

# Statement of Corporate Intent

2024-25



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

The Board of Metro Tasmania Pty Ltd ('Metro') 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 commits to the targets for the 2024-25 financial year, to the extent that those targets are within Metro Tasmania's control.

This Statement of Corporate Intent has been agreed between:



Tony Braxton-Smith

**Chair**

and



Shareholding Ministers

Hon Guy Barnett MP

**Treasurer**



Hon Eric Abetz MP

**Minister for Transport**

# Introduction

Metro is a state-owned company established in 1998 that provides essential public transport services to our communities in Hobart, Launceston and Burnie.

As the largest Tasmanian-owned passenger transport service provider, Metro delivers approximately seven million passenger journeys, and over nine million service kilometres a year on a fleet of 236 buses driven and supported by over 500 Tasmanian employees.

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 and the Shareholding Ministers.

The performance agreement details the key financial and non-financial targets for Metro for 2024-25, as agreed between the Board and the Shareholding Ministers through the 2024-25 Corporate Planning process.

The SCI has been prepared in accordance with the Members' Statement of Expectations for Metro dated October 2024.



# Strategic Context

Metro's assets, operations, and services are managed under a contract administered by the Department of State Growth (DSG) in accordance with terms that were revised in 2019. At the time the contract model was agreed, in a stable operating environment and with an outlook for steady future growth in public transport use, Metro assumed the risks associated with patronage variance, and the contract payment model was structured accordingly.

Subsequently, in the post-pandemic period, because of shifts in work, study and social habits, patronage returned to a new steady state that is materially lower than the pre-pandemic levels around which the sustainable financial model was designed. This has resulted in an unfunded revenue gap of approximately \$5M per annum. Added to this, a strong Tasmanian economy with a tight labour market and inflationary pressures on key input costs, have put added pressure on Metro's cost base.

Like many operators around Australia, Metro has experienced driver shortages, impacting the capacity to fully deliver contracted services, and resulting in on-going daily cancellations from early 2023. To restore service reliability, a temporary service adjustment (TSA) was made in late 2023 by withdrawing 177 daily services from the standard weekday working timetable (which is approximately 6% of scheduled weekday services).

In response to these developments, Metro intensified its recruitment, training and retention programs and in late 2023, Government funded a one-off 10% wage increase for Metro bus operators to address a widening gap to market-competitive pay rates. At the time, it was agreed that in return there would be changes (to be negotiated) to current EA provisions that provide more flexibility in work practices that in turn will enable Metro to realise operational efficiencies in the running of its bus networks.

# Strategic Direction

Over the planning period, Metro will pursue the following strategic objectives:

- Restore, sustain and then enhance our services to better meet customer needs and increase customer satisfaction.
- Renegotiate key enterprise agreements to provide for greater flexibility in responding efficiently to operational needs, with market-competitive rates of pay and conditions to attract and retain the workforce Metro needs.
- Deliver an integrated set of projects that modernise Metro's core business systems to enable more effective management of its people and resources, more efficient operation of its services and better service delivery to our customers.
- Work collaboratively with DSG to support the new ticketing system rollout, implement the HASTUS network management software solution , and complete a network review that enables Metro to realise operational efficiencies.
- Plan for and manage bus fleet replacements and/or refurbishments on a schedule that maintains a fleet sufficient to operate all contracted services safely and reliably.
- Model the options and provide advice to Government on the potential pathways to restoring Metro's financial sustainability.
- Support delivery of Government policies and priorities by working cooperatively with DSG on programs and initiatives where we play a role and/or share responsibility.

We are a dynamic and evolving business focussed on keeping Tasmania moving and fully committed to working hard to make public transport in Tasmania better.

# Statement of Corporate Intent

This Statement of Corporate Intent sets out the key financial and non-financial targets for 2024-25.

## **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.

Metro's Articles of Association provides for the payment of dividends by the company to the members, subject to the provisions set out in the Articles. 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 2024 -25, payment of a dividend is not anticipated for the 2024-25 financial year.

Likewise, given Metro is budgeted to make a loss in 2024-25 and has accumulated tax losses from prior years, it will not make a cash payment for income tax equivalents during the 2024-25 financial year.

As a result, Metro will not make repayments on its current debt of \$5 million which is an interest only loan. Furthermore, Metro will not invest in bus replacement in 2024-25 without commitment to fleet replacement funding under its passenger service contract with DSG.

This will result in a forecast payment of \$26,000 in guarantee fees during 2024-25.

## Financial targets

The 2024-25 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 performance improvement.

Based on these assumptions, the financial performance targets are detailed below.

	2024-25 \$
Profit / (Loss) After Tax (000s)	(3,090)
Returns to Government (000s)	26
Fare Revenue (000s)	11,179
Total Cost per Service Kilometre	6.62

## Capital Expenditure

Capital expenditure (inc GST) for the Corporate Plan period is shown below.

	2024-25 \$
Total Capital Expenditure (inc GST)	8,998,477

## Contracts with Government

Metro has contracts with DSG to provide bus services and has recently exercised an option to extend for a further five-years, concluding in December 2029.

	2024-25 \$
Bus Service Contract	55,330,000

## Non-financial targets

	Target 2024-25
<b>Network Effectiveness</b>	
Patronage ('000 First Boardings)	6,928
First Boardings per Service Kilometre	0.76
<b>Operator Efficiency</b>	
% Trips Delivered within Metro's Reasonable Control	99.75%
% of Trips Delivered on Time within Metro's Reasonable Control	90%
% of Kilometres that are Out-of-Service (Dead Running)	20%
% Paid Hours that are Under-Time Hours	0.50%
<b>Service Quality</b>	
Overall Passenger Satisfaction (from Customer Survey)	70%
Number of Substantiated Complaints per 100,000 Service Kilometres	12
<b>Safety</b>	
At-fault Vehicles Collisions per 100,000 Kilometres	4
Lost Time Injury Frequency Rate	48
<b>Projects</b>	
ITS Project - Implementation of Infrastructure as a Service (IaaS)	Jan-25
ITS Project - Implementation of Human Resource Information System (HRIS)	Feb-25

### Definitions

*Complaints* includes all complaints received, excluding unsubstantiated complaints.

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

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

*Lost Time Injury Frequency Rate (LTIFR)* 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 31. Metro has recently revised its method of calculation of LTIFR to align closer to the Safe Work Standards.

*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.

*Operating Profit/(Loss) before Tax* means total revenue less total expenses as reported in the Statement of Comprehensive Income.

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

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