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Letter to the Minister

The Hon John Watkins MP
Deputy Premier
Minister for Transport
Level 30
Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

31 October 2007

Dear Mr Watkins

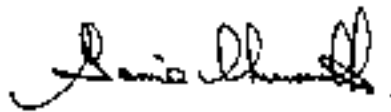
On behalf of the State Transit Authority of New South Wales, it is our pleasure to present to you the Annual Report for the year ended 30 June 2007. This report has been prepared in accordance with the Annual Reports (Statutory Bodies) Act 1984 and the Public Finance and Audit Act 1983. The financial statements have been audited by the NSW Audit Office and the Auditor-General's report is included.

We wish to thank you for your support and guidance during the past year and we look forward to continuing to grow the business and improve our services to offer an attractive and efficient public transport service to the people of NSW.

Yours sincerely



Peter Rowley
Acting Chief Executive



Barrie Unsworth
Chairman

CEO's & Chairman's Foreword

Under the new Metropolitan Bus System Contracts for the four operating regions in Sydney, and the Outer Metropolitan Bus System Contract for Newcastle Buses, State Transit has had a very successful year with strong patronage growth and major reinvestment in fleet renewal.

2006/07 saw strong growth in patronage on public transport, with all major corridors experiencing increasing demand in peak periods for services. State Transit responded vigorously to this increased demand, introducing additional services on 22 routes across our four operating regions.

State Transit maintained its strong focus on safety and security. Workplace safety results showed the renewed attention to detail, with Lost Time Injuries falling by a further 12.5% during the year. Safe driving practices were fostered under the Driver Skills Maintenance Program, providing every driver with two days refresher training using State Transit's award winning Vanguard Vigil technology, providing compelling feedback to the driver on their safe driving performance. New digital CCTV systems with five cameras on board are currently being fitted to the entire State Transit fleet.

The first of the new Volvo Euro 5 buses went into operation at Randwick and Burwood Depots as part of the largest investment in new buses since State Transit starting operating in 1989, with contracts on foot for the acquisition of 505 new environmentally friendly buses over five years.

The consolidated end of year financial result was a surplus of \$32.7M on revenue of \$513M under the funding model applied the Metropolitan Bus System Contracts, through based on contract payment for fixed and variable costs and for patronage and performance incentive payments.

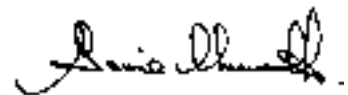
State Transit, through its Western Sydney Buses subsidiary, continued its strong patronage growth on the Liverpool-Parramatta Transitway, with patronage increasing by 13%.

The Board maintained its strategic focus on ensuring for the future growth of Sydney Buses with depot developments commencing at Leichhardt, Brookvale and Ryde to meet capacity demands.

The Board would like to record its thanks to John Lee for his leadership and inspiration during his period as Chief Executive of State Transit prior to taking the position of Director General of the Department of Commerce later in 2007.



Peter Rowley
Acting Chief Executive



Barrie Unsworth
Chairman



Peter Rowley
Acting Chief Executive
State Transit Authority of NSW



Barrie Unsworth
Chairman
State Transit Authority of NSW

About State Transit

Boasting the largest bus fleet in Australia and also one of the most modern, State Transit manages one of the largest bus operations of any city in the world.

Operating three businesses: Sydney Buses, Newcastle Bus and Ferry Services and Western Sydney Buses (the Liverpool - Parramatta Transitway), State Transit services around 200 million passengers every year.

Bus Fleet

- At 30 June 2007, State Transit's bus fleet totalled 1,978 buses,
- 1,100 buses are air-conditioned,
- 936 buses are low floor design,
- 838 buses are fully wheelchair accessible,
- 401 buses are CNG powered,
- 320 buses have Euro 3 diesel engines, and
- 40 buses have Euro 5 diesel engines.

Patronage

- State Transit carried 201 million passengers in 2006/07.
- Every working day State Transit operates more than 15,000 services carrying more than 600,000 passengers to their destinations.

Turnover

- \$513M in 2006/07.

Employees

- More than 4,500 employees.

Routes

- Sydney Buses operates approximately 300 routes in the Sydney metropolitan area, extending to Parramatta in the west.
- Newcastle Buses operates 29 routes over a large part of the cities of Newcastle and Lake Macquarie. Newcastle Ferries operates a service across Newcastle Harbour to Stockton.
- Every year Sydney Buses travel around 83 million kilometres, Newcastle Buses travel around 8 million kilometres and Newcastle Ferries travel 24 thousand kilometres.
- More than 106,000 timetabled services are operated every week, 99,000 services by Sydney Buses, 7,000 services by Newcastle Buses, and 1,000 services by Western Sydney Buses.

Safety

- The highest priority is placed on security and safety; all buses are fitted with Closed Circuit Television Cameras, door safety systems and special school bus warning systems, and all buses are in radio contact with the State Transit control room in the Sydney Traffic Management Centre.

Passenger Information

- Individual timetables for every bus service are available from the State Transit information kiosks at central points in the city, selected ticket agencies, off the web at www.131500.info, phoning the Transport Infoline on 131 500, or by accessing the 131500 mobile service. Handy route information is also available at bus stops and ferry wharves.
- Check out our website www.sta.nsw.gov.au which is linked to:
www.sydneybuses.info
www.newcastlebuses.info

Tourism Services

- State Transit operates the Explorer tourist buses in the Sydney CBD and in the Eastern Beaches.

About State Transit

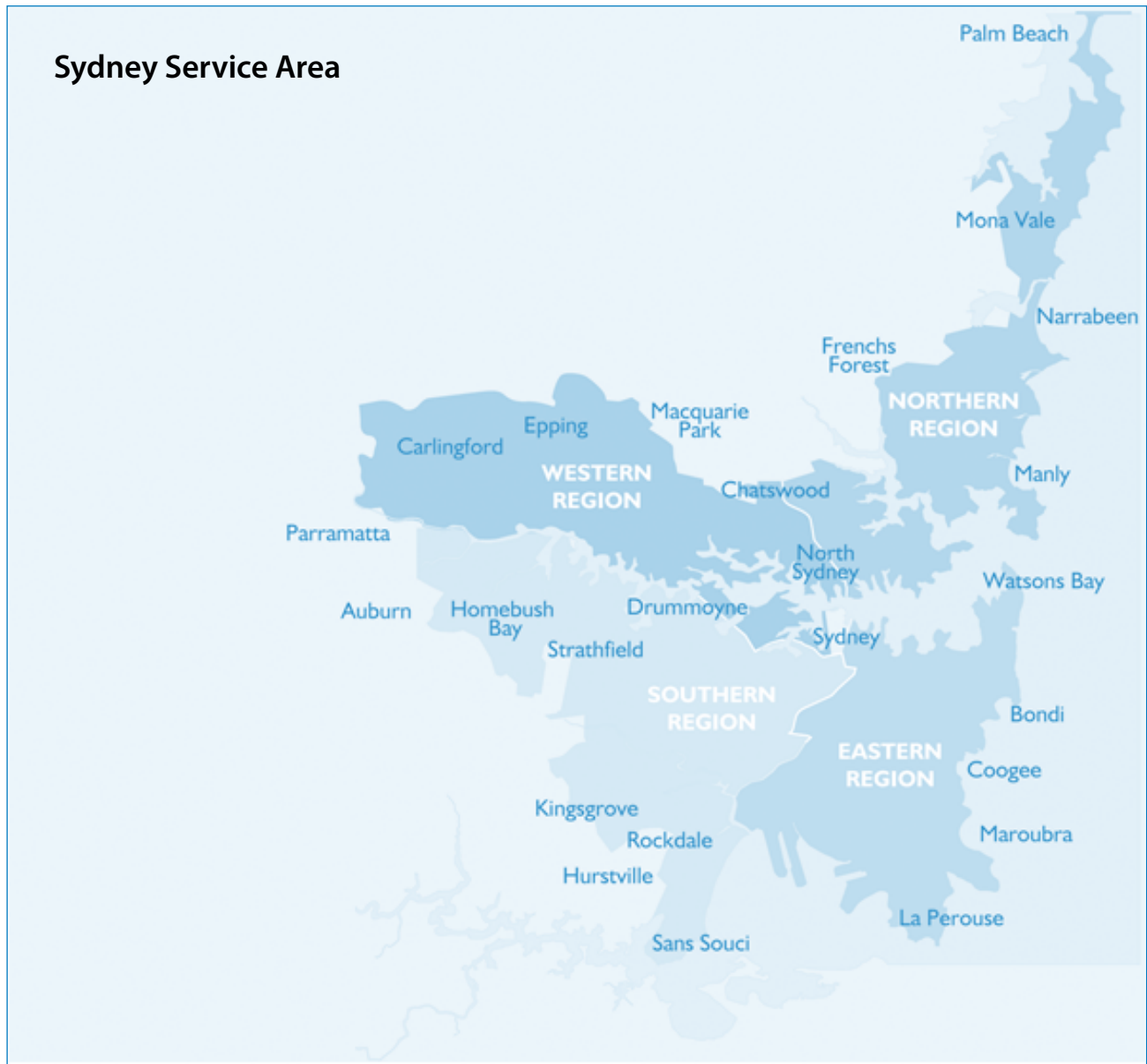
Legislation

- State Transit is established under the Transport Administration Act 1988 and operates, as do all NSW bus operators, within the regulatory framework of the Passenger Transport Act 1990.

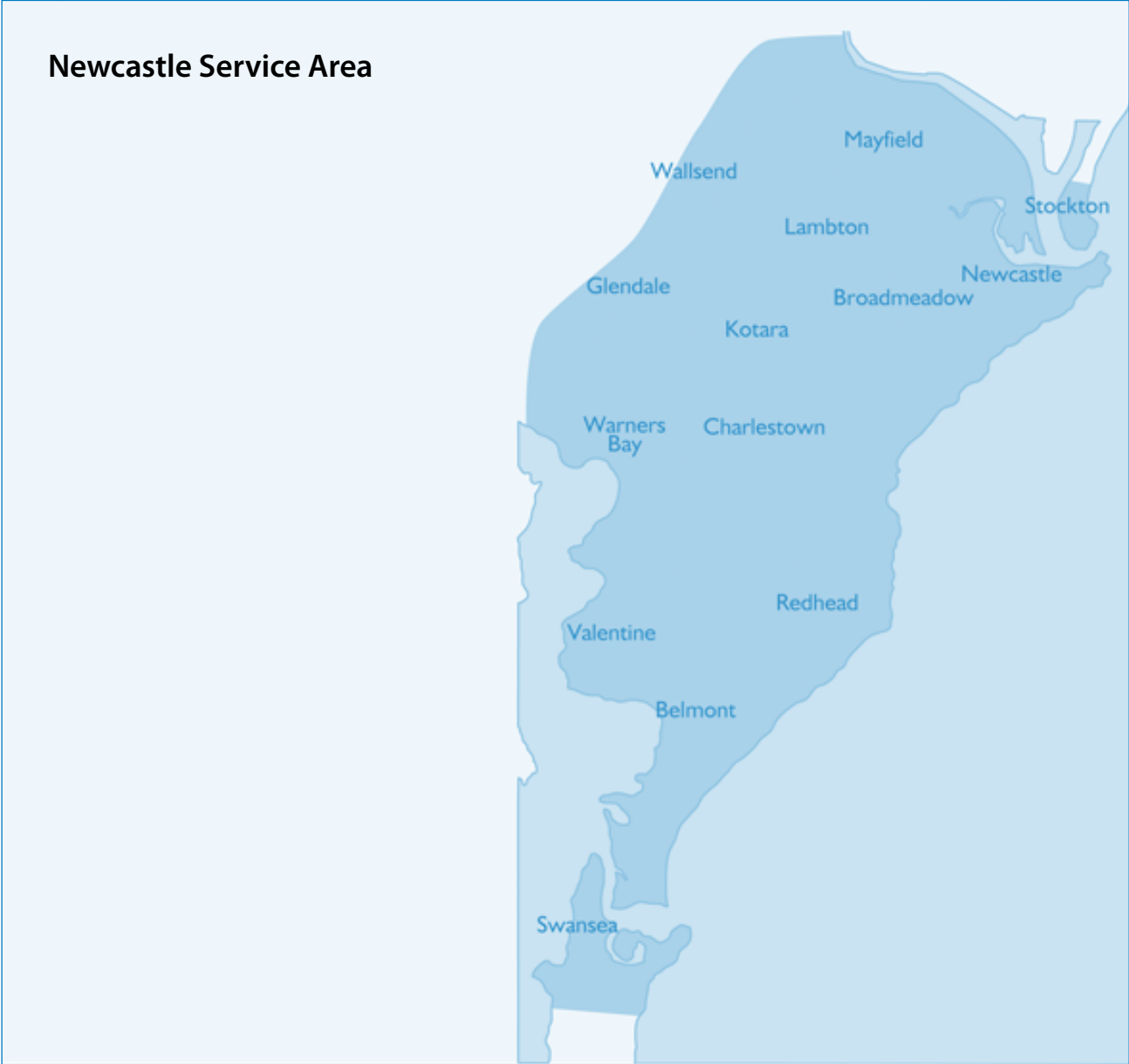
How we design our services

- At State Transit we design our bus routes and timetables so that they are simple to understand, frequent, direct, reliable and accessible to the majority of the community. Our experience shows that these characteristics provide the community with better bus services that match their travel demands.
- Bus services are well patronised when they are designed to serve a number of purposes. Buses take people to work, school, university and TAFE, shopping, entertainment, hospitals and to visit friends. People use buses to connect with trains, ferries and other buses as part of the transport network.
- All routes are designed to provide local communities with connections to their regional centres and district centres. These principles were derived after conducting considerable research of travel demand, customer feedback and examining other successful bus services operated by State Transit.

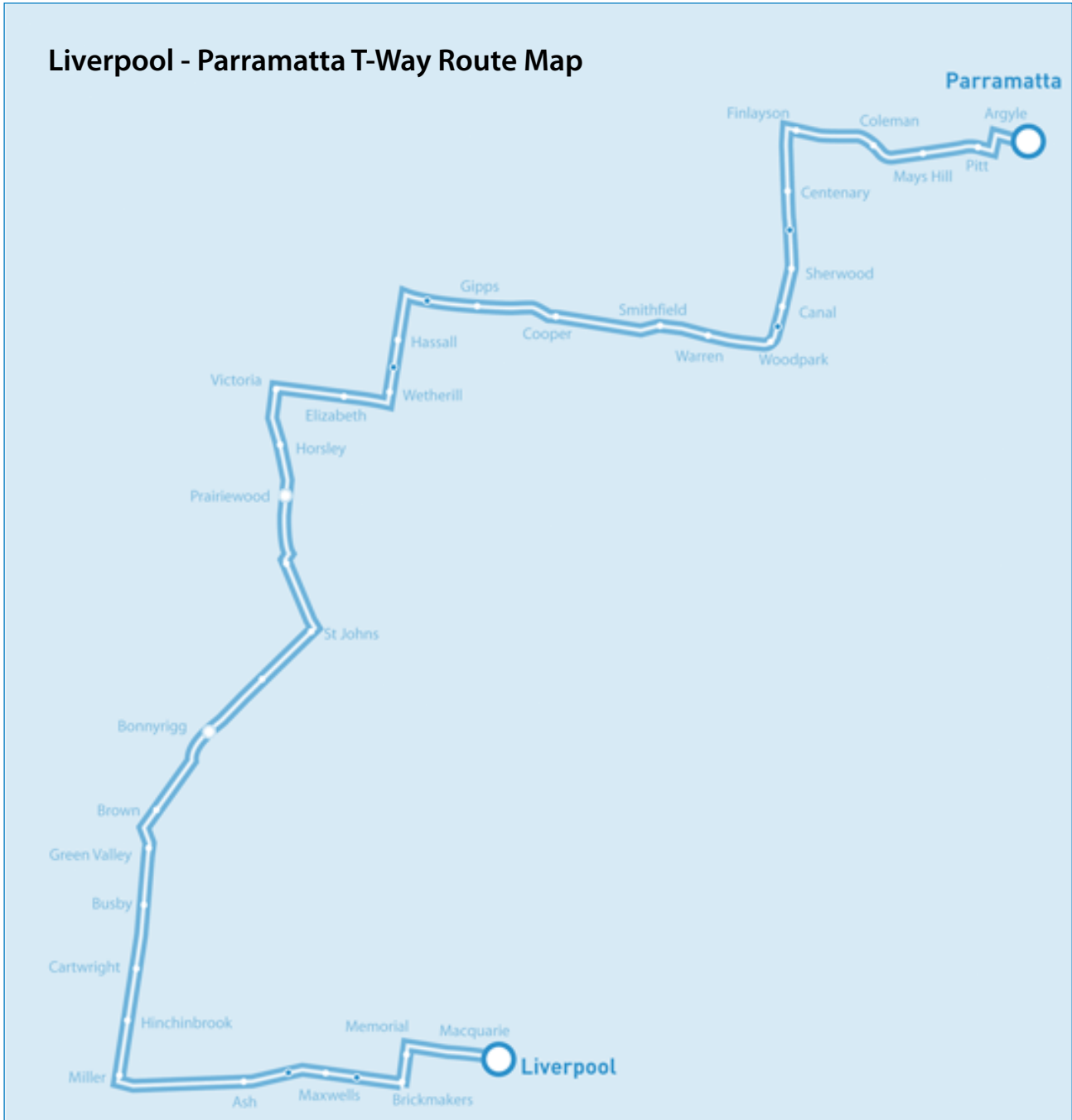
Network Maps



Network Maps



Network Maps



Performance Highlights

Prepay Services

In October 2006 the new 333 cashless bus service was launched by the Minister – the 'Bondi Bendy'.

This was the cashless service introduced anywhere in Australia. Cashless bus services have been very successful in London and other major cities in Europe.

The service has been very popular with passengers and cashless services have now been rolled out across the major corridors in State Transit's network.

New Buses for State Transit's Fleet

The 2006/07 financial year saw the addition of 100 new buses to the State Transit fleet.

Forty of these new buses were Volvo Euro 5 diesel with State Transit being among the first operators in the world to operate these new environmentally friendly buses to greatly lower greenhouse gas emissions. These new buses are part of the \$250 million contract to replace more than a quarter of the bus fleet over the next five years.

The delivery of 30 new articulated buses brought our current articulated fleet to a total of 80, helping to meet the growth in demand on State Transit's major corridors in the Eastern, Northern and Western Regions.

Driver Skills Maintenance Program

State Transit is leading the way in maintaining the skills of bus operators with the Driver Skills Maintenance Program, a two-day program designed to ensure that existing bus operators receive annual, structured professional development, through workshop-based and depot components.

At the end of the last financial year 2639 experienced bus operators had attended Skills Maintenance training.

Reduction in Changeovers

Sydney Buses recorded one of its lowest changeover rates ever for both mechanical and traffic changeovers.

During the year, Sydney Buses recorded 12.9 mechanical changeovers per 100,000 kms, an improvement of 20% on the last 5 years.

Lang Park Solution

Our solution to fixing the 'conga line' of buses coming into York Street at the southern end of the Harbour Bridge was a great success.

The changes to the stopping patterns in York Street, with some buses no longer stopping at the intermediate stop at Lang Park, almost instantly fixed the problem. Travel times for passengers were improved by up to 16 minutes in the morning peak for their trip across the Harbour Bridge coming into Carrington Street, Wynyard.

Patronage Growth

More than 189 million passengers used State Transit services in Sydney during 2006/07 with strong growth on all major corridors.

Since the Liverpool-Parramatta T-Way began operations on 16 February 2003, there has been a strong and steady growth in patronage.

Patronage increased by 13% in 2006/07 with 2.279 million passengers travelling on T-Way buses.

Performance Highlights

Additional Buses To Meet Peak Growth

State Transit responded to demand, introducing 170 additional services during the peak periods of February and March 2007 on 22 busy routes.

The additional buses support the growth during peak periods on strategic bus corridors including Epping Road, Military Road, the Pittwater corridor, Eastern Valley Way, Glebe Point Road, Anzac Parade and Victoria Road.

Newcastle OMBSC Contract

State Transit signed the new 7-year service contract for Newcastle Buses with the Ministry of Transport, providing certainty for the future of services under the new funding model. Newcastle Buses is now appropriately funded and is no longer cross-subsidised by the profitable services run by Sydney Buses.

Volvo Agreements

Volvo chose State Transit as one of three major bus companies around the world to start a new partnership to test and develop the quality of the 'world bus' (the others are in London and in Mexico) as part of their new Dedicated Quality Teams project.

Volvo build about 10,000 buses for the world market every year. State Transit is a relatively small part of that in world terms, but Volvo in Sweden is impressed by the quality of the State Transit team and the work done here, making us one of only three around the world to join them in this new partnership.

Volvo also signed a new environmental partnership with State Transit to work together in developing and trialling the latest in environmentally friendly technology on buses.