Bus contracts in metropolitan Sydney

PERFORMANCE AUDIT | 29 JANUARY 2025

NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

audit office
OF NEW SOUTH WALES

ROLE OF THE AUDITOR-GENERAL

The roles and responsibilities of the Auditor-General and the Audit Office, are set out in the *Government Sector Audit Act 1983* and the *Local Government Act 1993*.

We conduct financial or 'attest' audits of state public sector and local government entities' financial statements. We also audit the Consolidated State Financial Statements, a consolidation of all state public sector agencies' financial statements.

Financial audits are designed to give reasonable assurance that financial statements are true and fair, enhancing their value to end users. Also, the existence of such audits provides a constant stimulus to entities to ensure sound financial management.

Following a financial audit the Audit Office issues a variety of reports to entities and reports periodically to Parliament. In combination, these reports give opinions on the truth and fairness of financial statements, and comment on entity internal controls and governance, and compliance with certain laws, regulations and government directives. They may comment on financial prudence, probity and waste, and recommend operational improvements.

We also conduct performance audits. These assess whether the activities of government entities are being carried out effectively, economically, efficiently and in compliance with relevant laws. Audits may cover all or parts of an entity's operations, or consider particular issues across a number of entities. Our performance audits may also extend to activities of non-government entities that receive money or resources, whether directly or indirectly, from or on behalf of government entities for a particular purpose.

As well as financial and performance audits, the Auditor-General carries out special reviews, compliance engagements and audits requested under section 27B(3) of the *Government Sector Audit Act 1983*, and section 421E of the *Local Government Act 1993*.

GPO Box 12
Sydney NSW 2001

The Legislative Assembly
Parliament House
Sydney NSW 2000

The Legislative Council
Parliament House
Sydney NSW 2000

In accordance with section 38EC of the *Government Sector Audit Act 1983*, I present a report titled **'Bus contracts in metropolitan Sydney'.**

Bola Oyetunji
Auditor-General for New South Wales
29 January 2025

RECONCILIATION STATEMENT

We pay our respects and recognise Aboriginal peoples as the traditional custodians of the land in NSW who have cared for and protected the environment, waterways, and sacred sites over many millennia. We honour and thank the traditional custodians of the land on which our office is located, the Gadigal people of the Eora Nation, and the traditional custodians of all the lands on which our employees live and work. We pay our respects to their Elders past and present, and to the next generation of leaders.

We acknowledge that our long history of helping to foster accountability and transparency in the government and Parliament is also shared with the histories of colonisation and the resulting disadvantage of Aboriginal and Torres Strait Islander peoples in this state.

We embrace our role in holding government agencies to account for the delivery of effective services for Aboriginal and Torres Strait Islander peoples. We are committed to ensuring that our audits are culturally responsive, respectful and inclusive, and that we engage with Aboriginal and Torres Strait Islander peoples and communities in a meaningful and collaborative way.

We recognise the ancestral tie of Aboriginal and Torres Strait Islander peoples to this land, and we acknowledge that we have much to learn from their wisdom, rich and diverse culture, languages, knowledge and practices.

Image: 'Yarning Circle' by Caitlin Liddle, Audit Office Indigenous Internship Program participant. Used with permission.

Contents

Bus contracts in metropolitan Sydney

Section 1 – Bus contracts in metropolitan Sydney

Executive summary 1

Conclusion 2

1. Introduction 7

2. On time running performance 24

3. Bus tracking rates, and cancelled and incomplete trips 28

4. Customer complaints 31

5. Contract management 35

Section 2 – Appendices

Appendix 1 – Response from Transport for NSW 45

Appendix 2 – The evolution of bus contracting in NSW from 2003 47

Appendix 3 – About the audit 49

Appendix 4 – Performance auditing 51

Section 1 –

Bus contracts in metropolitan Sydney

Executive summary

Context

Since the 1950s, bus services in most regions of Sydney have been provided under contracted arrangements by private bus operators, with the State Transit Authority (previously the Urban Transport Authority) providing services in a small number of key regions. In 2003, the NSW Government commissioned a 'Review of bus services in NSW' (the Unsworth review), which recommended in 2004 that there should be ten contract regions in metropolitan Sydney, operating with government oversight. After the Unsworth review, the total number of contract regions was progressively reduced, although bus services in four regions (regions 6, 7, 8 and 9) were still provided by the State Transit Authority.

Region 6 was transitioned to a private operator in 2018 and the remaining three regions over the period 2020–2023. This decision coincided with Transport for NSW (TfNSW) introducing a new contract for all but region 6, called the Greater Sydney Bus Contract (GSBC). Nine regions use the GSBC, with services operated by six private firms – representing a total estimated value of nearly $8 billion over the eight-year life of these contracts. Following a competitive tender process, the operator of the first GSBC commenced services in October 2021, while services under the last (ninth) contract commenced in December 2023.

When the then Minister for Transport outlined the NSW Government's intention to franchise these bus regions, he said it would improve services, provide jobs and be better for the environment with a move to zero emission buses. TfNSW's broader strategic objective is to encourage people to switch from using cars to public transport. The NSW parliamentary inquiry into the 'Privatisation of bus services' (2022) and NSW Bus Industry Taskforce (2023 to 2024) have advised on options to improve services.

Audit objective

The objective of this audit is to assess the effectiveness of TfNSW's design and management of metropolitan Sydney bus service contracts through the following criteria.

1. TfNSW is effectively managing the performance of contracts held by private bus companies to ensure contractual commitments are being met, with a focus on key performance indicators (KPIs) relating to:
   a) customer satisfaction and complaint resolution
   b) customer facing data and asset presentation
   c) bus punctuality and cancellation
   d) bus maintenance and ticketing.
2. TfNSW has designed an effective governance regime to underpin performance management of bus contracts in metropolitan Sydney and demonstrates that contracts are being managed to deliver value for money.
   a) TfNSW contract managers have access to, and are using, contract specific management procedures, which include managing KPI defaults in accordance with Schedule 4 of the contract
   b) TfNSW has in place, and uses, an effective program for validating performance data by operators, including a regular and comprehensive auditing program
   c) TfNSW has appropriate performance measures in contracts
   d) TfNSW complies with the contract governance and reporting regime as detailed in Schedule 5 of the contract.

This audit focused on the nine regions using the Greater Sydney Bus Contract. Region 6 (Inner West) uses a slightly different contract (the Sydney Bus Service Contract) and is, therefore, out of scope for this audit.

Conclusion

TfNSW is not effectively managing bus contracts to ensure that operators are meeting contractual performance obligations and customer needs. TfNSW has not responded strategically to ensure bus contracts are delivering effective services in the context of an evolving transport system and changes in work and travel patterns.

TfNSW did not establish the organisational capacity required to manage the transition to the new GSBCs. It identified significant gaps in strategic contract management capacity from 2022 but did not address these satisfactorily. As a result, TfNSW has not undertaken essential strategic activities required to effectively manage GSBCs, including the analysis of KPI trends and customer feedback and complaints, or to identify and act on opportunities for continuous service improvement.

TfNSW worked with operators to develop local solutions to bus performance issues and to address a critical shortage in bus drivers. Starting in early 2023, TfNSW also commenced a program of regular service adjustments for individual GSBCs, but these reviews are region specific. In addition, if an operator is within the first two years of service commencement and its first transit stop on time running (OTR) performance is below the 95% KPI target, TfNSW will not generally approve changes to payments arising from operator requested variations designed to improve punctuality. This limits the ability of private operators to request service level changes (such as alterations to timetables, stops and routes) that could potentially improve services for passengers.

There are gaps in TfNSW's contract management specific procedures and delegations. These gaps mean that the risks of inappropriate exercise of delegations, non-compliance with contractual requirements and/or inappropriate use of public funds are not fully addressed.

Key findings

TfNSW has not responded strategically to major changes in commuter, work and travel patterns on metropolitan bus services

The bus transport system is affected by changes in population, workforce, commuter behaviours and the introduction of new modes of travel. The effects of the COVID-19 pandemic — which emerged quickly — caused a fundamental shift in the transport landscape in metropolitan Sydney because of changes in commuter, work and travel patterns, as well as bus driver numbers. An increase in working from home has resulted in altered traffic patterns in local areas and commuting more generally. In addition, recent major infrastructure projects in Sydney, such as the Sydney Metro M1 line, WestConnex and Sydney Light Rail have further affected traffic patterns. The first GSBC began services shortly after the end of the Sydney COVID-19 lockdown in October 2021 and the last contract began services in late 2023. However, TfNSW's contracted service levels for the GSBC regions were established before these changes to the transport landscape occurred and strategic review is needed to ensure they are still suitable in a changed travel environment.

Starting in early 2023, TfNSW has conducted limited service level reviews for three of the GSBC regions (at the time of writing) to improve service reliability by making timetable and bus schedule changes on selected routes. However, despite the negative impacts on customers from ongoing unreliable services, TfNSW has not conducted a holistic, systematic review of service levels across all metropolitan Sydney regions to fully address the impacts of the post-COVID-19 period, and other changes to the transport landscape arising from new infrastructure and travel options.

Operators are still not consistently meeting one of their primary KPIs, although performance has stabilised since January 2023

First stop OTR is one of the primary KPIs in the GSBC. First stop OTR declined at the beginning of the GSBC period but has stabilised since January 2023. Nonetheless, operator performance has been below the KPI target of 95% OTR most of the time. In the 17-month period from January 2023 to May 2024, bus operators met or exceeded the KPI target in only 15% of instances.

First stop OTR has stabilised from January 2023 to May 2024, which coincides with a sharp decrease in the number of vacancies for bus drivers. Despite this, our audit did not find any meaningful correlations between OTR data and bus driver vacancies in this period. Further, bus operators are not consistently meeting contractual performance obligations for on time running, cancelled trips and customer complaints, meaning they are not meeting customer needs.

TfNSW has worked with individual operators to try to improve OTR at all of the timing points and has levied abatements (penalty payments resulting from an operator's failure to meet contractually specified performance levels) where appropriate. However, OTR across the GSBC regions is below target in most months since the contracts began.

TfNSW's ability to address performance gaps has been limited by a contract condition that requires service variations initiated by operators, within the first two years, to be cost neutral to government

TfNSW may, at any time, request a service variation such as changes to timetables, stops and routes. Under clause 12 of the GSBC, if TfNSW initiates a service variation, any change in payments to the operator will be based on changes to the time and distance of the services provided (as in Schedule 3 of the GSBC).

Private bus operators may, at any time, propose a service variation to TfNSW such as increasing the number of buses running on a route, or the time taken by a bus to complete a trip. However, such changes could increase the cost of the contract to TfNSW.

Under clause 12, if an operator is within the first two years of service commencement and its first transit stop OTR performance is below the 95% KPI target, TfNSW will not generally approve changes to payments arising from operator requested variations designed to improve punctuality. Outside this time frame, or if the operator is meeting its KPI target, TfNSW may consider an operator's request for variation although it is under no obligation to do so.

While it is understandable that TfNSW does not want an operator to request changes simply to mitigate poor performance, this condition may limit an operator's ability to meet its contract requirements. Applying this restriction without considering the specific circumstances of the operator's request has limited TfNSW's ability to address issues beyond the operator's control that could have a significant impact on performance and on the services provided to customers.

Performance in relation to cancelled and incomplete bus trips has improved, but the KPI is still not being met in most months

Aggregate numbers for cancelled and incomplete trips increased rapidly in 2022, peaking at 5.4% of all trips in November of that year. Instances of cancellations and incomplete trips have decreased over the period from January 2023 to May 2024, but operators are still not meeting this KPI target in most months. From January 2023 to May 2024, operators did not meet the KPI in 79.6% of instances.

The audit found a clear link between the percentage of cancelled and incomplete trips and the bus driver shortage – as the number of driver vacancies drops, so does the number of cancelled and incomplete trips. This is consistent with the NSW Bus Industry Taskforce's first report (July 2023), which concluded that most service cancellations and other service failures were a direct result of driver shortages.

There is a visible seasonal effect in cancelled trips, with performance in January markedly better than in February. When fewer people are travelling, as in January, the percentage of cancellations and incomplete trips drops. In February, as bus patronage increases, the percentage of cancellations and incomplete trips rises again.

Customer complaints have increased since the start of the GSBCs, and operators have met the KPI target less than half of the time since January 2023

The number of customer complaints about bus services across all GSBC regions has increased over time. The number of complaints per 100,000 boardings in May 2024 was approximately double that in April 2022, reflecting increasing customer dissatisfaction with the services delivered.

This is consistent with the results of TfNSW's most recent customer satisfaction survey, which showed a steady decrease in customer satisfaction with bus services since 2020 (at 87% down from 94%). However, that period includes the COVID-19 pandemic and lockdown periods, and customer satisfaction has also reduced for all other modes of transport over the same period.

The KPI for complaints in the GSBC is that there should be fewer than 22 complaints (including instances of negative feedback) per 100,000 boardings. From January 2023 to May 2024, bus operators met the KPI for complaints and negative feedback 41.6% of the time, compared to 85.2% of the time between April 2022 and December 2022. However, there are more operators providing bus services in the later period, and patronage figures are greater than they were prior to January 2023.

TfNSW does not systematically analyse customer complaints and has not validated the main reasons for customer dissatisfaction

TfNSW has not conducted systematic analysis of the topics of customer complaints, which means that it is unable to effectively direct operators to address recurring issues. The audit found that the most frequently occurring reasons for complaints across the regions selected for interview and for closer analysis were:

1. trips that did not operate (16.9%)
2. bus missing scheduled stops (16.5%)
3. bus arriving late at a scheduled stop (15.8%)
4. staff/driver behaviour (12.7%)
5. dangerous driving by bus operator staff, including any resulting injuries (10.1%).

Under the purchaser-provider model, TfNSW has determined the bus services it needs in each contract region – both in terms of quality and quantity – and individual operators are expected to deliver services to predetermined standards. As a result, the root causes of customer complaints about punctuality, overcrowding and cancelled trips may be difficult for individual operators to address in the short term, as they have little control over timetables, patronage numbers and traffic congestion. However, recurring complaints regarding missing scheduled stops, driver behaviour and dangerous driving are within operators' control. These issues should be promptly raised with operators and operators' remedies tracked to ensure they are effective.

TfNSW does not systematically audit operator responses to customer complaints despite evidence that operators are not always responding appropriately

Three of the GSBC KPIs on the operators' handling of customer complaints measure the 'satisfactory closure' of a customer complaint within a specified time frame. However, there is no measure of satisfaction in any of the metrics used and operators can meet this criterion just by closing a customer complaint. TfNSW has conducted some ad hoc checks of operator responses and has raised issues with operators about the poor quality of some responses and the rapid resolution of some complaints.

Under clause 31.2 of the contract, TfNSW can audit any aspect of performance of the GSBC. However, TfNSW does not systematically audit operator responses to complaints to provide assurance that they are being satisfactorily addressed. This raises the risk that some customer complaints may not be dealt with appropriately by operators.

TfNSW lacks comprehensive and detailed bus contract management specific procedures and delegations

TfNSW has developed contract management procedures (KPI procedures manual, contract operations plans, contract management plans) to manage operator performance under the GSBCs. The GSBCs are also managed by TfNSW within its broader financial and general delegations framework. In response to the Audit Office's 2015 findings in the performance audit 'Sydney metropolitan bus contracts', TfNSW advised it implemented changes to its delegations framework to ensure that an appropriate senior delegate approves decisions not to require penalty payments for poor performance (abatements) from the operators.

While TfNSW has made improvements to procedures and delegations, there are still notable gaps in the framework. For example, there are no detailed contract procedures or delegations to cover items such as the:

- waiving of contractual time bars that specify that operators cannot ask for specified incidents of poor OTR performance to be excused if their request is not made within a designated time frame
- approval of or directing changes to a 'cure plan' created by an operator to tackle performance issues (see clause 46.1 of the GSBC)
- approval of contract variations or service variations proposed by operators.

These gaps mean that the risks of inappropriate exercise of delegations, non-compliance with contractual requirements and/or inappropriate use of public funds are not fully addressed.

TfNSW has not established sufficient capacity to manage the performance of GSBCs, which has prevented it from undertaking essential medium- to longer-term strategic activities

A 2022 consultant's report commissioned by TfNSW identified weaknesses in the contract management capabilities of the branch managing the GSBCs and recommended improvements. These included additional contract management resources to manage the additional GSBC regions coming under the branch's management in 2022. These recommendations were not implemented by TfNSW.

In November 2023, TfNSW acknowledged internally that '[o]ur outsourced service delivery model works on the theory of low-touch contract management once contracts are agreed', and it did not have the capacity for the successful implementation of the purchaser-provider model for buses. TfNSW has acknowledged that it needs more staff, particularly in contract management and planning. It has recruited staff for the roll-out of zero emission buses and in the workplace safety area for buses, ferries and light rail.

The contract management team responsible for the GSBCs has multiple vacancies at all levels. This has resulted in the team being fully occupied in managing the day-to-day activities of the GSBCs. TfNSW has not ensured the contract management team has sufficient capacity to conduct essential strategic activities, such as analysis of KPI trends, customer feedback and complaints, and identifying opportunities for continuous improvement not just for each region, but across metropolitan Sydney.

TfNSW has advised that recruitment has been conducted multiple times over the period late 2021 to May 2024 with limited success for roles including senior contract officers, contract management specialists and senior contract managers. TfNSW has also advised that it has progressively improved the organisational structure of the contracts team through new temporary roles, and through the establishment of new teams, such as asset specialists, which will broaden the support for the contracts team.

Recommendations

By June 2025, Transport for NSW should:

1. increase the strategic contract management capacity of the bus contracts team to address the gaps identified by TfNSW in 2022 and 2023, and commensurate with the value and complexity of the Greater Sydney Bus Contracts which are worth approximately $8 billion in total.

2. review and address gaps in contract management specific procedures and delegations to ensure clarity in the current framework, and to avoid the risk of inconsistent and inappropriate decision-making.

3. establish and start a process of regular auditing of the efficacy of operator responses to customer complaints, to provide assurance they are being accurately reported and satisfactorily addressed.

By December 2025, Transport for NSW should:

4. implement strategic planning, including enhanced data analysis, to address ongoing and emerging issues that may have an impact on bus performance across all GSBC regions, and to improve bus operator performance.

1. Introduction

1.1. Transport for NSW's strategic objectives for public transport

In March 2018, Transport for NSW (TfNSW) published the 'Future transport strategy 2056' (the Strategy), which outlined its plans to make travel on the NSW transport system easier, safer and more efficient. The Strategy, which was updated in September 2022, has the stated goal of improving every part of the transport system to benefit customers, the community and the economy.

The Strategy refers to research findings that travelling for more than 60 minutes a day decreases an individual's quality of life and reduces the liveability of their city. In response to these findings, the Strategy has the stated aim to ensure that most people can access key destinations within their city by public transport within 30 minutes. This has anticipated stated benefits of:

- reducing traffic congestion
- making cities more sustainable
- facilitating better access to education, employment, health services and leisure activities.

TfNSW states in the Strategy that it 'will create efficient public transport options that encourage people to switch from using their car' and it 'will focus on encouraging mode shift in places with good public transport where it is easier for people to leave the car behind'. The agency is broadly agnostic to the mode of public transport and there is no mention of bus specific strategies. TfNSW's last bus specific strategy was the 'Sydney's bus future' report, which was published in December 2013. While it detailed plans to make bus services 'simpler, faster and better', it did not include measures for bus performance or targets for improvement. Since then there also has been one bus specific plan — the '16 regional cities services improvement program' — but that did not apply to metropolitan Sydney.

1.2. The purchaser-provider model

NSW has progressively moved to a governance model for bus transport where there is a separation between the authority that oversees the transport system and private operators that provide passenger transport services on a daily basis. In many cases, the NSW Government still retains ownership of public transport infrastructure. Timetables, routes, bus stops, bus frequency, network planning and fares are still regulated by the NSW Government.

TfNSW's mandate to provide bus services arises from the *Transport Administration Act 1988* (TAA) and the *Passenger Transport Act 2014*.

The *Passenger Transport Act 2014* established the framework for the procurement of passenger services and allows TfNSW to decide: (i) what it will contract for; and (ii) how those services will be delivered under each contract. Contracts may be offered in any manner TfNSW decides, including by tender and direct negotiation. However, each contract must have a specified term and establish performance standards. The contract cannot provide a right of renewal, although it can grant the current contract holder the right to negotiate a further contract before any other service provider is involved.

The purchaser-provider model[1] is a statutory requirement for public transport agencies in NSW pursuant to section 2B of the TAA. This section of the TAA details common objectives and service delivery priorities, and specifies that public transport agencies are:

> '[t]o focus on performance and service delivery, based on a strong purchaser-provider model with clear accountabilities for outcomes'.

Under this model, the purchaser (TfNSW) determines the services it needs (both in terms of quality and quantity), and purchases services to meet those needs through agreements or contracts with private providers. The role of the providers is to ensure that the services are provided in the manner specified in the agreement or contract. Providers are expected to bring commercial capability to the arrangement in addition to their service delivery expertise.

TfNSW's proposed strategic goals under this model are stated as:

- being an informed and effective buyer of transport passenger services
- delivering value for money for NSW
- implementing a high quality and consistent approach to the functional lifecycle (value chain)
- using strategic partnerships to deliver operational trust and reliability
- enabling internal operational efficiencies through the use and implementation of data, technology and systems
- making strategic decisions through the provision of expert advice
- driving positive customer experience by enabling bus, ferry and light rail services throughout Greater Sydney.

1.3. Bus contracting in metropolitan Sydney

In NSW, in 2003, there were 236 commercial contracts held by 167 private operators in Sydney and key regional cities, with another 1,829 contracts across rural and regional areas.

At that time, the State Transit Authority (STA) provided bus services in the inner and middle rings of Sydney and managed investment for services, assets and technology. In outer Sydney and rural and regional areas, many operators were small, localised and family-run businesses.

In 2003, the NSW Government commissioned the Unsworth review, with its principal objective to advise the Government on creating a bus transport system with common standards of fares and service levels. The Unsworth review, which reported in 2004, found that government-operated and privately-operated buses offered very different levels of service and customer satisfaction. The recommendations of the 2004 Unsworth review report (which the Government accepted) included that:

- there should be ten contract regions in metropolitan Sydney, two in Newcastle and one each for Wollongong, the Central Coast and the Blue Mountains
- a network of strategic corridors linking regional centres should be progressively implemented
- in each region, bus services along the strategic corridors and local bus services should be integrated
- a partnership approach to service planning between operators and the Ministry of Transport should be adopted, with the Ministry of Transport having an oversight role.

[1] The terms purchaser-provider model, outsourced service delivery and franchising are used interchangeably in this audit report.

Subsequently, successive rounds of contracts have seen the provision of bus services across Sydney transition to being entirely provided by private operators, while the number of contracts has reduced. A few of the operators are multi-national companies.

- In 2005, under the Metropolitan Bus Service Contracts (MBSCs) the number of contracts was reduced to 12, with four being operated by the STA.
- In 2013, the MBSCs were replaced with the Sydney Metropolitan Bus Services Contracts (SMBSCs).
- In 2018, the first STA contract region (region 6) was transitioned to be operated by a private bus operator.
- In late 2021 to early 2022, the remaining three STA contract regions were transitioned to be operated by private bus operators. The remaining SMBSCs were retendered and replaced with the Greater Sydney Bus Contracts (GSBCs).

With the introduction of the GSBCs, the recommendations of the 2004 Unsworth review report have been fully implemented — there are now ten regions covering metropolitan Sydney, all of which are operated by private entities.

Over the same period, a number of related events have occurred, including:

- the creation of Transport for NSW (TfNSW), in November 2011, pursuant to the *Transport Legislation Amendment Act 2011* to be an integrated transport authority providing planning and coordination of transport services across the State, including the provision of public transport
- several TfNSW strategies and plans for public transport across the State
- a parliamentary inquiry into the 'Privatisation of bus services' (February 2022 to September 2022)
- the establishment and operation of the NSW Bus Industry Taskforce appointed by the NSW Government (May 2023 to September 2024), which brought together bus operators, industry experts, workforce representatives and community representatives to discuss and make recommendations to improve the reliability, quality and effectiveness of bus services. The Bus Industry Taskforce had a broader remit than this audit and a statewide focus.

A timeline of the evolution of bus service contracting in NSW, including the recommendations of, and Government response to, both the parliamentary inquiry and the NSW Bus Industry Taskforce can be found in Appendix 2.

The Audit Office of NSW has reported on the effectiveness of TfNSW's design and management of Sydney Metropolitan Bus Service Contracts in September 2015, and improving the performance of metropolitan bus services in March 2010.

1.4. The Greater Sydney Bus Contract

Summary of contract regions and operators

Of the ten bus regions covering metropolitan Sydney, nine utilise the GSBC, while the remaining region (region 6, Inner West) uses the Sydney Bus Service Contract (SBSC). The SBSC has some features in common with the GSBC but is sufficiently different that direct comparisons are not possible. As a result, region 6 is outside the scope of this audit.

The franchising of the last three STA operated regions (regions 7, 8 and 9) was staggered due to the impact of COVID-19 on potential tenderers. TfNSW stated that the procurement timeline had been 'adjusted to allow for maximum bidder participation while maintaining an equal playing field' and that staggering the tenders would 'maximise competition and optimise the quality of the tenders' made for each of these contracts.

The first GSBC region (region 8) became operational in October 2021, shortly after the end of the 107-day COVID-19 lockdown. At this point in time, traffic volumes and public transport patronage were low and full bus service timetables were not operating. TfNSW has advised that on time running (OTR) for bus services improved as a result of this unique environment.[2]

There are now six private operators providing bus services in metropolitan Sydney using the nine GSBCs. Table 1 gives an overview of the nine GSBCs, including the operator, estimated value, tender dates, contract start and end dates.

Table 1: Overview of Greater Sydney Bus Contracts

Region	Operator	Estimated value ($m)	Tender date	Tender closing date	Contract award date	Service start date	Contract end date
1	Busways R1 P/L	802	19–07–22	30–09–22	22–02–23	10–12–23	28–06–31
2	Transit Systems NSW SW P/L	564	19–07–22	30–09–22	20–02–23	08–10–23	28–06–31
3	Transit Systems NSW P/L	859	11–04–22	08–07–22	21–12–22	06–08–23	30–11–30
4	CDC NSW Region 4 P/L	1,493	27–01–22	14–04–22	04–11–22	23–04–23	28–06–31
7	Busways North West P/L	957	10–08–20	18–12–20	29–07–21	09–01–22	08–01–30
8	Keolis Downer Northern Beaches P/L	988	24–06–20	30–09–20	27–05–21	31–10–21	30–10–29
9	Transdev/John Holland Buses NSW P/L	1,296	27–11–20	30–04–21	18–11–21	03–04–22	02–04–30
10	U-Go Mobility P/L	549	11–04–22	08–07–22	22–12–22	01–07–23	30–11–30
14	CDC NSW Region 14 P/L	415	27–01–22	14–04–22	04–11–22	21–05–23	19–05–31
	Estimated total value	**7,923**					

Source: Audit Office of NSW analysis of TfNSW bus contracts. This information was provided by TfNSW.

[2] For further details of the impact of COVID-19 on travel patterns, reasons for travelling and patronage numbers see section 1.5.

Figure 1 shows the locations and relative size of all bus regions in the Greater Sydney area (including region 6).

Figure 1: Bus regions in the Greater Sydney area in 2024

Source: Transport for NSW, Open Data site.

The nature and scale of the services provided by the private bus operators varies across the nine GSBC regions. Table 2 represents the monthly averages between August 2023 and July 2024 for the numbers of routes, trips and buses used for each of the operators.

Table 2: Monthly averages for the nine GSBC regions, August 2023 to July 2024

Region	Operator	Timetable routes services (% of total in parentheses)			Contracted timetable trips (% of total in parentheses)			Buses operated
		Regular	School	Total	Regular	School	Total	Total
1	Busways R1 P/L	72 (11.4%)	559 (88.6%)	631	76,114 (90.4%)	8,118 (9.6%)	84,232	322
2	Transit Systems NSW SW P/L	61 (12.7%)	421 (87.3%)	482	52,146 (88.4%)	6,812 (11.6%)	58,958	236
3	Transit Systems NSW P/L	55 (14.8%)	316 (85.2%)	371	70,739 (93.1%)	5,267 (6.9%)	76,006	366
4	CDC NSW Region 4 P/L	59 (10.4%)	511 (89.6%)	570	86,777 (91.2%)	8,425 (8.8%)	95,202	515
7	Busways North West P/L	66 (24.7%)	201 (75.3%)	267	86,573 (94.3%)	5,242 (5.7%)	91,815	403
8	Keolis Downer Northern Beaches P/L	50 (18.5%)	221 (81.5%)	271	94,832 (95.1%)	4,894 (4.9%)	99,726	397
9	Transdev/John Holland Buses NSW P/L	50 (27%)	135 (73.0%)	185	134,053 (97.6%)	3,311 (2.4%)	137,364	468
10	U-Go Mobility P/L	54 (18.7%)	235 (81.3%)	289	56,892 (93.7%)	3,837 (6.3%)	60,729	230
14	CDC NSW Region 14 P/L	48 (12.9%)	325 (87.1%)	373	37,573 (87.5%)	5,374 (12.5%)	42,947	203
	Total	**515 (15.0%)**	**2,924 (85.0%)**	**3,439**	**695,699 (93.1%)**	**51,280 (6.9%)**	**746,979**	**3,140**

Note: 'Timetabled routes services' refer to the number of distinct paths that buses can take in a specific contract region. Routes are distinguished by a unique number (displayed on each bus operating on that route) and each route has its own timetable and set of stops.

Note: 'Contracted timetable trips' refer to the number of trips made on routes services, dedicated school services, event services and rail replacement services that are scheduled by timetable rather than headway.

Source: This data was provided by TfNSW and the audit has not sample tested it for accuracy.

School routes made up most timetabled routes in every region, ranging between 73% of all timetabled routes in region 9 to 89.6% in region 4. There were 3,439 timetabled routes in total, and region 1 contained the largest number of routes (631).

Regular trips made up most contracted trips in every region, ranging from 87.5% of all contracted trips in region 14 to 97.6% in region 9. Region 9 had the largest number of contracted trips (137,364), while also having the smallest number of timetabled routes (185). Region 14 had the smallest fleet of buses (203).

Contract performance measurement

The GSBC includes 22 key performance indicators (KPIs), which outline the required performance of private operators. TfNSW uses these to measure and manage operator performance. The KPIs are outlined in Schedule 4 of the contract and include:

- customer satisfaction
- asset presentation and maintenance
- punctuality
- safety.

If the operator's performance does not reach the KPI target, this can result in a performance improvement initiative or the imposition of an abatement (monetary penalty). For many KPIs there is also a second (lower) performance threshold that, if breached, requires the operator to create a cure plan to address the issue. Performance payments are also available, at TfNSW's discretion, for some KPIs.

However, many TfNSW interventions under the GSBC are discretionary. These include:

- waiving abatements (Schedule 4, clause 7.1.c)
- withholding a portion of a progress payment until a KPI performance target is reached (Schedule 4, clause 7.8.b)
- approving a cure plan (GSBC General Conditions, clause 46.1.c)
- approving an excused performance incident (EPI) application, where the operator seeks to have an incident impacting on KPI performance discounted from KPI measurement (Schedule 4, clause 8.1)
- operator requests for service variations (GSBC General Conditions, clause 12.20)
- initiation of audits in connection with the contract (GSBC General Conditions, clause 31.2).

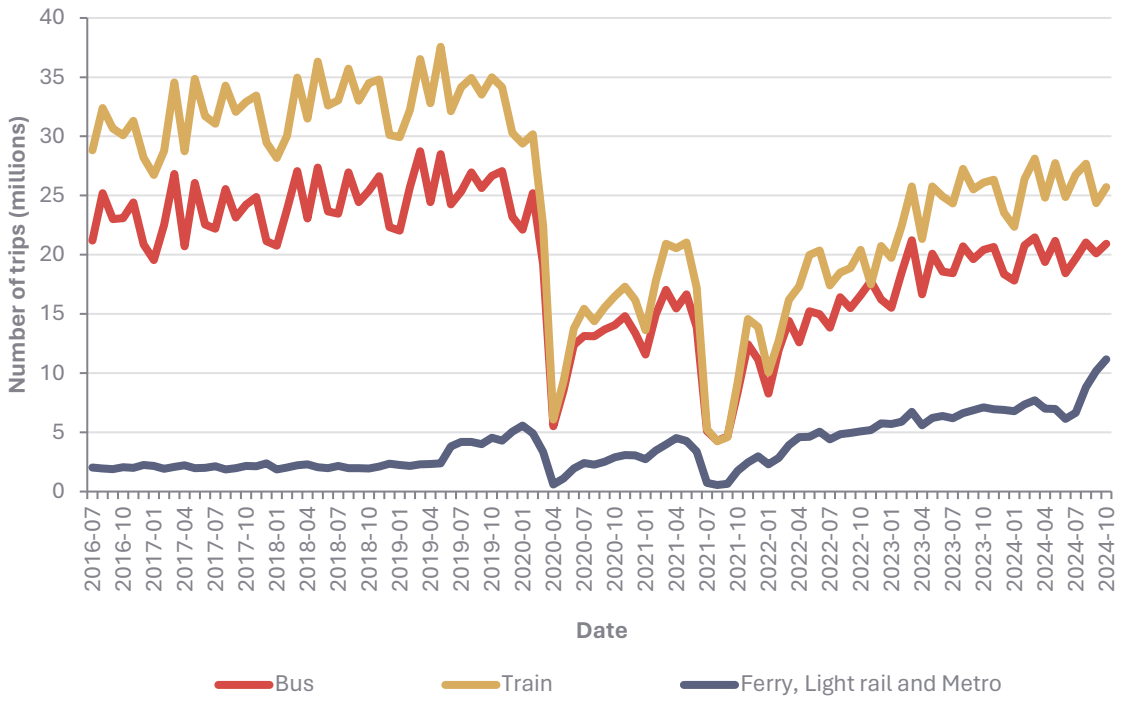
1.5. Impacts of COVID-19

During this audit, TfNSW emphasised the impact of COVID-19 on public transport patronage in Australia and globally. The first confirmed case of COVID-19 in Australia was announced on 25 January 2020. By March 2020, 140 cases had been confirmed in Australia.

Through the Opal ticketing system[3] (Opal cards and credit cards), there is data available on patronage for all modes of public transport in Sydney, the Blue Mountains, the Central Coast, the Hunter and the Illawarra regions of NSW. Across these regions, buses remain the second most widely used form of public transport after trains, as illustrated in Figure 2.

[3] TfNSW is in the process of upgrading the Opal ticketing system to 'Opal Next-Gen'. See section 1.7 for more information.

Figure 2: All passenger trips made on public transport using Opal by mode, July 2016 to October 2024



Note: The data in Figure 2 represents all trips made on public transport in the areas in NSW where the Opal system is used – Sydney, the Blue Mountains, the Central Coast, the Hunter and the Illawarra regions.

Note: Opal data on trains, ferries, light rail and metro is not available after June 2024. However, near real time (NRT) data is available for the months July 2024 to October 2024 and has been used here.[4]

Source: Audit Office of NSW analysis of Opal card and NRT data. These data sets were accessed from the TfNSW open data hub and the audit has not sample tested the data sets for accuracy.

Between July 2016 and October 2024, trains represented 51.8% (2.5 billion trips) of all recorded Opal trips, while bus travel represented 40.3% (1.9 billion trips). Ferries, light rail and metro trips together represented the remaining 7.9% of all passenger trips.

In the areas where the Opal ticketing system is used, metropolitan Sydney has by far the greatest proportion of bus patronage. From July 2016 to the end of April 2024, 92.3% of all Opal recorded bus trips were undertaken in metropolitan Sydney (excluding night bus patronage). This is equivalent to approximately 1.8 billion passenger trips taken on buses in metropolitan Sydney over this period, which averages out to approximately 17.9 million passenger trips each month.

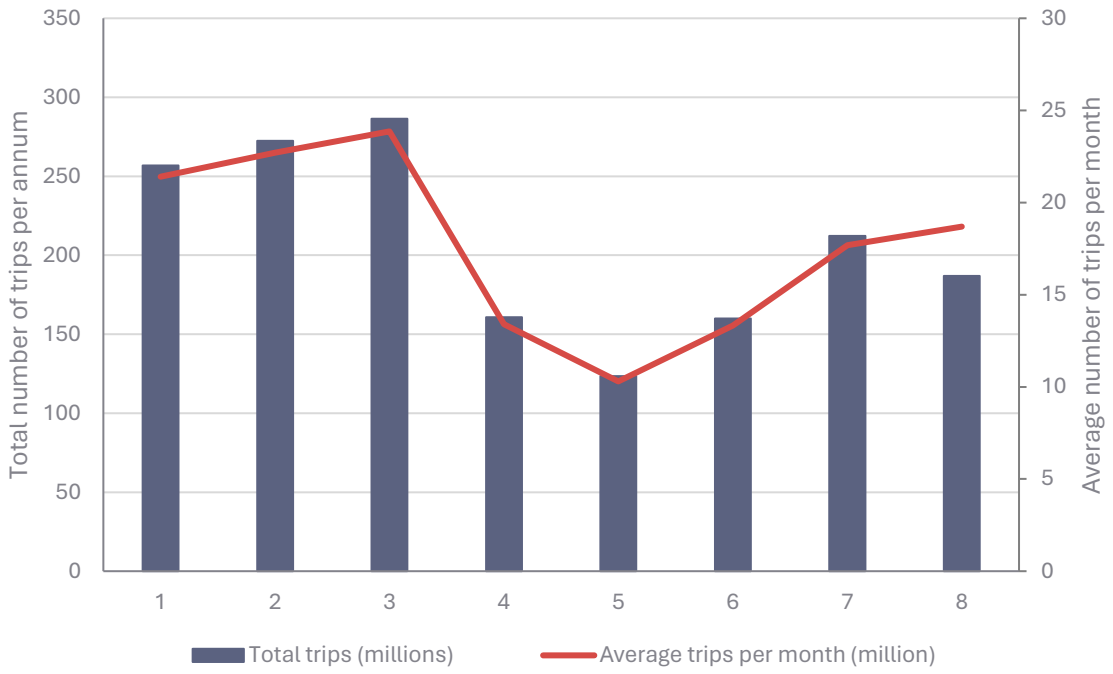
Like other forms of public transport, bus patronage in metropolitan Sydney dropped during the COVID-19 pandemic period – a 43.9% reduction in passenger trips in 2020 compared to the previous year (160.8 million trips compared to 286.35 million trips). This is consistent with both national and international evidence on the impact of COVID-19 on public transport usage, with reported drops in patronage of between 40% and 90%, depending on the location and degree of restrictions on the movement of people.

[4] For Figure 2, the audit used Opal data for all bus passenger trips. We also used this data source for trains, ferries, light rail and metro over the period July 2016 to June 2024. However, for the period July 2024 to October 2024 we used near real time data for trains, ferries, light rail and metro (Opal Trips - All Modes - Opal Trip Counts Based on NRT - by month, public transport mode and card type - TfNSW Open Data Hub and Developer Portal). Near real time data is not available for buses. Our assessment is that there is a high degree of positive correlation between the Opal and near real time data sets.

There are two notable reductions in public transport usage visible in Figure 2 (all Opal areas). These correspond to March 2020, when the first restrictions on public gatherings were introduced in NSW, and June 2021, when the outbreak of the Delta Variant resulted in widespread lockdowns over metropolitan Sydney and several other areas in NSW.[5]

Passenger trip numbers for all modes of transport have increased since the end of the pandemic, as shown in Figure 2. This is also the case for bus trip numbers in metropolitan Sydney, as illustrated in Figure 3 (which shows both the annual total and monthly average number of passenger trips from 2017 to 2024). However, public transport usage for all modes has not returned to pre-pandemic levels. Public transport use, as measured by Opal data, in 2023 was 79.5% of the 2019 level. In metropolitan Sydney, bus usage in 2023 was 74.1% of the 2019 level (or 212.3 million passenger trips compared to 286.4 million passenger trips).

Figure 3: Bus passenger trips in metropolitan Sydney area, January 2017 to October 2024



Note: The data for 2024 only represents the period up to August of that year.

Source: Audit Office of NSW analysis of Opal card data. This data set was accessed from the TfNSW open data hub and the audit has not sample tested this data set for accuracy.

External research on the impact of COVID-19 on work and travel plans shows that residents of metropolitan Sydney saved just over one hour every weekday by not commuting to work. Evidence presented at the Australian Transport Research Forum 2021, and subsequent research undertaken by transport industry participants between 2022 and 2024, found similar results in other Australian jurisdictions, with the majority of Australian workers reporting that working from home is something they wish to continue to do in some form.

As people continued to work from home after the lockdown ended, traffic congestion was higher during different times of day than previously experienced. Further, there was increased traffic congestion around school precincts as more parents elected to drive their children to and from school.

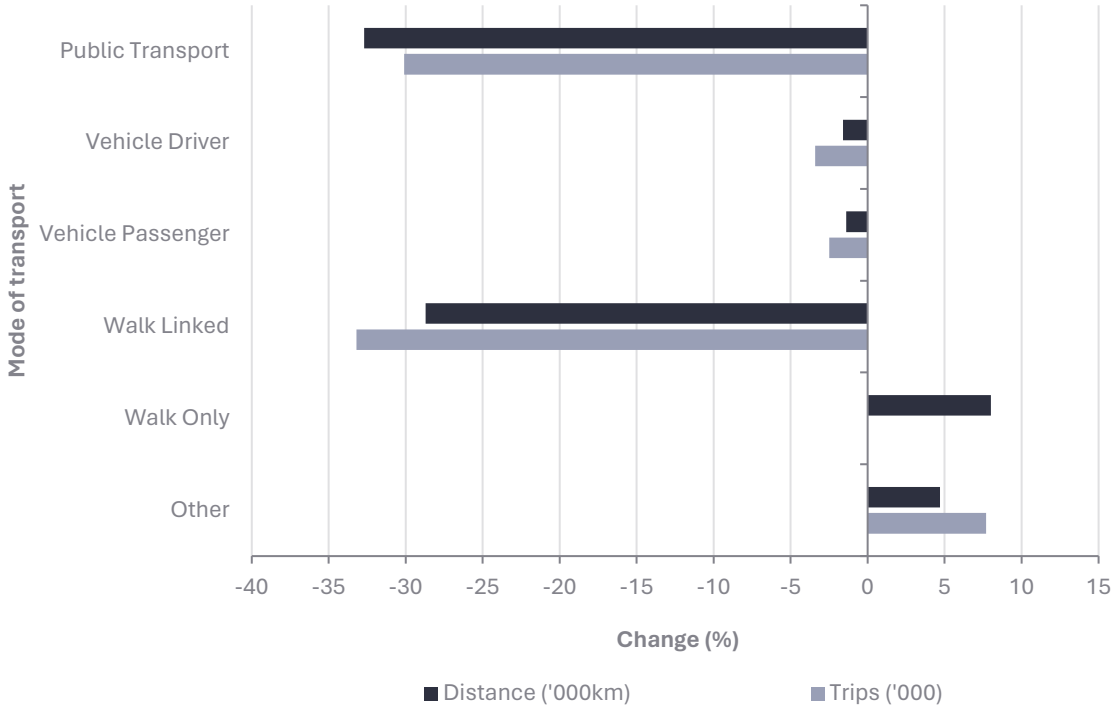
[5] By June 2021, the tenders for regions 7, 8 and 9 had closed and the contracts for regions 7 and 8 had been awarded. However, no services were provided under the GSBC until Keolis Downer Northern Beaches P/L began services in region 8 on 31 October 2021. See Table 1 for more information.

In addition to the changes in working patterns, there is also academic evidence of an ongoing reluctance to use public transport, especially during particularly busy times, such as the morning and evening peak. Research from NSW, and other Australian and international jurisdictions, has found that many travellers now have concerns about their health when using public transport. These concerns include:

- the inability to maintain social distancing
- sanitation and hygiene
- mask wearing and vaccination rates.

In combination, these factors have resulted in a reduction in public transport use and a change in the reasons for traveling. The Household Travel Survey (HTS) in NSW supports these findings, as illustrated in Figures 4 and 5, which represent the percentage change in mode and reason for travel, respectively, from the pre-COVID-19 period (2009 to 2019) to the post-COVID-19 period (2020 to 2023).

Figure 4: Percentage change in mode of travel pre- and post-COVID-19



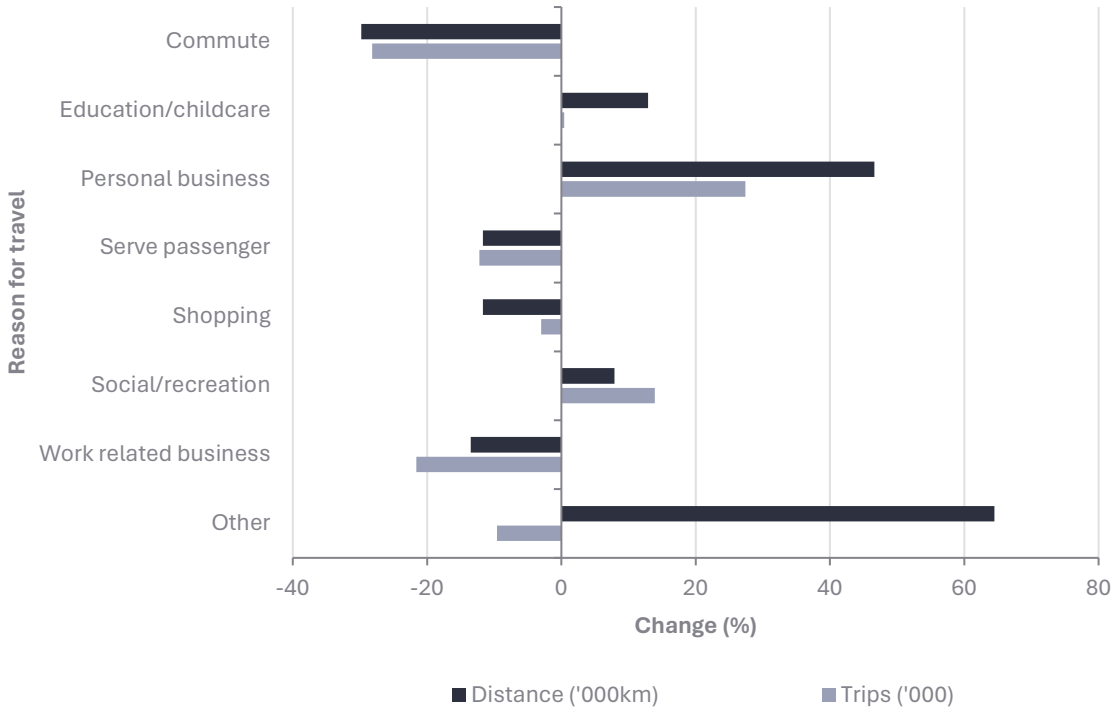
Note: The HTS reports distance in terms of thousands of kilometres travelled while the number of trips taken is measured in thousands. Figure 4 presents the percentage change between the pre- and post-COVID-19 periods as defined by TfNSW in its public reporting of HTS data by region.

Note: 'Public transport' includes buses, ferries, light rail, metro and train. 'Walk linked' refers to trips where walking is used to access, or to move between, other modes of transport. For example, to walk to a bus stop or walk from a bus stop to another mode of transport or the end of trip destination. 'Other' refers to trips made using modes of transport not included elsewhere in the figure, such as taxis or rideshare services, bicycle, aircraft etc.

Source: Audit Office of NSW analysis of HTS data. This data set was accessed from the TfNSW open data hub and the audit has not sample tested this data set for accuracy.

As Figure 4 shows, there has been a marked decrease in public transport use, both in terms of distance travelled (32.7%) and the number of trips taken (30.1%). Vehicle use as both the driver and passenger has only slightly decreased (1.6% for distance and 3.4% for number of trips, and 1.4% for distance and 2.5% for number of trips, respectively).

Figure 5: Percentage change in reason for travel pre- and post-COVID-19



Note: The HTS reports distance in terms of thousands of kilometres travelled while the number of trips taken is measured in thousands. Here, however, we present the percentage change between the pre- and post-COVID-19 periods as defined by TfNSW in its public reporting of HTS data by region.

Note: 'Commute' refers to the first trip to work of the day, usually from home. It includes the first trip to a second job, if any, but excludes any trips to return to work. 'Work related business' refers to trips away from an individual's usual work location or for those people who work at various locations. 'Serve passenger' refers to trips where the purpose is to drop-off, pick-up or accompany another person.

Source: Audit Office of NSW analysis of HTS data. This data set was accessed from the TfNSW open data hub and the audit has not sample tested this data set for accuracy.

Figure 5 shows that, over the same period, there has been a marked decrease in travelling for the purposes of commuting (a 29.8% reduction in distance and 28.2% for the number of trips). In comparison, travel for social and recreational purposes has increased by 7.9% for distance and 13.9% in number of trips, while travelling for personal business has increased by 46.6% for distance and 27.4% for number of trips. The patterns illustrated in these figures are consistent with the research from other Australian and international jurisdictions.

As at December 2023 (the last full year of data available), public transport usage in NSW was 20.5% below pre-pandemic (2019) levels (Figure 2) and bus patronage in metropolitan Sydney was 25.8% below 2019 levels (Figure 3). This is also consistent with research from other Australian and international jurisdictions that finds public transport use was approximately 20% below 2019 levels. In November 2024, TfNSW reported that public transport use in the 2023–24 financial year had reached 'more than 629 million ticketed trips made across all modes'. This is 85.6% of the 735 million ticketed trips TfNSW reported in the 2018–19 financial year.

It is too early to draw any conclusions about whether public transport usage per capita will return to pre-COVID-19 pandemic levels.

In addition to the reduced patronage numbers and the changes in overall public transport use illustrated in Figures 4 and 5, there have also been other COVID-19 related impacts for buses in metropolitan Sydney.

First, there is an ongoing shortage of bus drivers, which is discussed in section 1.6.

Second, as people continue to work from home, traffic and travelling patterns have changed. TfNSW has advised that patronage in peak periods has both flattened and spread as fewer people commute and, of those still commuting, some will choose less busy times or may choose other modes of transport.

Further, as a result of the move away from public transport since COVID-19, traffic congestion has increased compared to pre-COVID-19 levels. Major infrastructure projects in Sydney, such as the Rozelle Interchange and the Sydney Gateway, have also changed traffic patterns, while working from home has resulted in altered traffic patterns in local areas and for commuting.

1.6. Bus driver shortages

There has been a global shortage of bus drivers since the COVID-19 pandemic. Estimated shortfalls range from 6.6% in the UK, approximately ten per cent across mainland Europe and up to 15% in the US where there is a nationwide shortage of school bus drivers. The reasons given for these global shortages include an ageing population of drivers, who retired during COVID-19 at a greater rate than they could be replaced, and poor working conditions relative to other professions, including long hours.

In NSW, bus driver numbers dropped during the COVID-19 pandemic and, in mid-2022, TfNSW advised the number of unfilled driver vacancies in the metropolitan Sydney area was approximately 600 (eight per cent of the total driver workforce). TfNSW also advised that most of the new GSBCs started below the required number of drivers, and this gap widened as some drivers chose not to transition to a new operator, or left the industry altogether. Since then, private operators and TfNSW have addressed the shortage through increased advertising and recruitment activities, as well as offering incentives that include flexible working arrangements, paid driver training and sign-on bonuses.

At the end of October 2024, there were 186 vacancies in metropolitan Sydney, representing a reduction of 63.3% from June 2022. Figure 6 shows the number of vacancies from June 2022 to October 2024 (the most recent date for which driver vacancy data is publicly available at the time of writing).

Figure 6: Driver vacancies for metropolitan Sydney, June 2022 to October 2024

Source: Audit Office of NSW analysis of driver vacancy data. This data set was provided by TfNSW and updated with data from the TfNSW open data hub. The audit has not sample tested this data for accuracy.

In its first report (July 2023), the NSW Bus Industry Taskforce attributed the shortage in bus drivers to factors including:

- an aging workforce, with relatively few women and very few drivers under the age of 25
- drivers choosing to leave the industry due to factors including:
  - working hours and poor work life balance
  - a lack of career progression
  - wanting to avoid specific routes, or working with school children or the general public
  - taking the opportunity to retire or relocate during the COVID-19 pandemic
- opportunities in other industries due to low unemployment and high demand for employees in NSW (a 'tight' labour market) after COVID-19
- bus (and truck) drivers not being an eligible occupation for skilled migration visas, limiting the options for seeking additional drivers overseas, as has been done by other countries experiencing a driver shortage.

In addition, during the peak periods of COVID-19, drivers left the bus industry due to health concerns, particularly elderly drivers with existing health conditions.

The NSW Bus Industry Taskforce's first report (July 2023) noted that becoming a bus driver is a slow and costly process, which may deter some applicants. This report made several recommendations, all of which have been accepted by the NSW Government, including recommendations to make the process for becoming a bus driver quicker, cheaper and easier. However, as the NSW Bus Industry Taskforce's second report (October 2023) noted, while the driver shortage has reduced, more still needs to be done to resolve this issue.

1.7. The Public Transport Information and Priority System

The Public Transport Information and Priority System (PTIPS) is a bespoke technology system used by TfNSW to track bus movements and to measure trip punctuality, incomplete trips and cancellations. PTIPS has been fitted on buses since its creation in 2007, and was last upgraded in 2015.

The NSW Bus Industry Taskforce noted the poor performance of PTIPS in its first report (July 2023). It stated that PTIPS is now unreliable and unable to accurately monitor headway services[6] or service disruptions. Some of the operators interviewed by the audit team also expressed concerns about the integrity of PTIPS data. These concerns centred on the accuracy and completeness of PTIPS data which, in turn, could have an impact on the payments received by operators under the GSBC.

The primary objectives of data generated through the various systems used by TfNSW, including PTIPS, is to support the operation of the GSBCs, including to:

- provide timely information to bus customers relating to bus schedules, including timetables and real-time performance against timetables
- enable TfNSW to validate performance monthly operator service delivery against the KPI targets and thresholds outlined in Schedule 4 of the contract.

[6] A headway service is one that is not timetabled but operates on a prescribed time gap between services.

The NSW Bus Industry Taskforce, in its first report (July 2023), recommended that TfNSW 'urgently finalise the current business case for a new technology system to improve passenger and operational information and the efficiency and reliability of bus services' (Recommendation 6.5). This recommendation was accepted by the NSW Government and TfNSW subsequently completed the business case. The business case noted that:

> [t]he current bus technology system that provides real time information to customers is made up of hardware that is more than ten years old and software that is more than 20 years old ... The software has inherent limitations due to it [being] originally designed for a different purpose. This leaves the current solution able to track 90% of bus trips in real time, leaving 10% untracked and impacting customers.

TfNSW received $66.3 million in capital funding from the NSW Government to pay for the upgrading of technology necessary to replace PTIPS. PTIPS is due to be replaced, along with the upgrade of the Opal ticketing system to 'Opal Next-Gen', which will also support the ongoing roll-out of zero emission buses (ZEBs) over the 2025–28 financial years.

Another issue that technology upgrades may resolve is improved measures of passenger numbers. Currently done using the Opal ticketing system, TfNSW estimates the measures are 78% accurate. However, this is not solely due to inaccuracy in the technical system – it is also due to a combination of fare evasion and school students rarely tapping on and off. As a result, neither TfNSW nor the operators presently have accurate data on bus patronage, especially on routes that are popular with school students. This also means that incorrect information on bus crowding is being communicated to passengers via travel apps.

Bus schedule information and KPI measurement

Bus customers are provided with two key sets of information relating to bus schedules. These are:

- a published timetable for each timetabled trip including departure times at each transit stop on the particular route
- real-time information through commercial apps such as Google or TripView.

Real-time information comes from two sources – the bus tracking system and a daily timetable update carried out by operators – which identify known cancelled services and other disruptions. The daily timetable is loaded into the bus driver console on each bus, where it is used to establish the parameters for each trip. This timetable is also made accessible to external travel app providers.

However, equipment failures, mobile network blackspots and user errors can affect real-time tracking and prevent data reaching PTIPS in real time. When this happens, the daily timetable, which is also in PTIPS, is used to provide information to customers through travel apps instead.

In the case of KPI tracking, the data is transferred twice. First, in real time and, second, into PTIPS once the bus has returned to its depot at the end of the day. The end of day data is used to back-fill tracking information where real-time data is unavailable.

Bus operators also access the service delivery data from the Operator Data Interchange, which is linked to PTIPS, and produces a monthly service delivery report. This report includes all contract KPIs and is validated by the TfNSW contract management team before an agreed monthly service delivery report is created. From this report, KPI performance is determined, and any consequent actions initiated.

1.8. Transport for NSW's bus performance dashboards

Bus performance reporting dashboard

TfNSW publishes monthly measures for OTR, service cancellations, customer complaints and customer experience metrics across all metropolitan Sydney bus contracts through its bus performance reporting dashboard.

TfNSW has advised that this public facing dashboard represents the customer's perspective rather than performance against contract terms. In other words, the bus performance reporting dashboard does not necessarily represent the contract performance of the operators.

This dashboard reports aggregated data across all ten bus contract regions, from 1 July 2023 to date. The data in this dashboard has been standardised to remove the differences between the GSBCs and the Sydney Metropolitan Bus Contract used for region 6 (Inner West).

The bus performance reporting dashboard also uses slightly different definitions for some terms used in the contracts. For example, complaints in the GSBC are defined as reports of a negative experience in relation to the services provided by an operator. This includes reports made in the category of 'feedback' as well as 'complaints'. In comparison, the bus performance reporting dashboard reports complaints only but includes complaints attributable to TfNSW as well as the operators.

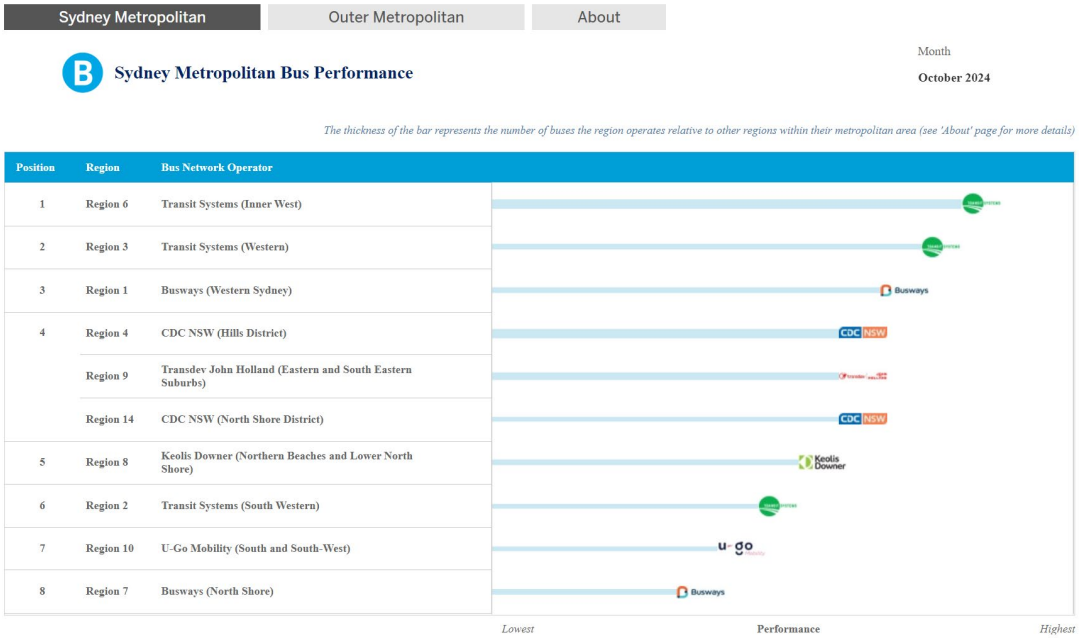
Similarly, OTR as presented on the bus performance reporting dashboard is based on school trips, regular trips and free shuttles but excludes rail replacement buses and event services as these trips are not included in contracts other than the GSBC. Under the GSBC, both rail replacement buses and event services are included in OTR calculations.

Bus performance by region

More recently, TfNSW has been reporting on bus performance by region, in response to a recommendation made by the NSW Bus Industry Taskforce. Under the title of methodology, TfNSW states on its website that this dashboard represents each region's relative performance for service on-time running, cancelled and incomplete trips, customer complaints, driver vacancies (for regions with more than 60 FTE drivers) and asset maintenance. The size of the region, in terms of the number of buses operated, is also shown. TfNSW states on its website that it provides this data for general information purposes only and any comparison across regions is provided only for the limited metrics described in the methodology above. No further information on the methodology is provided.

At the time of writing, this dashboard presents relative performance for October 2024 only, as in Figure 7. In this figure, the length of the bar indicates each region's relative performance.

Figure 7: TfNSW bus performance by region dashboard



Source: TfNSW website, Bus performance by region.

1.9. Data analysis presented in this report

The objective of this audit is to assess the effectiveness of TfNSW's design and management of metropolitan Sydney bus service contracts. Therefore, our data analysis is based on the contractually accepted, final monthly KPI performance data provided by TfNSW. The data used here is not the same as the PTIPS data reported publicly by TfNSW on its bus performance reporting dashboard.

WhileTfNSW's bus performance reporting dashboard presents data from all ten metropolitan bus operators, our analysis uses data from the nine GSBC operators so we can compare like-for-like contracts. Region 6 (Inner West) is excluded from our analysis because it is based on a different type of contract.

The services provided by the nine GSBC operators commenced at different times from October 2021 to December 2023. As a result, the number of operators increased over the period of our analysis. The dates at which each of the bus operators started providing services can be found in Table 1. TfNSW has advised the Audit Office that individual contract performance data is commercial-in-confidence. Therefore, like TfNSW has done for its bus performance reporting dashboard, we have presented the results of our analysis in aggregated form (in chapters 2, 3 and 4 of this report).

We have presented the results as weighted averages, which are calculated for each month from April 2022 to May 2024 (the latest data provided by TfNSW at the time of writing this report). A weighted average accounts for the relative importance of each data point by assigning a weight to each one. For data like the bus performance KPIs, a weighted average is a better representation of the data than a simple average in which all the data points are given an equal weight.

The KPI performance data provided by TfNSW has been weighted by the number of scheduled trips each operator is contracted to provide in each month – to reflect that some operators have much larger numbers of trips than others, which affects their ability to achieve their KPIs.

Presenting weighted average results is the most appropriate way to summarise the performance of multiple operators over the duration of the contracts, while also de-identifying the data and going some way to recognising that each bus contract region is unique.

TfNSW has emphasised that weighted averages could fail to adequately recognise the uniqueness of each contract region. Therefore, we have also analysed operators' monthly reported performance against the KPIs and report the number of months that operators have met each KPI. We present this information in this way so that we can report on the operators' actual performance while maintaining the confidentiality of specific data.

We have used the data analytics methodology described above for the purposes of this performance audit and acknowledge that it is not how TfNSW prefers to present data on its bus performance reporting dashboards.

2. On time running performance

On time running (OTR), customer complaints, tracking rates, and cancelled and incomplete trips are important key performance indicators (KPIs) as they represent significant facets of the customer experience.[7] This chapter considers OTR KPIs in detail, since the start of the Greater Sydney Bus Contract (GSBCs).

OTR is defined in Schedule 4 of the GSBC with three KPIs – first, mid and last stop OTR. All three are measured as the percentage of timetabled bus trips that are on time at the specified location. GSBC operators are required to report to Transport for NSW (TfNSW) on these three KPIs every month.

For the first and mid stops 'on time' is defined as between 59 seconds early and five minutes and 59 seconds late compared to the timetable.

TfNSW has advised that mid transit stop OTR has been incorrectly calculated for multiple GSBC regions and that it was in the process of re-calculating this KPI for the operators that were affected. As a result, we do not report mid transit stop OTR numbers here or draw any conclusions about them.

OTR for the last transit stop on a route is measured as a percentage of bus trips arriving on time, where 'on time' is defined as no later than five minutes and 59 seconds after the timetable arrival time.

First stop OTR has decreased over the duration of the GSBCs, but it has stabilised in the period from January 2023 to May 2024

Figure 8 shows the aggregated first stop OTR performance data across metropolitan Sydney as a whole (excluding region 6) for the duration of the GSBCs. It also reflects advice received from TfNSW that there is a change in bus operator performance in January 2023 and splits the time period accordingly (April 2022 to December 2023 and January 2023 to May 2024).

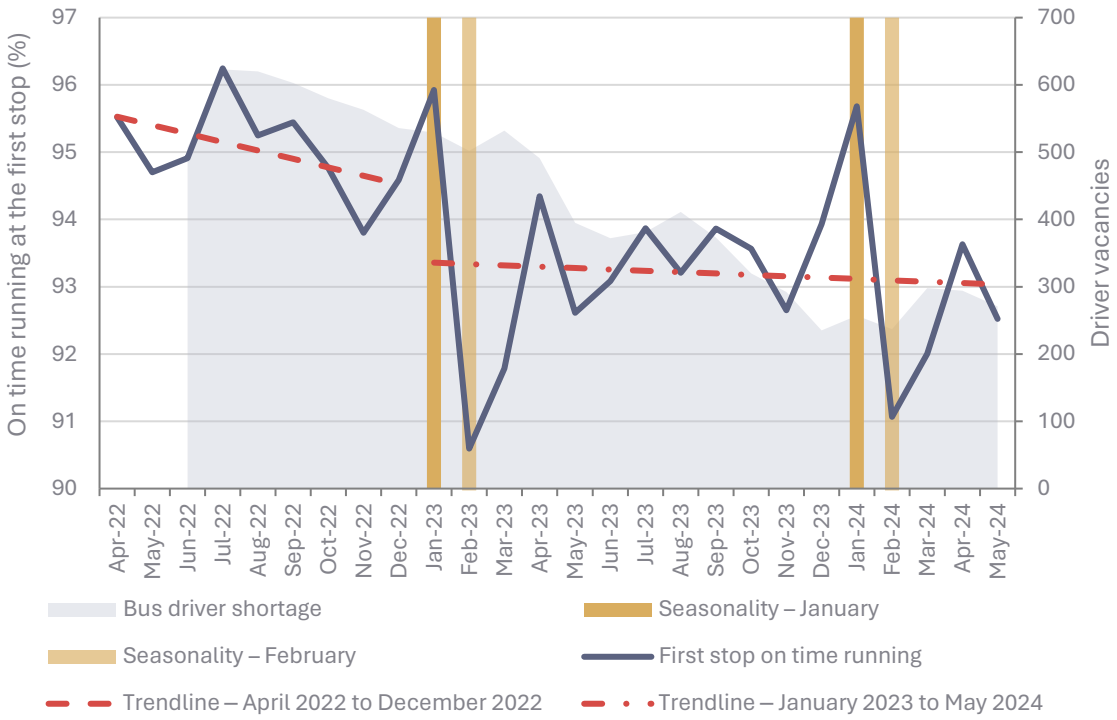
During the audit, TfNSW emphasised the impact of the bus driver shortage on bus service performance against KPIs, as well as seasonal effects in OTR performance. Therefore, Figure 8 also shows the reported driver shortages for each month from June 2022, as well as the January and February seasonal effects.

Figure 8 shows that, while there is an overall downward trend in performance, first stop OTR becomes stable after January 2023. Prior to that point in time, performance was declining.[8]

[7] The audit found that performance data relating to the KPIs for ticket validity, and bus maintenance and asset presentation did not indicate any material performance gaps. However, we note that these issues are addressed in detail in the NSW Bus Industry Taskforce.

[8] This is evidenced by an analysis of the trendlines in Figure 8. In the period from April 2022 to December 2022 the trendline has a gradient of -0.1. However, from January 2023 to May 2024, the line representing OTR across the GSBCs flattens and the trendline has a gradient of -0.02 (0.04 if January 2023 is excluded to remove the large positive seasonal effect in that month).

Figure 8: OTR at the first transit stop for all GSBC operators with trendlines, seasonal effects and driver shortages



Note: The data in this figure relates to the Greater Sydney Bus Contracts only (it excludes regions which use different types of contract). The services provided under the nine GSBCs commenced at different times from October 2021 to December 2023 and therefore the number of operators increased over this period. The dates at which each of the bus operators started providing services can be found in Table 1.

Note: At the request of TfNSW, and to de-identify data that is commercial-in-confidence, we start our analysis in April 2022 when there are three operators providing services under the GSBC. May 2024 is the last month in our analysis, as we use the number of scheduled trips as the weight in our calculations and May 2024 is the most recent month for which this data has been provided.

Note: There is no data on the number of bus driver vacancies before June 2022.

Source: Audit Office of NSW analysis of operator Monthly Performance Reports and KPI monthly reports and bus driver shortage data. Both data sets were provided by TfNSW and the audit has not sample tested these data sets for accuracy.

The period of stability in first stop OTR (January 2023 to May 2024) coincides with a sharp decrease in the number of vacancies for bus drivers. However, our data analysis indicates there is no meaningful correlation between either aggregate or individual OTR data and bus driver vacancies in this period. There is a slight correlation with the aggregate OTR data in the period from April 2022 to December 2022 (0.6), which reflects the impact of the larger number of bus driver vacancies at this time. However, patronage figures were also an average of 3.9 million trips each month lower in the April 2022 to December 2022 period, which would have mitigated this issue somewhat.

Figure 8 shows there is a clear seasonal effect for OTR performance, and this occurs in more than one month. February is consistently the worst month for OTR, as the school holidays end and large numbers of people return to school and work. This results in an increase in demand for bus services, as well as more congestion on the roads, resulting in reduced rates of OTR, as can be seen for both February 2023 and February 2024 in Figure 8. Conversely, January is consistently the best month as the holiday period reduces demand and congestion on the roads. OTR performance in January 2023 is 5.6% better than in February 2023, while OTR in January 2024 is 4.8% better than in February of that year. As would be expected, there is a strong relationship between OTR and patronage numbers, although the peaks in OTR are matched by troughs in patronage. This is further confirmed by the correlation between these two series, which is -0.8.

While first stop OTR has stabilised, operators are still not consistently meeting first stop OTR KPI targets

There is a first stop OTR KPI target of 95% for all operators. Figure 8 shows that the aggregate performance is below target for the majority of months since April 2022.

The aggregate figures presented above, while illustrative of overall OTR performance across metropolitan Sydney, do not consider the unique factors underlying the performance of each contract region. To evaluate performance against the KPIs more closely, we analysed the monthly OTR performance reported by the operators (for each month from April 2022 to May 2024) to determine how often each operator met its KPI target in each month. We then represent that number as a percentage of the number of months that the operator has been providing services for under the GSBC.

When we considered the individual operator's reported monthly performance data, we found that first stop OTR performance has dropped since the period of stability began (in January 2023) compared to the prior period (April 2022 to December 2022).

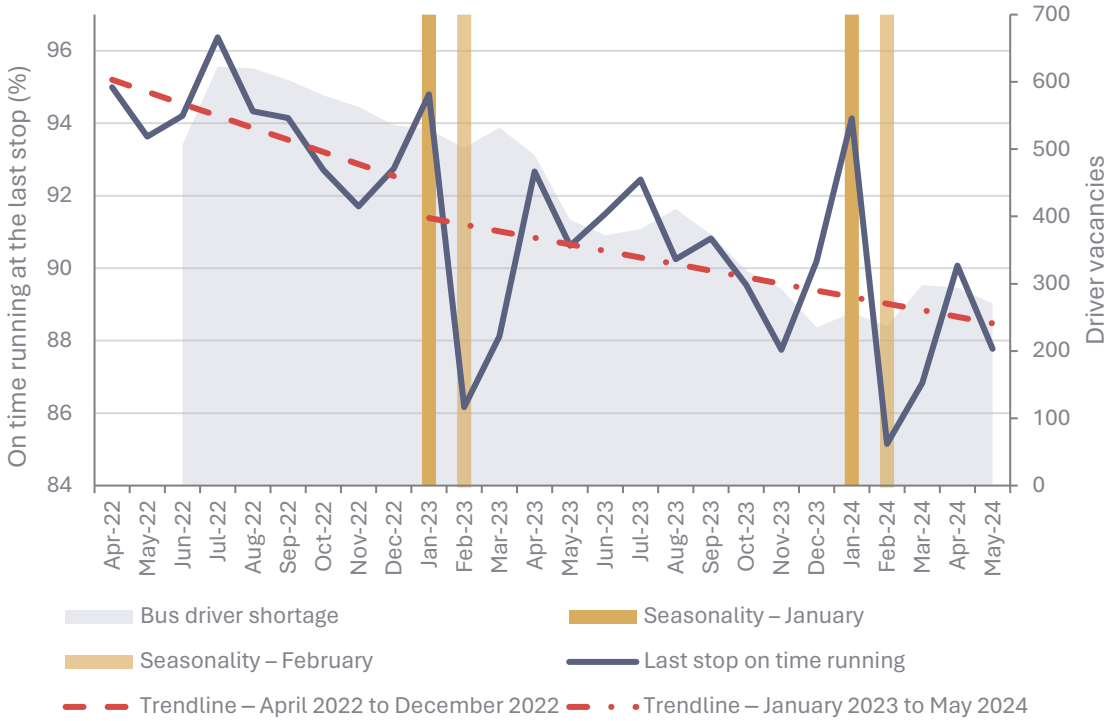
In the 17-month period from January 2023 to May 2024, individual operators met their KPI targets between 0 and 6 of the months, although not all operators provided services in all 17 of these months. Of 113 reported first stop OTR data points in this period, bus operators met or exceeded the target in 17 instances (15.0%), meaning that there are 96 instances (85.0%) where operator performance was below target. While some operators did not achieve the target level of 95%, most achieved first stop OTR performance of at least 90% in this period. Nonetheless, there were 5 instances where performance was below 90%, which is the threshold for a cure plan.

Last stop OTR has decreased over the duration of the GSBC and bus operators have met the KPI target less than 50% of the time since January 2023

Last stop OTR across metropolitan Sydney as a whole (excluding region 6) has decreased over the entire period from April 2022. Unlike first stop OTR, however, there is no sign of stability in the more recent period, although the seasonal effects in January and February are still visible.

This is illustrated in Figure 9, which shows the aggregated last stop OTR performance data. As with Figure 8, it also includes linear trendlines for the two periods in the data, the reported driver shortages for each month, and the January and February seasonal effects.

Figure 9: OTR at the last transit stop for all GSBC operators with trendlines, seasonal effects and driver shortages



Note: The data in this figure relates to the Greater Sydney Bus Contracts only (it excludes regions which use different types of contract). The services provided under the nine GSBCs commenced at different times from October 2021 to December 2023 and therefore the number of operators increased over this period. The dates at which each of the bus operators started providing services can be found in Table 1.

Note: At the request of TfNSW, and to de-identify data that is commercial-in-confidence, we start our analysis in April 2022 when there are three operators providing services under the GSBC. May 2024 is the last month in our analysis, as we use the number of scheduled trips as the weight in our calculations and May 2024 is the most recent month for which this data has been provided.

Note: There is no data on the number of bus driver vacancies before June 2022.

Source: Audit Office of NSW analysis of operator Monthly Performance Reports and KPI monthly reports, and bus driver shortage data. Both data sets were provided by TfNSW and the audit has not sample tested these data sets for accuracy.

From the perspective of bus customers, this deterioration in performance is resulting in not only the late arrival of buses at the final destination, but also in trips that take (increasingly) longer than expected.

For last stop OTR, six of the operators have a KPI target of 90% in the first year and 92% thereafter. The remaining three operators have targets of 90% throughout the duration of their contracts. Using each operator's individual KPI target in each month, we determined whether that operator met the KPI target in every month between April 2022 and December 2022.

Of 113 reported last stop OTR data points in this period, bus operators met or exceeded the target in 56 instances (49.6%), meaning that there are 57 instances (50.4%) where operator performance was below target. The operators' performance fell below the threshold for making abatement payments to TfNSW in 55 of a total of 113 instances of reported OTR values (or 48.7%). However, reported operator performance remained above the level where an operator would be required to provide a cure plan.

3. Bus tracking rates, and cancelled and incomplete trips

This chapter considers operator performance against key performance indicators (KPIs) for bus tracking rates and cancelled and incomplete trips. From the perspective of bus passengers, tracking is important to ensure timetables and real-time data are accurate and reflects the reality of the services they are receiving. Tracking is also essential for the measurement of on time running (OTR) and cancelled and incomplete trips.

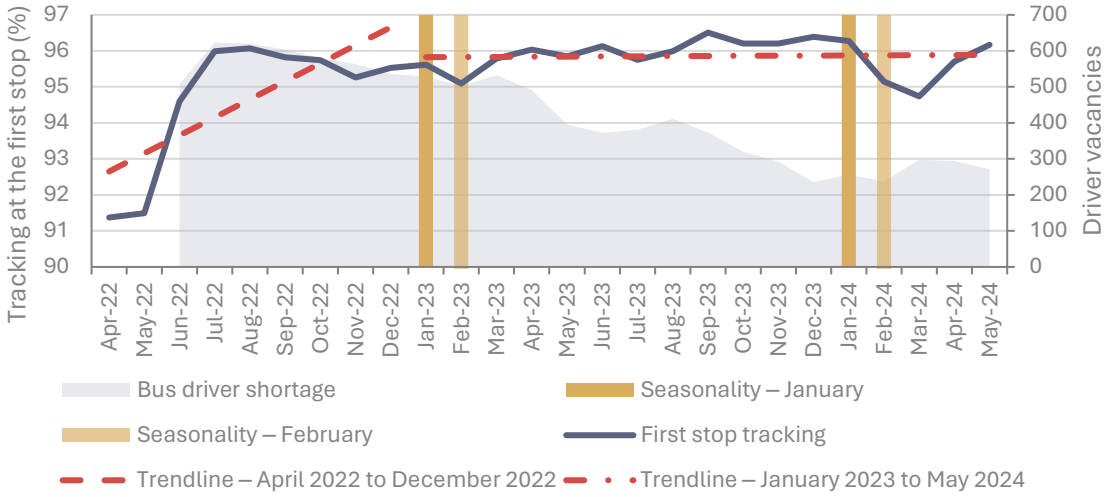
3.1. Bus tracking rates across the Greater Sydney Bus Contract regions

Bus tracking is defined in Schedule 4 of the Greater Sydney Bus Contract (GSBC) as the number of trips that have been tracked as a percentage of the total number of bus trips the operator is contracted to undertake. As with OTR, this KPI is measured at the first, mid and last transit stops. Again, GSBC operators are required to report tracking rates each month for these three timing points.

Bus tracking rates at the first, mid and last transit stops have all improved over the duration of the GSBC

Tracking rates at the first, mid and last transit stops have all improved over the duration of the GSBC. This is illustrated in Figure 10, which reports the aggregate first stop tracking rates. As with the OTR figures in the previous chapter, Figure 10 splits the time period into two sections – April 2022 to December 2023 and January 2023 to May 2024 – including trendlines for both periods and the January and February seasonal effects, as well as reported driver shortages for each month from June 2022.

Figure 10: Tracking at the first transit stop for all GSBC operators with trendlines, seasonal effects and driver shortages



Note: The data in this figure relates to the Greater Sydney Bus Contracts only (it excludes regions which use different types of contract). The services provided under the nine GSBCs commenced at different times from October 2021 to December 2023 and therefore the number of operators increased over this period. The dates at which each of the bus operators started providing services can be found in Table 1.

Note: At the request of TfNSW, and to de-identify data that is commercial-in-confidence, we start our analysis in April 2022 when there are three operators providing services under the GSBC. May 2024 is the last month in our analysis, as we use the number of scheduled trips as the weight in our calculations and May 2024 is the most recent month for which this data has been provided.

Note: There is no data on the number of bus driver vacancies before June 2022.

Source: Audit Office of NSW analysis of operator Monthly Performance Reports and KPI monthly reports, and bus driver shortage data. Both data sets were provided by TfNSW and the audit has not sample tested these data sets for accuracy.

As Figure 10 shows, there was an increase in first stop tracking rates through the period from April 2022 to December 2022. Thereafter, in the period to May 2024, first stop tracking appears to have stabilised. There is also no sign of seasonal effect in bus tracking rates, nor was the audit able to establish a correlation with the shortage of bus drivers.

As with first stop tracking rates, both mid and last stop tracking rates show an improvement through the period from April 2022 to December 2022. However, while first stop tracking became stable in the period from January 2023 to May 2024, this does not happen with either the mid or last stop tracking rates, which both show a slight decline in that period.

Bus operators met the KPIs for bus tracking only for last stop tracking rates

The targets for bus tracking vary between operators and depend on how long the operator has been providing services. For first stop tracking and mid stop tracking, the KPI targets are the same. For six of the operators, the targets are 97% for the first four years, then 98% thereafter. For the remaining three operators, the KPI target is 95% in all years.

For last stop tracking, six of the operators have targets of 90% in year 1, 92% in year 2 and 95% thereafter. For the remaining three operators, the last stop tracking targets are 90% in year 1, 91% in year 2, 92% in year 3, 93% in year 4 and 95% thereafter.

In the period from January 2023 to May 2024, the range of reported tracking is the same for all three stops – some operators did not meet the KPI targets at any time, while other operators met their targets in every month in which they provided services throughout this period. Overall performance against the KPI target is somewhat better for the last stop than it is for the first or mid stop (operators met the target in 70% of instances overall compared to 64% and 52% for the mid and first stops, respectively). However, the targets, as detailed above, are also lower for the last stop.

3.2. Cancelled and incomplete trips across the GSBC regions

Percentages of cancelled and incomplete bus trips have improved but have never met the KPI target level in aggregate

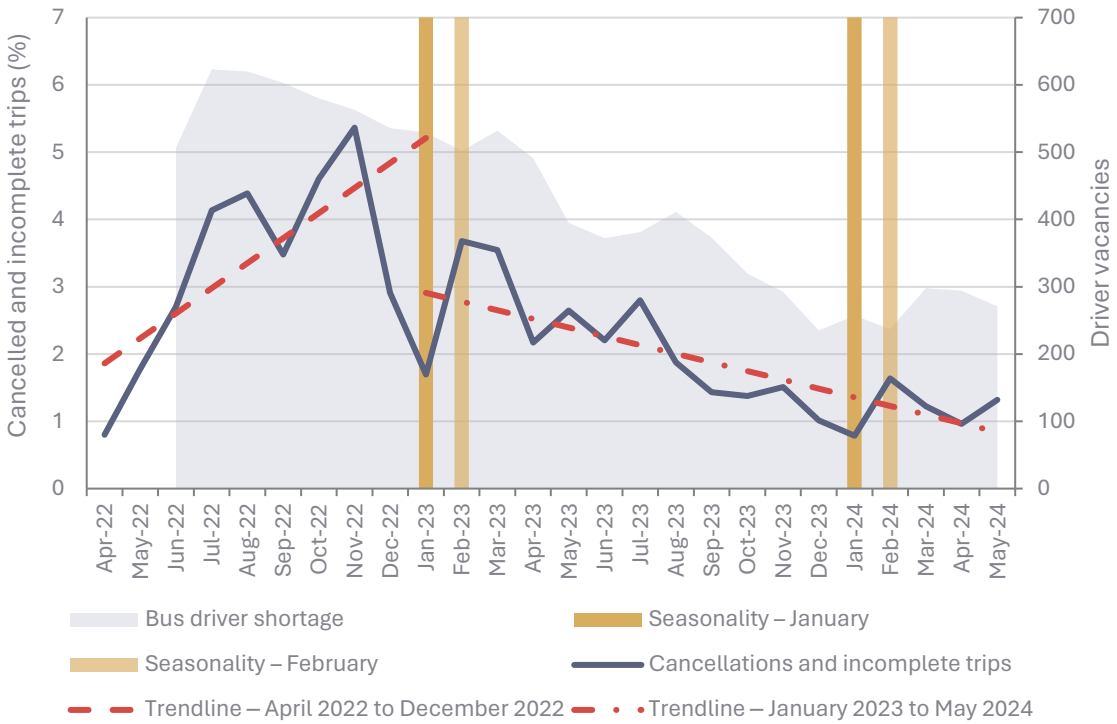
Aggregate levels of cancelled and incomplete trips increased rapidly in 2022, peaking at 5.4% in November of that year. Based on the monthly total of 746,979 scheduled bus trips across the GSBC regions reported in Table 2, this equates to approximately 40,300 cancelled and incomplete bus trips in that month alone. Since January 2023 there has been a marked improvement in the number of cancellations and incomplete trips but these have not yet met the KPI target level in aggregate.

GSBC operators are required to report the trips cancelled or incomplete each month as a percentage of the total number of scheduled trips for that month.[9] The target for this KPI is 0.5% or less in each month, and this is also the threshold for an abatement. If operator performance with respect to this KPI exceeds two per cent, then a cure plan is also triggered.

Figure 11 reports the aggregate percentage of cancellations and incomplete trips, with trendlines, seasonal effects and the reported driver shortages for each month from June 2022.

[9] This refers to the number of trips operators are contracted to provide, not the customer trip (patronage) figures reported in Figures 1 and 2.

Figure 11: Cancelled and incomplete trips for all GSBC operators with trendlines, seasonal effects and driver shortages



Note: The data in this figure relates to the Greater Sydney Bus Contracts only (it excludes regions which use different types of contract). The services provided under the nine GSBCs commenced at different times from October 2021 to December 2023 and therefore the number of operators increased over this period. The dates at which each of the bus operators started providing services can be found in Table 1.

Note: At the request of TfNSW, and to de-identify data that is commercial-in-confidence, we start our analysis in April 2022 when there are three operators providing services under the GSBC. May 2024 is the last month in our analysis, as we use the number of scheduled trips as the weight in our calculations and May 2024 is the most recent month for which this data has been provided.

Note: There is no data on the number of bus driver vacancies before June 2022.

Source: Audit Office of NSW analysis of operator Monthly Performance Reports and KPI monthly reports, and bus driver shortage data. Both data sets were provided by TfNSW and the audit has not sample tested these data sets for accuracy.

As with OTR, there is a visible seasonal effect in cancelled trips with performance in January being markedly better than February. When fewer people are travelling, as in January, the percentage of cancellations and incomplete trips drops, but when bus patronage increases markedly, as in February, the percentages of cancellations and incomplete trips is higher.

There is also a clear link between the percentage of cancelled and incomplete trips and the bus driver shortage, as noted in the first report by the NSW Bus Industry Taskforce (July 2023) and discussed in section 1.6. As Figure 11 shows, as the number of driver vacancies drops, so does the number of cancelled and incomplete trips.

The KPI for cancelled and incomplete trips is still not being met by some individual operators in most months

Examining the operators' reported performance for each month, in the 17-month period from January 2023 to May 2024, we found that some operators have never met this KPI, while others have achieved it in every month in which they provided services. Overall, however, as illustrated in Figure 11, performance against this KPI is relatively poor in this period. There were 90 instances, of a total of 113 reported performance figures, (79.6%) where operator performance did not meet the KPI, which is also the threshold for an abatement. There were also 30 instances (26.5%) where cure plans would also have been triggered.

Transport for NSW is working with operators to try to fill driver vacancies, but shortages still exist. From the perspective of bus passengers, cancelled and incomplete trips will result in fewer services and greater wait times, longer dwell times at stops, greater crowding on buses, and an increased risk that a trip may not be completed.

4. Customer complaints

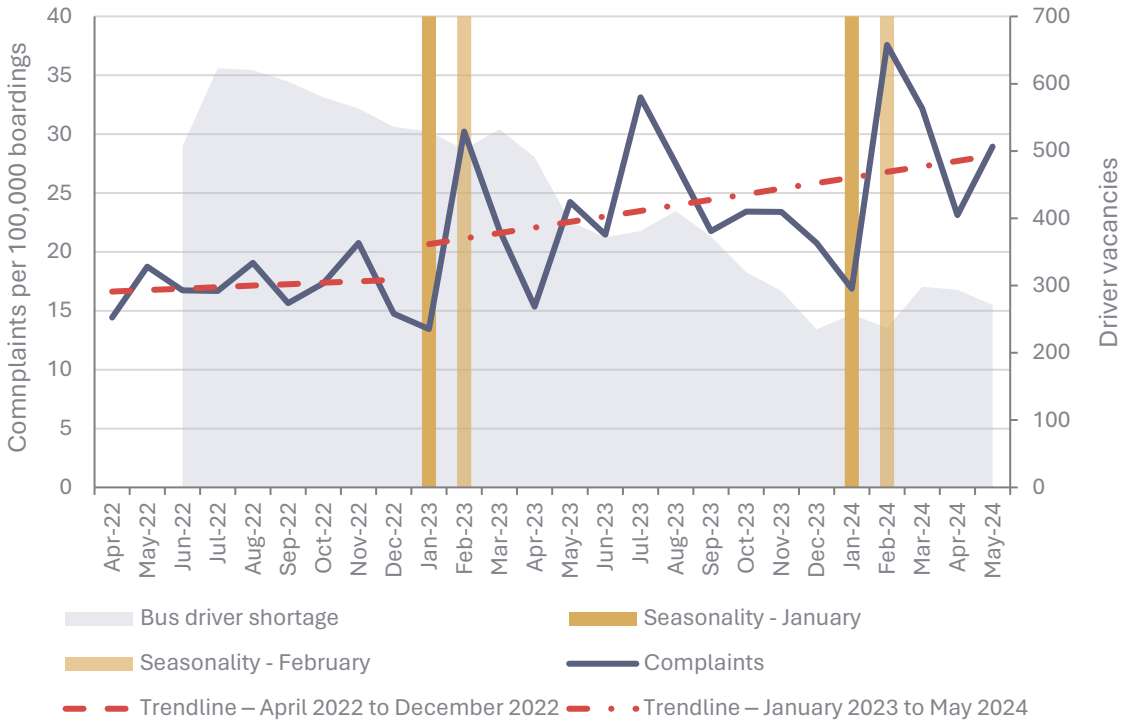
This chapter considers operator performance based on customer complaints received. Customer complaints are defined in Schedule 4 of the Greater Sydney Bus Contract (GSBC) as any report of a negative experience in relation to a bus service in the categories of 'complaint' and 'feedback'. This excludes vexatious complaints, and any complaints about issues that are within Transport for NSW's (TfNSW) control and not the operators.

Customer complaints have increased since the start of the GSBC

The number of customer complaints about bus services over the entire GSBC area has increased over time. The number of complaints per 100,000 boardings in May 2024 is approximately double that in April 2022 (28.9 complaints per 100,000 boarding compared to 14.4), reflecting increasing customer dissatisfaction with the services delivered.

Complaints are measured using several key performance indicators (KPIs) that represent factors such as the number of complaints per 100,000 boardings and the time it takes operators to respond to complaints. Figure 12 represents the number of customer complaints per 100,000 boardings across the GSBC operators over the GSBC period.

Figure 12: Customer complaints for all GSBC operators with trendlines, seasonal effects and driver shortages



Note: The data in this figure relates to the Greater Sydney Bus Contracts only (it excludes regions which use different types of contract). The services provided under the nine GSBCs commenced at different times from October 2021 to December 2023 and therefore the number of operators increased over this period. The dates at which each of the bus operators started providing services can be found in Table 1.

Note: At the request of TfNSW, and to de-identify data that is commercial-in-confidence, we start our analysis in April 2022 when there are three operators providing services under the GSBC. May 2024 is the last month in our analysis, as we use the number of scheduled trips as the weight in our calculations and May 2024 is the most recent month for which this data has been provided.

Note: There is no data on the number of bus driver vacancies before June 2022.

Source: Audit Office of NSW analysis of operator Monthly Performance Reports and KPI monthly reports, and bus driver shortage data. Both data sets were provided by TfNSW and the audit has not sample tested these data sets for accuracy.

In addition to clearly showing the increase in customer complaints over time, Figure 12 illustrates some other interesting features.

First, the trendline has a considerably steeper gradient in the period from January 2023 to May 2024 (0.5) than it does in the previous period (0.1), indicating that the number of complaints is increasing at a faster rate in the more recent period than in the past. However, there are also more operators providing services now than there were in the period from April 2022 to December 2022. Second, there is a seasonal effect in complaints, as most complaints occur in February, when bus usage increases sharply, and the fewest complaints occur in January, when most people are on vacation.

The customer complaints per 100,000 boardings KPI target has been met less than half of the time since January 2023

In the nine-month period from April 2022 to December 2022, bus operators achieved the KPI target in 23 of 27 (85.2%) reported instances. However, in the period from January 2023 to May 2024, some operators did not meet the KPI for complaints in any of the months in which they provided bus services, while others met the KPI at least 65% of the time. Overall, there were only 47 instances out of 113 (or 41.6%) when operators met the KPI in this period, which represents a marked decrease in performance since the beginning of the GSBC period. However, we do note that there are more operators providing services in this period than before and patronage is also higher.

TfNSW does not systematically audit operator responses to complaints despite evidence that operators are not responding appropriately to customer feedback

TfNSW has conducted some ad hoc checks on operators' responses to complaints and has raised concerns about how quickly complaints have been closed and the content of the operator responses. Under clause 31.2 of the contract, TfNSW can audit any aspect of the GSBC at any time of its choosing, including for up to six months after the contract end.

However, TfNSW has not conducted any systematic analysis or audit of complaints and feedback since 2019 (prior to the introduction of GSBCs), raising the risk that operators are not responding satisfactorily to issues raised by customers.

The GSBC includes three KPIs that represent complaint resolution. Complaint resolution is defined in Schedule 4 of the GSBC as 'the satisfactory closure of customer complaints within agreed time frames'. It is measured from the 'time of receipt of the Complaint by the Operator to the resolution and closure of the Complaint'.

These KPIs are that:

- complaints are resolved within two business days after the complaint is received by the operator
- complaints are resolved within 20 business days after the complaint is received by the operator
- outstanding complaints (complaints that were not resolved in the previous month) are resolved within 20 business days after the complaint is received by the operator.

For the first of these KPIs, the target is 70% and every GSBC operator achieved this goal in every time period that we consider. The second and third KPIs have targets of 100% and, again, every operator reports achieving that goal in every month.

However, despite these KPIs being described as the 'satisfactory closure' of a complaint, there is no measure of satisfaction in any of the metrics used and the operators are merely required to close a customer complaint to meet this criterion. This raises the risk that responses to complaints are not genuine.

TfNSW has conducted ad hoc checks on complaints and has raised concerns with operators about the quality and speed of their responses. However, the audit team has not seen evidence that TfNSW has a systematic program to audit the operator responses to complaints to provide assurance they are being satisfactorily addressed.

From the perspective of bus customers, this creates the risk that their complaints may not be addressed appropriately, and that the assessment of unsatisfactory situations and conditions may not lead to continuous service improvement, in turn, leading to potential loss of public confidence in bus services. This issue was also identified by the NSW Bus Industry Taskforce.

TfNSW has advised that approximately one year ago it established a social media scanning process to collect feedback and complaints raised through that channel, especially during major events. TfNSW has also advised that this information is shared with the relevant business units for further action but has not provided any evidence of the implementation of this information.

TfNSW does not systematically analyse customer complaints and has not validated the main reasons for customer dissatisfaction

An analysis of the breakdown of complaints reported by the operators for the regions selected for interview and closer examination in this audit shows that there were 20 different topics of complaint listed in monthly operator reports. There is a high degree of consistency (and correlation) in the topics reported across these regions.

The top ten areas for complaint, across these three regions, are:

1. trips that did not operate (16.9%)
2. bus missing scheduled stops (16.5%)
3. bus arriving late at a scheduled stop (15.8%)
4. staff/driver behaviour (12.7%)
5. dangerous driving by bus operator staff, including any resulting injuries (10.1%)
6. bus arriving early at a scheduled stop (5.1%)
7. customer comfort, including feeling safe (2.7%)
8. timetabling of contract bus services (2.4%)
9. over-crowding on the bus (1.9%)
10. wrong route taken by driver (1.8%).

As the list above shows, several of the most frequently occurring topics for complaint are also represented by the KPIs discussed above (particularly cancelled trips and on time running).

Complaints about punctuality, overcrowding, trip cancellations and timetables generally reflect the overall service performance which may be difficult for operators to alleviate in the short term as they have relatively little control over these issues. TfNSW sets the service levels (timetables, stops, and frequency of services), cancellations are a function of the driver shortage and both overcrowding and punctuality are influenced by factors such as traffic congestion and patronage numbers.

In comparison, recurring complaints regarding missing scheduled stops, driver behaviour and dangerous driving are within an operator's control. These should be promptly raised with operators and operators' remedies tracked to ensure that these are effective. However, as discussed above, TfNSW does not systematically audit operator responses to complaints.

While these topics for complaints are included in the monthly operator reports, which are discussed at monthly operator meetings, the audit team found no evidence of any specific follow-up actions taken by the contract management team on the remedies proposed by operators.

TfNSW does conduct a biannual customer satisfaction survey on all transport modes, which is publicly released every year. These surveys are conducted on randomly selected passengers on randomly selected services. Passengers are asked about their experience of the current trip or most recent experience.

Table 3 illustrates the most recent overall results for bus services from these surveys from November 2020 to May 2024. It shows a decrease in customer satisfaction with bus services since 2020, which echoes the dissatisfaction indicated by the increasing level of complaints discussed above. However, we note that customer satisfaction rates for trains, light rail, metro and ferries have also dropped over the same period.

Table 3: Overall customer satisfaction as at May 2024

Mode	Nov 2020 (%)	May 2021 (%)	May 2022 (%)	Nov 2022 (%)	May 2023 (%)	Nov 2023 (%)	May 2024 (%)
Train	94	93	92	85	90	89	87
Bus	94	93	92	89	90	89	87
Ferry	99	99	98	98	98	98	98
Light rail	96	93	93	91	93	93	92
Metro	99	98	98	97	99	98	97

Note: The results for the transport modes reported here are measured over NSW as a whole and do not distinguish between metropolitan and regional travel, or between geographical areas of NSW.

Note: Surveys were not conducted in November 2021 due to safety concerns arising from the COVID-19 pandemic.

Source: TfNSW, Customer Satisfaction Index, May 2024. This data was accessed from the TfNSW website and the audit has not sample tested this data for accuracy.

More detailed results in this survey found that bus customers were most satisfied with ticketing options and were least satisfied with the quality of the information they receive, particularly about service delays.

However, the published results of this survey do not distinguish between the results arising from different areas in NSW, reducing the value of this information as a channel to receive feedback on the GSBC regions alone. Further, TfNSW has advised that many items included in this survey are beyond the operator's control and are the remit of TfNSW itself.

TfNSW has advised that, until the end of 2019, there was a team (the Voice of Customer team) within the Customer Strategy and Technology division that prepared regular reports and met with the contracts team on a regular basis to discuss customer feedback and complaints. The results of this analysis was also discussed with operators with the intent of improving services for customers. However, this team was abolished and this analysis ceased in 2019, prior to the introduction of GSBCs.

In July 2024, TfNSW created a dashboard to facilitate discussions with operators at their regular meetings. However, no written evidence has been provided showing the use of this dashboard at the time of writing. TfNSW has advised that a formal systematic review of complaints will start in Contract Year 4 (2025) for one GSBC region. This could be expanded to other regions in the future if there is sufficient capacity in the contract management team.

That notwithstanding, TfNSW does not currently conduct systematic analysis of the complaints received from customers. As a result, in the role of purchaser and contract manager, TfNSW cannot effectively direct operators to address recurring sources of complaints.

5. Contract management

5.1. Transport for NSW's contract management capacity

Transport for NSW has not established fit-for-purpose capacity to manage the performance of Greater Sydney Bus Contracts, which are valued at nearly $8 billion over the life of the existing contracts

A consultant's report commissioned by Transport for NSW (TfNSW) (15 July 2022 and an addendum 30 September 2022) identified weaknesses in the contract management capabilities of the team that manages the Greater Sydney Bus Contracts (GSBCs) and made recommendations to improve this. The recommendations included additional contract management resources to manage the metropolitan Sydney bus contracts due to more regions coming under the branch's management in 2022. The recommendations were not implemented by TfNSW. The consultancy cost around $700,000.

The first report of the NSW Bus Industry Taskforce (July 2023) called for TfNSW to implement organisational changes that would enhance its focus on delivering services by transport mode.

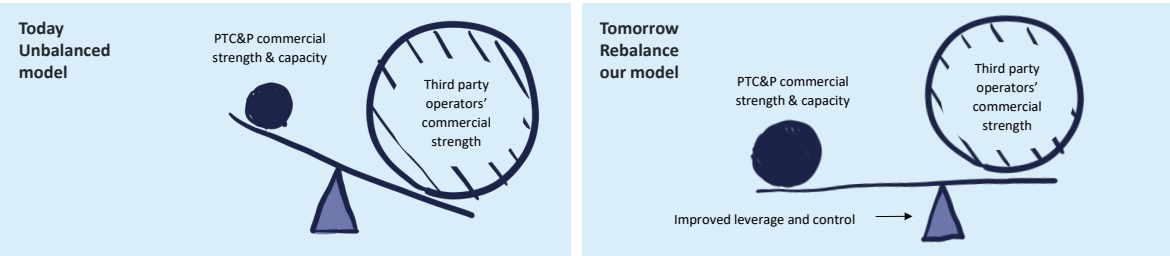
In November 2023, TfNSW acknowledged (in an internal presentation) that its implementation of the purchaser-provider model has been unsuccessful for public transport contracts (including buses). Under this model, TfNSW contracts with private operators to deliver the bus services that it requires to agreed standards. TfNSW intended that the private operators would take responsibility for performance measurement, improvement and reporting under the GSBC.

TfNSW acknowledged in its internal presentation that 'Our outsourced service delivery model works on the theory of low-touch contract management once contracts are agreed'. TfNSW identified that, for this model to work, it needs:

- adequate modal technical and operational subject matter experts
- strong commercial capability
- safety and asset assurance capability
- sufficient resourcing
- real-time performance data.

TfNSW noted in November 2023 that it was unable to effectively manage bus operators without the items listed above, which it did not have at that time. It also noted that its model is unbalanced and that it requires additional commercial strength and capacity in order to correct the balance, as shown in Figure 13. The NSW Bus Industry Taskforce stated that the operating model used by TfNSW was 'not optimal'.

Figure 13: TfNSW's representation of its contracting model (November 2023)



Source: TfNSW Proposed asset management functional model, November 2023.

TfNSW has advised that the 'core area where a resource gap exists is in Safety, Assets, Planning and Bus Service Procurement and additional contract management uplift'. TfNSW has sought to recruit people for the roll-out of zero emission buses (ZEBs) and in the workplace safety area for buses, ferries and light rail. TfNSW has advised that recruitment of contract management and planning personnel is difficult in a tight market.

The May 2024 NSW Bus Industry Taskforce report noted that TfNSW's resourcing and capability levels have not yet adjusted to meet the increased demands stemming from recent organisational changes.

TfNSW advised the Audit Office that, in June 2024, a temporary function has been established to support the increased government focus on delivering more efficient and reliable public transport, through targeted commercial contract analysis. The Commercial Delivery Development team has been given a six-month remit to review service contracts, including bus services in metropolitan Sydney. The aim of the review is to enhance public transport efficiency and reliability, ultimately to benefit passengers and align with government objectives.

TfNSW also advised that in response to the NSW Bus Industry Taskforce's recommendation, on 16 September 2024, a new organisational division led by the Coordinator General was established. As part of this new division, the Public Transport unit is responsible for managing buses, ferries and light rail services. The restructure included the establishment of a Bus Transformation Unit with a two-year brief to 'lead the development and implementation of strategies to enhance the efficiency, reliability and overall quality of bus services across NSW, ensuring the highest quality of customer satisfaction and operational excellence'.

Workforce gaps and a focus on short-term needs have prevented TfNSW from undertaking essential medium- to longer-term strategic activities

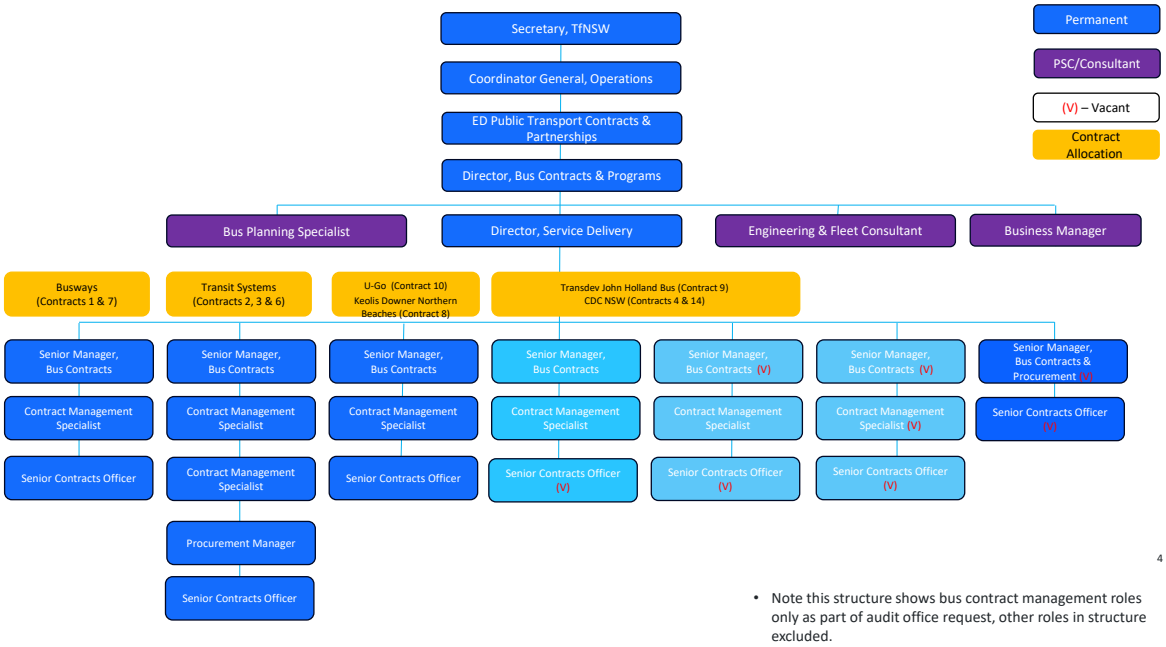
The contract management team responsible for the GSBCs has multiple vacancies at all levels. This has resulted in the team being fully occupied with the day-to-day management of the bus contracts and the monthly operator reporting process. As a result of the vacancies, the contract management team does not have capacity to conduct essential strategic activities, such as analysis of key performance indicator (KPI) trends, customer feedback and complaints, and identifying opportunities for continuous improvement.

As at April 2024, there were four teams reporting to the Director, Service Delivery in relation to the ten metropolitan Sydney bus regions. However, there were multiple vacancies across the contract management team. At that time, the management structure included:

- seven senior managers (for which there were three vacancies)
- seven contract management specialists (for which there was one vacancy)
- seven senior contract officers (for which there were four vacancies)
- one procurement manager.

The structure of the contract management team, as at April 2024, is pictured in Figure 14.

Figure 14: Bus contracting organisational chart, April 2024



Source: TfNSW.

As a result of the vacancies detailed above, each senior manager was responsible for at least two contract regions, with some liaising with two operators. If all vacancies were filled, each senior manager would have been responsible for a single contract, as shown in Figure 14. A review conducted by TfNSW, which compared staffing numbers in other parts of TfNSW and internationally to the division managing buses, ferries and light rail, noted it had far fewer staff than its contemporaries, as illustrated in Figure 15.

Figure 15: Benchmarking of TfNSW Public Transport Contracts and Partnership Branch against other transport agencies

Recent benchmarking with other jurisdictions has highlighted major differences.

The main one being **PTC&P is significantly under-resourced compared to others.**

Specifically, **PTC&P's** complete lack of embedded mode specific engineers and mode specific safety people compared to Transport for London and TfNSW Metro. **This is a safety, service and asset reliability issue.**

Note: This is a summary, further comparisons are available across a number of other jurisdictions

	Transport for London (Buses only)	TfNSW Metro North West (Metro only)	TfNSW PTC&P (Bus, Ferry & Light Rail)
Passengers annually	1.5 B	17.8M	274.2+ M
Assets •Number •Life	1020 TFL owned *(7,480 Operator owned)* 14 years (bus only)	22 vehicles	3762 buses *(TfNSW owns all)* 25 years (bus only) 72 light rail vehicles *(4 LRVs for IWLR in delivery)* 46 vessels *(includes vessels awaiting disposal)*
Operators managed	8	1	21 *(Bus 10, Ferry 11, Light Rail 1)*
Staff •Full-time	59 for 1 mode	27 for 1 mode	55 for 3 modes
•Dedicated engineers	7	7	0
•Dedicated safety staff	5	2	0

Note: PTC&P is the Public Transport Contracts and Partnership Branch of TfNSW which oversees the provision of public transport services on buses, ferries and light rail.

Source: TfNSW, Proposed asset management functional model, November 2023.

TfNSW has advised that recruitment had been conducted multiple times over the period late 2021–May 2024, with limited success, for roles including Senior Contract Officers, Contract Management Specialists and Senior Contract Managers.

TfNSW has also advised that it has progressively improved the organisational structure of the contracts team through new temporary roles, and through the establishment of new teams, such as asset specialists, which will broaden the support for the contracts team. However, the audit team has seen no evidence that the structure is fit-for-purpose.

5.2. Contract management strategy

TfNSW's ability to address performance gaps has been limited by a contract condition that requires service variations initiated by operators, within the first two years, to be cost neutral to government

TfNSW may, at any time, request a service variation such as changes to timetables, stops and routes. Under clause 12 of the GSBC, if TfNSW initiates a service variation, any change in payments to the operator will be based on changes to the time and distance of the services provided (as in Schedule 3 of the GSBC).

Private bus operators may, at any time, propose a service variation to TfNSW such as increasing the number of buses running on a route, or the time taken by a bus to complete a trip. However, these proposed changes could increase the cost of the contract to TfNSW. Under clause 12:

> 'TfNSW will generally not approve any adjustment to the Payments as a result of a Service Variation required to correct the punctuality rate of the Services, within 2 years from the Service Commencement Date, if the Operator has failed to commence at least 95% of Contracted Timetabled Trips and Headway Trips as On Time.'

Outside the two year time frame, or if the operator is meeting its KPI target, TfNSW may consider an operator's request for variation although it is under no obligation to do so.

While it is understandable that TfNSW does not want an operator to request changes simply to mitigate poor performance, the cost neutral condition may limit an operator's ability to meet its contract requirements. Applying this restriction without considering the specific circumstances of the operator's request has limited TfNSW's ability to address issues beyond the operator's control that could have a significant impact on performance and on the services provided to customers.

An operator can request a service variation to improve services or to create efficiencies, but such requests must be pre-approved by TfNSW and must include comprehensive impact assessments and proposed payment adjustments. In addition, requests based on road congestion must be accompanied by specific data. Variations that have an impact on service levels or timetables require the operator to submit a new timetable for approval by TfNSW, and only approved timetables can be implemented. Additionally, the operator must forecast potential trip cancellations monthly and submit these forecasts to TfNSW. Finally, any service changes requested by operators must be cost neutral.

In January 2023, TfNSW started a program of service level reviews with the intention of improving service levels by:

- reducing cancellations by reducing driver requirements
- improving OTR through timetable and scheduling adjustments
- optimising bus capacity versus demand
- being responsive to passenger and stakeholder feedback
- making service improvements where possible
- optimising the efficient use of resources.

These reviews are contract specific and focused on improving OTR and trip cancellation outcomes due primarily from bus driver shortages. At the time of writing, two regions have undergone timetable reviews and changes in January 2023 and in March/April 2024 primarily to address cancellation and punctuality impacts due to driver shortages. Another region was reviewed in March 2024 and, in a fourth, TfNSW implemented a timetable change in August 2024 in response to the opening of the Sydney Metro M1 line.

TfNSW has not responded strategically to major changes in commuter, work and travel patterns on metropolitan bus services

The bus transport system is affected by changes in population, workforce, commuter behaviours and the introduction of new modes of travel. The effects of the COVID-19 pandemic — which emerged quickly — caused a fundamental shift in the transport landscape in metropolitan Sydney because of changes in commuter, work and travel patterns, as well as bus driver numbers. An increase in working from home has resulted in altered traffic patterns in local areas and commuting more generally. In addition, recent major infrastructure projects in Sydney, such as the Sydney Metro M1 line, WestConnex and Sydney Light Rail have further affected traffic patterns.

The first GSBC began operating shortly after the end of the COVID-19 lockdown in October 2021 and the last (ninth) contract began operating in late 2023. However, TfNSW's contracted service levels for the GSBC were defined before these changes to the transport landscape occurred and need strategic review to ensure that they are still suitable in this changed travel environment.

Instead, TfNSW has focused on implementing a range of short-term strategies to reduce the impact on customers during the period of driver shortages. For example, it conducted service level reviews for three of the GSBC regions to improve service levels by making timetable and bus schedule changes to selected routes. Despite the negative impacts on customers from ongoing unreliable services overall, TfNSW has still not conducted a holistic, systematic review of service levels across all metropolitan Sydney regions in order to fully address the impact of the post-COVID-19 period, and the other changes to the transport landscape arising from new infrastructure and travel options.

TfNSW's response to specific issues is reactive and limited to the specific contract. TfNSW has not undertaken a strategic approach, including data analysis, which systematically looks at addressing the impact on performance of ongoing and emerging issues that affect all GSBC regions. These include:

- OTR and trip cancellation performance levels remaining below the KPI targets
- increasing numbers of customer complaints
- changes to travel since COVID-19, such as:
  - increased working from home
  - changed patterns of traffic congestion
  - changed patterns of public transport patronage.

The first report of the NSW Bus Industry Taskforce also noted there has been a disconnect between TfNSW's strategic and short-term planning in the context of a complex and evolving transport network.

TfNSW advised that issues such as the bus driver shortage and the other impacts of COVID-19 are not within its control, which we acknowledge. However, the ways in which TfNSW responds to these issues and manages risk are within its control. Further, TfNSW has advised that it did not commence a systematic review of service levels across all the metropolitan Sydney regions to fully reflect the impact of COVID-19 on the transport landscape in January 2023 because it was not until the end of 2023 that patronage had recovered to 79.5% and 'travel patterns have settled to a more predictable level'.

Notwithstanding that TfNSW staff have worked hard with operators on implementing short-term solutions (at a time when the contracts management team has experienced multiple vacancies), the decision to delay responding strategically to the post-COVID-19 transport landscape has delayed systemic improvements in customer experience. There is a risk of continued poor performance unless these strategic issues are addressed by TfNSW. As a result, there is also an increased risk that TfNSW will not meet its strategic objective to encourage people to change from car to bus use.

5.3. Contract management processes

TfNSW lacks comprehensive and detailed bus contract management specific procedures and delegations, which could result in inappropriate exercise of delegations or non-compliance with contractual requirements

TfNSW has developed bus contract procedures (KPI procedures manual, contract operations plans, contract management plans) to manage operator performance under the GSBCs, and introduced them in July 2023, March 2024 and April 2024 respectively. The GSBCs are managed by TfNSW within its broader financial and general delegations framework. In response to the Audit Office's 2015 performance audit findings, TfNSW advised it implemented changes to its financial and general delegations framework to ensure that decisions to waive KPI abatements must be approved by an appropriate senior delegate.

TfNSW's contract management plans are high-level, with extracts from, or references to, some clauses from the GSBC General Conditions, and Schedules 3 (Payments), 4 (Key Performance Indicators) and 5 (Governance and Reporting).

TfNSW financial and general delegations covering the period when bus services under GSBCs first started (October 2021) to the present are in place. TfNSW advised that, as part of a recent review of its financial and general delegations framework, the contract variation section was amended and clarified to facilitate the contract variation approval process. The latest version provided to this audit was dated November 2023.

The financial and general delegations document includes a section titled 'Passenger service contracts', which outlines financial delegations to approve contracts, commit expenditure and make payments, as well as approving variations or contract extensions. Additionally in a section titled 'Contract and commercial management', delegation is provided for approving variations and extensions without additional expenditure, and for waiving abatements under passenger service contracts. These delegations apply organisation-wide, not only to contracted bus services.

For each bus contract region, there is a contract operations plan and a contract management plan. TfNSW advised that changes to service variations are approved by the Service Planning team, which is an internal TfNSW process. The operators then provide details of the new service plans, and any changes in the value of their contract as a result of these changes. These alterations are then approved by the appropriate financial delegate in TfNSW.

The GSBCs contain many discretionary clauses and clauses which require the approval of TfNSW. However, the contract management plan and contract operations plan do not include detailed guidance or specific delegations for the application of these clauses. For example, there are no documented procedures for decision-making about:

- withholding a portion of progress payments for certain KPI defaults
- approving or directing changes to cure plans provided by operators
- waiving of the contractual time bar for late excused performance incident (EPI) applications
- action to be taken if an operator does not meet required performance benchmarks at the fifth anniversary of a contract.

In addition, the financial and general delegations do not specify whether variations are limited to changes to scope of services or include changes to the conditions of contract.

The absence of this level of contract specific detail means that the risks of inappropriate exercise of delegations, non-compliance with contractual requirements and/or inappropriate use of public funds are not fully addressed.

This audit found some examples where a further level of specificity in procedures and delegations is advisable. The examples in Table 4 demonstrate the types of decisions that are being made regularly by TfNSW officers. Individually, while the financial amounts involved in these examples are not material, the cumulative impact of individual decisions could be material as the GSBCs involve annual payments from TfNSW to the operators of between $600 million and $1.3 billion.

An operator must pay an abatement to TfNSW when a prescribed default threshold is reached for certain KPIs – other than where that KPI default is because of an EPI for which the operator has been granted KPI relief. TfNSW, at its sole discretion, reserves the right to waive an abatement. Approval by TfNSW's Coordinator-General (formerly approval from a Deputy Secretary) is required to waive an abatement.

Abatement amounts applicable to each individual contract are not publicly disclosed. The first NSW Bus Industry Taskforce report (July 2023) noted that 53% of abatements resulted from cancelled and incomplete trips while poor OTR accounted for another 31% of abatements levied. The remaining 16% of abatements arose from the remaining KPIs in the GSBC.

Table 4: Two examples that illustrate gaps in contract management specific procedures and delegations

The circumstances for approving KPI relief in the examples shown below seem reasonable. However, in both cases, written applications for relief were not made within the ten business day period specified in the contract. The audit did not see evidence of a procedure or any authorisation in TfNSW's delegations that would permit the approval of EPI applications outside the specified time frame. The financial outcome of both decisions is equivalent to the waiving of abatements. Under the TfNSW financial and general delegations framework, authority to waive abatements is only delegated to the Co-ordinator General, Operations.

Example 1

An operator potentially breached the KPI default threshold relating to bus maintenance because of a fire on a bus in late July 2023. The operator self-reported the incident in its monthly KPI performance report to TfNSW but, at the time of the incident, did not lodge an EPI application as the cause of the fire had yet to be established. Following an initial assessment by the bus manufacturer on 16 August 2023, which was inconclusive in determining the cause of the fire, the operator submitted a written application on 8 September 2023 for relief as an EPI. This was some six weeks after the fire, and over three weeks after the initial inconclusive assessment by the bus manufacturer.

Under clause 44 of the GSBC, operators must notify TfNSW immediately after they become reasonably aware of an incident that is likely to be eligible for relief under the EPI provisions. To seek relief for an EPI, the operator must lodge a written application within ten business days of the date when it became reasonably aware that the incident might be eligible for EPI relief. Failure to do so bars the operator from any entitlement to relief. However, after further assessment commissioned by TfNSW, TfNSW approved the application for relief at the Director level on the basis that the fire was not due to deficient bus maintenance. This was despite the operator's written EPI application being made over three weeks late, and thus should have been time barred. Clause 44 does not allow any alteration of the time limits imposed on applications for EPIs.

A recorded default for this KPI would trigger the payment of an abatement of $20,000 to TfNSW.

Example 2

In another case, the same KPI defaulted threshold was breached due to a bus failing a routine brake check at inspection on 4 May 2023 and a defect notice being issued. Later that same day the operator tested the bus brakes again using another testing machine. This time the bus passed the test. The operator self-reported the default in its monthly KPI performance report to TfNSW but did not provide an initial EPI notice at the time the event occurred and following the successful retest. The operator then submitted a written application for relief as an EPI on 23 June 2023, approximately six weeks later.

TfNSW approved the application for relief at Director level on the basis that it was proven that the initial testing machine was defective and that the brakes were not faulty. However, as noted above, clause 44 does not allow any alteration of the time limits imposed on applications for EPIs so this application should have been rejected.

A recorded default of the KPI would have triggered the payment of an abatement of $20,000 to TfNSW.

Source: Audit Office of NSW analysis of GSBCs and related documentation.

Until June 2024, TfNSW did not have specific guidance or delegation for managing EPI applications. Further, the newly prepared material on managing EPIs does not include guidance or delegations on waiving of contractual time bars.

TfNSW manages numerous applications for EPI relief. In the three regions selected for close examination in this audit, a total of 324 applications were made as at mid-May 2025. Of these, 129 were approved and 19 are pending review at the time of writing. While many of these incidents may have met the definition of an incident that is potentially eligible for EPI relief, TfNSW would still need to analyse the individual circumstances to confirm this fact. For example, in one region, of the 68 applications for EPI relief made, 11 were categorised as being late, and four of the late applications were approved.

A further example, shown in Table 5, details where a technical change of a contractual requirement resulted in a financial outcome that is equivalent to waiving abatements.

Table 5: Example of where a technical change resulted in a financial outcome equivalent to the waiving of abatements

Within TfNSW, only the Co-ordinator General has the delegation to waive abatements of any amount. The Director, Bus Contracts and Programs has the delegation to approve contract variations up to $5 million for any individual variation, which can include changes to KPI calculations.

Example

In a briefing note dated 13 December 2023, the Director approved a change to the KPI calculation for measuring mid transit stop OTR, which is within the role's delegation. This resulted in either recrediting or non-application of abatements due for defaults of this KPI. The estimated abatements totalled $434,000 across all the affected contracts.

Under Schedule 4 of the GBSC, OTR at the mid transit stop is defined as a bus departing that stop no more than 59 seconds early or five minutes 59 seconds late compared to the timetable. The Public Transport Information and Priority System (PTIPS) captures the time of departure from a stop at two locations – an inner perimeter adjacent to the bus stop and an outer perimeter that TfNSW advised can be as much as 100 metres from the actual transit stop. Prior to the approved change, TfNSW used the time at which a bus departed the inner perimeter for measuring on time performance at the mid transit stop. This is consistent with the definition outlined in Schedule 4.

The operators advised TfNSW that, at times, inner perimeter departures could show up as 'early' while outer perimeter departures were recorded as 'on time'. This scenario could occur because drivers waited between the inner and outer perimeters to get back on schedule. The TfNSW response was to deem these departures as being on time for KPI OTR measurement purposes.

As a result of this change, a scenario can occur where a bus leaves the mid transit stop 'early' (i.e. one minute or more ahead of the timetabled departure), which could result in a customer missing the bus despite being at the bus stop at the timetabled departure time. However, by waiting between the inner and outer perimeters, the bus would still be categorised as being 'on time' when it departed the outer perimeter.

TfNSW advised the audit team that the Director's decision in December 2023 'merely clarified the application of the mid-point OTR calculations to provide operators with the "benefit of the doubt" in circumstances where the inner departure time had been marked as "early", but only if the driver had waited between the inner and outer perimeter and not left early compared to the timetable scheduled time'. The agency further advised that '[t]hese changes sought to respond to the nuances of the physical circumstances that a bus might encounter at different bus stop locations'.

The approved amendment to change the KPI calculation was potentially detrimental to customers at the mid transit stop and appears contrary to the definition for 'on time' detailed in Schedule 4. The definition of OTR in Schedule 4 refers only to a bus 'departing a transit stop' and makes no reference to inner or outer perimeters. Further, the GSBC defines transit stops as all designated stops or stations along a route for contract buses to set down or pick up passengers. However, as passengers cannot board or alight from a bus at the outer perimeter, this cannot be considered a transit stop.

The Director properly exercised their delegation to approve a change in the KPI calculation. However, the outcome of the recalculation of abatements could be seen as equivalent to the waiving of abatements without approval of the appropriate delegate. To put this issue beyond doubt, there should be a formal, documented procedure within TfNSW on how such a change is managed internally.

Source: Audit Office of NSW analysis of the GSBCs and related documentation.

TfNSW's validation of performance data is limited to ensuring that operators correctly use data that is provided by TfNSW

TfNSW has detailed procedures to validate operator provided KPI performance data, as required under the GSBC.

However, as the data is derived from TfNSW sources, the validation process is limited to converting TfNSW sourced data into the relevant KPI measures and ensuring operators correctly report TfNSW data. True data validation would involve the operators being able to confirm the accuracy, consistency and quality of TfNSW's data before reporting on it but, as there are no alternative sources for the data, this is not possible. TfNSW has advised that it does not 'preclude operators providing additional evidence that challenges the results provided', but none of the operators have comprehensive alternative data sources available to them at the time of writing.

KPI performance data is reported monthly by operators in accordance with clause 4 of Schedule 4 of the GSBC. A monthly report titled 'Operator self-reported key performance indicators' is produced by the operator and provided to TfNSW ten business days after the end of each month.

Of the 22 KPIs listed in Schedule 4 of the GSBC, the operators have measurement responsibility for 18. Despite this, the data that the operator uses for all of the KPIs is derived from TfNSW sources. Nonetheless, TfNSW contract managers are still required to validate the information provided by operators in their monthly reports. This is necessary to ensure that the correct information is used for:

- claims for payment
- abatements
- cure plans
- EPI applications.

Some of the TfNSW data sources can be directly accessed by the private operator, such as for customer complaints and the Operator Self Reporting Portal (ODIN), which generates daily, weekly and monthly reports from PTIPs for punctuality and cancelled services. Other data, such as customer satisfaction surveys, asset condition and asset presentation inspections are conducted by, or for, TfNSW. In these cases, with the exception of customer satisfaction surveys, TfNSW provides the raw data to the operator for its incorporation into the monthly report.

TfNSW's KPI Guide states that under the GSBC 'Bus Operators are contractually required to submit self-reported operational data to TfNSW'. The KPI Guide provides detailed and explicit instructions for the contract management team on how to validate the operator provided data for each such KPI, which includes the generation of a KPI verification spreadsheet, an Excel based spreadsheet with in-built formulas to analyse KPI results.

The TfNSW contract management team receives information from the ticketing and concessions team, Digital Customer Information Services team, Bus Ferry Light Rail System Support team, TfNSW Safety, Environment and Regulation team and the TfNSW Revenue Protection team via email to reconcile with the KPI verification spreadsheet. This includes information on Opal ticketing, customer facing data issues, data treated for EPIs, bus defects or incidents and bus validity ticket inspections. This information is passed on to operators and forms the basis of their monthly reporting.

The contract management team then undertakes a further validation process which is outlined in a comprehensive guide. Following validation, the operator's monthly report is reviewed by TfNSW to confirm whether the operator provided data is acceptable. Where the operator provided data is not acceptable, revisions are made and agreed with the operator. Finally, the revised report is then signed off by the operator and presented at the monthly Service Delivery Forum held in the last week of the month.

Section 2 –

Appendices

Appendix 1 – Response from Transport for NSW

Transport for NSW

Mr Bola Oyetunji
Auditor General
Audit Office of NSW
GPO Box 12
SYDNEY NSW 2000

OTS25/00228

RE: Performance Audit Report into Bus contracts in metropolitan Sydney

Dear Mr Oyetunji,

Thank you for the opportunity to respond to the Performance Audit Report into Bus Contracts in Metropolitan Sydney.

Bus services are critically important in connecting communities, supporting passengers, and ensuring public confidence in the transport network. Transport for NSW (Transport) welcomes the Audit Office's report, which provides further analysis of the significant structural challenges including post-COVID shifts in travel patterns and workforce shortages constraining Transport and the broader bus industry. The global shortage of bus drivers has been a major handbrake on improving and uplifting services for our bus passengers. Transport, informed by the previous extensive work of the Bus Industry Taskforce and now also your Audit, recognises these challenges require ongoing, targeted action to deliver a modern and sustainable bus network, and that this includes the need to improve our organisation's capacity.

I am pleased to advise Transport's recruitment initiatives to address the driver shortage have had a real impact, with the bus driver vacancy rate easing from approximately 600 in September 2022 to 149 positions as of 5 January 2025, as a result of measures such as waiving application fees for driver authorities, offering staff Opal cards, and streamlining recruitment processes. This issue requires vigilance, and Transport continues to work closely with operators to minimise the impact wherever possible that driver shortages have on service reliability.

With these initiatives proving effective, Transport is focused on improving service delivery. The NSW Government committed $139.1 million in the 2024–25 Budget to support improvements in the bus network, including initiatives that align with the recommendations of both the Audit Office and the Bus Industry Taskforce. Service adjustments have also been implemented across key regions, including Western Sydney, the Inner West, the North West, and the Northern Beaches, to better align timetables and routes with current travel patterns and passenger needs.

From this month, more frequent services commence in the North West, following consideration of community feedback. I can also advise new and enhanced bus services connecting to the Western Sydney Airport Precinct will be introduced before the Airport opens in 2026. Further bus service improvements to the precinct are being planned as it grows and demand increases. Transport is also preparing a medium-term bus plan which will improve services over the next 10 years. Importantly, we are also advancing technology upgrades to replace outdated systems, improve real-time bus tracking, and deliver more reliable information for customers.

In line with the Recommendations 1, 3 and 4 of the Report, and as part of organisational changes to embed a new state-wide operating model, I can advise that Transport is working to improve its

Transport for NSW
231 Elizabeth Street, Sydney NSW 2000 | PO Box K659, Haymarket NSW 1240
T 02 8202 2200 | W transport.nsw.gov.au | ABN 18 804 239 602

OFFICIAL

strategic contract management capacity to ensure the robust oversight of Greater Sydney Bus Contracts. Further, we are reviewing options for increasing capability and capacity in service optimisation, service procurement, bus fleet management, safety assurance, contract management and administration and asset assurance. Transport will also commence regular auditing of operator responses to customer complaints to provide greater assurance that these are being appropriately addressed and resolved. Implementing the Audit Report's recommendations will be prioritised, with timing to be confirmed as part of the broader review of resourcing.

Transport will also review its contract-specific procedures and delegations to ensure there is clarity for staff while maintaining appropriate flexibility to respond to operational challenges.

As well as responding to the recommendations, Transport wishes to address the Report's references to service variations needing to be cost neutral under the terms of the bus contracts. As a general principle, Transport strives for robust financial management of contracts on behalf of NSW taxpayers, including bus contracts for which private operators tendered to deliver services. This does not preclude consideration of operator-proposed changes that benefit bus customers, particularly where changes in the wider transport network are impacting bus performance in a contract region, or to provide new 'growth' services. As outlined above, however, such matters may also be subject to consideration of how recently the operator commenced services under the contract, broader service planning and/or factors such as driver shortages.

Lastly, Transport wishes to highlight a number of key performance indicators (KPIs) were amended under the new Greater Sydney Bus Contracts, and although the KPI naming convention was retained, tighter measurement methodologies are applied. Analysis of operator performance which incorporates data for periods prior to and after the commencement of the GSBCs would need to account for these KPI changes for a valid comparison to be made and performance trend to be drawn.

Once again, I appreciate the opportunity to respond to this important audit and to outline the measures Transport is implementing. We are committed to working with operators, industry stakeholders, and the community to ensure that the Greater Sydney bus network is a modern and reliable public transport option for passengers.

Yours sincerely,

Josh Murray
Transport Secretary

28 January 2025

Transport for NSW
231 Elizabeth Street, Sydney NSW 2000 | PO Box K659, Haymarket NSW 1240
T 02 8202 2200 | W transport.nsw.gov.au | ABN 18 804 239 602

OFFICIAL

Appendix 2 – The evolution of bus contracting in NSW from 2003

Table 6 is a detailed timeline of the evolution of bus contracting, TfNSW strategies and major government events from 2003 to date.

Table 6 : Timeline of the evolution of bus contracting from 2003 to date

Date	Event
2003	Unsworth review commissioned to create a bus transport system with standardised fares and consistent service levels.
2005 (multiple dates)	The 87 existing contract regions across Sydney were consolidated into 12 regions, with four regions operated by the State Transit Authority of New South Wales (STA).
December 2012	TfNSW released the 2012 Long Term Transport Masterplan for NSW. This plan was high-level but included several strategies which aimed to improve bus travel in the metropolitan Sydney area.
2013 (multiple dates)	The existing contract regions were consolidated into ten regions. Of these ten regions six were serviced by private operators under Sydney Metropolitan Bus Service Contracts (SMBSC), and the remaining four continued to be operated by the STA.
December 2013	The 'Sydney's bus future' report was released detailing the NSW Government's plan to make bus services 'simpler, faster and better'. The report did not include targets for improvement or measures for bus performance. This report also noted '[m]any bus services follow the original … routes designed a century ago and do not take into account the shifting travel patterns of today's customers'.
2013 to 2022	TfNSW produced one bus-specific plan – the 16 regional cities services improvement program, which reviewed and revised bus timetables and routes in 16 regional hubs.
July 2018	The first of the remaining STA regions (region 6) was transitioned to a private operator using the Sydney Bus Service Contract.
February 2022	Portfolio Committee No. 6 of the NSW Legislative Council established an inquiry to investigate into, and report on, the 'privatisation of bus service's via the Sydney Metropolitan Bus Service Contracts.
September 2022	The parliamentary committee reported that the privatisation of Sydney's bus network had incentivised cost-cutting, and recommended (a) winding back privatisation in some regions, and (b) changing key performance indicators (KPIs) to include the quality of service provided. Three members of the Government who sat on the Committee lodged a dissenting statement questioning the findings and motivations of the report.
September 2022	TfNSW released the updated 'Future transport strategy 2056' (the Strategy), which outlined plans to make travel easier, safer and more efficient. The Strategy is broadly agnostic to the mode of public transport used.

Date	Event
2020 to 2023 (multiple dates)	The remaining three STA contract regions were transitioned to be private bus operations. Sydney Metropolitan Bus Service Contracts expired progressively and TfNSW used a competitive tender process to select operators to deliver new bus contracts. All of these contracts use the Greater Sydney Bus Contract, except region 6 (Inner West) which uses the Sydney Bus Service Contract. The number of operators servicing metropolitan Sydney decreased from nine to six.
May 2023 to September 2024	The NSW Bus Industry Taskforce was appointed by the incoming NSW Government to investigate operator performance and performance issues. The Taskforce had a broader remit than this audit and a statewide focus. The Taskforce found that driver shortages were the cause of most service cancellations and made several recommendations to alleviate the shortage. Other recommendations include a more collaborative approach to TfNSW's management of bus contracts and that TfNSW undertake organisational change to focus on delivering services by mode – that is, TfNSW create an organisational unit that is accountable for bus, ferry and light rail, and consolidate the resources of TfNSW in the new unit to focus on public transport delivery. The Government has supported, or supported in principle, most of the Taskforce's recommendations to date, and these actions form the basis of the Government's current plan for bus sector reform. To date, TfNSW has actioned recommendations on the recruitment of more drivers and is in the process of actioning other recommendations. In its second report, the Taskforce advocated for the creation of a medium-term bus plan to represent a 'unified approach to addressing current service gaps or improving and expanding services to deal with growth and changing patterns of demand'. TfNSW has advised that this plan will focus on future bus services and not on strategies to improve services under the GSBC. In its final report, the Taskforce highlighted the main themes arising from its work as a whole, and made recommendations on areas including the passenger experience, bus service contracts, safety and workforce strategy.

Source: Audit Office of NSW analysis of TfNSW strategies, plans and policies, feedback from TfNSW, contract data, evidence from the parliamentary inquiry, and reviews commissioned by TfNSW.

Appendix 3 – About the audit

Audit objective

This audit assessed the effectiveness of TfNSW's design and management of metropolitan Sydney bus service contracts.

Audit criteria

1. TfNSW is effectively managing the performance of contracts held by private bus companies to ensure contractual commitments are being met, with a focus on key performance indicators (KPIs) relating to:
   a) customer satisfaction and complaint resolution
   b) customer facing data and asset presentation
   c) bus punctuality and cancellation
   d) bus maintenance and ticketing.
2. TfNSW has designed an effective governance regime to underpin performance management of bus contracts in metropolitan Sydney and is demonstrating that contracts are being managed to deliver value for money.
   a) TfNSW contract managers have access to, and are using, contract specific management procedures, which include managing KPI defaults in accordance with Schedule 4 of the contract.
   b) TfNSW has in place, and uses, an effective program for validating performance data by operators, including a regular and comprehensive auditing program.
   c) TfNSW has appropriate performance measures in contracts.
   d) TfNSW complies with the contract governance and reporting regime as detailed in Schedule 5 of the contract.

Audit scope and focus

In assessing the criteria, we checked the following aspects:

1. TfNSW' contract managers have access to, and are using, contract specific management procedures, which include managing KPI defaults in accordance with Schedule 4 of the contract.
2. TfNSW has in place and uses an effective program for validating performance data by operators, including a regular and comprehensive auditing program.
3. TfNSW has appropriate performance measures in contracts.
4. TfNSW complies with the contract governance and reporting regime as detailed in Schedule 5 of the contract.

Audit exclusions

The audit did not comment on the:

- design of bus routes and associated timetables
- rationale for contracted service levels
- tender process for awarding the contracts
- region 6 (Inner West) bus contract
- merits of government policy objectives.

Audit approach

Our procedures included:

- interviewing:
  - key personnel from TfNSW associated with the design and management of the sample contracts
  - key personnel from the companies operating the sample contracts.
- examining:
  - documentation provided by TfNSW relating to the design and management of the sample contracts
  - relevant Cabinet information.
- analysing:
  - data relating to KPI performance and management after the commencement of the GSBCs
  - TfNSW internal procedure and policy documentation on bus contract management
  - documentation supporting compliance with Schedule 5 of contract.

The audit approach was complemented by quality assurance processes within the Audit Office to ensure compliance with professional standards.

Audit methodology

Our performance audit methodology is designed to satisfy Australian Auditing Standard ASAE 3500 Performance Engagements and other professional standards. The standards require the audit team to comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance and draw a conclusion on the audit objective. Our processes have also been designed to comply with requirements specified in the *Government Sector Audit Act 1983* and the *Local Government Act 1993*.

Acknowledgements

We gratefully acknowledge the cooperation and assistance provided by Transport for NSW and the bus operators. We would particularly like to thank our liaison officers and staff who participated in interviews and provided evidence for the audit.

Audit cost

The estimated cost of this audit including disbursements is $743,000.

Appendix 4 – Performance auditing

What are performance audits?

Performance audits assess whether the activities of state or local government entities are being carried out effectively, economically, efficiently and in compliance with relevant laws.

The activities examined by a performance audit may include a government program, all or part of an audited entity, or more than one entity. They can also consider particular issues that affect the whole public sector and/or the whole local government sector. They cannot question the merits of government policy objectives.

The Auditor-General's mandate to undertake audits is set out in the *Government Sector Audit Act 1983* for state government entities, and in the *Local Government Act 1993* for local government entities. This mandate includes audit of non-government sector entities where these entities have received money or other resources (whether directly or indirectly) from, or on behalf of, a government entity for a particular purpose (follow-the-dollar).

Why do we conduct performance audits?

Performance audits provide independent assurance to the NSW Parliament and the public.

Through their recommendations, performance audits seek to improve the value for money the community receives from government services.

How are performance audits selected?

When selecting and scoping topics, we aim to choose topics that reflect the interests of parliament in holding the government to account. Performance audits are selected at the discretion of the Auditor-General based on our own research, suggestions from the public, and consultation with parliamentarians, agency heads and key government stakeholders. Our three-year performance audit program is published on the website and is reviewed annually to ensure it continues to address significant issues of interest to parliament, aligns with government priorities and reflects contemporary thinking on public sector management. Our program is sufficiently flexible to allow us to respond readily to any emerging issues.

What happens during the phases of a performance audit?

Performance audits have three key phases: planning, fieldwork and report writing.

During the planning phase, the audit team develops an understanding of the audit topic and responsible entities and defines the objective and scope of the audit.

The planning phase also identifies the audit criteria. These are standards of performance against which the audited entity, program or activities are assessed. Criteria may be based on relevant legislation, internal policies and procedures, industry standards, best practice, government targets, benchmarks or published guidelines.

During the fieldwork phase, audit teams will require access to books, records or any documentation deemed necessary in the conduct of the audit, including confidential information that is either Cabinet information within the meaning of the *Government Information (Public Access) Act 2009*, or information that could be subject to a claim of privilege by the State or a public official in a court of law. Confidential information will not be disclosed, unless authorised by the Auditor-General.

At the completion of fieldwork, the audit team meets with management representatives to discuss all significant matters arising from the audit. Following this, a draft performance audit report is prepared.

The audit team then meets with management representatives to check that facts presented in the draft report are accurate and to seek input into developing practical recommendations on areas of improvement.

A final report is then provided to the accountable authority of the audited entity(ies), which are invited to formally respond to the report. If the audit includes a follow-the-dollar component, the final report will also be provided to the governing body of the relevant entity. The report presented to the NSW Parliament includes any response from the accountable authority of the audited entity. The relevant Minister and the Treasurer are also provided with a copy of the final report for state government entities. For local government entities, the Secretary of the Department of Planning and Environment, the Minister for Local Government and other responsible Ministers will also be provided with a copy of the report. In performance audits that involve multiple entities, there may be responses from more than one audited entity or from a nominated coordinating entity.

Who checks to see if recommendations have been implemented?

After the report is presented to the NSW Parliament, it is usual for the entity's Audit and Risk Committee/Audit Risk and Improvement Committee to monitor progress with the implementation of recommendations.

In addition, it is the practice of NSW Parliament's Public Accounts Committee to conduct reviews or hold inquiries into matters raised in performance audit reports. The reviews and inquiries are usually held 12 months after the report received by the NSW Parliament. These reports are available on the NSW Parliament website.

Who audits the auditors?

Our performance audits are subject to internal and external quality reviews against relevant Australian standards.

The Public Accounts Committee appoints an independent reviewer to report on compliance with auditing practices and standards every four years. The reviewer's report is presented to the NSW Parliament and available on its website.

Periodic peer reviews by other Audit Offices test our activities against relevant standards and better practice.

Each audit is subject to internal review prior to its release.

Who pays for performance audits?

No fee is charged to entities for performance audits. Our performance audit services are funded by the NSW Parliament.

Further information and copies of reports

For further information, including copies of performance audit reports and a list of audits currently in progress, please see our website www.audit.nsw.gov.au or contact us on 9275 7100.

OUR VISION

Our insights inform and challenge government to improve outcomes for citizens.

OUR PURPOSE

To help Parliament hold government accountable for its use of public resources.

OUR VALUES

Pride in purpose

Curious and open-minded

Valuing people

Contagious integrity

Courage (even when it's uncomfortable)

© Copyright reserved by the Audit Office of New South Wales. All rights reserved. No part of this publication may be reproduced without prior consent of the Audit Office of New South Wales. The Audit Office does not accept responsibility for loss or damage suffered by any person acting on or refraining from action as a result of any of this material.

auditoffice OF NEW SOUTH WALES

audit.nsw.gov.au

Level 19, Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000 Australia

PHONE +61 2 9275 7100

mail@audit.nsw.gov.au

Office hours: 8.30am-5.00pm
Monday to Friday.

auditoffice
OF NEW SOUTH WALES

audit.nsw.gov.au