



table of contents

About State Transit	2
Networks	3
Year in review	5
Review of 1998/99	6
Performance highlights	8
Key performance indicators	9
Review of operations	11
Service improvements	12
Business efficiency	15
Customer service	17
Olympics	19
Public obligations	20
Employees	22
Financial review	25
Corporate planning	29
Financial statements	33
Appendices	65
Index	92

About State Transit

State Transit is the largest operator
of buses and ferries
in Australia with services covering
much of metropolitan Sydney and Newcastle.

Services

State Transit has over 4,300 employees delivering bus and ferry services 7 days a week, 24 hours a day.

In Sydney, over 1,500 buses and 30 ferries carry more than 211 million passengers a year. Newcastle buses and ferries carry another 13 million.

Bus operations in Sydney cover an area bounded by Palm Beach in the north, Carlingford, Lidcombe and Bankstown in the west, and Miranda and Hurstville in the south. Ferry services in Sydney extend from Parramatta to Manly. Newcastle bus services extend from Caves Beach in the south, north to the Hunter River and west to Sandgate and Boolaroo.

Most services connect to the central business districts of Sydney and Newcastle. However, cross regional services link other major business centres, and transport to and from major events is becoming a significant part of the business.

Fleet

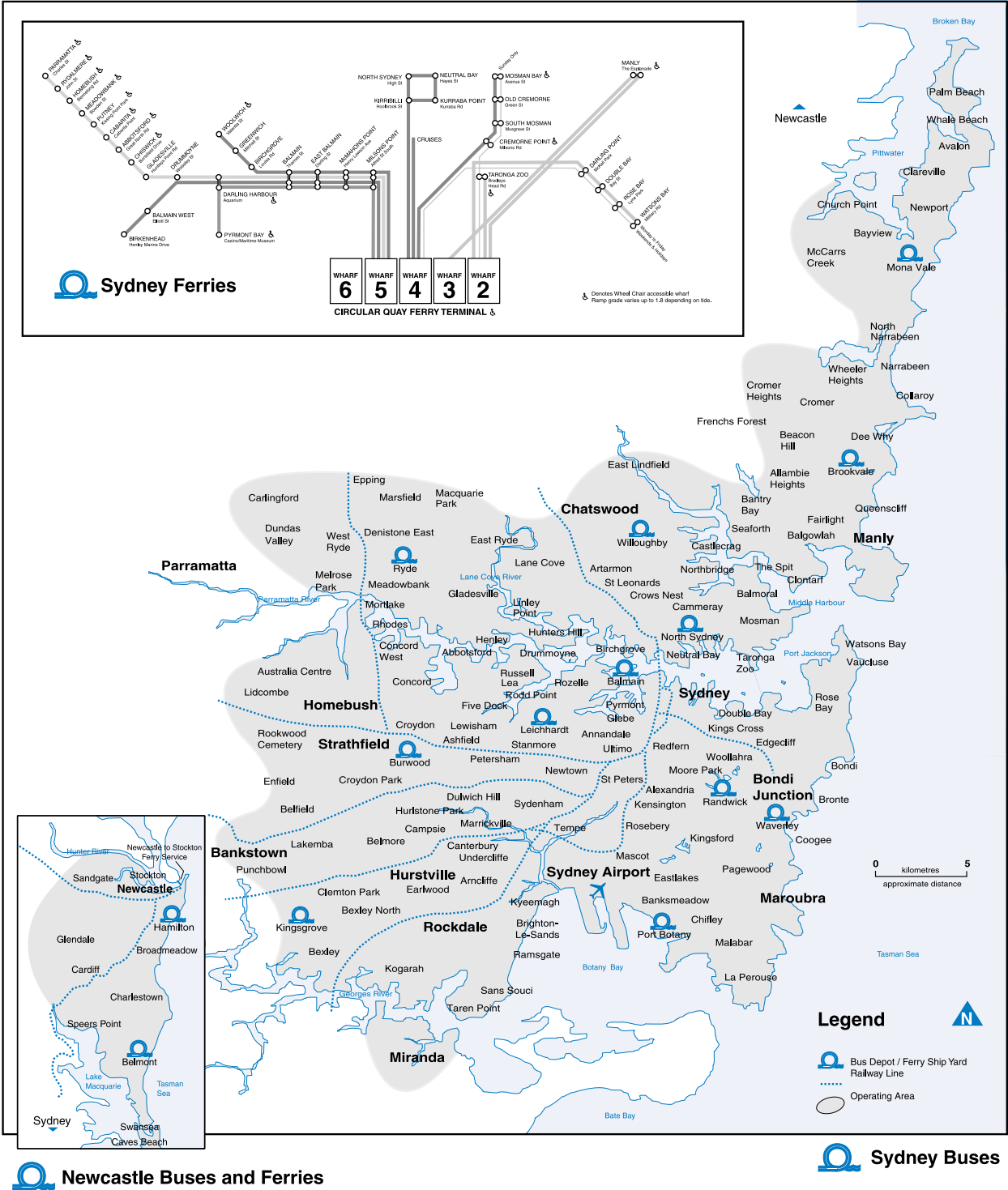
The bus fleet is modern and well-equipped. Out of our total fleet of 1700 buses 253 are accessible to people with disabilities, 104 run on compressed natural gas and 434 are air conditioned. 575 buses have been fitted with closed circuit television (CCTV) cameras to improve the safety and security of passengers and staff. The remainder of the fleet will be equipped with CCTV by January 2000.

Our ferry fleet consists of four Freshwater class vessels, three Lady class, nine 'First Fleeters', two catamarans, three JetCats, seven RiverCats and two new HarbourCats which were added to the fleet during 1998/99.

Support systems

Highly sophisticated information technology systems are in place across the organisation for ticketing, fare collection, scheduling and rostering. These systems are essential for maximising fleet utilisation and delivering quality bus and ferry services to passengers.

Networks



year in review

Review of 1998/99

During 1998/99, State Transit's patronage increased by 1.7m passenger trips, and there were clear signs that this positive growth will continue. Over the year, several services were successfully introduced, including the route 370 cross regional service, new Airport Express services and the route 405 Olympic Explorer service. State Transit will build on this sound performance to continue to deliver a quality public transport service.

During 1998/99, State Transit's highest service priority was the safety and security of passengers and employees. Over the year, a number of initiatives were successfully introduced to improve safety and minimise the risk of incidents. Closed circuit television was installed in a further 370 buses, school bus warning lights were introduced ahead of the timetables set for the industry, extra lighting and video surveillance was installed on wharves at Circular Quay and a further 500 staff attended personal safety training.

A focus on safety throughout the organisation led to a decrease in lost time injuries in the workplace. To ensure that occupational health and safety performance continues to improve, a target has been set to reduce lost time due to injuries by 50%.

A number of new and improved services were introduced to better meet customer needs. In particular, the successful cross regional service, route 370 from Leichhardt to Coogee was introduced, as were new Airport Express services from Glebe and Bondi. Also, the route 405 Olympic Explorer service was introduced at the Homebush Bay Olympic site.

During the year, a comprehensive review was commenced to improve services in the Newcastle area.

Much work has been carried out to improve the already outstanding standard of presentation of buses and ferries. The standard of accessibility, comfort and environmental performance is improving dramatically with a further 33 low floor, air conditioned buses being added to the fleet during 1998/99. Improvements were also made to the ferry fleet, with the arrival of two new HarbourCats and the placement of an order for twelve new SuperCats, with three to be delivered before the 2000 Olympics.

State Transit also took significant steps to contribute to the improvement of air quality in the Sydney area. During the year, the first of 300 additional compressed natural gas (CNG) buses was announced and we won the Australian Fleet Managers' Association's award for environmental protection.

During the year, State Transit was able to take advantage of further bus priority measures introduced by the Government. These measures allow buses to travel at

higher speeds, decreasing travel times and lowering costs, and ultimately increasing the use of public transport.

Sound progress was made on a number of strategies relating to service quality. We commenced planning for a number of systems to improve passenger information, developed a customer service training course for staff at Sydney Ferries and emphasised the importance of quality customer service in the bus operator induction program.

We continued to develop sophisticated information technology and business systems, with the installation of new ticketing equipment and barriers at Circular Quay and Manly, and the upgrading of scheduling and rostering systems. During the year, we were awarded a commendation at the Premier's 1998 Public Sector Awards for our route costing and profitability system.

We also made a significant contribution to the development of the Government's integrated transport information service and integrated ticketing initiatives, which will transform Sydney's public transport over the next few years.

During the last 12 months, patronage increased by 1.7m passenger trips. At year end there were clear signs that this positive growth will continue.

Revenues increased over the year, but there is still some way to go in order to fully cover costs from farebox receipts, concession reimbursements and social program policy payments.

These factors resulted in a consolidated operating loss of \$14.7m, on revenues of

\$391.6m. However, it should be noted that the Sydney Bus Division came close to break-even with a loss of only \$0.19m.

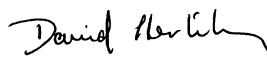
The Board and management of State Transit are focussed on achieving financial independence, and are pursuing efficiency improvements and pricing arrangements that will achieve this objective.

To this end, we introduced several initiatives to get better value out of our existing assets and work arrangements in order to improve our services and, so, attract and retain new passengers.

A number of challenges lie ahead over the next five years, including the introduction of a new competitive service contract regime and preparation for the Sydney Olympics. In an increasingly complex and challenging environment, we will continue to grow our services and better meet the community's needs for an effective alternative to the private motor vehicle.

To achieve these objectives, management and staff will continue to work to increase productivity and ensure our future financial viability.

Finally we acknowledge the Board, management and staff of State Transit for their ongoing commitment, and look forward to working with them over future years to deliver a quality public transport service to the people of Sydney and Newcastle.



David Herlihy
Chairman



John Stott
Chief Executive

Performance highlights

- New and improved services, included a cross regional route from Leichhardt to Coogee, the Olympic Explorer, integrated bus and ferry services at Homebush Bay and the Airport Express from Glebe and Bondi.
- Another 33 low floor wheelchair accessible buses introduced.
- 11 new Airport Express and 4 new Bondi & Bay Explorer buses introduced.
- Operation of two new 150 seat HarbourCats commenced on the Parramatta River and inner Harbour services, and an order placed for twelve new SuperCats.
- A new low floor Compressed Natural Gas (CNG) powered bus launched and construction commenced of CNG fuelling facilities at Ryde depot.
- Closed circuit television cameras installed in 370 buses, and a personal safety training program implemented across the organisation.
- Patronage increased by 1.7m passenger trips.
- New ticketing equipment and barriers installed at Circular Quay and Manly Wharf.
- Services provided for major events, including the City to Surf Gay & Lesbian Mardi Gras, and New Years Eve.
- Participated in several trial events for the Sydney 2000 Olympic Games, including the Royal Easter Show, World Wheelchair Basketball Championships, NRL season opening double header, Bee Gees concert, State of Origin Rugby League and Rugby Union Centennial test.
- Tender awarded for the implementation of an effective documentation and management system across the organisation to enable certification to ISO 9002.

Key performance indicators

	1995/96 [*]	1996/97 [*]	1997/98 [*]	1998/99 [*]
Consolidated State Transit				
Total Revenue ('000)	\$347,430	\$370,564	\$379,470	\$391,679
Total Expenses ('000)	\$336,586	\$369,469	\$384,046	\$406,344
Patronage ('000)	203,155	207,340	210,143	211,839
Kilometres ('000)	76,690	78,992	80,379	81,962
Staff	4,101	4,303	4,305	4,369
Total Revenue Per Passenger	\$1.71	\$1.79	\$1.81	\$1.85
Total Revenue per Km	\$4.53	\$4.69	\$4.72	\$4.78
Passengers per vehicle Km	2.65	2.62	2.61	2.58
Cost per passenger	\$1.66	\$1.78	\$1.83	\$1.92
Cost per vehicle Km	\$4.39	\$4.68	\$4.78	\$4.96
Passengers per employee	49,538	48,185	48,814	48,487
Vehicle Km per employee	18,700	18,357	18,671	18,760
Fleet size – buses	1,534	1,627	1,705	1,719
Fleet size – ferries	29	28	28	30
Lost time injuries	680	677	680	546

Sydney Bus Services

Total Revenue ('000)	\$260,091	\$280,487	\$294,133	\$302,966
Total Expenses ('000)	\$244,793	\$274,099	\$289,058	\$303,159
Patronage ('000)	177,141	180,932	183,792	185,762
Kilometres ('000)	65,674	67,851	69,317	70,979
Staff	3,094	3,282	3,302	3,330
Total Revenue Per Passenger	\$1.47	\$1.55	\$1.60	\$1.63
Total Revenue per Km	\$3.96	\$4.13	\$4.24	\$4.27
Passengers per vehicle Km	2.70	2.67	2.65	2.62
Cost per passenger	\$1.38	\$1.51	\$1.57	\$1.63
Cost per vehicle Km	\$3.73	\$4.04	\$4.17	\$4.27
Passengers per employee	57,253	55,129	55,661	55,784
Vehicle Km per employee	21,226	20,674	20,992	21,315
Changeovers per 100,000 Kms	17.7	18.6	19.5	19.2
Average Bus Vehicle age	11.0	11.5	11.3	11.9
Bus Service Reliability (on time)	98.0%	97.5%	97.2%	97.1%
Fleet size – buses	1,365	1,452	1,532	1,546
Lost time injuries	554	557	560	471

^{*} All figures in 1998/99 dollars

	1995/96*	1996/97*	1997/98*	1998/99*
Newcastle Bus & Ferry Services				
Total Revenue ('000)	\$23,131	\$25,632	\$25,504	\$26,057
Total Expenses ('000)	\$28,721	\$31,746	\$31,392	\$31,397
Patronage ('000)	13,474	13,397	13,283	12,997
Kilometres ('000)	9,708	9,804	9,724	9,685
Staff	382	385	381	377
Total Revenue Per Passenger	\$1.72	\$1.91	\$1.92	\$2.00
Total Revenue per Km	\$2.38	\$2.61	\$2.62	\$2.69
Passengers per vehicle Km	1.4	1.4	1.4	1.3
Cost per passenger	\$2.13	\$2.37	\$2.36	\$2.42
Cost per vehicle Km	\$2.96	\$3.24	\$3.23	\$3.24
Passengers per employee	35,272	34,797	34,864	34,475
Vehicle Km per employee	25,414	25,465	25,522	25,690
Changeovers per 100,000 Kms	20.3	17.9	17.3	15.3
Average Bus Vehicle age	10.3	10.8	11.8	12.8
Bus Service Reliability (on time)	95.4%	98.8%	99.2%	97.9%
Fleet size – buses	169	175	173	173
Fleet size – ferries	2	2	2	2
Lost time injuries	56	53	50	42

Sydney Ferry Services

Total Revenue ('000)	\$55,490	\$55,205	\$57,729	\$57,918
Total Expenses ('000)	\$56,469	\$60,622	\$62,017	\$65,580
Patronage ('000)	12,540	13,011	13,068	13,080
Kilometres ('000)	1,308	1,337	1,338	1,298
Staff	358	365	367	383
Total Revenue Per Passenger	\$4.43	\$4.24	\$4.42	\$4.43
Total Revenue per Km	\$42.42	\$41.29	\$43.15	\$44.62
Passengers per vehicle Km	9.6	9.7	9.8	10.1
Cost per passenger	\$4.50	\$4.66	\$4.75	\$5.01
Cost per vessel Km	\$43.17	\$45.34	\$46.35	\$50.52
Passengers per employee	35,028	35,647	35,608	34,151
Vessel Km per employee	3,654	3,663	3,646	3,389
Ferry Service Reliability (on time)	99.1%	99.5%	98.6%	98.4%
Fleet size – ferries	27	26	26	28
Lost time injuries (including Balmain Shipyard)	70	67	70	33

* All figures in 1998/99 dollars

key performance indicators

review of operations

Service improvements

State Transit's objective is to attract travellers on to public transport, by introducing new and improved services, by increasing the safety, accessibility and reliability of buses and ferries and improving the integration of services with other public transport modes.



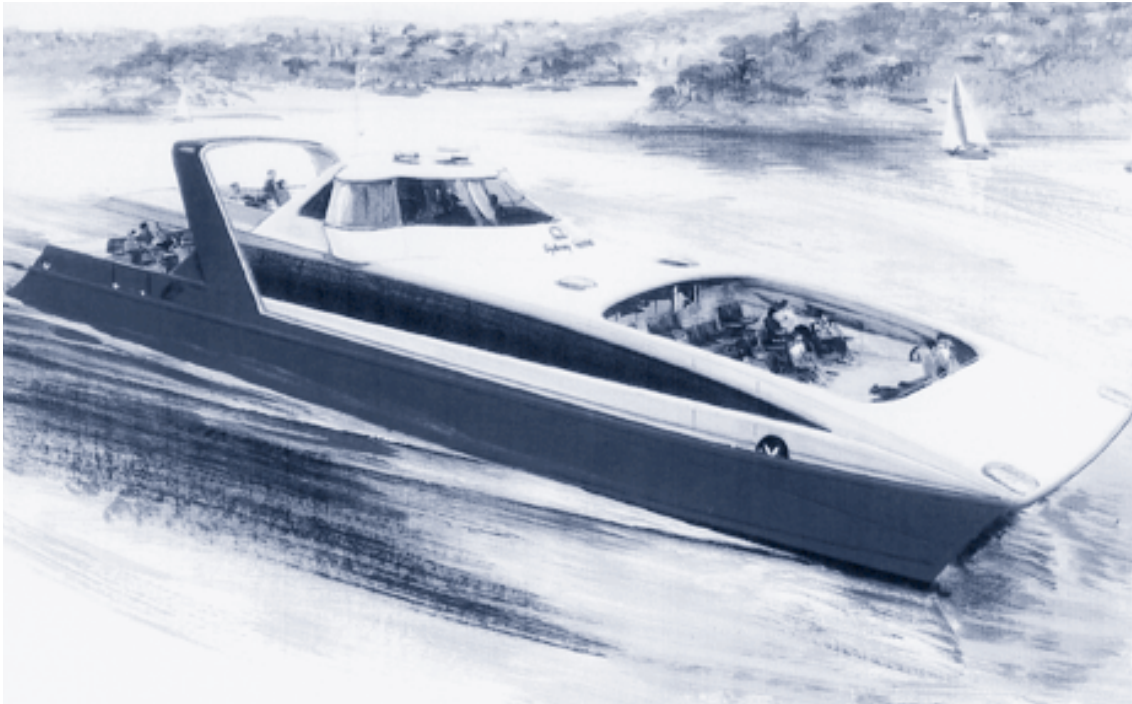
Operating environment

A number of issues affected service delivery in 1998/99.

With service contracts potentially contestable after 2000, State Transit needed to ensure superior service quality to remain competitive and attract new customers.

Traffic conditions posed a major challenge to the operating efficiency of bus services, as a result of major construction activities prior to the Olympics.

The community continued to express concern about security in public places.



State Transit needed to improve the accessibility of its buses and ferries.

Key initiatives

Safety and security

During 1998/99 the successful Operation Bus Stop continued, in which buses are regularly patrolled by officers of the NSW Police Service. In 1998/99 there were over 18,000 police boardings on State Transit bus services.

370 buses were fitted with security cameras, bringing the total number of buses monitored by closed circuit television to 575, or 34% of the total fleet. The remaining 1,100 buses in the fleet will be equipped by January 2000. Video surveillance and extra lighting were installed on wharves at Circular Quay.

To improve the safety of school children, new school bus warning lights and signs were installed ahead of timetables set for the industry.

Security guards were provided on some late night services, in conjunction with local entertainment venues, and the operation of 'set down on request' services continued on a number of routes.

Accessibility

During 1998/99, low floor wheelchair accessible buses were introduced onto published timetabled services to cover 33 routes, a rise of 33%. Services now extend from the City, north to Mona Vale and Manly, south to Pagewood and west to Birchgrove.

A further 300 fully wheelchair accessible buses were ordered for delivery by 2001.

Fleet enhancement

During the year, we added a further 44 air conditioned buses to the fleet. 11 new Airport Express mini-buses and 4 new Bondi & Bay Explorer buses were also introduced.

New and improved services

A major highlight for the year was the introduction of a new cross regional service, route 370. The service links Coogee Beach, Randwick, Prince of Wales Hospital, University of NSW, Kensington, Zetland, Rosebery, Green Square, Alexandria, Enmore, Newtown, Royal Prince Alfred Hospital, the University of Sydney, Glebe, Annandale and Leichhardt. This service was an immediate success, with high patronage in the first few weeks.

New Airport Express services were introduced to Glebe and Bondi, using eleven 29 seat air conditioned and wheelchair accessible 'midi' buses.

State Transit introduced two new routes in the Homebush Bay area. A new route 405 Olympic Explorer was introduced, as a tour with commentary of Homebush Bay and the Olympic facilities, and services on route 403 commenced from Strathfield Station, via Olympic Park and Newington Estate to the Homebush Bay Wharf. In conjunction with these new services, State Transit also improved the integration between bus and ferry services in the area.

During the year, State Transit also took over the route 135 service between Manly Wharf, Manly Hospital and North Head, to improve integration with the surrounding State Transit network. This service was previously operated by the Manly Bus Company.

A comprehensive review of Newcastle's bus and ferry services commenced during the year, with the aim of improving services to passengers in the area.

A full list of service changes and improvements is included in Appendix 23 of this report.

Integrated services

Bus and ferry service integration was improved internally and with rail through a review of bus timetables to ensure that connections were maintained with changed City Rail and Sydney Ferry Services.

State Transit made a major contribution to integrated ticketing initiatives which will transform Sydney's public transport over the next few years.

Integrated public transport tickets have been successfully introduced for major events at Homebush Bay and the city, as well as to specific tourist venues.

Integrated Public Transport advertising programs were conducted for special events, such as Sydney Swans AFL games, the Gay & Lesbian Mardi Gras, the Royal Easter Show and New Year's Eve celebrations.

Integrated ticketing products were also available for major events and tourist activities, for example, ZooPass, SwansLink and Australia Day Rover.

Business efficiency

In an increasingly complex and changing operating environment, State Transit developed a number of key strategies to increase patronage, decrease expenditure and improve business systems.



Operating environment

State Transit's operating environment was characterised by the need to reduce costs, improve efficiency and achieve a return on capital comparable with similar businesses.

More than 80% of fares charged by State Transit are regulated by the Independent Pricing & Regulatory Tribunal of NSW (IPART).

In the price determination effective from 5 July 1998, approval was given to an average fare increase of 2.2%, which was in-line with expected movements in CPI.

Constraining fare increases to near CPI levels over recent years has adversely affected cost recovery levels. The introduction of a tax

equivalent regime, significant increases in Compulsory Third Party insurance, and wage costs increasing at rates in excess of CPI, as is common across most businesses, have combined to increase costs at rates in excess of CPI. The inability to recover the full amount of the cost increases has impacted on the operating performance of the business.

A review of State Transit's cost structure was commissioned in 1997/98 by IPART and the Department of Transport (DoT), and recommended a series of cost reductions which will be used by IPART to determine future revenue requirements and CSO and concession reimbursement payments.

Also during 1998/99, it became obvious that improvements were needed in the development, implementation and dissemination of policies, procedures and work instructions.

There was also a need for State Transit to keep abreast of new information technology, to ensure that it was used strategically. In 1998/99, Year 2000 compliance continued to be an important issue.

Key initiatives

Improved efficiency

During 1998/99, following detailed planning and consultation with staff and unions, State

Transit introduced several initiatives to improve the efficiency of its services.

One outcome of this process was to increase the number of part-time bus operators from 53 to 99, with wide-ranging implications for workforce flexibility and business efficiency.

To improve the efficiency of our services, we rationalised university and school services, and eliminated a number of non-commercial journeys in the Eastern Suburbs, which cut operating costs by over \$1m.

Notwithstanding ongoing pressures for cost efficiency, as a public agency and a good corporate citizen, State Transit recognised obligations to offer free or discounted services to certain groups. During 1998/99, State Transit's contributions to such groups were estimated to be over \$0.6m, and included free travel for participants in events such as RTA Cycle Sydney and Anzac Day Services, as well as to Stewart House and CanTeen. State Transit also provided a contribution of \$0.4m towards the publication of the Sydney Public Transport Guide commissioned by the Department of Transport. The value of such contributions should be noted in consideration of State Transit's operating results.

Quality systems

During the year, a tender was awarded to specialist consultants to assist with the implementation of an effective documentation and management system based on the requirements of ISO 9002.

The objective of this project was to establish a consistent approach to the development of policies, procedures and work instructions

throughout the organisation, and improve overall service consistency, organisational communication and management practices. It is intended to use this process as the basis of certification to ISO 9002 in 2000.

Technology

During 1998/99, State Transit continued to implement new technology and business systems.

New ticketing equipment and barriers were installed at Circular Quay and Manly wharves, to improve the quality and efficiency of ferry services. Sydney Ferries' revenue system was also automated during the year to improve overall management efficiency.

Further improvements were made to vehicle scheduling, rostering and depot management services, in order to reduce overheads associated with scheduling and rostering functions and timetable production.

State Transit's central computer systems were replaced, and the maintenance management and financial computer systems upgraded.

State Transit continued to assess its position regarding Year 2000 system compliance. Most systems were found to be compliant and were verified by an independent third party. The review showed that remaining work required on State Transit's non-compliant systems is minor and will be achieved at minimal cost.

Further details on Year 2000 Compliance can be found in appendix 22 of this report.

Customer service

Good customer service is critical to State Transit's business and during the year a number of strategies were put in place to meet passengers' expectations, and ensure that staff were suitably trained.



Operating environment

People are attracted to businesses where they know they will be treated with courtesy and respect. Improving relationships with customers is critical to ensuring that State Transit remains a carrier of choice.

Increasingly, passengers demand higher standards of customer service, and will switch to alternative modes of transport if the service provided by public transport operators does not satisfy their needs.

There was also continued demand for clear, understandable and reliable information on bus and ferry services.

Key initiatives

Customer information

State Transit commenced planning of a number of trials to improve customer information, including a trial of bus stop signage along Victoria Road, and a trial of a state-of-the-art electronic information system for bus commuters on the Northern Beaches using the Roads & Traffic Authority's Automatic Network Travel System.

Over the last year, several new brochures on ticketing were produced and new 'user-friendly' timetable formats were developed.

Marketing program and customer service strategy

During 1998/99, State Transit continued to develop its marketing program and customer service strategy. A draft customer service charter was produced, and refinement of the marketing program commenced.

Customer service skills

During 1998/99, a number of initiatives were introduced to ensure that staff have the skills necessary to deliver the best customer service possible. In particular, a customer service training course for staff at Sydney Ferries was introduced and the importance of quality customer service was emphasised in the bus operator induction program.

State Transit also continued to foster an organisational culture which recognised and satisfied passengers' expectations for service. This culture was based on the continuous improvement of customer service skills and the initiation of an internal communication program to ensure that all work toward a common goal.

Olympics

State Transit is using opportunities provided by the 2000 Olympics to demonstrate, particularly to those who do not use public transport regularly, that it can provide a comfortable and reliable service which is a viable alternative to the private car.



Operating environment

Although the full extent of transport requirements for the Olympics had not been defined, it was clear that the Games will place considerable strains on the capacity available for public transportation in the Sydney metropolitan area. Moreover, services must run smoothly and efficiently during what will be a time of dramatically increased patronage, with major adjustments to the way the road and waterway systems are managed.

Key initiatives

During the year, State Transit worked with the Olympic Roads and Transportation Authority (ORTA) to define its probable role in Games transport. State Transit continues to work with ORTA to develop plans for the delivery of integrated transport services for the

Olympic Games and major events leading up to the Games.

During 1998/99, State Transit successfully participated in several trial events for the Sydney 2000 Olympics, including the 1999 Royal Easter show, World Wheelchair Basketball Championships, Bee Gees concert, State of Origin Rugby League and a number of other major events at Homebush Bay.

Buses provided for these events included low floor accessible and compressed natural gas buses, at a very high level of service, demonstrating an ability to provide high frequency quality bus transport during the Olympics.

State Transit was also appointed to provide the Olympic Village bus service.

Public Obligations

As a public transport provider, State Transit must meet a number of legislative and regulatory obligations to ensure that it is an equal opportunity employer and a good corporate citizen. Performance in relation to these requirements during 1998/99 established a solid platform for providing superior customer service.



Operating environment

State Transit aims to comply with a wide range of financial, stakeholder, employee and environmental requirements.

Environmental legislation, regulations and guidelines, cover such things as environmental standards at bus depots and terminals, the operation of ferry services and

the impact of airborne pollutants and greenhouse emissions.

There are also obligations to financial regulators and stakeholders, including The Audit Office, the ICAC and the Ombudsman.

State Transit is also required to address staff-related legislative obligations. Two of the

most important are Occupational Health & Safety and Equal Employment Opportunity.

Providing services in line with the Disability Standards for Accessible Public Transport was an important issue for State Transit over the year in review.

Key initiatives

Environment

In 1998/99, State Transit introduced a number of initiatives to contribute to the protection of the environment.

During the year, the first of 150 compressed natural gas (CNG) powered buses was delivered. These new CNG buses are in addition to 100 already in service. Installation of new CNG fuelling facilities was commenced at Ryde depot.

An additional 31 new buses were also acquired, built to Euro 2 diesel standards. Euro 2 is the highest standard of diesel emissions currently in force and State Transit's fleet of Euro 2 buses stood at 221 at the end of the report year.

In July 1998, environmental audits were conducted across the organisation by an independent third party. In general, there were few significant environmental issues, with most of the compliance issues identified as being administrative in nature. In fact, the the audit findings indicated a high level of environmental awareness across the organisation. Over the year, most of the compliance issues raised have been successfully addressed.

Besides fleet improvements, a waste reduction management scheme was

introduced across the organisation to increase both the recycling of waste and the use of recycled materials.

Financial

Over the last year, State Transit continued to satisfy obligations to the:

- ICAC under the Independent Commission Against Corruption Act (1988)
- Audit Office under the Public Finance & Audit Act (1983)
- Ombudsman under the Ombudsman Act (1974).

Employees

Over the last twelve months, a number of initiatives have been introduced to improve Equal Employment Opportunity (EEO) and Occupational Health & Safety (OH&S) performance.

For further detail on EEO and OH&S refer to the 'Employees' section of this report.

Customers and stakeholders

To ensure that services are provided in line with the Disability Standards for Accessible Public Transport, accessibility features have continued to be introduced on State Transit services, with over 90 wheelchair accessible buses introduced on published timetabled services, and another 300 fully wheelchair accessible buses ordered for delivery by 2001.

Another 110 low floor buses already in the fleet, require the installation of ramps to become wheelchair accessible. During the year a new lightweight ramp was developed for retrospective fitment.

Employees

State Transit's success depends on the commitment, adaptability and hard work of its people. To foster an environment of cooperation and commitment, State Transit introduced a number of initiatives focusing on safety, equal employment opportunity and training and education.



Operating environment

The enterprise agreement process can achieve gains for State Transit and employees. However, careful attention to the process is required to maximise the benefits.

Assuring the safety of staff is critical to the successful continuation of State Transit's business. Given the nature of their work, many employees work on their own with little regular contact with other employees. As such, communication of organisational objectives in such an environment was a key issue during the year.

Key initiatives

Safety

Against an industry-wide trend of increased injury and illness in the workplace, State Transit achieved significant improvements in its Occupational Health Safety & Rehabilitation (OHS&R) performance.

A number of training initiatives were implemented during the year, with approximately 500 Bus Operators attending Personal Safety and OHS&R 'refresher' training. Over 2500 Bus Operators have now been trained.

Overall OHS&R improved, with decreases achieved in the number of incidents reported, lost time incidents, workers compensation claims and total days lost.

Further details on OHS&R can be found in appendix 31 of this report.

Equal employment opportunity

State Transit has an ethnically diverse workforce with a low representation of women. As such, a number of initiatives were introduced to encourage equal employment opportunity.

Training in the principles of merit selection was conducted, a 'Getting that Job' course developed and information on equity and harassment discrimination issues incorporated into all induction programs.

In order to promote a discrimination free workplace, the role of contact officers was publicised across the organisation, and sections on equity and contact officers incorporated into all induction programs.

State Transit continued to promote and support retreat spaces, with 14 out of 15 sites across the organisation now having designated spaces.

State Transit had the widest representation of ethnicity and cultural backgrounds in the public sector, after the Ethnic Affairs Commission.

To increase the number of women employed by State Transit, opportunities for job-sharing for clerical and office staff were broadened, and the number of part-time shifts available for Bus Operators increased. In addition, a

new child care advisory service was engaged, and employees were given access to carer's leave. State Transit also continued to support the Spokeswomen's Program to provide educational and networking opportunities for women at operational and clerical levels.

Further details on Equal Employment Opportunity can be found in appendices 28, 29 and 30 of this report.

Internal communication

Over the year, State Transit commenced implementation of a comprehensive internal communication plan. As part of this plan, improvements were made to the staff newsletter 'Transit Times', which resulted in increased readership and employee contributions. A staff opinion survey was also conducted across the organisation, and the results incorporated into human resource strategies across the business.

Training, recruitment and employee services

Some 421 new bus operators were recruited to cater for growth and turnover, a ferry hand recruitment and selection policy and procedures were developed, and continued support was provided for traineeships and apprenticeships.

financial review

Financial review

State Transit sustained a trading loss in 1998/99 owing to steadily increasing costs in a climate of restraint on fares.

Operating Performance

	1997/98 Actual	1998/99 Target	1998/99 Actual
Revenue	\$373.3m	\$385.8m	\$391.6m
Expenditure	\$377.8m	\$406.4m	\$406.3m
Net Loss (before tax and abnormals)	(\$4.5m)	(\$20.6m)	(\$14.7m)
Net Loss (after tax and abnormals)	(\$3.6m)	(\$14.7m)	(\$8.8m)
Return on Assets	-0.75%	-2.66%	-1.03%
Return on Equity	-2.81%	-10.82%	-5.82%

For the year ended June 30 1999 State Transit incurred a net operating loss of \$14.7m. After allowing for the profit on the sale of surplus property the net loss was \$8.8m.

Throughout the year finances were under pressure from costs increasing at rates faster than approved fare increases. With labour costs representing more than 60% of total costs, wage rate increases above fare level recoveries were a major factor in the financial performance of the business.

The continued impact on traffic congestion of major construction activities including the construction of the Eastern Distributor and the large number of inner city construction projects, including footpath widening work, also constrained patronage growth and increased the cost of delivering services.

Despite these difficult operating conditions, patronage for the year increased by 1.7m passenger trips over 1997/98 and this was in accordance with revenue targets for the financial year. Expenditure was constrained to levels close to target.

At the end of the year, a dividend of \$16.56m was paid to the NSW Treasury. But this was, in effect, a repayment of capital realised by the sale of surplus land.

Capital works program

Investment in capital assets for the year totalled \$25.2m, the major investment being \$14.1m needed to comply with the Government's requirement for all bus operators that average fleet age must not exceed 12 years. This requirement will continue to be the major driving factor in State Transit's future program.

Social policy programs

In accordance with the NSW Government's social policies which are designed to ensure the affordability of public transport services, State Transit, along with other bus and ferry operators provides free and concessional travel to a range of community groups.

Under this policy, reimbursements are received for concessions given to pensioners, school children, unemployed and other groups; these are not a subsidy, but a social policy program payment designed to assist targeted groups.

Fares paid by Government in this way make up 31% of State Transit's total revenue and represent the difference between the contribution made by each passenger and the commercial fare scale. Without this program, both public sector and private sector fares would increase significantly.

Payments are also received by State Transit in respect of Community Service Obligations (CSOs) which are not required of private operators. Payments include a Pricing CSO and a Service CSO. The Pricing CSO is paid as State Transit's fares are lower than the level generally recognised as commercial. In 1998/99 the Pricing CSO represented less than 8% of total revenue.

A Service CSO is received for some ferry services provided in Sydney, and bus and ferry services in Newcastle, where non-commercial services are provided at levels above the minimum service level requirements. This CSO payment represents less than 4% of total revenue. Although bus services are provided in Sydney at levels in excess of contracted requirements, no service CSO is received.

Despite receiving payments for some non-commercial ferry services in Sydney and bus services in Newcastle, both of these business areas continue to incur significant operating losses. Funds generated from the operations of Sydney bus services are no longer sufficient to fully fund the provision of these services, with overall losses for State Transit increasing as a result.

A review of CSO methodologies is being undertaken by NSW Treasury and the NSW Department of Transport.

corporate planning

Corporate planning

State Transit works to an annual corporate planning cycle which supports a rolling five year Corporate Plan.

The 1999/00 Corporate Plan predicts business performance to 2003/04.

It shows how State Transit will continue to improve and expand its services, whilst ensuring that it operates on a sound commercial basis.

It also identifies how State Transit will contribute to providing transport for the 2000 Olympic Games, whilst continuing to improve its regular business.

Vision

State Transit plays a key role in urban improvement by providing services that meet the needs of the community, and offer a viable alternative to the private car.

State Transit's vision for the community is:

A quality environment underpinned by an efficient, attractive public transport network.

In line with this vision, State Transit intends to be:

Recognised as the benchmark for service and value in public transport, by passengers, regulators and other operators.

Customer service, patronage growth and value for money drive planning throughout the organisation and provide the focus for all of our business strategies.

State Transit is committed to the delivery of safe, dependable services, and to being open and honest in dealing with passengers and the community.

Key result areas

State Transit's Corporate Plan outlines five key areas in which we aim to achieve results.

1. To deliver better quality services, particularly through improving the comfort, safety and security of passengers.

2. Expanding services and improving their efficiency, providing services to our passengers at best cost and service level.
3. Good customer service is critical.
4. Meeting legislative and regulatory obligations.
5. Using the opportunity provided by the Olympics to demonstrate, particularly to those who do not use our services regularly, that we can provide a viable alternative to the private car.

Strategies

The key strategies for achieving these results include:

Quality services

- Ferry and Bus fleet enhancement programs
- Make fares and ticketing system easier to understand and use
- Pursue bus priority measures
- Enhance the safety of our passengers and staff

Expanding services and improving efficiency

- Conduct regular service reviews across the network
- Introduce cross regional services
- Improve the efficiency of work practices and processes
- Ensure fares are affordable and achieve cost recovery
- Implement quality systems across the organisation

Customer service

- Develop and implement strategic marketing programs
- Improve passenger information
- Ensure that staff have the skills to deliver the best customer service possible
- Foster a culture which satisfies passengers' expectations

Public obligations

- Meet financial, stakeholder, employee and environmental regulatory obligations

Olympics challenge

- Continue to develop the strategy for the Olympics and work closely with the Olympic Roads & Transport Authority (ORTA) and other operators to plan for the Olympics.

financial statements

Income and expenditure statement

for the year ended 30 June 1999

	Note	1999 \$000	1998 \$000
Income	2(i)	391,679	373,275
Expenditure	2(ii)	406,344	377,776
Operating loss before abnormal items and income tax		(14,665)	(4,501)
Abnormal items	2(iii)	5,880	-
Operating loss before income tax		(8,785)	(4,501)
Income tax attributable to operating loss	3(i)	-	(875)
Operating loss after income tax		(8,785)	(3,626)
Retained profits at the beginning of the financial year		50,846	54,268
Reversal of provision for major periodic maintenance	8(v)	10,534	-
Transfer from reserves	14	15,458	204
Total available for appropriation		68,053	50,846
Dividend paid	4	(16,560)	-
Retained Profits at the end of the financial year		51,493	50,846

The accompanying notes form an integral part of these financial statements.

Balance sheet

as at 30 June 1999

	Note	1999 \$000	1998 \$000
CURRENT ASSETS			
Cash		2,400	3,122
Receivables	5	7,146	7,673
Inventories	6	6,272	5,339
Other	7	7,690	6,723
TOTAL CURRENT ASSETS		23,508	22,857
NON-CURRENT ASSETS			
Property, plant and equipment	8	347,558	361,866
Intangibles	9	258	224
Other	7	123	–
TOTAL NON-CURRENT ASSETS		347,939	362,090
TOTAL ASSETS		371,447	384,947
CURRENT LIABILITIES			
Accounts Payable	10	24,598	23,822
Borrowings	11	4,429	1,904
Provisions	12	31,093	26,414
Other	13	7,141	5,268
TOTAL CURRENT LIABILITIES		67,261	57,408
NON-CURRENT LIABILITIES			
Borrowings	11	50,604	48,420
Provisions	12	108,747	119,840
Other	13	1,523	811
TOTAL NON-CURRENT LIABILITIES		160,874	169,071
TOTAL LIABILITIES		228,135	226,479
NET ASSETS		143,312	158,468
EQUITY			
Reserves	14	91,819	107,622
Retained Profits		51,493	50,846
TOTAL EQUITY		143,312	158,468

The accompanying notes form an integral part of these financial statements.

Statement of cash flows

for the year ended 30 June 1999

		1999 \$000 Inflows (Outflows)	1998 \$000 Inflows (Outflows)
	Note		
Cash flows from operating activities:			
Passenger revenue:			
– Fares, charters and tourist services		209,289	200,946
– Reimbursement for:	2(iv)		
free travel by school students		29,844	28,994
concessional travel by pensioners		68,836	68,150
concessional travel by other welfare groups		24,211	23,461
community service obligations		45,033	42,188
Total passenger revenue		377,213	363,739
Advertising income		7,469	6,948
Other income		2,447	1,928
Interest received		849	217
Payments to suppliers		(125,674)	(114,131)
Payments to employees		(245,163)	(239,657)
Interest and other finance costs		(4,942)	(1,218)
Income tax refund/(paid)		–	215
Net cash provided by operating activities	(i)	12,199	18,041
Cash flows from investing activities			
Payments for property, plant and equipment		(25,162)	(48,910)
Proceeds from sale of property, plant and equipment		24,092	869
Net cash used in investing activities		(1,070)	(48,041)
Cash flows from financing activities:			
Proceeds from borrowings		9,224	25,865
Repayment of borrowings		(2,611)	(1,983)
Repayment of lease liabilities		(1,904)	(5,702)
Fund transferred to NSW Treasury		(16,560)	–
Net cash provided by (used in) financing activities		(11,851)	18,180
Net decrease in cash held		(722)	(11,820)
Cash at beginning of year		3,122	14,942
Cash at end of year	(ii)	2,400	3,122

The accompanying notes form an integral part of these financial statements.

Notes to the statement of cash flows

for the year ended 30 June 1999

	1999 \$000	1998 \$000
(i) Reconciliation of operating result after income tax to net cash provided by operating activities:		
Operating loss after income tax	(8,785)	(3,626)
Adjustments to reconcile net operating result to net cash provided by operating activities:		
Depreciation and amortisation	32,228	32,377
Major periodic maintenance	–	(2,849)
Net loss/(profit) on sale of non-current assets	(6,857)	24
Bad and doubtful debts	(60)	10
Movement in stock provision	–	(44)
Equipment write-off	246	131
Provision for employee entitlements	(2,698)	(6,056)
Other provisions	(4,376)	(375)
Income tax benefits	–	(875)
Other non cash items	(165)	(146)
Changes in assets and liabilities:		
(Increase)/Decrease in inventory	(933)	(270)
(Increase)/Decrease in prepayments	(108)	(874)
(Increase)/Decrease in other assets	(234)	198
(Increase)/Decrease in receivables	528	1,540
Increase/(Decrease) in trade creditors	3,436	(1,795)
Increase/(Decrease) in revenue received in advance	(23)	671
Net cash provided by operating activities	12,199	18,041

(ii) Reconciliation of Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in the bank and investments in Treasury Corporation Cash Facilities – Hour Glass.

Cash at the end of the financial year, as shown in the Statement of Cash Flows, is reconciled to the related items in the Balance Sheet as follows:

– Cash on hand and in the bank	1,812	1,745
– Investments	588	1,377
Cash at end of year	2,400	3,122

Notes to and forming part of the financial statements

for the year ended 30 June 1999

1. Statement of significant accounting policies

The following summary outlines the significant accounting policies adopted by the Authority in the preparation of the financial statements.

(a) Basis of accounting

The financial statements are a general purpose financial report which have been prepared in accordance with the Public Finance and Audit Act 1983, the Public Finance and Audit (General) Regulation 1995, Australian Accounting Standards and applicable Treasurer's Directions and Treasury Circulars.

The financial statements have been prepared on an accrual accounting basis using historical costs except for certain non-current assets which, as noted, are recorded at valuation.

The financial statements have been prepared on a going concern basis which assumes that the Authority is expected to be able to pay its debts as and when they fall due and continue in operation without any intention or necessity to liquidate or otherwise wind up its operations.

At 30 June 1999, the Authority's Financial position showed current assets of \$23.508m compared with current liabilities of \$67.261m. Given the small amounts of receivables and inventories in the business, it is usual for current liabilities to exceed current assets.

The Authority has a positive cash flow from operations and this is projected to continue in the year ending 30 June 2000 and subsequent years. These cash flows, together with the establishment of additional financing arrangements, will be sufficient to meet the Authority's obligations and to fund its capital expenditure programs.

To ensure that all significant operations are Year 2000 compliant, the Authority has established a program to overcome the impact of the transition to the Year 2000 on the Authority. The Authority has investigated the extent to which the date change from 1999 to 2000 may affect its activities and has developed contingency plans designed to minimise and overcome the various risks associated with the year 2000. As a result of the investigation, the action taken to rectify its non compliant systems and the development of its contingency plans, the Authority does not expect its own activities to be significantly impacted by the date change.

However, the Authority's operations may also be affected by the ability of third party service providers to manage the date change. This risk has been minimised by the actions specified in the contingency plans.

The accounting policies adopted are consistent with those of the previous year except for the accounting policy with respect to the provision for Major Periodic Maintenance.

Notes to and forming part of the financial statements

for the year ended 30 June 1999

(b) Change in accounting policies

The Authority has adopted the change in policy direction by the NSW Treasury which deferred the application of the accounting policy on major periodic maintenance to conform with the Urgent Issues Group Abstract 26. The Abstract states that the provision for major periodic maintenance must not be recognised as a liability, accumulated depreciation or as a reduction in the carrying amount of an asset.

The adoption of the Abstract resulted in an amount of \$10.534m which represents the opening provision for all major periodic maintenance as at 1 July 1998, in respect of buses, vessels and wharves, being reversed and adjusted against retained profits. All major periodic maintenance expenditure incurred during the year was charged to the Income and Expenditure Statement.

(c) Cash

Cash is carried at principal amount and is subject to an insignificant risk of changes in value. Cash includes cash on hand and at bank and investment in NSW Treasury Corporation's Hour Glass facility.

The Authority's investment in the Hour Glass facility is represented by a number of units of a managed investment pool, with each pool having different investment horizons and is comprised of a mix of asset class appropriate to that investment horizon.

The investment is generally able to be redeemed at short notice. The value of the investment can decrease as well as increase depending upon market conditions. The value that best represents the maximum credit risk exposure is the net fair value.

Interest is recognised in the income and expenditure statement as it accrues.

(d) Receivables

Trade debtors are recognised at nominal amounts due, less any provision for doubtful debts.

The Authority minimises concentrations of credit risk in relation to trade debtors by undertaking transactions with a large number of customers. The majority of customers are concentrated in Australia in the newsagency business.

All prospective trade debtors are assessed for credit risks in granting appropriate credit limits. In general, the settlement term is set at no more than 21 days.

A provision for doubtful debts is recognised when the collection of the full nominal amount is no longer probable. Bad debts are written off when they are determined to be irrecoverable. The carrying amount approximates fair value.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of stock on the basis of weighted average cost.

Notes to and forming part of the financial statements

for the year ended 30 June 1999

(f) Property, plant and equipment

The following policies apply to property, plant and equipment:

(i) Basis of valuation

In accordance with NSW Treasury requirements, property, plant and equipment are stated at current cost in accordance with a policy of regular revaluation under which all property, plant and equipment is revalued at least once every five years.

In applying the current cost basis of valuation, all property, plant and equipment, except freehold land and works in progress, are valued at written down replacement cost. Written down replacement cost is based on the ratio of remaining useful life to total useful life to the entity, except for buses where the ratio of remaining service potential to total service potential has been applied.

Freehold commercial land is valued at market selling value and freehold operating land is valued at market value for the existing use. These land values, and the written down replacement values of buildings and wharves, are determined by independent valuation. Works in progress are stated at cost.

Where the current cost valuation of total non-current assets exceeds the total recoverable amount, the assets are revalued to their recoverable amount. Recoverable amount is determined by the net present value of the cash flows expected to be generated from the continued use and eventual disposal of the assets. The expected net cash flows are discounted to present value using the real weighted average cost of capital (after tax).

Revaluation increments are credited directly to the asset revaluation reserve, unless they are reversing a previous decrement charged to the income and expenditure statement, in which case the increment is credited to the income and expenditure statement.

Revaluation decrements are debited directly to the income and expenditure statement, unless they are reversing a previous increment credited to the asset revaluation reserve account, in which case the decrement is debited to the asset revaluation reserve.

Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount.

(ii) Leased assets

A distinction is made between finance leases, which effectively transfer to the Authority substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

Where property, plant and equipment are acquired by means of a finance lease, the asset is capitalised at the present value of the minimum lease payments and disclosed as leased property, plant and equipment. A corresponding liability is also established and each lease payment is allocated between the principal component and the interest expense.

Notes to and forming part of the financial statements

for the year ended 30 June 1999

Capitalised leased assets are amortised on a straight line basis over the term of the lease except:

- where at the inception of the lease there is a reasonable assurance that the Authority will obtain ownership of the asset. In such circumstances amortisation is calculated on the estimated useful life.
- for buses, consistent with the Authority's basis of valuation, amortisation is calculated using a ratio of remaining service potential to total service potential.

Operating lease payments are charged as expenses in the period in which they are incurred.

(iii) Depreciation

All property, plant and equipment and capitalised leased assets, but excluding freehold land and works in progress, are depreciated over their estimated useful lives commencing from the time an asset is held ready for use. Depreciation is calculated on a straight line basis except for buses which are depreciated in line with the pattern of expiry of their service potential.

Major depreciation periods are:

	1999	1998
Freehold buildings and wharves	40 years	40 years
Plant and equipment	5 to 20 years	5 to 20 years
Buses	20 years	20 years
Ferries	10 to 25 years	10 to 25 years

(iv) Capitalisation policy

Property, plant and equipment are recorded at the cost of acquisition. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition. All property, plant and equipment costing \$1,000 or more individually and having a minimum expected working life of three years is capitalised.

(v) Works in progress

Costs relating to acquisition of property, plant and equipment which have not been completed are shown in the financial statements as capital works in progress and are not depreciated until the assets are brought into service.

(vi) Spares for plant and equipment

Major spares originally purchased specifically with particular items of equipment are included in the cost of the equipment and depreciated accordingly.

(vii) Leasehold improvements

The cost of leasehold improvements is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the Authority, whichever is the shorter.

Notes to and forming part of the financial statements

for the year ended 30 June 1999

(g) Intangibles

(i) Service contract rights

Service Contract Rights, representing the consideration for service rights purchased by the Authority, are amortised on a straight line method over the period during which benefits are expected to be realised within the licence period.

(h) Accounts payable

These amounts represent liabilities for goods and services provided to the Authority prior to the end of the financial year and which are unpaid, whether billed or not. The amounts are unsecured and are usually paid within 30 days of recognition. The carrying amount approximates fair value.

(i) Borrowings

(i) Long term loans

Borrowings are recorded at face value less unamortised discount or plus unamortised premium. Any discounts or premiums are deferred and amortised to the income and expenditure statement over the term of the borrowing on a straight line basis. Interest is charged as it accrues.

The fair values of long term borrowings are estimated using discounted cash flow analysis based on current incremental borrowing rates for similar types of borrowing arrangements.

(ii) Finance leases

Any increase or decrease in lease payments resulting from changes in the factors on which lease payments are based, which occur subsequent to the inception of the lease, are shown as contingent rentals in the income and expenditure statement.

(iii) Debt defeasance

Where assets are given up to extinguish the principal and all future interest of a debt, any differences in the carrying values of assets foregone and the liability extinguished are brought to account in the income and expenditure statement for the period. Costs incurred in establishing the defeasance are expensed in the period in which defeasance occurs.

In all cases where defeasance occurs, it is highly unlikely that the Authority will again be required to pay any part of the debt, or meet any guarantees or indemnities associated with the debt.

(j) Employee entitlements

(i) Salaries and wages

Liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees services up to that date.

Notes to and forming part of the financial statements

for the year ended 30 June 1999

(ii) Annual leave and long service leave

Provision is made for annual leave and long service leave estimated to be payable to employees on the basis of statutory and contractual requirements. The provision for long service leave includes the Authority's current legal obligations and the expected future payments where no legal entitlements has arisen.

(iii) Superannuation

The employees' retirement benefits liability in respect of three defined benefit superannuation schemes administered by the Superannuation Administration Authority is fully provided for in the financial statements. The Authority's liability is based on an actuarial assessment (refer Note 12(i)).

(k) Deferred revenue

Premium arising from the purchase of bonds are recognised in the Balance Sheet as deferred revenue and amortised over the term of the loans.

(l) Reserves

Asset revaluation reserve comprises revaluation increments recognised during the revaluation of the Authority's non current assets. Upon disposal or retirement, any related revaluation increment/(decrement) remaining in the reserve in respect of the asset at the time of disposal is transferred to accumulated funds.

(m) Insurance

The Authority purchases appropriate insurances to cover the liability, physical damage, business interruption, and other exposures arising out of its operations. The Authority retains the responsibility for minor and predictable losses which are not cost effective to insure.

The Authority is a licensed self-insurer for workers' compensation claims under the New South Wales WorkCover Scheme and purchases Compulsory Third Party Personal Injury Insurance as required by the Motor Accident Act.

Provisions are made for future costs associated with workers' compensation and other liability claims occurring in the financial year. Provisions are also made for future insurance premium adjustments payable under the terms of the insurance contracts. The provisions are assessed by independent actuaries. Recoveries under insurance arrangements are treated as receivables.

(n) Derivatives

(i) Foreign exchange

Specific hedges

The Authority's policy in relation to foreign currency exposures is to hedge at the time the exposure arises. Each foreign exchange contract endeavours to match the profile of the exposure in terms of the amount and timing of anticipated future cash flows. Where a purchase commitment is

Notes to and forming part of the financial statements

for the year ended 30 June 1999

specifically hedged, realised and unrealised exchange gains or losses on the hedging transaction are treated as deferred costs or revenues until the terms of delivery or the physical purchase commitments have been satisfied. Gains or losses are then brought to account in determining the capital cost of the asset purchased.

Open or unrealised positions at balance date are brought to account by marking each contract to market.

General hedges

Gains and losses on foreign exchange contracts that are not specific to a purchase commitment are brought to account as they arise in determining the result for the period.

Transactions denominated in foreign currencies are initially translated into Australian currency at the rate of exchange applicable at the date of transaction. At balance date, amounts payable to and by the economic entity in foreign currencies are translated to Australian currency at rates of exchange applicable at balance date.

(ii) Commodity swaps

The Authority has entered into a number of commodity swap agreements with the objective of reducing the risk of rising fuel prices. The swap agreements effectively convert the floating price for Tapis Crude Oil to a medium term fixed price. The transactions form the nature of a general hedge to match the underlying exposure of future fuel purchases.

It is the Authority's policy not to recognise commodity swaps in the financial statements. Net receipts and payments are recognised as an adjustment to fuel purchase price.

The fair value of commodity swap agreements is determined as the difference in the present value of future fuel purchases.

(iii) Options

The options provide the Authority with the right, but not the obligation, to transact in fixed rate foreign exchange and commodity swap contracts. The Authority has the choice of exercising the option, or allowing it to lapse, depending on the market rates.

Premiums paid to purchase options are disclosed as assets. Realised gains or losses are included in the income and expenditure statement on maturity.

The fair value of the options is determined as the unrecognised gain or loss at balance date.

(o) Income tax

The Authority is subjected to the Tax Equivalent Regime under which it is required to pay a taxation equivalent to the NSW Government.

Tax effect accounting is adopted whereby the income tax expense in the income and expenditure statement is matched with the accounting profit after allowing for permanent differences. The future income tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually

Notes to and forming part of the financial statements

for the year ended 30 June 1999

certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

(p) Year 2000 compliance costs

Expenditure including external consulting fees and other external costs, except those of a capital nature, which is incurred to make internal use computer software compatible with the year 2000 is expensed as it occurs.

(q) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred and include:

- interest on bank overdrafts and short term and long term borrowing
- amortisation of discounts or premiums relating to borrowings
- finance lease charges
- certain exchange differences arising from foreign currency borrowings

(r) Comparatives

Comparative figures are, where appropriate, reclassified to give a meaningful comparison with the current year.

(s) Rounding

All amounts shown in the financial statements are expressed by reference to the nearest thousand dollars unless otherwise specified.

Notes to and forming part of the financial statements

for the year ended 30 June 1999

	Note	1999 \$000	1998 \$000
--	------	---------------	---------------

2. Income and expenditure

(i) Income

Passenger revenue:			
– Fares, charters and tourist services		208,924	200,124
– Reimbursement for:			
free travel by school students	2(iv)(a)	29,757	27,859
concessional travel by pensioners	2(iv)(a)	68,836	68,150
concessional travel by others	2(iv)(a)	24,211	23,461
community service obligations (pricing)	2(iv)(b)	30,782	29,990
community service obligations (service)	2(iv)(b)	14,251	12,198
Total passenger revenue		376,761	361,782
Interest	2(v)	850	212
Rent		1,569	1,591
Advertising		7,469	6,948
Proceeds from sale of assets		4,092	869
Finance lease contingent rental		–	1,443
Other		938	430
Total income		391,679	373,275

(ii) Expenditure

Wages and salaries		186,649	177,130
Provision for employee entitlements			
– Annual leave		16,341	16,304
– Long service leave		5,047	4,845
– Retirement benefits	12(ii)	19,134	13,044
Workers' compensation		4,298	8,018
Payroll tax		15,293	14,438
Fuel and fleet maintenance		53,995	50,398
General operating expenses		56,915	51,508
Major periodic maintenance	8(v)	5,272	3,074
Depreciation			
– Plant & equipment		26,580	26,562
– Buildings		1,281	1,261
Amortisation of non-current assets			
– Leased plant and equipment		4,020	4,237
– Leasehold improvements		347	317
– Service contract rights		123	–
Property, plant and equipment sold or written off		3,362	1,025

Notes to and forming part of the financial statements

for the year ended 30 June 1999

	1999	1998
Note	\$000	\$000

2. Income and expenditure cont'd

Provision for inventory obsolescence	-	(42)
Operating leases	2,547	2,039
Finance charges relating to finance leases	3,123	2,590
Consultant's fees	135	344
Audit fee	162	165
Bad debts written off	-	10
Provision for doubtful debts	(60)	-
Interest	1,780	509
Total expenditure	406,344	377,776

(iii) Abnormal items credited:

Profit on sale of property	5,880	-
----------------------------	-------	---

(iv) New South Wales Government reimbursements

(a) Free and concessional travel

The Authority provides free and concessional travel to a range of community groups. The extent to which these groups are entitled to free and concessional travel is determined by Government policy. Reimbursement is provided for free school travel on the basis of a percentage of the number of passes on issue in the current year. In the case of pensioners, the traveller pays for an all-day concession ticket (\$1, \$2 or \$3) and the Government pays the balance of the full fare for all travel consumed. Other free and concessional travel is reimbursed on the basis of the Government paying the balance between the full fare applicable for each journey and the fare paid by the traveller.

(b) Community Service Obligations (CSO)

The Authority received reimbursement from the NSW Government in accordance with the Government's social policy programs designed to promote the accessibility and availability of public transport services. CSO payments comprise Pricing CSO and Service Level CSO.

Pricing CSO: To assist in attracting additional passengers to use public transport, fares are held at a level below those of an equivalent commercial fare scale. As a consequence of this policy, the Authority receives reimbursement by way of a Pricing CSO.

Service Level CSO: In accordance with the Government's policy to provide an accessible and available public transport service, the Authority provides services in excess of its minimum service level requirements. A Service Level CSO is paid to the Authority to provide reimbursement for the operation of some non-commercial services provided by Sydney Ferries and Newcastle Services. No payment is received for the non-commercial services operated by Sydney bus services.

Notes to and forming part of the financial statements

for the year ended 30 June 1999

	Note	1999 \$000	1998 \$000
--	------	---------------	---------------

2. Income and expenditure cont'd

(v) Interest income

Interest received or due and receivable comprises:

Interest from Hour Glass facility (unitised investment)	802	172
Other Interest	48	40
	<u>850</u>	<u>212</u>

(vi) Audit fee

Audit fees payable to the NSW Audit Office for the audit of:

Annual Financial Statements	158	165
Other	4	-
	<u>162</u>	<u>165</u>

(vii) Board members' remuneration

The amount of remuneration, including superannuation contributions, received or due and receivable by the non executive members of the State Transit Authority Board was \$152,660 (1998: \$151,220). There were no other benefits paid to the members of the Board.

3. Income tax

(i) Income tax expense

The prima facie tax on operating loss differs from the income tax provided in the accounts as follows:

Prima facie tax on operating loss	(3,163)	(1,620)
Tax effect of permanent differences (net)	79	67
Prior year adjustment	(34)	10
Offset of FITB on tax loss	3,118	668
	<u>Nil</u>	<u>(875)</u>

(ii) Benefit of tax losses and timing differences not brought to account

The future income tax benefit of the Authority arising from tax losses and timing differences have not been recognised as an asset because realisation of the benefit is not regarded as virtually certain.

	59,830	49,112
--	--------	--------

Notes to and forming part of the financial statements

for the year ended 30 June 1999

	1999	1998
Note	\$000	\$000

3. Income tax cont'd

(iii) Provision for Deferred Income Tax

Tax effect on timing differences	-	(875)
Less provision for deferred income tax no longer required due to offset of future income tax benefit of taxation losses	-	875
	Nil	Nil

(iv) Future Income Tax Benefit (FITB)

A Future Income Tax Benefit of \$10.718m comprising timing differences of \$7.634m and the tax losses of \$3.084m was not recognised in the financial statements. The benefits of these assets will only be derived if:

- (a) the Authority derives sufficient future assessable income to enable the benefits to be realised;
- (b) the Authority continues to comply with the conditions for deductibility imposed by tax legislation;
and
- (c) there is no adverse change in tax legislation affecting the Authority in realising the benefit.

4. Dividend paid

At the direction of the NSW Treasury, a dividend, representing a capital repayment, was paid to the NSW Treasury under Section 59B of the Public Finance and Audit Act 1983.

16,560	-
--------	---

5. Receivables (current)

Trade debtors	6,213	7,775
Less – provision for doubtful debts	115	167
	6,098	7,608
Sundry debtors	1,053	78
Less – provision for doubtful debts	5	13
	1,048	65
	7,146	7,673

Notes to and forming part of the financial statements

for the year ended 30 June 1999

	Note	1999 \$000	1998 \$000
--	------	---------------	---------------

6. Inventories

Mechanical and electrical spares		4,190	3,722
Distillate		1,423	1,100
Tyres and tubes		240	208
Other		419	309
		<u>6,272</u>	<u>5,339</u>

7. Other assets

Current

Prepayments		4,566	4,344
Retirement benefits	12(i)	2,691	2,031
Other		433	348
		<u>7,690</u>	<u>6,723</u>

Non-Current

Other		123	–
-------	--	-----	---

8. Property, plant and equipment

Land, buildings and wharves

Land

Freehold operating land			
– At valuation	8(i)&(ii)	60,294	52,550
Freehold commercial land			
– At valuation	8(i)&(ii)	15,661	28,495
Total land		<u>75,955</u>	<u>81,045</u>

Buildings

– At valuation	8(i)&(ii)	50,753	48,902
Less accumulated depreciation		19,418	17,893
		<u>31,335</u>	<u>31,009</u>
– At cost		–	1,532
Less accumulated depreciation		–	36
		<u>–</u>	<u>1,496</u>
Total buildings		<u>31,335</u>	<u>32,505</u>

Notes to and forming part of the financial statements

for the year ended 30 June 1999

	Note	1999 \$000	1998 \$000
--	------	---------------	---------------

8. Property, plant and equipment cont'd

Wharves

- At valuation	8(i)&(ii)	11,488	25,146
Less accumulated depreciation		9,661	21,558
		1,827	3,588
Less provision for major periodic maintenance	8(v)	-	1,535
Total wharves		1,827	2,053
Total land, buildings and wharves		109,117	115,603

Plant and equipment

- At valuation	8(i)&(iii)	59,623	58,700
Less accumulated depreciation		41,576	42,801
Total plant and equipment		18,047	15,899

Buses

Owned buses

- At valuation	8(i)&(iii)	374,858	253,149
Less accumulated depreciation		221,811	173,400
		153,047	79,749
- At cost		-	77,207
Less accumulated depreciation		-	4,418
		Nil	72,789
			152,538
Less provision for major periodic maintenance	8(v)	-	4,461
Total owned buses		153,047	148,077

Leased buses

- At valuation	8(i)&(iii)	56,646	73,418
Less accumulated amortisation		40,963	47,222
		15,683	26,196
Less provision for major periodic maintenance	8(v)	-	1,576
Total leased buses		15,683	24,620
Total buses		168,730	172,697

Notes to and forming part of the financial statements

for the year ended 30 June 1999

	Note	1999 \$000	1998 \$000
8. Property, plant and equipment cont'd			
Motor vehicles (other than buses)			
– At cost		795	2,988
Less accumulated depreciation		577	863
Total motor vehicles		218	2,125
Ferries			
Owned ferries			
– At valuation	8(i)&(ii)	98,200	95,769
Less accumulated depreciation		65,367	57,118
		32,833	38,651
Less provision for major periodic maintenance	8(v)	–	2,438
Total owned vessels		32,833	36,213
Leased ferries			
– At valuation	8(i)&(ii)	24,500	27,444
Less accumulated amortisation		20,463	20,325
		4,037	7,119
Less provision for major periodic maintenance	8(v)	–	524
Total leased ferries		4,037	6,595
Total ferries		36,870	42,808
Works in progress (at cost)	8(iv)	14,576	12,734
Total property, plant and equipment		347,558	361,866

- (i) Property, plant and equipment was revalued at 30 June 1999 in accordance with the basis of valuation set out in Note 1(f)(i). The revalued amount of property, plant and equipment was \$347.558m as compared with the recoverable amount of \$362.757m at balance date. The revaluation resulted in a reduction of \$0.345m in the asset revaluation reserve.

Notes to and forming part of the financial statements

for the year ended 30 June 1999

8. Property, plant and equipment cont'd

(ii) The following non-current assets were independently valued by registered valuers:

Class of Assets	Date of Valuation	Registered Valuers
Freehold commercial land and buildings	30 June 1999	Edward Rushton Australia Pty Ltd
Operating land and buildings	30 June 1999	Edward Rushton Australia Pty Ltd
Wharves	30 June 1999	Edward Rushton Australia Pty Ltd
Wharf improvements	30 June 1999	Edward Rushton Australia Pty Ltd
Ferries	30 June 1999	Rodney Hyman Asset Services Pty Ltd

(iii) Plant and equipment, buses and motor vehicles were valued as at 30 June 1999 by the Board.

All valuations are estimates of the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arms length transaction at the valuation date.

(iv) Major items of works in progress include bus acquisitions of \$10.028m, Automatic Fare Collection equipment of \$2.423m and computer systems of \$1.078m.

(v) An amount of \$10.534m which represents the opening provision for all major periodic maintenance as at 1 July 1998, in respect of buses, vessels and wharves, has been reversed and adjusted against retained profits, in accordance with the change in accounting policy outlined in Note 1(b).

All major periodic maintenance expenditure incurred during the year was charged to the Income and Expenditure Statement.

	1999	1998
Note	\$000	\$000

9. Intangibles

Service contract rights	388	385
Less accumulated amortisation	130	161
	258	224

10. Accounts payable

Trade creditors	10,269	9,104
Other accruals	14,329	14,718
	24,598	23,822

Notes to and forming part of the financial statements

for the year ended 30 June 1999

	Note	1999 \$000	1998 \$000
--	------	---------------	---------------

11. Borrowings

Current

Unsecured loans – NSW Treasury Corporation	15(i)	2,441	–
Secured finance lease liabilities	15(ii)	1,988	1,904
		4,429	1,904

Non-Current

Unsecured loans – NSW Treasury Corporation	15(i)	28,634	24,462
Secured finance lease liabilities	15(ii)	21,970	23,958
		50,604	48,420

12. Provisions

Current

Employee entitlements			
– Leave		20,533	20,473
Other			
– Workers' compensation		7,108	4,945
– Public risk		640	721
– Other claims		2,812	275
		10,560	5,941
		31,093	26,414

Non-Current

Employee entitlements			
– Leave		27,050	25,721
– Retirement benefits	12(i)	57,533	60,960
		84,583	86,681
Other			
– Workers' compensation		22,622	28,580
– Public risk		630	1,008
– Other claims		912	3,571
		24,164	33,159
		108,747	119,840

Notes to and forming part of the financial statements

for the year ended 30 June 1999

12. Provisions cont'd

(i) Retirement Benefits

The superannuation schemes relating to employees of the Authority are as follows:

- a) **SASS** State Authorities Superannuation Scheme
- b) **SANCS** State Authorities Non-Contributory Superannuation Scheme
- c) **SSS** State Superannuation Scheme

The key economic assumptions used to calculate the gross superannuation liability of the various defined benefit schemes as at 30 June 1999 are as follows:

	1998-99 % pa	1999-2000 % pa	2000/01 % pa	Thereafter % pa
Investment return	7.0	7.0	7.0	7.0
Salary growth rate	4.0	4.0	5.0	5.0
Consumer Price Index	2.0	2.5	3.25	3.25

The assessed liability for the Authority at 30 June 1999 and funds held in the Reserve Account with the Superannuation Administration Authority are as follows:

	SASS \$000	SANCS \$000	SSS \$000	Total \$000
Gross liability	131,183	18,581	4,048	153,812
Less – Investment reserve balance	84,405	7,826	6,739	98,970
Unfunded liability/(prepaid contributions)*	46,778	10,755	(2,691)	54,842

* Prepaid superannuation contributions are recognised as an asset.

	Note	1999 \$000	1998 \$000
Non-Current liability			
Retirement benefits		57,533	60,960

(ii) Components of retirement benefits expenditure:

Increase in balance of provision	18,258	15,644
Interest received	(8,724)	(7,462)
Payments made under superannuation guarantee charge	5,684	4,189
Tax expense – 1998	1,597	673
– 1999	2,319	–
Expenditure for the year	19,134	13,044

Notes to and forming part of the financial statements

for the year ended 30 June 1999

	Note	1999 \$000	1998 \$000
--	------	---------------	---------------

13. Other liabilities

Current

Deferred revenue	1(k)	333	445
Unearned income		4,801	4,823
Gain on foreign exchange contracts for capital WIP		2,007	–
		7,141	5,268

Non-Current

Deferred revenue	1(k)	870	811
Gain on foreign exchange contracts for capital WIP		653	–
		1,523	811

14. Reserves

Opening balance		107,622	107,826
Revaluation increment/(decrement)			
– Land		9,079	–
– Buildings		(1,145)	–
– Plant and equipment		(8,279)	–
Realised increment on property, plant and equipment sold during the year transferred to accumulated funds		(15,458)	(204)
Closing balance		91,819	107,622

15. Commitments

(i) Loans

Payable:

Not later than 1 year		2,441	–
Later than 1 year but not later than 2 years		–	8,941
Later than 2 years but not later than 5 years		22,907	9,723
Later than 5 years		5,727	5,798
Total loans		31,075	24,462
Current liability	11	2,441	–
Non-Current liability	11	28,634	24,462
		31,075	24,462

Notes to and forming part of the financial statements

for the year ended 30 June 1999

	Note	1999 \$000	1998 \$000
--	------	---------------	---------------

15. Commitments cont'd

(ii) Finance Lease Commitments

Payable:

Not later than 1 year		3,011	3,011
Later than 1 year but not later than 2 years		3,011	3,011
Later than 2 years but not later than 5 years		21,487	24,498
		27,509	30,520
Less – future finance charges		3,551	4,658
Total lease liability		23,958	25,862
Current liability	11	1,988	1,904
Non-Current liability	11	21,970	23,958
		23,958	25,862

(iii) Operating Lease Commitments

Payable:

Not later than 1 year		5,182	1,506
Later than 1 year but not later than 2 years		4,317	980
Later than 2 years but not later than 5 years		5,962	1,286
Later than 5 years		44,924	44,854
		60,385	48,626

(iv) Capital Expenditure Commitments

Contracted for but not provided in the accounts

Payable:

Not later than 1 year		63,573	40,532
Later than 1 year but not later than 2 years		14,314	36,977
Later than 2 years but not later than 5 years		–	10,744
		77,887	88,253

These capital expenditure commitments relate primarily to contracts for the purchase of buses.

Notes to and forming part of the financial statements

for the year ended 30 June 1999

16. Financial instruments

(i) Interest rate risk

The Authority's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date are as follows:

	Fixed interest rate maturing in:								Total carrying amount as per the balance sheet		Weighted average effective interest rate			
	Floating Interest Rate		1 year or less		1 to 5 years		5 years or more						Non-interest bearing	
Financial Instruments	1999 \$000	1998 \$000	1999 \$000	1998 \$000	1999 \$000	1998 \$000	1999 \$000	1998 \$000	1999 \$000	1998 \$000	1999 \$000	1998 \$000	1999 %	1998 %
(a) Financial assets														
Cash at bank	3	530							1,809	1,215	1,812	1,745	4.80	5.00
Receivables – Trade									7,146	7,673	7,146	7,673	N/A	N/A
Investments	588	1,377									588	1,377	5.07	4.98
Options														
– Forward exchange									67	–			N/A	N/A
– Commodity									263	–			N/A	N/A
Total Financial Assets	591	1,907	–	–	–	–	–	–	9,285	8,888	9,546	10,795		
(b) Financial Liabilities														
Treasury														
Corporation loan			2,441	1,983	22,907	18,664	5,727	3,815			31,075	24,462	5.92	7.35
Trade creditors & accruals									24,598	23,822	24,598	23,822	N/A	N/A
Finance lease liabilities	23,958	25,862									23,958	25,862	4.94	4.35
Swaps														
– Forward exchange									39	852			N/A	N/A
– Commodity									702	593			N/A	N/A
Total Financial Liabilities	23,958	25,862	2,441	1,983	22,907	18,664	5,727	3,815	25,339	25,267	79,631	74,146		

Notes to and forming part of the financial statements

for the year ended 30 June 1999

16. Financial instruments cont'd

(ii) Net fair values

The aggregate net fair values of financial assets and liabilities, both recognised and unrecognised, at balance date are as follows:

	Total carrying amount as per balance sheet		Aggregate net fair value	
	1999 \$000	1998 \$000	1999 \$000	1998 \$000
Financial Assets				
Cash	1,812	1,745	1,812	1,745
Receivables – Trade	7,146	7,673	7,146	7,673
Investments	588	1,377	588	1,377
Forward foreign exchange options	–	–	67	–
Commodity options	–	–	263	–
Total Financial Assets	9,546	10,795	9,876	10,795
Financial Liabilities				
Treasury Corporation loans	31,075	24,462	32,400	26,004
Trade creditors and accruals	24,598	23,822	24,598	23,822
Finance lease liabilities	23,958	25,862	23,106	25,113
Forward exchange swaps	–	–	39	852
Commodity swaps	–	–	702	593
Total Financial Liabilities	79,631	74,146	80,845	76,384

(iii) Credit risk exposures

The Authority's maximum exposure to credit risk at balance date in relation to financial instruments is the carrying amount of those assets as indicated in the balance sheet.

In relation to derivative financial instruments, credit risk arises from the potential failure of counter parties to meet the obligations under the contract or arrangement.

The Authority's maximum credit risk exposure in relation to these is as follows:

- (a) Forward exchange contracts** – the Authority entered into forward exchange contracts designed as a general hedge to manage the risk of price increases for the purchase of capital equipment and distillate fuel.

Notes to and forming part of the financial statements

for the year ended 30 June 1999

16. Financial instruments cont'd

The following table sets out the financial instruments held by the Authority at balance date:

Financial instruments

	1999		1998	
	Face Value A\$000	Market Value A\$000	Face Value A\$000	Market Value A\$000

Foreign Exchange Contracts:

No later than one year	3,094	3,050	30,500	30,050
------------------------	-------	-------	--------	--------

	1999 Net Fair Value A\$000	1998 Net Fair Value A\$000
--	-------------------------------------	-------------------------------------

Foreign Exchange Options:

No later than one year	9	-
Later than one year but no later than two years	32	-
Later than two years but no later than three years	26	-
	67	Nil

(b) Commodity swap/option agreements – At balance date the Authority holds swap/option agreements for Tapis Crude Oil, a function of the contracted price paid for distillate fuel, which mature in each month during the period July 1999 to June 2002. These swap/options are based on the hedge cover of a proportion of forecast fuel usage within approved parameters.

The following table sets out the financial instruments held by the Authority at balance date:

	1999		1998	
	Face Value A\$000	Market Value A\$000	Face Value A\$000	Market Value A\$000

Commodity Swaps:

No later than one year	6,045	5,640	8,146	7,791
Later than one year but no later than two years	2,796	2,608	4,124	4,154
Later than two years but no later than three years	1,630	1,521	1,976	1,708
	10,471	9,769	14,246	13,653

Notes to and forming part of the financial statements

for the year ended 30 June 1999

16. Financial instruments cont'd

	1999 Net Fair Value A\$000	1998 Net Fair Value A\$000
Commodity Options:		
No later than one year	175	–
Later than one year but no later than two years	46	–
Later than two years but no later than three years	42	–
	263	Nil

17. Contingent liabilities

No significant contingent liabilities are anticipated.

18. Event subsequent to balance date

Sale of Inter-Continental Hotel Site – In accordance with the Government's decision to sell its interest in the Inter-Continental Hotel site, which was jointly owned by the Authority, the property was sold by public tender. The sale was settled on 25 August 1999 and will effectively terminate the rental income from the property of \$1.312m per annum.

End of audited financial statements.



Paul Dunn
General Manager
Finance & Business Services
Sydney

Statements by members of the Board

Pursuant to Section 41(C)(1B) of the Public Finance and Audit Act 1983 and, in accordance with a resolution of the members of the Board of the State Transit Authority of New South Wales, we declare on behalf of the Authority that in our opinion:

1. The accompanying financial statements exhibit a true and fair view of the financial position and transactions of the State transit Authority of New South Wales as at 30 June 1999; and
2. The statements have been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, Public Finance and Audit (General) Regulations 1995 and the Treasurer's Directions.

Further, we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



David Herlihy
Chairman
Sydney



John Stott
Chief Executive

Independent Audit Report



BOX 52 GPO
SYDNEY NSW 2031

INDEPENDENT AUDIT REPORT

STATE TRANSIT AUTHORITY OF NEW SOUTH WALES

To Members of the New South Wales Parliament and Members of the Board of the State Transit Authority of New South Wales

Scope

I have audited the accounts of the State Transit Authority of New South Wales for the year ended 30 June 1999. The members of the Board of the State Transit Authority of New South Wales are responsible for the financial report consisting of the accompanying balance sheet, operating statement and statement of cash flows, together with the notes thereto and the information contained therein. My responsibility is to express an opinion on the financial report to Members of the New South Wales Parliament and members of the Board of the Authority based on my audit as required by sections 34 and 41C(1) of the *Public Finance and Audit Act 1983*.

My audit has been conducted in accordance with the provisions of the Act and Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the requirements of the *Public Finance and Audit Act 1983*, Accounting Standards and other mandatory professional reporting requirements so as to present a view which is consistent with my understanding of the Authority's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial report of the State Transit Authority of New South Wales complies with section 41B of the Act and presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the financial position of the Authority as at 30 June 1999 and the results of its operations and its cash flows for the year then ended.

A handwritten signature in dark ink, appearing to read "A F Whitfield".

A F WHITFIELD FCA
ASSISTANT AUDITOR-GENERAL
(duly authorised by the Auditor-General of New South Wales
under section 41C(1A) of the Act)

SYDNEY
22 September 1999

Statement of responsibility

State Transit Authority of New South Wales for the year ended 30 June 1999

State Transit operates a system of internal controls throughout each of its financial and operational business systems. A sub-committee of the Board (Audit Committee), comprising two Board members and the Chief Executive, supported by senior management and other employees, oversee the operation of risk management strategies and internal controls. In addition, State Transit operates an active internal audit function.

Business Managers at each of the operational sites have consistently issued monthly statements attesting that key control reports delivered from the various systems have been reviewed. These reports are designed to assist the improvement of processes and to detect trends or "out of course condition" which may point to improper losses.

In addition, at the end of the year, the General Managers, and Business Unit Managers and others reporting to them, signed a certificate of compliance attesting that internal controls in financial and operational processes were properly applied throughout the year.

To the best of our knowledge this system of internal controls has operated satisfactorily during the year.



Anthony Bowra
Chairman, Audit Committee
Sydney



John Stott
Chief Executive

appendices

Statutory information	
1	Summary of land 67
2	Capital works expenditure 67
3	Segment information 68
4	Consolidated income and expenditure statement 68
5	Comparison of 1997/98 and 1998/99 financial results 69
Organisational items	
6	Structure 73
7	Board of directors 74
8	Legislation 76
Commercial items	
9	Government and social program payments 77
10	Changes to fares 77
11	Taxes and other payments to Government 79
12	Funds granted to non-Government community organisations 79
13	Investment management performance 79
14	Account payment performance 79
15	Risk management and insurance 80
16	Response to matters raised by Auditor General 80
17	Overseas trips 80
18	Freedom of information 80
19	Consultants' fees 81
20	Committees (internal and external) 82
21	Recycling activities 83
22	Year 2000 compliance 83
Operational items	
23	Service changes in response to community consultation 84
24	Customer response 85
25	Guarantee of service 85
26	Disability plans 86
Human Resource Items	
27	Human resource statistics 87
28	Equal employment opportunity 87
29	Ethnic affairs priorities statement and agreements 88
30	EEO target groups 88
31	Occupational health, safety and rehabilitation 88
32	Code of conduct and protected disclosures reporting system 89
33	CES/SES bands 90
34	Senior executives' qualifications 90
35	SES performance review 90
Other	
36	List of publications 91
37	Annual report publication details 91
38	Contact details 91

Statutory information

1. Summary of land

In accordance with Section 41B(1)(d) of the Public Finance and Audit Act, 1983, the summary below outlines State Transit's land holdings as at 30 June 1999 classified according to the actual use of the land.

Land use Classification	Market Value (\$m)
Bus depots	47.480
Shipyards	4.000
Minor operational and infrastructure assets	8.815
Commercial properties	15.660
Total	75.955

Disposal of property

The following information is provided under clause 15 of the Annual Reports (Statutory Bodies) Regulation 1995:

Two properties, which were surplus to operational requirements, were sold during the year by public auction for \$21.125m. Proceeds from the sale were used to fund capital investments and dividend payment of \$16.560m to the NSW Treasury.

2. Capital works expenditure

Major Works	Completion Date	1999 (\$m)
Bus replacement program – Scania bus contract	August 1998	1.014
Video surveillance cameras on buses	March 1999	0.971
Ferries replacement	September 1998	0.814
Bus layover – Newcastle Railway	November 1998	0.269
Replace roofing – Mona Vale depot	January 1999	0.223
Bus replacement program – 125 Volvo bus contract	Work in progress	8.827
Bus replacement program – 150 Mercedes buses	Work in progress	4.225
Automatic Fare Collection system replacement – Ferries	Work in progress	4.445
New AFC equipment for buses	Work in progress	0.437

Statutory information

3. Segment information

for the year ended 30 June 1999

	Sydney Buses		Sydney Ferries		Newcastle Services		Business Support		Balmain Shipyard		State Transit Authority	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Total Income	302,966	289,331	57,918	56,786	26,057	25,088	4,716	1,988	22	82	391,679	373,275
Total Expenditure	303,159	284,339	65,580	61,004	31,397	30,879	6,115	1,005	93	549	406,344	377,776
Segment result (before abnormal items)	(193)	4,992	(7,662)	(4,218)	(5,340)	(5,791)	(1,399)	983	(71)	(467)	(14,665)	(4,501)
Abnormal Items	0	0	0	0	0	0	5,880	0	0	0	5,880	0
Segment result (after abnormal items)	(193)	4,992	(7,662)	(4,218)	(5,340)	(5,791)	4,481	983	(71)	(467)	(8,785)	(4,501)
Segment Assets	257,695	244,923	49,620	56,544	20,978	23,899	34,833	51,446	8,321	8,135	371,447	384,947

4. Consolidated income and expenditure statement

	1997/98	1998/99	1998/99			1999/00
	Actual	Budget	Actual		Variation	Budget
	\$000	\$000	\$000	\$000	%	\$000
Income:						
Passenger revenue	200,124	207,273	208,924	1,651	0.8%	223,095
Travel concessions	119,470	123,015	122,803	(212)	-0.2%	125,421
Community service obligations	42,188	45,034	45,033	(1)	0.0%	50,223
Rent and advertising	8,539	7,954	9,038	1,084	13.6%	7,714
Interest	212	30	850	820	2733.3%	23
Finance lease contingent rental	1,443	0	0	0	0.0%	0
Proceed from sale of assets	869	2,129	4,091	1,962	92.2%	21,300
Other revenue	430	348	940	592	170.1%	730
TOTAL INCOME	373,275	385,783	391,679	5,896	1.5%	428,506
Expenditure:						
Payroll and related costs	233,584	249,314	246,761	2,553	1.0%	264,361
Other operating	105,783	112,777	116,789	(4,012)	(3.6)%	117,336
Cost of fixed assets sold	894	2,835	3,116	(281)	(9.9)%	21,875
Depreciation and amortisation	32,377	34,445	32,228	2,217	6.4%	34,945
Interest and loans charges	3,099	4,705	4,903	(198)	(4.2)%	6,000
Operating leases	2,039	2,328	2,547	(219)	(9.4)%	2,327
TOTAL EXPENDITURE	377,776	406,404	406,344	60	0.0%	446,844
OPERATING RESULT (BEFORE ABNORMAL ITEM)	(4,501)	(20,621)	(14,665)	5,956		(18,338)
LESS ABNORMAL ITEMS	0	5,880	5,880	0		0
NET OPERATING RESULT	(4,501)	(14,741)	(8,785)	5,956		(18,338)

Statutory information

5. Comparison 97/98 and 98/99 financial results

Sydney bus services

	1997/98			1998/99		
	Actual \$000	Per Km \$	Per Passenger Journey \$	Actual \$000	Per Km \$	Per Passenger Journey \$
Income:						
Passenger revenue	160,970	2.32	0.88	169,076	2.38	0.91
Travel concessions	96,040	1.39	0.52	99,385	1.40	0.54
Community service obligations	24,348	0.35	0.13	25,217	0.36	0.14
Rent and advertising	6,445	0.09	0.04	6,941	0.10	0.04
Finance lease contingent rental	867	0.01	0.00	0	0.00	0.00
Proceed from sale of assets	566	0.01	0.00	2,147	0.03	0.01
Other revenue	95	0.00	0.00	200	0.00	0.00
TOTAL INCOME	289,331	4.17	1.57	302,966	4.27	1.63
Expenditure:						
Payroll and related costs	173,716	2.51	0.95	180,705	2.55	0.97
Other operating	87,472	1.26	0.48	94,961	1.34	0.51
Cost of fixed assets sold	684	0.01	0.00	2,253	0.03	0.01
Depreciation and amortisation	20,595	0.30	0.11	21,102	0.30	0.11
Interest and loans charges	1,830	0.03	0.01	3,817	0.05	0.02
Operating leases	42	0.00	0.00	321	0.00	0.00
TOTAL EXPENDITURE	284,339	4.10	1.55	303,159	4.27	1.63
OPERATING RESULT (BEFORE ABNORMAL ITEMS)	4,992	0.07	0.03	(193)	(0.00)	(0.00)
KILOMETRES TRAVELLED ('000)	69,317			70,979		
PASSENGER JOURNEYS ('000)	183,792			185,762		

Statutory information

5. Comparison 97/98 and 98/99 financial results cont'd

Sydney ferry services

	1997/98			1998/99		
	Actual \$000	Per Km \$	Per Passenger Journey \$	Actual \$000	Per Km \$	Per Passenger Journey \$
Income:						
Passenger revenue	32,314	24.15	2.47	33,318	25.67	2.55
Travel concessions	8,923	6.67	0.68	8,070	6.22	0.62
Community service obligations	14,660	10.96	1.12	16,278	12.54	1.24
Rent and advertising	195	0.15	0.01	153	0.12	0.01
Finance lease contingent rental	505	0.38	0.04	0	0.00	0.00
Proceed from sale of assets	146	0.11	0.01	54	0.04	0.00
Other revenue	43	0.03	0.00	45	0.03	0.00
TOTAL INCOME	56,786	42.44	4.35	57,918	44.62	4.43
Expenditure:						
Payroll and related costs	23,906	17.87	1.83	27,519	21.20	2.12
Other operating	27,044	20.21	2.07	28,881	22.25	2.21
Cost of fixed assets sold	75	0.06	0.01	51	0.04	0.00
Depreciation and amortisation	8,150	6.09	0.62	7,527	5.80	0.58
Interest and loans charges	1,074	0.80	0.08	794	0.61	0.06
Operating leases	755	0.56	0.06	808	0.62	0.06
TOTAL EXPENDITURE	61,004	45.59	4.67	65,580	50.52	5.03
OPERATING RESULT (BEFORE ABNORMAL ITEMS)	(4,218)	(3.15)	(0.32)	(7,662)	(5.90)	(0.60)
EST KILOMETRES ('000)	1,338			1,298		
PASSENGER JOURNEYS ('000)	13,068			13,080		

Statutory information

5. Comparison 97/98 and 98/99 financial results cont'd

Newcastle services

	1997/98			1998/99		
	Actual \$000	Per Km \$	Per Passenger Journey \$	Actual \$000	Per Km \$	Per Passenger Journey \$
Income:						
Passenger revenue	6,840	0.69	0.51	6,530	0.67	0.50
Travel concessions	14,507	1.46	1.09	15,348	1.58	1.18
Community service obligations	3,180	0.32	0.24	3,538	0.37	0.27
Rent and advertising	408	0.04	0.03	437	0.05	0.03
Finance lease contingent rental	71	0.01	0.01	0	0.00	0.00
Proceed from sale of assets	52	0.01	0.00	159	0.02	0.01
Other revenue	30	0.00	0.00	45	0.00	0.00
TOTAL INCOME	25,088	2.53	1.89	26,057	2.69	2.00
Expenditure:						
Payroll and related costs	19,688	1.98	1.48	20,204	2.09	1.55
Other operating	8,514	0.86	0.64	8,429	0.87	0.65
Cost of fixed assets sold	56	0.01	0.00	166	0.02	0.01
Depreciation and amortisation	2,311	0.23	0.17	2,183	0.23	0.17
Interest and loans charges	166	0.02	0.01	263	0.03	0.02
Operating leases	144	0.01	0.01	152	0.02	0.01
TOTAL EXPENDITURE	30,879	3.11	2.32	31,397	3.26	2.41
OPERATING RESULT BEFORE	(5,791)	(0.58)	(0.44)	(5,340)	(0.57)	(0.41)
EST KILOMETRES ('000)	9,922			9,686		
PASSENGER JOURNEYS ('000)	13,283			12,997		

Statutory information

5. Comparison 97/98 and 98/99 financial results cont'd

Business support

	1997/98 Actual \$000	1998/99 Actual \$000	Variation \$000	%
Income:				
Rents	1,491	1,507	16	1.1%
Interest	212	850	638	300.9%
Proceed from sale of assets	105	1,709	1604	1527.6%
Other revenue	180	650	470	261.1%
TOTAL INCOME	1,988	4,716	2,728	137.2%
Expenditure:				
Payroll and related costs	13,239	15,177	(1,938)	(14.6)%
Other operating	(14,441)	(12,040)	(2,401)	(16.6)%
Cost of fixed assets sold	79	628	(549)	(694.9)%
Depreciation and amortisation	1,073	1,128	(55)	(5.1)%
Interest and loans charges	29	29	0	0.0%
Operating leases	1,026	1,193	(167)	(16.3)%
TOTAL EXPENDITURE	1,005	6,115	(5,110)	(508.5)%
OPERATING RESULT (BEFORE ABNORMAL ITEMS)	983	(1,399)	(2,382)	(242.3)%
ABNORMAL ITEMS	0	5,880	5880	-
NET OPERATING RESULT	983	4,481	3,498	355.8%

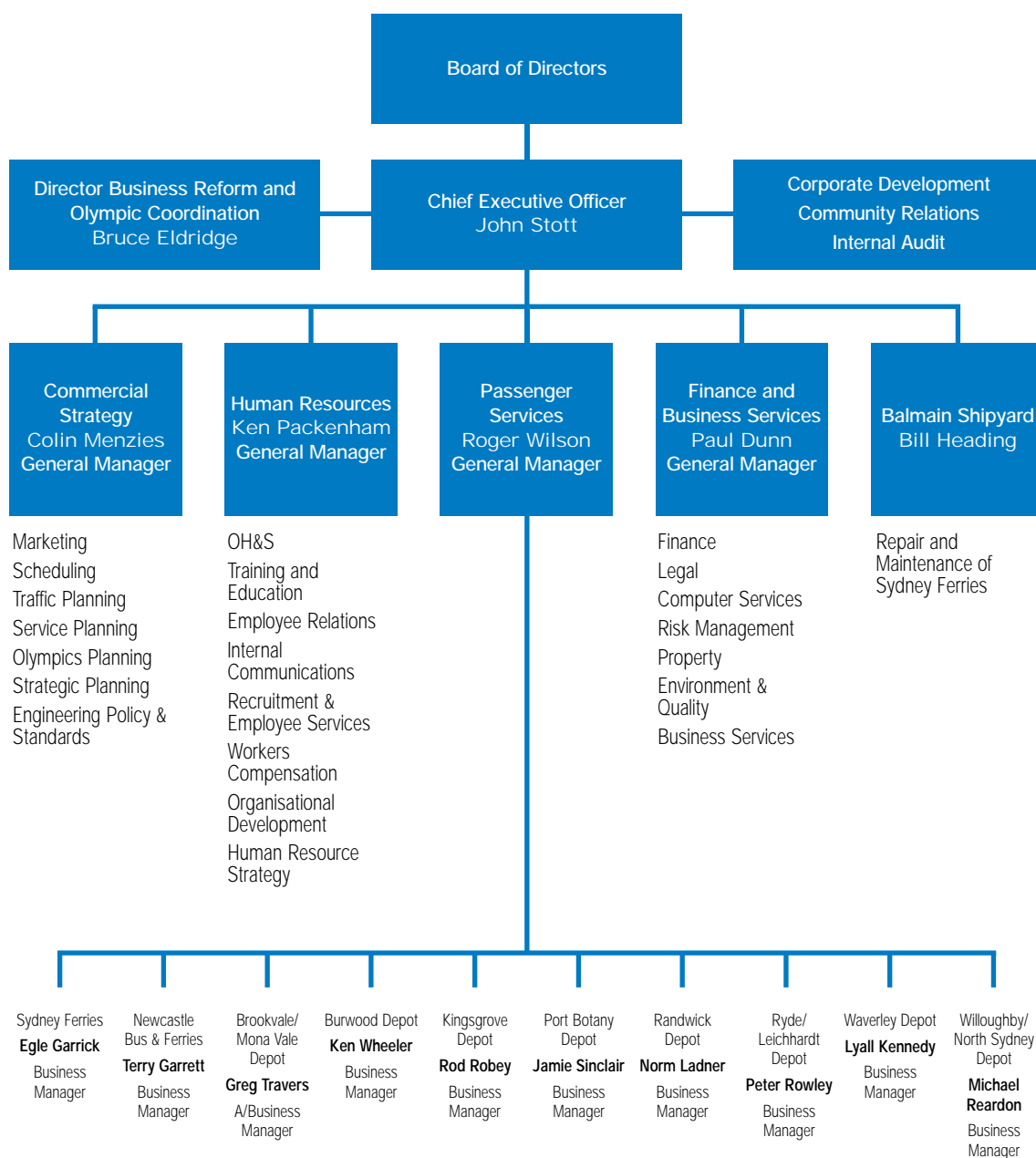
Balmain shipyard

Income:				
Maintenance recovery	6,841	5,007	(1,834)	(26.8)%
Proceed from sale of assets	0	22	22	-
Other revenue	82	0	(82)	(100.0)%
TOTAL INCOME	6,923	5,029	(1,894)	(27.4)%
Expenditure:				
Payroll and related costs	3,035	3,156	(121)	(4.0)%
Other operating	4,035	1,565	2,470	61.2%
Cost of fixed assets sold	0	18	(18)	-
Depreciation and amortisation	248	288	(40)	(16.1)%
Operating leases	72	73	(1)	(1.4)%
TOTAL EXPENDITURE	7,390	5,100	2,290	31.0%
OPERATING RESULT (BEFORE ABNORMAL ITEMS)	(467)	(71)	396	74.5%

Organisational items

6. Organisational structure

State Transit's organisational structure provides operating autonomy to line managers, provides a clear mechanism for driving quality and setting standards, establishes specific accountabilities and facilitates communication across the organisation.



Organisational items

7. Board of directors

The Board's role in the corporate governance of State Transit, includes setting the overall strategic direction, monitoring the performance of management, and overseeing significant financial matters. State Transit's corporate governance practices ensure a high standard of accountability and independent monitoring throughout the Authority

Corporate governance

State Transit Board members are appointed by the Minister for Transport for terms of up to three years. There are eight members of the Board, one of whom is the Chief Executive of the Authority.

The Board meets monthly and is responsible for setting State Transit's major policies and overall strategic direction. The Board also monitors the performance of management, major capital expenditure and significant financial matters.

The Board has an Audit Committee to support it in fulfilling its responsibilities under the Transport Administration Act 1988.

The Audit Committee ensures the independence of the audit function, monitors corporate risk and internal controls and reviews financial and other practices, including the quality and integrity of financial reports and the performance of State Transit's Internal Audit function.

The Audit Committee met on five (5) occasions during the year under review.

The members of the Audit Committee are:

Mr A D Bowra (Chairman)

Mr G J Ashton

Mr J D Stott

The Audit Committee is supported by:

- **General Manager, Finance and Business Services**
- **Manager, Audit and Risk Control**
- **representatives of the NSW Auditor General**

Board members

David Herlihy – Chairman

Mr Herlihy has a wide-ranging background in banking and finance. He held senior positions with Capel Court Corporation over a ten year period before establishing the investment bank Nathans Limited. For five years until 1997, Mr Herlihy was principal finance advisor and in-house banker for the Paul Ramsay Group, a major operator of health care facilities and a commercial television network.

Currently, Mr Herlihy is Chairman of Lafarge Alumina Australia, a subsidiary of Lafarge France, a major world cement manufacturer, a corporate advisor to Integral Treasury Corporation, and asset management advisor to the Trustees of the sisters of the Good Samaritans. He is also a life member of the Australian Institute of Political Science.

Mr Herlihy was first appointed to the Board of State Transit in January 1996 and became Chairman in January 1997. His current term expires on 15 January 2000.

John Stott – Chief Executive

Mr Stott has a wide-ranging background in the transport industry, both in the public and private sectors and in all modes – land, marine and aviation. He has been closely involved in many aspects of transport reforms over the past 20 years and has extensive experience in the management of Government Trading Enterprises. Since Mr Stott was appointed as Chief Executive in May 1996, State Transit has made significant service and fleet enhancements, particularly in the area of passenger and staff security.

In June 1999, Mr Stott was awarded the Public Service Medal for his contribution to the advancement of public transport, especially in regard to the provision of services that are accessible to people with disabilities.

Organisational items

Mr Stott is also Chairman of the Australia/New Zealand Chapter of the International Union of Public Transport (UITP) and the Australian delegate to UITP's International Management Committee.

Mr Stott was appointed to the Board under section 25(2)(a) Transport Administration Act 1988 on 8 May 1996.

Geoff Ashton

Mr Geoff Ashton was formerly Managing Director of Monier Limited and later Clyde Industries Limited. He is currently a Member of the Board of the Australian National Training Authority and a Non Executive Director of Leighton Holdings Limited and Evans Deakin Industries Limited. He is also Chairman and Director of a number of private companies and National Vice President of the Australian Industry Group. Mr Ashton was appointed to the Board on 16 January 1997 and his term expires on 15 January 2000.

Anthony Bowra

Mr Anthony Bowra spent 33 years with IBM Australia Ltd in executive management positions in Australia, Japan and the United States and was a Board member for 13 years. He has wide experience on public and private sector Boards and is a Foundation Fellow of the Australian Institute of Company Directors. He is Deputy Chairman of ADI Limited, Chairman of ADI Superannuation Fund Pty Ltd and a Director of Keycorp Ltd. Mr Bowra was appointed to the Board on 21 October 1992 and his current term of appointment expires on 31 December 1999.

Mark Lennon

Mr Mark Lennon is a Senior Executive Officer of the Labor Council of NSW and is responsible for the Council's activities in superannuation, electricity distribution and generation, rail and the environment. He has experience in industrial

relations and policy formulation in the public transport industry. Other Board memberships include the ASSET Superannuation Fund, the Trades Hall Association and the Industrial Supplies Office. Mr Lennon was appointed to the Board on 2 February 1994 and his current term expires on 31 December 1999.

Len Regan

Mr Len Regan is currently Managing Director of Transit Planners Pty Limited. He is a member of the Australian Institute of Traffic Planning and Management, the Royal Australian Planning Institute and the Chartered Institute of Transport. During the 1980's, he worked for the Urban Transit and State Transit Authorities and from 1989-1991, was General Manager of State Transit's Newcastle Division. Mr Regan was appointed to the Board on 16 January 1997 and his current term expires on 15 January 2000.

Gabrielle Trainor

Ms Gabrielle Trainor is a partner in John Connolly & Partners, a corporate and government affairs firm. She is a lawyer and former newspaper journalist who specialised in industrial and legal affairs and politics. Her positions in the government and the private sector have included Director of Public Relations for the Commonwealth Attorney-General's Department. Ms Trainor is a Director of the Public Interest Advocacy Centre, Power Facilities Pty Ltd, an infrastructure company and Barnardo's Australia. She is a member of the Securities Institute, the Institute of Directors, the International Bar Association, the Churchill Fellows Association, LEADR and the Sydney Committee of the Breast Cancer Institute of Australia. Ms Trainor was appointed to the Board on 16 January 1997 and her term expires on 15 January 2000.

Organisational items

Julie Walton

Cr Julie Walton is qualified both as a lawyer and urban planner. She is a Councillor of the City of Sydney Council and Chairs the Sydney City Traffic Committee. She also Chairs the NSW Fair Trading Advisory Council and NSW Property Services Advisory Council. Cr Walton has wide experience in government and in public policy development. Cr Walton was first appointed to the Board on 23 January 1996 and her current term expires on 31 December 1999.

Attendance at board meetings

The Board met on 11 occasions during 1998/99 and attendance was as follows:

Name	Meetings Attended
D J Herlihy	10
J D Stott	11
G J Ashton	8
A D Bowra	9
M R R Lennon	10
L J Regan	11
G M Trainor	11
J Walton	11

8. Legislation

The State Transit Authority is constituted as an operating body without policy or regulatory functions and is not charged with the administration of legislation. However, set out under is an overview of the legislation directly relevant to State Transit during the year under review.

Transport Administration Act

The State Transit Authority is created as a corporation by the Transport Administration Act 1988 and operates pursuant to that Act and the regulations made under the Act.

Amendment to the Transport Administration Act

The Transport Administration Amendment (Railway Services Authority Corporatisation) Act 1998 was enacted in 1998 and commenced on 1 July 1998. This Act has no direct impact on the State Transit Authority.

Regulations

The following regulations made under the Transport Administration Act 1988 had direct application to the State Transit Authority and were in force during the year under review:

- Transport Administration (Bus Offences) Regulation 1995
- Transport Administration (Ferry Offences) Regulation 1995
- Transport Administration (Staff) Regulation 1995
- Transport Administration (General) Regulation 1995
- There were no amendments to these Regulations during the year under review.

Orders

Section 85 of the Transport Administration Act 1988 provides that the charges to be demanded by the State Transit Authority in respect of its bus or ferry services and/or any other purpose shall be as from time to time determined by order made by the State Transit Authority.

During the year under review, the Transport Administration (State Transit Authority – Fares) Order 1991 was amended on one (1) occasion, as follows:

- Gazette No 102 of 03.07.98

Passenger Transport Act 1990

State Transit in common with other operators of public passenger services in New South Wales is directly bound by the provisions of the Passenger Transport Act 1990 and relevant regulations made under that Act.

Commercial items

9. Government and social programs payments

Total government payment for 1998/99 at \$167.8m was \$6.2m higher than 1997/98. This increase was mainly due to increases in both patronage and the Metropolitan Standard Bus Scale which form the basis of the calculation for both Concession and Pricing CSO reimbursements.

Government payment consists of the following:

Concessional and free travel

Concession reimbursements are payments from Government which make up the balance of fares where a concession has been allowed as a result of Government's social policies. For example, in the case of pensioners, the traveller pays for an all-day concession ticket (\$1, \$2, \$3) and the Government pays the balance of the full fare for all travel consumed.

Concessions are paid both to State Transit and private operators. State Transit's reimbursement is based on projected patronage levels for the current year, while private operators claim the loss for providing half fares, based on the actual sales each quarter.

The relevant categories included under State Transit's concession program are:

- blind civilians
- school students
- tertiary students
- unemployed
- other welfare recipients
- pensioner and retired senior citizens

In 1998/99 the reimbursement under this program amounted to \$122.8m compared to \$119.5m in 1997/98.

Service level community service obligation

The social program payment for non commercial services is a payment made by Government to reimburse State Transit for operating a number of services that are not commercially justifiable by normal industry benchmarks. As part of this payment, State Transit's Parramatta River service and the Stockton ferry in Newcastle are deficit funded to a level of \$6.4m. Bus services in the Sydney area do not receive any funding for non commercial services. Funding for non commercial services amounted to \$14.2m in 1998/99 compared to \$12.2m in 1997/98.

Pricing community service obligation

The social program payment for non commercial fares is a payment made by Government in recognition of the fact that State Transit's fares (which are regulated by the Independent Pricing and Regulatory Tribunal) are held below commercial fare levels charged by most private sector operators. While State Transit's Single Ride tickets on most parts reflect commercial fares, the pricing on State Transit's multi-trip and multi-modal tickets offer a significant discount at the direction of Government. Funding for this area amounted to \$30.8m in 1998/99 compared to \$30.0m in 1997/98.

10. Changes to fares

Under section 18(4) of the Independent Pricing and Regulatory Tribunal Act, State Transit is required, where there has been a determination by the Independent Pricing and Regulatory Tribunal, to include in its annual report particulars of how any such determination has been implemented.

A change in State Transit's fare scale, in accordance with the determination of the Independent Pricing & Regulatory Tribunal of 5 June 1998, was made by order published in Government Gazette No 102 of 3 July 1998 effective 5 July 1998.

Commercial items

	Determination of the Independent Pricing and Regulatory Tribunal	Fare changes implemented
Single ride bus and ferry tickets	All single journey bus fares will remain unchanged. Inner Zone and Parramatta single ferry fares may increase by 20c per journey. Single ferry fares for Rydalmere, Manly and Jetcat will remain unchanged.	Single ferry fares for Inner Zone and Parramatta increased by 20 cents per journey. The price of all single ride bus, Manly Ferry, Rydalmere and Jetcat fares remained unchanged.
TravelTens and FerryTens	With the exception of the 16-21 and 22-27 sections TravelTens which are to remain unchanged, the maximum price of TravelTens may increase by up to 2.33%. All FerryTen tickets will increase by \$2. The JetcatTen ticket will increase by \$1.	TravelTen increases ranged from 20 cents to 60 cents which was within the 2.33% cap. The price of the 16-21 and 22-27 section TravelTens remained unchanged. All FerryTen tickets increased by \$2. The JetcatTen ticket increased by \$1.
TravelPasses	All weekly TravelPasses may increase by \$1.	The price of all TravelPasses increased by \$1.
BusTripper	The maximum price of the BusTripper ticket will remain at \$7.80.	The price of the BusTripper ticket remained unchanged at \$7.80.
Bus/Ferry DayPass	The maximum price of the Bus/Ferry DayPass ticket will remain at \$12.00.	The price of the Bus/Ferry DayPass ticket remained unchanged at \$12.00.
Time-based tickets – Newcastle	The price of all Newcastle time-based tickets are to remain unchanged. However the Tribunal established a master fare scale to notionally adjust Newcastle fare in line with inflation and other STA fare levels. In the course of future determinations, the Tribunal will adjust actual fares when the notional fare levels reach appropriate 'round' figures.	The price of all Newcastle time-based tickets remained unchanged.

Commercial items

11. Taxes and other payments to Government

State Transit, as a Government Trading Enterprise is subject to a full range of state and federal taxes and other government charges which apply to private sector businesses. Some of these charges are levied under the New South Wales Government's Tax Equivalent Regime. The following taxes and charges applied during 1998/99:

(a) New South Wales state taxes and charges

	\$m
Payroll Tax	15.293
Sales Tax *	5.745
Land Tax	1.544
State Tax on distillate**	2.962
Registration charges and stamp duty for the bus fleet and commercial vehicles	1.402
Financial Institutions Duty	0.263
Total	27.209

(b) Federal taxes and charges

	\$m
Excise duty on distillate	16.592
Fringe Benefits Tax	0.164
Bank Debit Tax	0.031
Total	16.787

* Normally payable to the Federal Government but under the Tax Equivalent Policy is paid to the State Government

** As a consequence of a High Court decision in 1996, the State Tax on Distillate (prior to 1996 called the Franchise Fee) is paid to the Federal Government, which subsequently reimburses the NSW State Government

12. Funds granted to non-Government community organisations

During the year State Transit contributed \$2,000 to the Retired Tram and Bus Workers' Association, which is a non-Government community organisation.

13. Investment management performance

State Transit invests its surplus funds in the 'Hour Glass' Investment – Cash Facility with NSW Treasury Corporation. This is consistent with the investment powers attributable to State Transit by Part 1 of Schedule 4 of the Public Authorities (Financial Arrangements) Act 1987.

According to provision 12(1) of the Annual Reports (Statutory Bodies) Regulation 1995, State Transit is required to measure its investment performance against an appropriate NSW Treasury Corporation investment facility. The NSW Treasury Corporation's Hour Glass Investment – Cash Facility is a suitable facility for this purpose and the compounded rate of return achieved was 5.07%.

14. Account payment performance

The following information is provided in accordance with the requirements of the Annual Reports (Statutory Bodies) Regulation 1995, clause 15.

87% of invoices in 1998/99 have been paid within the trading terms. There were no penalty interest payments made under clause 18(5) of the Public Finance and Audit (General) Regulations, 1995 for the year ended 30 June 1999.

Commercial items

14. Account payment performance cont'd

The following statistics are provided for each quarter in 1998/99:

Paid on Time	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Total	
	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%
Invoice Value	118.91	90	90.2	89	102.37	90	95.73	91	317.03	90
Number of Accounts	-	89	-	91	-	85	-	84	-	87

15. Risk management and insurance

State Transit manages its risks through risk management strategies incorporated into its policies, procedures and work instructions and through its Integrated Insurance Program which provides financial protection for the organisation from unexpected events.

Risk management strategies across the organisation are currently being reviewed as part of the Quality Management System project. This has provided the opportunity to update State Transit's Risk Management Systems to comply with Australian Standard AS4360.1999 – Risk Management.

This project is on-going with the first major phase of development of a comprehensive Risk Register for all State Transit's operations nearing completion. The overall project will be completed prior to the Olympic Games and Paralympics.

State Transit's Integrated Insurance Program provides financial protection for the organisation at catastrophe level for general property, consequential loss, general and marine liability and personal injury. The Program includes a rigorous system of assessment and management for claims made against State Transit in the self-insured below deductible layer (that is, the aggregate dollar amount of losses that State Transit expects to pay on a regular basis year in and year out). This claim management function is performed by a professional claim management organisation that provides unbiased assessment

and payment of legitimate claims whilst protecting State Transit's interest against overstated or unfounded claims.

The claim management system also provides an information database for use by the Safety and Security Manager and line management to identify emerging safety issues that may be dealt with by implementation of risk minimisation initiatives.

16. Response to matters raised by Auditor General in outgoing audit reports

There were no significant issues in the 1998/99 Outgoing Audit Report that required the Authority's attention.

17. Overseas trips

During the year, Mr Roger Wilson, General Manager Passenger Services, undertook the following overseas trip on behalf of State Transit:

Date: From 23 May 1999 to 1 June 1999
Destination: Canada
Purpose: To attend the International Union of Public Transport (UITP) Congress.

18. Freedom of information

During the financial year 1998/1999, State Transit received ten (10) applications for information under the Freedom of Information Act 1989, compared with eleven (11) in 1997/1998.

Commercial items

18. Freedom of information cont'd

Section A – FOI requests

	Personal	Other	Total
New (including transferred in)	7	3	10
Brought Forward (incomplete requests from previous year)	0	0	0
Total to process	7	3	10
Complete	7	3	10
Transferred out	0	0	0
Withdrawn	0	0	0
Total processed	7	3	10
Unfinished (carried forward)	0	0	0

Section B – Results of FOI requests

Granted in full	5	3	8
Granted in part	2	0	2
Refused	0	0	0
Deferred	0	0	0
Completed	7	3	10

Section C

– Basis for disallowing access

S25(1)(a) – exempt	2	0
S28(1)(b) – documents not held	0	0
Total	2	0

Section D – Ministerial certificates Nil

Section E – Formal consultations Nil

Section F – Amendment of personal records Nil

Total

Section G – Notation of personal records Nil

Section H – Costs

Assessed costs	FOI fees received
\$800	\$255

Section I – Type of discount allowed on fee charged

	Personal	Other
Financial Hardship – pensioner / child	2	0
Financial Hardship – non profit organisation	0	0
Total	2	0

Section J – Days to process

0 - 21 days	7	3
-------------	---	---

Section K – Hours to process

0 - 10 hours	7	3
--------------	---	---

Section L – Reviews and Appeals Nil

19. Consultants' fees

A. Where fees exceeded \$30,000

Name	Fee \$m
KPMG	
– conducted an independent testing on Automatic Fare Collection (AFC) system against tampering	0.035
Passmore Duff and Associates	
– Developed incident response procedures for assault on State Transit employees	0.034

B. Where fees paid were less than \$30,000

Name	Fee \$m
Fees paid to 8 consultant agencies	0.065

20. Committees (internal and external)

Internal committees

Environment committee

This management committee ensures that strategic planning by State Transit gives adequate prominence to environmental management issues. It monitors State Transit's environmental performance and ensures that any required corrective measures are carried out. The committee reviews each site's environmental management program to ensure that it conforms with the overall policy and philosophy of State Transit.

Information technology committee

This management committee commissions and approves development of Information Technology (IT) strategies for State Transit. It oversees management of the strategic plan for the control, development, acquisition and implementation of IT facilities and computer systems throughout State Transit and establishes priorities. The committee ensures that the application of IT and systems is in accordance with State Transit's Business Unit and Corporate requirements.

Capital works committee

This management committee is responsible for ensuring that capital works initiatives undertaken by State Transit are appropriate to the organisation's objectives. The committee also takes into account State Transit's statutory, environmental and community obligations in relation to each project and ensures adherence to government guidelines. The committee monitors each project from inception through to completion and post-implementation review.

Tender review committee

This management committee considers tenders relating to projects valued at \$100,000 or more. The approval of the committee is required at two stages of the tendering process- prior to the advertising of a tender and then prior to acceptance of a tender. The primary role of the

Tender Review Committee is to ensure that State Transit's tendering guidelines are complied with and that probity is maintained throughout the tendering process.

Audit committee

The Board has an Audit Committee to support it in fulfilling its responsibilities under the Transport Administration Act 1988. The Audit Committee ensures the independence of the audit function, monitors corporate risk and internal controls and reviews financial and other practices, including the quality and integrity of financial reports.

OHS&R committee

This management committee reviews compliance with State Transit's OHS&R system, and directs remedial action and system improvements as required. The committee plays a strategic role in improving State Transit's overall OHS&R performance by providing input into the development and monitoring of performance indicators, and the establishment of benchmarking comparisons with external organisations.

External committees

- Bus and Coach Association Executive and Technical Committees
- Centennial Park/Moore Park Transport Committee
- City of Sydney Transport Committee
- City of Sydney Development Committee
- Department of Transport Major Events Coordination Unit
- Eastern Distributor Bus Priority Taskforce
- Eastern Distributor Local Area Improvement Program Committee
- Eastern Distributor Local Area Traffic Committee
- Ferry Taskforce of Olympic Roads and Transport Authority

Commercial items

- Hunter Region Transport Forum
- Hunter Regional Development Organisation
- Inner Metropolitan Transport Forum
- Integrated Transport Forum STA/City Rail
- Local Council Traffic Committees
- Manly Interchange Redevelopment Committee
- NRMA Clean Air 2000 Taskforce working groups
- Premier's Department Anti Graffiti Working Party
- Public Transport Authority
- Public Transport Authority Integrated Ticketing Working Group
- Public Transport Authority Passenger Information Working Party
- RTA Bus Priority Committees
- Standards Australia: Intelligent Transport Systems Standards Committee
- Sydney Cove Waterfront Strategy Committee
- Transit Safety Interagency Chief Executive Officers Meeting
- UITP Australia and New Zealand

21. Recycling activities

State Transit supports the NSW Government's commitment to reducing the quantity of waste going to landfill disposal.

In 1998/99, State Transit made a significant contribution to waste reduction by collecting the following waste products for recycling:

Metal	240 tonnes
Aluminium	10 tonnes
Oil	240,000 litres
Batteries	2,200
Steel Drums	520
Paper	1,700 cubic metres

In addition:

- water is collected and re-used in bus washing bays with only 10% use of fresh water as a final rinse. At Newcastle's Hamilton depot, ground water is treated then used for the final rinse in the bus wash.
- rainwater is collected for use on gardens.
- bus tyres are retreaded up to 3 times before the casings are converted into recycled rubber products.

During 1998/99 State Transit exceeded the targets set for recycling:

- A 70% increase in the amount of paper collected for recycling was achieved against a target of 20%.
- A 65% increase in the use of recycled paper for office purposes was achieved against a target of 20%.

22. Year 2000 compliance

During the year, State Transit continued to assess its position regarding Year 2000 system compliance. Most systems were found to be compliant and this was verified by an independent third party. The review identified that State Transit's Year 2000 project is running satisfactorily and there is evidence of little or no exposure to the organisation as a result of the change over to the Year 2000.

State Transit's Year 2000 project is overseen on a monthly basis, by a project review committee which includes representatives from across the organisation.

Compliance will be achieved at minimal cost, since State Transit generally uses commercially available software. The major costs identified are estimated at \$0.950m, which is primarily for the replacement of the bus fuel management system, and the data loggers on some of our ferries. Neither of the above systems impact the delivery of services.

Operational items

The following activities have been completed:

- All key internally maintained and supported IT systems tested and Year 2000 ready
- Key externally maintained and supported IT systems tested and Year 2000 ready
- all types of vehicles and vessels and associated tooling confirmed as Year 2000 compliant
- development of contingency plans
- review of insurance policies
- implementation of compliance warranty on all acquisitions
- review of State Transit's legal exposure

The major activities that will be conducted during the last six months of the calendar year 1999, include:

- implementation of the Year 2000 compliant refuelling management system and Ferry data logging system. These systems do not impact the delivery of State Transit's services
- promulgation of the contingency plans that have been developed
- continued building of awareness and training

This statement is a year 2000 disclosure statement for the purpose of the Year 2000 Information Disclosure Act 1999. A person may be protected by that Act from liability for these statements in certain circumstances.

23. Service changes in response to community consultation

New services

State Transit purchased the route 135 service, Manly Wharf – Manly Hospital – North Head in July 1998, from a private operator. The service is now operated as "hail and ride" throughout.

- The route 405 Olympic Explorer service operating from Homebush Bay Visitors Centre, including a tour with commentary of Homebush Bay, replaced the former Route 010 Homebush Bay Tour and Route 407 combined bus/ferry tour services.
- A new route 403 service was introduced from Strathfield Station, via Olympic Park and Newington Estate to the Homebush Bay Wharf where it integrates with RiverCat ferry services.
- New Airport Express services were introduced from Glebe and Bondi.
- A new cross-regional service, route 370 Coogee to Leichhardt, was commenced.
- State Transit provided bus services to major events at Homebush Bay on Olympic Bus routes 2 and 4.

Extension of services

- After liaison with Manly Council and local Police, additional journeys were introduced at 3.30 and 4.00 am between Manly, Harbord Diggers Club and Dee Why shops to assist people after late night entertainment.
- In conjunction with the Newport and Dee Why Hotels and local Police, special additional services are provided late on Saturday nights from these hotels.
- Route 502 was extended to operate to Bayview Park, Concord.
- Route X06 (East Ryde to Circular Quay) has been altered on its inward trip, operating as route 506 to Hunters Hill. This has greatly improved service for passengers from East Ryde to Hunters Hill in the morning peak period.
- Route 475 services between Rockdale and Brighton were extended to run to Rockdale Plaza from Mondays to Saturdays.

Operational items

- Route 476 services from Dolls Point were diverted to run to Rockdale Plaza during shopping hours, providing a 15 minute service frequency in conjunction with route 477 from Miranda.
- Wheelchair accessible services on route 476 between Rockdale and Dolls Point were extended until midnight daily.
- Wheelchair accessible services on route 478 between Rockdale and Ramsgate were extended until midnight daily.
- Route 477 services between Rockdale and Miranda were extended from 4pm to 5pm on Saturdays.

Major frequency improvements

- "Park and Ride" areas were established and additional peak hour bus services were introduced on routes E87 and E88, Central Railway – Wynyard – Newport – Avalon in conjunction with the SHOROC group of Northern Suburban Councils.
- Route 272 services (North Willoughby to Wynyard) were increased in both the morning and afternoon peak periods, achieving patronage growth of 8%.
- Route 294 (Queen Victoria Building to Macquarie Park and Macquarie University) saw three additional trips introduced during the morning peak.

Replacement or reduction of services

- A major rebuild of the timetable for the cross-regional route 200 service (Bondi Junction to Chatswood) resulted in a slight frequency reduction, but improved service reliability for passengers.
- Route 401 night time service between Strathfield Station and Olympic Park were replaced by rail services (between Lidcombe and Olympic Park Stations).

- Underutilised school services in the Manly – Warringah area ceased and the resources were diverted to other areas of need.

24. Customer response

	1997/98	1998/99
No of Complaints		
• written	3,031	2,984
• phone/verbal	7,555	9,425
Commendations		
• written	311	343
• phone/verbal	193	184

Main features of complaints were:

- service complaints, including unscheduled cancellations, late running and accommodation
- staff complaints, including poor driving, not stopping when signalled and rudeness
- fares and ticketing
- other general complaints, such as environmental pollution, passenger behaviour and difficulty boarding/alighting

25. Guarantee of service

State Transit has renewed its commitment to raise performance standards on buses and ferries in Sydney and Newcastle.

The commitment to customer service is supported by six main aims:

- To ensure that the service delivered reflects the travel needs of customers.
- To operate buses and ferries with excellent safety standards for the benefit of passengers, staff, the general public and their property.
- To provide bus and ferry services that meet high standards of frequency, timeliness, reliability and cleanliness.

Operational items

- To provide customers with complete, easily understood and up-to-date service information.
- To develop a reputation for customer service through polite, courteous and helpful staff.
- To make services more accessible for all passengers.

State Transit's Guarantee of Service is published on its Internet home page, including details of what to expect from bus and ferry services, how to use the services, contact details and how to make suggestions, commendations or complaints.

26. Disability plans

State Transit has a Disability Strategic Plan under Section 9 of the Disability Services Act 1993 to ensure accessible public transport. It is also committed to implementing the requirements of the Draft Disability Standards for Accessible Public Transport under the Commonwealth Disability Discrimination Act. Progress in this area for 1997/98 includes:

- Purchase of two fully accessible 150 seat HarbourCat ferries.
- Purchase of 44 new wheelchair accessible buses – 33 low floor buses and 11 hoist equipped midi buses.
- Increase in the number of low floor buses in the fleet to 253 (14.8% of the fleet) of which 142 are fitted with a ramp for wheelchair access.
- Letting of a contract for the supply of 300 new ramp-equipped low floor CNG powered Mercedes buses for delivery over the next three years. These buses are fitted with improved features for the disabled, including bright grab handles, larger clearer destination signs, brighter interiors and more priority seating.

- Introduction of timetabled wheelchair accessible services on a further seven routes, including routes along Anzac Parade to Pagewood and Little Bay.
- Introduction of wheelchair accessible buses on the Bondi & Bay Explorer and the Glebe and Bondi Airport Express Services.
- Progress on the upgrade of Kirribilli wharf to provide disability access.
- Liaison with the NSW Waterways Authority to provide improved disability access at Circular Quay wharves.
- Provision of disability awareness training to over 500 staff, including Bus Operators and other front-line staff.
- Liaison with the Olympics Roads and Transport Authority to provide accessible bus services to major events at Homebush Bay and plan for accessible services to the Olympic and Paralympic Games.
- Introduction of new wheelchair accessible RiverCat services to Homebush Bay wharf.

Human resource items

27. Human Resource statistics

Comparison of staff by classification (full time equivalent) over the three year period from June 1996 to June 1999 is outlined in the table below:

Category	June 1996	June 1997	June 1998	June 1999
Operations (Wages)	3, 156	3, 361	3,380	3,496
Maintenance & Support (Wages)	380	385	381	369
Salaried Officers	551	542	530	548
SES & CES	14	16	14	14
Total	4, 101	4, 304	4,305	4,427

28. Equal Employment Opportunity

Percentage of women in the workforce by income

Salary band* \$	Total staff **	Number of women	Percentage of women (%)
< 25,761	128	50	39.1
25,761 – 33,835	3,172	273	8.6
33,836 – 37,825	406	37	9.1
37,826 – 47,866	246	43	17.5
47,867 – 61,899	317	49	15.5
61,900 – 77,374	141	5	3.5
> 77,374 (non SES)	3	2	66.7
> 77,374 (SES)	14	1	7.1
Total	4,427	460	10.4

Percentage of women in workforce (1995/96 – 1997/98)

Year	Total staff **	Number of women	Percentage of women (%)
1995/96	4, 147	411	9.9
1996/97	4, 356	441	10.1
1997/98	4, 355	450	10.3
1998/99	4,427	460	10.4

* This represents base salary levels only. The actual remuneration of Shift workers is higher than that indicated in salary bands.

** These are actual staff numbers, not full time equivalent.

Human resource items

29. Ethnic affairs priorities statement and agreements

The following targets in State Transit's Ethnic Affairs Priorities Statement have been achieved during 1998/99:

- The Employee Opinion Survey revealed that 62% of staff were happy with State Transit's equity initiatives. This result is 7% higher than the median for other organisations surveyed.
- Intensive training was conducted for existing contact officers to assist them in their role.
- Retreat spaces now exist in 14 out of 15 of State Transit's work locations.
- The Equity/ Diversity Management Plan was aligned with State Transit's Corporate Plan to increase relevance at all levels of the organisation.
- The induction process was reviewed to ensure that the principles of Equity and Diversity were emphasised to staff.

30. EEO target groups

The following table outlines the number of employees falling within Equal Employment Opportunity reporting categories:

	June 1998 (No.)	June 1998 (% Staff)	June 1999 (No.)	June 1999 (% Staff)
Women	450	10.3	460	10.4
Aboriginal People*	19	1.0	24	1.2
People from Non-English Speaking Background*	769	42.3	794	39.3
People with a Physical Disability*	115	6.3	112	5.5

* In previous years, the percentage of staff was calculated on the basis of total number of staff. For 1998/99, however, the percentage of staff figure has been calculated on the basis of the number of respondents to an EEO questionnaire (figures for 1997/98 have been recalculated on this basis).

31. Occupational health, safety and rehabilitation

During 1998/99 further enhancements were made to the Occupation Health, Safety and Rehabilitation (OHS&R) management system. Assessment procedures have been developed and will be fully introduced in the coming financial year.

The Ombudsman's Office has responded favourably to the improvements made by State Transit in Bus Operator and passenger safety and security.

Against an industry wide trend of increased injury and illness in the workplace, State Transit has achieved significant improvements in its OH&S performance.

In addition to the significant advances State Transit made over the year with the installation of closed circuit television cameras and the continuation of Operation Bus Stop, a number of training initiatives were implemented. During the year, approximately 500 Bus Operators attended Personal Safety and OH&S 'refresher' training. Over 2500 Bus Operators have now been trained and all remaining Bus Operators will be trained in the coming financial year.

Enhancements were made to the bus communications system to improve the provision

Human resource items

of assistance to Bus Operators confronted with unsafe situations. In addition, refresher training was provided to approximately 2000 Bus Operators in the operation of the radio and emergency call systems.

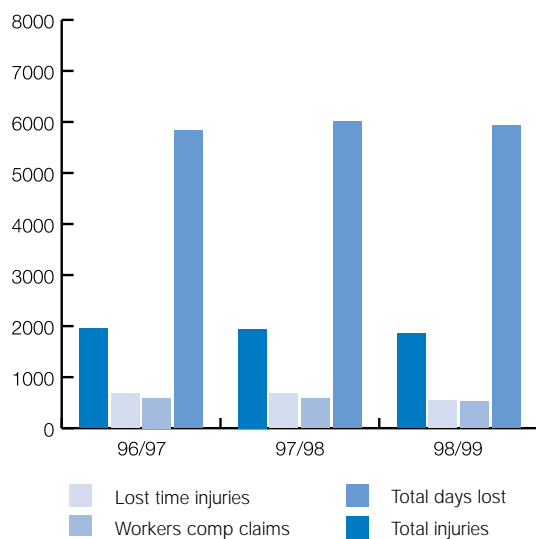
Given the importance of maintaining the safety and security of our employees, we employed additional professional OH&S personnel to increase the focus on the prevention of injuries and the enhancement of return to work programs.

To ensure the health of our people we also provided free vaccinations against influenza during the winter months. Over 1,000 staff were vaccinated as part of this program.

In terms of our overall occupational health and safety performance for 1998/99, State Transit performed well with decreases achieved in the number of incidents reported, lost time incidents, workers compensation claims and total days lost.

The number of incidents reported, lost time incidents and workers compensation claims decreased by approximately 4.5%, 20% and 10.5% respectively from 1997/98.

Total days lost decreased by 1.5% from 1997/98, at a time when staffing levels were marginally increasing (0.5%).



32. Code of conduct and protected disclosures reporting system

State Transit is committed to ethical conduct and fair dealing. To this end, it has published both a Code of Conduct and a Protected Disclosures Reporting System.

The Code of Conduct sets the standard of behaviour expected from employees and provides the necessary guidance to assist employees to be responsive to the needs of customers and State Transit.

The Protected Disclosures Reporting System was established to ensure State Transit's work environment is free of fraud and corruption. It explains the protection available to all employees under the Protected Disclosures Act, and reminds staff about fraud and corruption prevention measures.

Both of these documents have been distributed to new employees as part of the induction program.

Human resource items

33. CES/SES bands

Band 1997*	June 1997	Band 1998	June 1998	Band 1999	June 1999
3 Upper	1	Level 6	1	Level 6	1
3 Lower	1	Level 5	0	Level 5	0
2 Upper	2	Level 4	3	Level 4	3
2 Lower	0	Level 3	1	Level 3	1
1 Upper	8	Level 2	6	Level 2	6
1 Lower	4	Level 1	3	Level 1	3
Total	16	Total	14	Total	14

* During 1997 a different structure applied to CES and SES bands.

34. Senior executives' qualifications

Name	Position	Qualification
John Stott	Chief Executive	B. Sc. (Technology)
Paul Dunn	General Manager, Finance and Business Services	B. Com, MBA, ACA
Roger Wilson	General Manager, Passenger Services	B.E, M.EngSc, CTM, MIEAust
Colin Menzies	General Manager, Commercial Strategy	B.E, MBA, CTM
Ken Packenham	General Manager, Human Resources	B. Comm (Industrial Relations) M. Comm (Industrial Relations)

35. SES performance review

John Stott, Chief Executive, SES Level 6
Period in position 1 July 1998 – 30 June 1999

Responsibilities

The Chief Executive is responsible for delivering State Transit's objectives: efficient, safe and reliable bus and ferry services; sound financial performance; social responsibility; contributions to ecologically sustainable development and regional development. The Chief Executive is responsible for developing and implementing State Transit's strategies as detailed in its Corporate Plan to meet these objectives.

Achievements

Mr Stott maintained and improved State Transit's services in 1998/99, despite major constraints on funding and in the face of significant cost increases. Full year revenues were above budget by 1.2% and costs were held 0.5% below budget, bringing the end of year financial outcome in to plan, notwithstanding strong industrial pressures on labour costs

In terms of service performance, patronage growth was maintained with new services introduced to meet demand and some services adjusted where passenger demand had fallen.

Enterprise agreement initiatives resulted in some significant improvements in efficiency, especially in

Other

the bus maintenance area where a 4% pay increase was allowed in return for a range of workshop productivity measures, and where the aggregate payroll was maintained at 1997/98 levels.

Significantly, the workplace change program was achieved with minimal industrial disruption.

Key achievements for 1998/99 include:

- Commenced new and improved services, including a cross regional route from Leichhardt to Coogee, the Olympic Explorer, integrated bus and ferry services at Homebush Bay and the Airport Express from Glebe and Bondi.
- Introduced over 31 low floor accessible buses.
- Launched the first new Compressed Natural Gas (CNG) bus.
- Commenced operation of two new HarbourCats on the Parramatta River and inner Harbour services.
- Made extensive improvements to safety and security on board buses and ferries for both passengers and employees. Installed closed circuit television cameras installed in 370 buses, and a personal safety training program continued across the organisation.
- Progressed the development of the New South Wales Integrated ticketing strategy.

The Minister for Transport has indicated that he is satisfied that the performance targets specified in Mr Stott's performance contract have been achieved.

36. List of publications

In 1998/99 State Transit produced and distributed:

- 1997/98 Annual Report
- 1998/99 Corporate Plan
- Bus and Ferry Timetables (various)
- Various brochures and flyers, including for a number of tourist products, new and special tickets, service changes, safety material and guides to Sydney Harbour, Newcastle and ferries
- Transit Times (25 editions)

37. Annual report publication details

The State Transit Annual Report was designed and produced by Impress Design, Sydney and printed by Link Printing. 2000 Annual Reports were printed at an average cost of \$12.73 each.

38. Contact details for year ended 30 June 1998

Hours of service

8.30am to 5.00pm, Monday to Friday

Sydney Bus & Ferry information

131 500, 6.00am to 10.00pm daily.

Newcastle Bus & Ferry information

(02) 49 618-933, 24 hours

Corporate office

Level 29, Northpoint, 100 Miller Street, North Sydney NSW 2060

Telephone: (02) 9245-5777

Bus depots

Belmont	(02) 49 450-333
Brookvale	(02) 9941-5816
Burwood	(02) 9582-4444
Hamilton	(02) 49 618-933
Kingsgrove	(02) 9582-3015
Leichhardt	(02) 9582-5911
Mona Vale	(02) 9997-1258
North Sydney	(02) 9245-5260
Port Botany	(02) 9582-7614
Randwick	(02) 9298-6714
Ryde	(02) 9941-6814
Waverley	(02) 9298-6623
Willoughby	(02) 9941-9214

Newcastle Ferry services

(02) 49 292-106

Sydney Ferry services

(02) 9207-3188

Balmain Shipyard

(02) 9246-9666

Index

1999/00 – 2003/04 corporate plan	29	Independent audit report	63
Accessibility	20, 47	Information technology committee	82
Account payment performance	79	Integrated services	14
Annual Report publication details	91	Internal committees	82
Audit committee	64, 74, 82	Investment management performance	79
Balance sheet	35	Key performance indicators	9-10
Board of directors	73-74	Key result areas	30
Bus and ferry network	3	Legislation	76
Capital investment program	67	Marketing program	18
Capital works committee	82	New and improved services	14
Capital works expenditure	67	Notes to and forming part of the financial statements	38
CES/SES bands	90	Notes to the statement of cash flows	37
Changes in fares	77	Occupational health safety and rehabilitation	22, 88
Code of conduct	89	Olympics	19
Consolidated income and expenditure statement	68	Organisational structure	73
Consultants' fees	81	Overseas trips	80
Contact details	91	Performance highlights	8
Customer information	18	Protected disclosures reporting system	89
Customer service skills	18	Publications	91
Customer service strategy	18	Quality systems	16, 31
Customer response	85	Recycling activities	83
Disability plans	86	Review of 1998/99	6
Efficiency	15, 31	Risk management and insurance	80
Employees	21, 22-23	Safety	13, 22
Environment committee	81	Senior executives' qualifications	90
Equal employment opportunities	88	Service changes in response	
EEO target groups	88	to community consultation	84
Ethnic affairs priorities statement and agreements	88	SES performance review	90
External committees	82	Statement by members of the board	62
Financial results	69	Statement of cash flows	36
Financial review	25	Statement of responsibility	64
Fleet enhancement	14	Strategies	31
Freedom of information	80	Summary of land	67
Funds granted to non-Government		Support systems	2
community organisations	79	Taxes and other payments to Government	79
Government and social program payments	77	Technology	16
Guarantee of service	85	Tender review committee	82
Improved efficiency	15	Vision	30
Income and expenditure statement	34	Year 2000 compliance	45, 83

