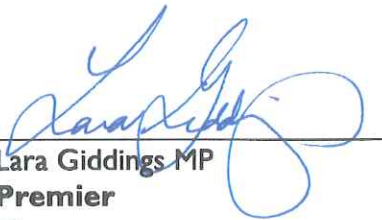


MEMBERS' STATEMENT OF EXPECTATIONS

November 2013

METRO TASMANIA

This Members' Statement of Expectations is jointly approved by:



Lara Giddings MP
Premier
Treasurer
Member



Nick McKim MP
Minister for Sustainable Transport
Member

Date: 13/1/14

Contents

1. INTRODUCTION	2
2. PURPOSE AND STRATEGIC EXPECTATIONS	2
2.1 Principal Purpose.....	2
2.2 Principal Objective.....	2
2.3 Strategic Expectations.....	2
2.4 Compliance with Government Policies.....	3
3. NATURE AND SCOPE OF OPERATIONS	3
3.1 Core Business.....	3
3.2 Related Business.....	3
3.3 Business Presence Outside the State.....	3
3.4 Non-commercial Activities, Subsidies and Concessions.....	4
4. FINANCIAL AND COMMERCIAL MANAGEMENT EXPECTATIONS	4
4.1 Financial Performance.....	4
4.2 Customer Service.....	4
4.3 Reporting.....	5
4.4 Pricing.....	5
4.5 Borrowings and Investment Activities.....	5
4.6 Capital Asset Management.....	6
4.7 Risk Management.....	6
5. OTHER	6
5.1 Director Appointment Process.....	6
5.2 Employee and Industrial Relations.....	6
5.3 Integrity and Ethics.....	7
5.4 Significant Developments.....	7
5.5 Provision of Information.....	7
SCHEDULE I	8

I. INTRODUCTION

- This Statement of Expectations has been prepared by the Treasurer and the Minister for Sustainable Transport (the Members), following consultation with Metro Tasmania.
- The Statement sets out the Government's broad policy expectations and requirements for Metro Tasmania.
- The *Corporations Act 2001* and the Constitution of Metro Tasmania govern the operation of the Company.
- This Statement should be read in conjunction with the following Acts:
 - *Metro Tasmania Act 1997*;
 - *Passenger Transport Services Act 2011*; and
 - *Government Business Enterprises Act 1995*.
- This Statement takes effect from the date it is signed and remains in effect until it is amended or revoked.
- The Statement is to be tabled in Parliament by the Minister for Sustainable Transport and published on the website of Metro Tasmania.

2. PURPOSE AND STRATEGIC EXPECTATIONS

2.1 Principal Purpose

- The principal purpose of Metro Tasmania is to provide road passenger transport services in Tasmania.

2.2 Principal Objective

- Pursuant to legislative requirements, the Members expect Metro Tasmania to deliver its core business objective of providing safe, reliable and efficient road passenger transport services in urban areas, consistent with the Government business principles. In doing so, Metro should:
 - operate in accordance with sound commercial practice and as efficiently as possible; and
 - have regard to the social and economic objectives of the State, as advised by the Members.

2.3 Strategic Expectations

- In undertaking its core business, the Members expect Metro Tasmania to:
 - (i) provide safe, reliable and efficient road passenger transport services consistent with relevant technical and customer standards and regulatory arrangements;

- (ii) provide a competitive alternative to light vehicle passenger transport on a commercial (at least break even after Government contract funding) basis in urban areas where it provides services;
- (iii) maximise fare revenue consistent with relevant economic regulation;
- (iv) maximise patronage consistent with (iii); and
- (v) provide concession services to the transport disadvantaged and education providers in accordance with explicit Government policy.

2.4 Compliance with Government Policies

- In pursuing the strategic objectives in the context of the Government's directions, and undertaking its functions and exercising its powers, Metro Tasmania shall act in accordance with:
 - the governance framework for Government businesses;
 - Treasurer's Instructions and guidelines that are applicable to Metro Tasmania; and
 - any Government policies specifically applying to Metro Tasmania as advised by the Members.

3. NATURE AND SCOPE OF OPERATIONS

3.1 Core Business

- The core business of Metro Tasmania is providing safe, reliable and efficient road passenger transport services in urban areas.

3.2 Related Business

- Metro Tasmania may undertake other activities related to or associated with its core business on a case-by-case basis, subject to the written approval of the Members, including:
 - the provision of road passenger services in non-urban areas; and
 - bus charter services, provided that such services do not impact on Metro's ability to undertake its principal activities.
- With the written approval of the Members, related business activities may be pursued through subsidiaries, joint ventures or other appropriate arrangements.

3.3 Business Presence Outside the State

- Metro Tasmania must seek the written approval of the Members before establishing a business presence outside Tasmania. Any request must be accompanied with a compelling business case

3.4 Non-commercial Activities, Subsidies and Concessions

- Metro Tasmania's non-commercial activities are:
 - any activity that has been declared a community service obligation by the Treasurer; and
 - any activity that the Members agree would be non-commercial and direct Metro Tasmania to perform.
- Metro Tasmania receives subsidy and concession payments for the passenger transport services it provides.
- Non-commercial activities and subsidy and concession payments are listed in Schedule I of this Statement.
- Where Metro Tasmania is required to perform non-commercial activities or receives subsidy and concession payments for the provision of passenger transport services, those activities or services are to be:
 - performed to the same standards described in paragraph 2.3, as part of Metro's core business; and
 - costed and funded in accordance with formal written arrangements as agreed with the Treasurer, another Minister of the Crown or as specified in a contract. If no arrangement is in place, a non-commercial activity, subsidy or concession is to be funded by the Company.

4. FINANCIAL AND COMMERCIAL MANAGEMENT EXPECTATIONS

4.1 Financial Performance

- The Members expect Metro Tasmania to:
 - meet its financial and commercial targets, as set out in the annual Statement of Corporate Intent;
 - implement the business strategies contained in the Corporate Plan in order to meet the agreed long term performance targets for the organisation, consistent with the Government's expectations;
 - be proactive in identifying and implementing operational efficiencies and productivity measures to enhance financial performance; and
 - keep the Members, and the Department of Treasury and Finance (Treasury), as principal financial advisor to the Treasurer, informed of any significant issues impacting on the company, especially its financial performance targets.

4.2 Customer Service

- In delivering its services, the Members expect Metro Tasmania to take account of contemporary practice and other management developments in the industry in which it operates and the commercial sector generally.

- Metro Tasmania is to have in place and follow a customer service charter which is to be publicly available.
- Metro is to continue to improve customer services and service delivery in order to strengthen Metro's brand and public image and thereby improve the equity value of the corporate brand.

4.3 Reporting

- The Members expect Metro Tasmania to comply with any relevant reporting requirements specified in any guidelines issued by Treasury.

4.4 Pricing

- The Members expect Metro Tasmania to set prices, fees and charges which:
 - comply with the Government Prices Oversight (Metro Bus Fares) Order or any Fares Order made pursuant to the Economic Regulator Act 2009 and take into consideration relevant Government policies;
 - meet the objectives of efficiency and financial sustainability; and
 - are consistent with the following pricing principles:
 - fare transitions should occur over a manageable timeframe that avoid price shocks for customers;
 - fare reviews are to occur annually to ensure that fares are at least maintained in real terms on average;
 - seek to achieve growth in fare revenue as a proportion of total revenue over time;
 - fare structures are to provide incentives for customers to travel in off-peak periods, and act to reduce the future capital investment required in the fleet; and
 - clear relativities are to be re-established between concession and adult fare categories.

4.5 Borrowings and Investment Activities

- The Members expect Metro Tasmania's borrowings to be consistent with the Debt Maturity Structure guidelines and any direction given under the *Tasmanian Public Finance Corporation Act 1985*.
- When investing any surplus funds, Metro Tasmania should provide the Tasmanian Public Finance Corporation with the opportunity to offer its services.
- Capital structure and debt levels should be maintained at a level that is consistent with the overall strategic portfolio objectives of the Government.

4.6 Capital Asset Management

- The Members expect Metro Tasmania to:
 - develop Strategic Asset Management Plans reflecting prudent commercial practice including implementing a whole-of-life cost minimisation asset management plan for all of its fleet;
 - regularly review its asset holdings with the aim of identifying surplus non-performing and non-core assets; and
 - subject any capital investment proposal to rigorous and considered analysis prior to any decision to commit resources.
- The Members and Treasury, as principal financial adviser, are to be notified of any proposed major new capital investments.
- All major capital investment decisions must be approved in writing by the Members prior to any significant expenditure being incurred.

4.7 Risk Management

- The Members expect Metro Tasmania to have in place risk mitigation strategies that recognise the Government is a long-term risk-averse investor, identify business and financial risks, and provide for their ongoing management in a manner that is commensurate with the risk profile of the Government.

5. OTHER

5.1 Director Appointment Process

- The Members expect Metro Tasmania to work cooperatively with relevant Director Selection Advisory Panels to ensure that the Director appointment process results in a balance of renewal and continuity of Board membership.

5.2 Employee and Industrial Relations

- Members expect Metro Tasmania to:
 - adhere to any Government policy guidelines in regard to Executive remuneration including bonuses or other forms of rewards; and
 - be cognisant of any Government policy in regard to employee remuneration, consistent with contemporary public sector wages policy; and
 - provide a high level of safety throughout the organisation, taking all practical steps to provide its employees and employees of its contractors with safe working conditions.
- The Members are to be notified prior to any significant changes to the employee relations policy of Metro Tasmania, including the finalisation of any workplace or enterprise agreements.

5.3 Integrity and Ethics

- The Members expect the Board, management and employees of Metro Tasmania to exhibit the highest level of integrity and professionalism in undertaking their duties.

5.4 Significant Developments

- The Members are to be kept informed of any matters of significance. Specifically, the Members expect to be notified of any adverse developments which may:
 - prevent the achievement of financial performance objectives; or
 - significantly affect the financial viability or operating ability of Metro Tasmania; or
 - significantly impact on Government policy, client relations and environmental issues.

5.5 Provision of Information

- The Treasurer and Portfolio Minister expect to be:
 - informed of any potential material transactions not in the ordinary course of business before they take place;
 - informed well in advance of any material or significant events, transactions or other issues relating to the business which could have a wider public interest; and
 - provided with any information or reports requested, in an accurate and timely manner.

SCHEDULE I

NON-COMMERCIAL ACTIVITIES

The following non-commercial activities, as defined under Clause 3.4, shall be performed by Metro Tasmania:

- Not applicable.

SUBSIDIES AND CONCESSIONS

Metro Tasmania receives subsidy payments in relation to:

- Metropolitan General Access Regular Passenger Transport Services (refer to Tasmanian Budget, Budget Paper Number 2, Volume 1 - Government Services, Output Group 6).

Metro Tasmania receives subsidy and concession payments in relation to:

- Non-Metropolitan General Access Regular Passenger Transport Services (refer to Tasmanian Budget, Budget Paper Number 2, Volume 1 - Government Services, Output Group 6).