matter Survey will provide an indication of how people feel DOT is achieving its goal of becoming a great place to work.

Question 4

In relation to the metropolitan train network, the *Annual Report 2009-10* (p.21) indicates that Metro is committed to improving network performance and is implementing a number of initiatives to boost punctuality and reliability across the network, in particular through a significant increase in maintenance.

- (a) What initiatives have been introduced by Metro?

Metro has introduced of a number of initiatives focused on organisational practices and network performance. These include:

- The introduction of a new 'Greenfields' timetable on 8 May 2011. The 'Greenfields' approach has been highly successful and simplifies the timetable to deliver improved reliability to the network. The new timetable added 635 new train trips each week.
- The installation of sanding equipment across the Siemens train fleet to improve braking performance.
- The introduction of paddles on station platforms to alert passengers when a train is about to depart. This initiative has reduced dwell times at stations.
- The provision of trial platform wheelchair ramps at Box Hill and Bayswater railway stations to improve accessibility and reduce dwell times.
- The increased frequency of ultrasonic rail testing, utilising more precise equipment, to examine track condition.
- The improvement in procedures to prepare for hot weather, including purchase of rail stress measurement equipment, increased maintenance at known trouble spots and surveying for correct ballast profiles.
- Improvements to the operation of the Signal Fault Centre and the introduction of an Integrated Infrastructure Fault Report Centre. Improvements include the introduction of remote diagnostic equipment to predict when key assets are likely to fail leading to more targeted upgrades.
- Undertaking a number of studies and surveys into network improvements, including junction rationalisation, signal fault vulnerabilities, and overhead wire alignment.
- The construction of two new plant maintenance sidings in strategic parts of the network.
- Upgrades to the Asset Management System and the provision of mobile computing devices to

field staff to improve asset management practices.

- Investigation and implementation of works to mitigate flooding on parts of the network as experienced in February 2011.
- Rectification of sleeper and fastening degradation in the Melbourne Underground Rail Loop.
- Trial of thermal imaging technology to identify “hot spots” in traction power equipment assets.

(b) How have these initiatives improved performance?

Not all of the initiatives to improve organisational practices and network performance have been fully implemented. However, the following initiatives appear to be yielding early benefits:

- Following the introduction of the new timetable in May 2011, punctuality on the:
 - Werribee line has improved from 68.4 per cent in April 2011 to 90.1 per cent for the month of October 2011.
 - Cranbourne line has improved from 69.2 per cent in April 2011 to 87.7 per cent for the month of October 2011.
 - Pakenham line has improved from 56.9 per cent in April 2011 to 84.4 per cent for the month of October 2011.
 - Frankston line has improved from 56.4 per cent in April 2011 to 88.3 per cent for the month of October 2011.
 - metropolitan network has improved from 76.2 per cent in April 2011 to 89.8 per cent for the month of October 2011. The performance of the network in April 2011 was significantly affected by industrial relations matters.
- The overhead wire alignment survey successfully identified a large number of repairs. Since these repairs, overhead related service disruptions have declined.
- Speed restrictions relating to the braking performance of Siemens trains were lifted following the fitting and commission of sanding equipment on Siemens trains.
- Efforts to develop rail expertise in Victoria have assisted the industry in coping with the diversion of skills associated with the Regional Rail Link project and the Queensland flood recovery efforts.
- The hot weather preparedness initiatives seem to have prevented a reoccurrence of the events of 2009. However, the extreme weather events of that summer have not been repeated to the same degree to date.

(c) Has the Department and/or Metro identified a maintenance backlog across the metropolitan network and, if so, has it developed a strategy to alleviate the backlog? Has the Department and/or Metro developed a planned maintenance program to ensure that the network is adequately maintained? Please quantify any increased maintenance costs that the Department expects to incur over the next four years.

There are three key areas of network asset vulnerabilities including life expired assets (signal interlocking, overhead wiring, structures), substations capacity and poor track condition.

Life expired assets have resulted from a lapse in good asset management practices, such as record keeping, maintenance and renewal planning. This will be remedied as part of an asset condition survey and accompanying program of works.

The substation capacity situation is the result of service growth not accompanied by capital investment and is not maintenance related.

Deferred track maintenance on the network is likely to be addressed through the increase in the available rail maintenance budget to approximately \$200 million per annum. The Department of Transport is confident that the current maintenance and renewal budget, together with funding from the *Maintaining Our Rail Network* fund, will assist in meeting the maintenance requirements.

- (d) Metro was awarded the contract to operate the metropolitan train network from November 2009. How has Metro performed against KPIs to date?

Following some initial problems which affected on time running, Metro's punctuality results have been above Franchise breach levels for six consecutive months. In the 12 months to October 2011, 86.9 per cent of trains arrived on-time and 98.7 per cent of the timetable was delivered.

There has been no significant positive or negative trend in regard to infrastructure reliability to date. The Department of Transport expects some delay before improved asset management practices and maintenance schedules lead to improved infrastructure performance.

The Department of Transport introduced the Customer Experience Performance Regime (CEPR) as part of the new Franchise Agreement that began in November 2009. The regime audits 10 service components on the train network covering personal safety and graffiti removal, customer information, asset condition, cleanliness and satisfaction.

In 2010-11, Metro met seven of the 10 CEPR component benchmarks and exceeded the component benchmarks for three.

Metro exceeded the benchmarks for the following three components:

- Graffiti removal on train rolling stock
- Customer information on train rolling stock
- Customer satisfaction.

Metro met the benchmarks for the following seven components:

- Personal safety at train station precincts
- Customer information at train station precincts
- Asset condition at train station precincts
- Cleanliness of train station precincts
- Asset condition of train rolling stock
- Cleanliness on train rolling stock
- Cleanliness of train reserves and hot spots.

In addition, Metro has met the Customer Experience Benchmark for the second assessment year of the assessment period.

Question 5

Has the Department and/or Yarra Trams identified a maintenance backlog across the metropolitan tram network and, if so, has it developed a strategy to alleviate the backlog? Has the Department and/or Yarra Trams developed a planned maintenance program to ensure that the network is adequately maintained? Please quantify any increased maintenance costs that the Department expects to incur over the next four years.

The Department of Transport, together with Yarra Trams, has agreed to undertake a joint investigation into track integrity and a review of current work practices. This review will lead to a greater understanding of the maintenance task ahead.

Question 6

The *Annual Report 2010-11* (p.28) indicates that fare evasion has impacted on fare box revenue, but no further mention is made in the annual report.

- (a) Please outline the Department’s plans to tackle public transport fare evasion, including the costs of these plans.

Primary responsibility for reducing fare evasion rests with Metlink and the public transport operators. However, the Department of Transport (DOT) works very closely with Metlink and transport operators to ensure activities are coordinated and effectively target fare evasion.

Under the Metlink Services Agreement, Metlink is required to submit an annual Network Revenue Protection Plan (NRPP) to the Director of Public Transport for approval. The NRPP incorporates agreed revenue protection plans and fare evasion targets for each of the operators. Metlink, in cooperation with operators and DOT, monitors implementation of the NRRP through the Revenue Protection Working Group (monthly) and the Patronage and Revenue Committee (quarterly). DOT is represented and active on both of these committees.

Fare evasion targets have also been negotiated under the terms of the Franchise Agreements with Yarra Trams and Metro for the first time this year.

In response to fare evasion levels, the Director of Public Transport recently met with the CEOs of Yarra Trams and Metro to emphasise the importance of reducing fare evasion and to discuss additional fare evasion activities, particularly for Yarra Trams. This has resulted in some additional initiatives to target fare evasion.

These initiatives include the extension of the fare evasion advertising campaign, the introduction of fare evasion messages on all trams, and continued focus to ensure better targeted deployment of Authorised Officers. An important part of ensuring fare compliance is Authorised Officer visibility and interception of fare evaders. DOT will continue to work with operators and Metlink to maximise Authorised Officer ticket checking rates and infringement activity.

Further meetings between the Director and the operators will be organised to ensure that all operators remain heavily focused on reducing fare evasion.

There is no additional cost to DOT resulting from any of these initiatives.

- (b) How much revenue does the Department estimate was lost in 2009-10 and 2010-11 due to fare evasion?

The table below shows the estimated fare revenue lost to fare evasion for the six monthly periods in question.

Estimated revenue impact (\$m)

Period	Network*
July-December 2009	\$25.5
January-June 2010	\$29.6
July-December 2010	\$40.8
January-June 2011	\$44.2

*For the purposes of fare evasion and valid concession percentage, “network” excludes school buses.

- (c) Does the Department collect data that indicate the effectiveness of its countermeasures? If so, please supply these figures and any commentary.

Fare evasion and valid concession percentage surveys are conducted to measure the rate of fare evasion and valid concession percentage on the metropolitan public transport network. The Metlink Services Agreement requires surveys to be conducted in each half year period; they are conducted in May (Survey 1) and October (Survey 2). The estimated fare evasion rates from the May 2011 survey are shown in the table below.

Survey Period	Network
Survey 1 (May) 2011	13.5%

It is expected that the October 2011 survey results will provide an indication of the effectiveness of the Metlink campaign. However, due to the complexity of fare evasion, any conclusions regarding a sustained response will need to be made using measurements over the longer term.

In addition to the fare evasion survey, Metlink commissioned an independent market research firm to measure awareness, message uptake and likely behaviour change in response to the marketing campaign. This is in addition to advertising tracking regularly conducted in its quarterly tracking survey.

Operators have also increased their compliance activity, and there has been an increase in the number of Transport Infringement Notices issued. There is some variation from month to month due to the requirement for Authorised Officers to attend to other duties at times.

Question 7

Please provide a progress report on the *Regional Rail Link* project that includes:

- (a) the expenditure incurred in 2009-10 and 2010-11;

Budget Paper No. 4 provides details of the estimated expenditure and Total Estimated Investment.

- (b) the expected outcomes to be delivered in 2009-10 and 2010-11;

The first two years of the project were targeted to develop the project from feasibility stage through to readiness for contract award, as well as early works such as construction of Platforms 15 and 16 at Southern Cross station.

- (c) progress made in terms of achieving these expected outcomes;

Progress against expected outcomes has been achieved. These include:

- significant development work to define the project scope,
- ongoing community consultation,
- undertaking of land acquisition and planning permits, and
- the release to market of all work packages.

Additionally works to construct platforms 15 and 16 at Southern Cross Station are completed (not yet commissioned).

- (d) the expected completion date and details of any extensions that have been approved; and

Following the announcement by the Commonwealth of re-phased payment, the Minister for Public Transport announced on 5 April 2011, that the project was unlikely to be completed until 2016.

- (e) comment, consistent with confidentiality, on the tenders that have been received to date and how the costs contained in these tenders compare to the budget.

The 2011-12 budget papers advised that the TEI for the project was to be determined and that 'provision has been made for additional contingency funding for this project in order to meet a range of cost pressures. A revised TEI is not reported at this time due to commercial sensitivities.' Contracts are yet to be awarded for the four major works packages.

Question 8

- (a) Please provide reasons for the delay of the Metropolitan Train Communications System replacement, which had a target date (for provisional acceptance) of quarter 3 in 2010-11 (*Annual Report 2010-11*, p.126), but has been rescheduled to the first quarter of 2012-13.

A review by Metro Trains Melbourne (MTM) of the proposed functionality provided by the Digital Train Radio System (DTRS) to make it safe to use in an operational environment has led to scope changes which will result a re-baselined project target date for provisional acceptance.

- (b) Please describe the effects (including effects on other programs) of this delay?

The effect of the change of scope results in a revised timeline. In July 2011, the Minister for Public Transport indicated that an additional \$25 million of funding (including contingency) is being sought. Delays to DTRS do not impact other projects.

Question 9

It is noted that the installation and commissioning of the VICERS system has seen significant delays (*Annual Report 2010-11*, p.126).

- (a) Please provide the reasons for these delays.

The delays are primarily due to the extra time required to resolve driver testing requirements and scheduling the implementation of the system with train availability to minimise impact on services.

- (b) Please outline any additional costs that have been incurred as a result of these delays.

The installation and commissioning of VICERS is within the funding allocated.

- (c) Please describe the effects on any other projects of these delays?

Delays to VICERS do not impact other projects.

Question 10

According to Note 6A to the 2010-11 financial statements (*Annual Report 2010-11*, p.49), payments to service providers and transport agencies for 2010-11 total in excess of \$5 billion.

- (a) Please provide in the following table a list of the top 10 service providers and transport agencies according to the amounts of payments made during 2010-11.

Service Provider / Transport Agency	(\$'000)
VICTRACK #	1,347,124
VICROADS	1,322,590
METRO TRAINS MELBOURNE PTY LTD	737,199
KDR VICTORIA PTY LTD	324,078
V/LINE PASSENGER PTY LTD	320,478
TRANSPORT TICKETING AUTHORITY	104,310
The remaining list of service providers relates to payments to bus companies for bus services.	

Note #: The amount is predominantly the capital asset charge plus payments for leased rollingstock relating to metropolitan (train and tram) and regional rail.

- (b) Please provide an outline of the procedures that are designed to provide an assurance to the Department that the payments to the above service providers and transport agencies are used effectively (that is, they achieve the outcomes intended for the payment or grant) and efficiently (that is, they are the most cost effective method of achieving these outcomes).

The top ten payments above provide for a large proportion of road and public transport services in Victoria. DOT and its agencies have performance management and governance processes in place to manage the delivery of these services.

In managing the Victorian arterial road network, VICROADS has control processes and checkpoints which programs and projects are subjected to before they are included in the overall VicRoads program. These include:

- performance standards which influence the priorities associated with the maintenance of the arterial road network
- service standards which impact on the resourcing of the registration & licensing segment of the business and the ongoing operation of the road network
- strategies that determine the composition of recurrent programs and new projects
- initiatives are presented to a Project Review Committee, composed of senior executives including representatives from the Corporate Management Group, where significant new projects are being developed
- annual consideration of programs and business plans by the Corporate Management Group through the VicRoads Business Area Planning process.

In addition, post implementation studies are used to evaluate the impact of significant projects and corridor upgrades with a view to assessing if outcomes have been achieved.

Evaluation criteria and performance standards are used to monitor operations of the fundamental segments of the VicRoads business, including maintenance of the road network and delivery of registration and licensing services. These criteria and standards also lead to ongoing consideration of efficiency with which programs, projects and services are delivered and is fed back and used in the control processes and checkpoints referred to above.

In late 2009, Metro Trains Melbourne (MTM) and Keolis Downer EDI (KDR) were awarded the franchise

operations of the metropolitan rail networks (MTM for trains and KDR for trams) after a competitive tender process. The partnership between DOT and the two Franchisees is governed by the Franchise Agreements, under which compliance with contractual obligations is overseen by DOT. The initial term is for eight years, with the right to negotiate a seven year extension based on the operator's performance through the initial term. The Franchise Agreements contain a performance-based opportunity for the Franchisee to be eligible for a second (uncontested) period (up to seven years). This is a key incentive for the Franchisees to maintain and improve their performance in a number of key areas.

In general, via the Franchise Agreement mechanisms, the Franchisees are required to adopt a continuous improvement business process and ensure the desired objectives, negotiated contract benefits and continuous improvements are realised. This is considered to be an effective approach to maximise value for money.

The following governance arrangements are in place to oversee the train and tram Franchisee performance and ensure the Franchisees are operating effectively and improving their performance:

- Franchise and Project Agreements and Infrastructure Leases.
- Network development partnerships (NDP) – A monthly forum (conducted separately with MTM and Yarra Trams) for discussion and consideration of issues associated with passenger services and the Franchisee business.
- Strategic Operations Plan – A document prepared by the Franchisee detailing the objectives for service delivery and improvement of service. This is updated on an annual basis.
- Performance benchmarks which are used to determine the Franchisees' eligibility to negotiate an extension to the contract, as stated above.
- Provision of Monthly and Quarterly Reports, Performance Regimes, including reporting against the Operational Performance Regime (OPR) and Customer Experience Performance Regime (CEPR), and other specific reports and infrastructure KPI data.
- Regular and ad-hoc DOT monitoring of activities, through regular DOT/Franchisee meetings, public complaints and asset visits.
- Handover Package and associated contingency plan in the event of a step-in or termination.

In general, regardless of the actual service, there are a number of processes in place to manage contract compliance and enforcement, including:

- DOT monitors the performance of the Franchisees through reports and governance forums. Concern regarding the Franchisees' performance is discussed in the relevant forums.
- CEPR is designed to improve the quality of the customer's experience on Melbourne's public transport network. CEPR enables the State to monitor a number of customer-facing services which the Franchisees provide, including graffiti removal, cleanliness, asset damage, customer information and changes in overall customer satisfaction.
- If performance is not rectified DOT can use a number of enforcement mechanisms, dependent on the service and severity, including:
 - Discussion in the NDP or other high level governance forum
 - Call-in Event
 - Step-in
 - Franchisee Breach
 - Offer Event / Offer Breach
 - Financial Penalty
 - Termination Event.

V/Line provides rail and coach services in regional Victoria. Payments to V/Line Passenger Pty Ltd are made within the frameworks set by the V/Line Franchise Agreement. The V/Line Franchise Agreement outlines DOT's expectations of the operator to meet service targets, maintain rolling stock and infrastructure and ensure the safety and reliability of regional rail services. The governance of this arrangement is also set out in the Franchise Agreement which requires regular monthly reports to the Director of Public Transport via the Network Development Partnership, where operating performance and other business issues are monitored, to ensure that intended outcomes have been achieved effectively and efficiently.

The Transport Ticketing Authority (TTA) manages the contracts with One Link Transit Systems and KAMCO in order to meet the objectives of managing the Metcard ticketing system and overseeing the delivery of the New Ticketing System (NTS). TTA has a governance framework in place for managing both the KAMCO and One Link Transit System contracts, which include monitoring performance against agreed targets to ensure obligations are met prior to any payments being made.

The TTA also utilises subject matter experts who are responsible for reviewing the activities of the contracts and verifying the charges issued by the contractors. Internal financial controls are in place including policies based on the Victorian Government Purchasing Board principles and guidelines on the purchasing of goods and services.

The contracts for bus services require the bus operator to submit a Monthly Operational Report to DOT detailing whether they have delivered the contracted bus services. The information provided on the Monthly Operational Reports include detail such as: the number of services (trips) per Route timetable, the percentage of trips completed, the number of services (trips) checked (minimum random sample of 5 per cent), and the number of services (trips) on-time.

The Government is implementing a bus tracking system to improve on performance data collection and monitoring. The system is currently being installed in bus companies across the metropolitan area with the system due to commence operation in some bus companies by July 2012. The system will record the actual running times for buses in the metropolitan area, providing DOT with comprehensive details of service performance and removing the need for random manually sampling.

Question 11

It is noted that the *Annual Report 2009-10* provided 36 pages of commentary on the Department's activities (under the headings of the Department's five priorities), as well as reporting against the measures it has established for each priority. In contrast, the *Annual Report 2010-11* only reported against the measures and did not include an equivalent to the 36-page commentary. Please explain the rationale for the reduced amount of information in 2010-11.

The DOT Annual Report 2010-2011 meets all legislative requirements and provides an accurate and auditable presentation of the annual accounts and outputs of the Department.

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The completed questionnaire must be returned by no later than COB, Tuesday, 13 December 2011.

Please return the response (including an electronic version) of the questionnaire to:

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