

Metro Tasmania Pty Ltd

ABN 30 081 467 281

STATEMENT OF CORPORATE INTENT

2020-21

JULY 2020

Metro Tasmania reserves the right to resubmit this Statement of Corporate Intent in another form to reflect

- (a) service contract negotiation outcomes, to the extent that the outcomes are inconsistent with Metro Tasmania's ability to execute this Statement of Corporate Intent;*
- (b) significant ongoing disruptions to the business arising from the COVID-19 pandemic; and*
- (c) formalising financial plans for the implementation of major projects announced in the 2018-19 budget, for integrated ticketing system and ferry services.*

**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 2020-21 financial year.

This Performance Agreement has been agreed between:



Tim Gardner
Chairman
Metro Tasmania Pty Ltd
On behalf of the Board

Shareholding Ministers



Hon Michael Ferguson MP
Portfolio Minister
Member



Hon Peter Gutwein MP
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 2020-21, as agreed between the Board and the Shareholding Ministers through the 2020-21 Corporate Planning process.

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

STRATEGIC CONTEXT

The COVID-19 pandemic has created significant financial uncertainty, however the company remains mindful of its obligations to provide passenger transport that is financially sustainable and that meets the needs of the Tasmanian community in the areas in which it operates. To this end, Metro has sought to mitigate the long term impact of Covid-19 through establishment of a borrowing program and implementation of cost controls and a continuous improvement program.

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 in urban fringe areas around Burnie and 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 prior to the COVID-19 pandemic, Metro received approximately 74 per cent of its total revenue from these contracts.

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
- Provide attractive transport solutions
- Foster our people and our culture
- Strengthen our stakeholder relationships

The circumstances facing the company are unprecedented, with wide ranging impacts from the global spread of COVID-19. However, Metro remains 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 2020-21 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:

- dividends
- 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. Given Metro's level of accumulated losses and its budgeted loss in 2020-21, payment of a dividend is not anticipated for the 2020-21 financial year.

Likewise, given Metro is budgeted to make a loss in 2020-21 and has accumulated tax losses from prior years, it will not make a cash payment for income tax equivalents during the 2020-21 financial year.

The impact of COVID-19 on Metro's fare revenue has resulted in a significant deterioration of its cash holdings and as such Metro expects to enter into borrowings of \$11.5m in 2020-21 to ensure sufficient working capital and capacity to complete its Accelerated Bus Replacement Program. This will result in a forecast payment of \$8,667 in guarantee fees.

Financial Targets

The 2020-21 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 2020-21
Operating Profit/(Loss) before Tax (\$ '000)	(1,883)
Fares Revenue (\$ '000)	10,849
Total Cost per Service Kilometre (\$)	\$6.79
% Reduction in Corporate Overheads	0.5%

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 2020-21
Network Effectiveness	
Patronage ('000 First Boardings)	6,354
First Boardings per Service Kilometre	0.70
% of Boardings made with a Greencard	90%
Operator Efficiency	
% of Trips Delivered	99%
% of Trips Delivered On Time	90%
% of General Access Services Delivered by DDA Compliant Buses	97%
% of Kilometres that are Out-of-Service (Dead Running)	19%
% Paid Hours that are Under-Time Hours	2.1%
Service Quality	
Overall Passenger Satisfaction (from Customer Survey)	77%
Number of Complaints per 100,000 Service Kilometres	13
Safety	
At-fault Vehicle Accidents per 100,000 Kilometres	2.7
Reduction in Lost Time Injury Frequency Rate	15%
Reduction in Average Lost Hours Per Workers Compensation Claim	15%

Definitions

Operating Profit/(Loss) 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.

First Boardings means boardings that have not been made within 90 minutes of a previous boarding (that is it excludes 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.

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, in the 12 months to March 31st.

Capital Expenditure

Capital expenditure for 2020-21, totaling \$15,509,500 (exc GST) is shown below.

	Target 2020-21
Property Plant & Equipment (\$ '000)	\$15,509

Contracts with Government

Metro has contracts with the Department of State Growth to provide the bus services as specified. Short-term contracts signed in 2018 to extend the existing contracts have been further extended to September 2020. Metro has negotiated a new contract and funding framework to be in place for the 2020-21 year.

	Target 2020-21
Bus service contract payments (\$ '000)	\$48,000