

Metro Tasmania Pty Ltd

ABN 30 081 467 281

STATEMENT OF CORPORATE INTENT

2015-16

AUGUST 2015

**DIRECTORS' STATEMENT OF CORPORATE INTENT AND
AGREEMENT OF SHAREHOLDING MINISTERS**

The Board of Metro Tasmania Pty Ltd agrees to provide the Shareholding Ministers with financial and other information as set out in the Statement of Corporate Intent.

In signing this Statement of Corporate Intent the Board of Metro Tasmania Pty Ltd commits to the targets for the 2015-16 financial year.

This Performance Agreement has been agreed between:



Lynn Mason
Chairperson
Metro Tasmania Pty Ltd
On behalf of the Board

Shareholding Ministers



Hon Rene Hidding
Portfolio Minister
Member



Hon Peter Gutwein
Treasurer
Member

INTRODUCTION

This Statement of Corporate Intent (SCI) is a high level summary of the Corporate Plan and includes a performance agreement between the Board of Metro Tasmania Pty Ltd (Metro) and the Shareholding Ministers.

The performance agreement details the key financial and non-financial targets for Metro for 2015-16, as agreed between the Board and the Shareholding Ministers through the 2015-16 Corporate Planning process. It also details estimates for the following three years.

The SCI has been prepared in accordance with the Members' Statement of Expectations for Metro dated 13 January 2014.

STRATEGIC CONTEXT

Metro operates regular passenger bus services in the urban areas of Hobart Launceston and Burnie. Metro also provides a number of regional passenger bus services outside the boundaries of Burnie and greater Hobart. The State Government purchases these services from Metro under a purchaser provider contract model.

The services provided by Metro are largely governed and purchased through Service Contracts with the Department of State Growth and Metro receives approximately 70 per cent of its total revenue from these contracts. The balance of revenue is received from fares (approximately 27 per cent), ancillary services (e.g. advertising and charter services) and some interest income.

STRATEGIC DIRECTION

The Tasmanian Urban Passenger Transport Framework and Metro's vision and business purpose strongly influence the strategic directions of its Corporate Plan. Metro's vision is to be an attractive travel option contributing to an integrated public transport network in Tasmania.

Metro has identified a number of goals and associated strategies to assist in achieving its vision. These goals and strategies complement the Company's desire to fulfil its main task of providing passenger transport that is financially sustainable and that meets the needs of the Tasmanian community in the areas in which it operates.

Over the planning period, Metro intends to undertake a range of strategies, and actions to meet the following goals:

- Focus on our customers
- Operate a financially sustainable business
- Deliver high quality, reliable services

- Develop Metro's culture to foster a highly skilled, safety driven and cohesive team
- Actively engage with our stakeholders
- Grow the public transport market in Metro's contract areas in Tasmania

Metro is committed to working with all stakeholders in the development of passenger transport services that contribute to Tasmania's social, economic and environmental wellbeing. Metro recognises that an important aspect of this is connecting communities through integrating services with other bus companies. Buses will be viewed as a viable and attractive option for transport in Tasmania.

PERFORMANCE AGREEMENT

This Performance Agreement sets out the key financial and non-financial targets for 2015-16, and estimates for the following three years are detailed in the tables below.

Financial Returns to Government

The *Metro Tasmania Act 1997* and the *Government Business Enterprises Act 1995* provide for the payment to the Consolidated Fund of:

- income tax equivalents in respect of each financial year; and
- guarantee fees.

The Metro Constitution provides for the payment of dividends by the Company to the Members, subject to the provisions set out in the Constitution. Payment of dividends should take into consideration any expectations of Members in this regard. Metro is projected to break even over the four year period, provided that as a minimum, the additional \$3.25m per annum funding from Government is continued. Metro will not pay dividends over the four year period.

Metro's carried forward tax losses are likely to be exhausted in 2014-15 and during 2015-16 the company is expected to be liable for the payment of income tax equivalents for the first time since corporatisation.

As Metro has no borrowings, no annual guarantee fees are levied.

Financial Targets

The 2015-16 Corporate Plan Budget has been prepared using planning assumptions based on Metro's corporate strategy, which outlines the measures and targets that have been set by the Company to result in overall improved performance. Based on these assumptions, the financial performance targets are detailed below.

	Target 2015-16	Projected Target		
		2016-17	2017-18	2018-19
Operating Profit/(Loss) before Tax (\$ '000)	better than (177)	better than (106)	better than 111	better than (45)
Fares Revenue (\$ '000)	>12,174	>12,647	>13,188	>13,777
Total Cost per Service Kilometre (\$)	<5.89	<6.04	<6.17	<6.34
% Reduction in Corporate Overheads	>0.75%	>1%	>1%	>1%

Non-Financial Targets

Metro's performance is measured across a range of key result areas to help the Company monitor its overall performance. The key operational non-financial performance targets are:

	Target 2015-16	Projected Target		
		2016-17	2017-18	2018-19
Network Effectiveness				
Patronage ('000 Total Boardings)	9,972	9,936	9,971	10,001
Total Boardings per Service Kilometre	1.09	1.09	1.09	1.09
% of Total Boardings made with a Greencard	65%	70%	75%	80%
Operator Efficiency				
% of Trips Delivered	99%	99%	99%	99%
% of Trips Delivered On Time	>85%	>85%	>85%	>85%
% of General Access Services Delivered by DDA Compliant Buses	61%	64%	67%	70%
% of Kilometres that are Out-of-Service (Dead Running)	16.00%	15.75%	15.50%	15.25%
% Roster Hours that are Bus Hours (Under-Time Hours)	1.20%	1.15%	1.10%	1.05%
Service Quality				
Overall Passenger Satisfaction (from Customer Survey)	75%	76%	77%	78%
Number of Complaints per 100,000 Service Kilometres	20	20	20	20
Safety				
At-fault Vehicle Accidents per 100,000 Kilometres	5.6	5.3	5.0	4.8
Lost Time Injury Frequency Rate	12	6	<1	<1

Definitions

Operating Profit before Tax means total revenue less total expenses as reported in the Statement of Comprehensive Income.

Total Cost means the total before tax expenses incurred as reported in the Annual Report.

Total Boardings means first boardings and transfers.

On Time means a bus service departing a timing point no more than 59 seconds early and no more than 4 minutes and 59 seconds late compared to the scheduled departure time.

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Service Kilometres means the direct distance travelled whilst delivering passenger transport services (that is it excludes dead running kilometres).

General Access Services excludes services which are only used by school students.

Complaints includes all complaints received including substantiated complaints and unsubstantiated complaints.

Lost Time Injury Frequency Rate is the number of lost time injuries divided by the number of work hours, multiplied by 1,000,000.

Capital Expenditure

Capital expenditure for 2015-16, totalling \$7,245,000 is shown below and largely comprises Metro's bus replacement program for 2014/15 (carried forward) and 2015/16.

	Target	Projected Target		
	2015-16	2016-17	2017-18	2018-19
Property Plant & Equipment (\$ '000)	7,245	3,866	3,852	3,903

Contracts with Government

Metro has a contract with Department of State Growth to provide the bus services as specified.

The five-year contract (New Services Contract) with Metro provides the following contract payments:

2015-16	2016-17	2017-18	2018-19
35,206	36,009	36,831	37,674

* Actual payments may be adjusted for variations such as changes in the cost of fuel and an estimate has been made for 2018-19 assuming the contract is renegotiated beyond its expiry date of 31 December 2018.