

# Annual Report

2009-2010

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## Submission Letter

29 October 2010

The Hon. John Robertson MLC  
Minister for Transport  
Minister for the Central Coast  
Parliament House  
Macquarie Street  
Sydney NSW 2000

Dear Minister

It is our pleasure to provide for your information and presentation to Parliament the Rail Corporation New South Wales Annual Report for the year to 30 June 2010.

The report has been prepared in accordance with the *Annual Reports (Statutory Bodies) Act 1984*, the *Annual Reports (Statutory Bodies) Regulation 2010* and the *Public Finance and Audit Act 1983*.

Yours sincerely

**Rob Mason**

Chief Executive





## Chief Executive's Foreword

RailCorp is the largest provider of public transport services to the people of NSW, operating, maintaining and developing a vital part of our State infrastructure. The delivery of safe, efficient and reliable rail services is of critical importance.

### Implementing a co-ordinated approach to safety

Safety is our top priority and that message applies 24 hours a day, seven days a week.

Tragically, during the year two track workers died in two separate incidents in NSW involving RailCorp trains. While comprehensive investigations are being conducted into these incidents, the sad events are a poignant reminder of the importance of safety, and ongoing initiatives, like the Worksite Protection Program, are in place to enhance the safety of workers on RailCorp track.

### Customer satisfaction continues to rise

This Annual Report outlines how we delivered on strategies and programs to improve services and increase customer satisfaction.

The CityRail Customer Charter continues to be a great success. Improvements in on-time running performance during the peak travel periods have directly benefited commuters and significant

improvements in customer service have already been delivered.

In fact, the 2009 survey conducted by the Independent Transport Safety and Reliability Regulator recorded the highest levels of customer satisfaction with CityRail services since the surveys began in 2003.

The past 12 months have also seen several other achievements including the introduction of online ticketing, the MyZone ticketing structure and enhanced customer service levels across CityRail and CountryLink.

### Increasing our investment in infrastructure

RailCorp owns and manages assets valued at more than \$19 billion, and we are continually upgrading our infrastructure and our services.

We invested more than \$1 billion in capital works, a 42% increase over the previous year. Projects include the completion of the Cronulla branch line duplication which is delivering extra capacity to the network in 2010, and the Sutherland-Oatley-Loftus Area Resignalling (SOLAR) project, a key component of the Cronulla branch line duplication.

Other projects within the \$2 billion Rail Clearways Program are helping us to untangle our network. These include the Kingsgrove to Revesby Quadruplication which, when completed, will improve journey

times on some limited stop services from South Western Sydney.

The Epping to Chatswood rail link was integrated into the network during October 2009, providing rail access to the growing employment and education area of Macquarie Park and North Ryde for the first time. On average more than 11,500 customers have been using the new stations each weekday.

### Getting ready for world-class trains

The introduction of the new Waratah trains is a key component in RailCorp's strategic growth and renewal strategy.

The project is the largest single acquisition of rolling stock and involves the manufacture of the 626 new Waratah carriages (78 trains plus two spare carriages) and the 30-year maintenance of this fleet.

This is the biggest infrastructure project of its type ever in Australia and involves an investment of \$3.6 billion (net present cost). The new trains will represent about 50% of the current suburban fleet.

Planned delivery at the height of production is four times faster than any previous fleet – one train every fortnight. The first eight carriage shells arrived on 13 December 2009, marking the official beginning of local manufacture ramp-up for the Waratah trains.





**RailCorp invested more than \$1 billion in capital works, a 42% increase over the previous year**

The fleet is to be maintained at the \$220 million Auburn Maintenance Centre which was officially opened on 24 July 2010.

RailCorp is now conducting safety and reliability tests for each train which involves thousands of kilometres of performance testing on the CityRail network.

The new Waratah train fleet has been designed to last, and we are making sure it's as reliable as possible.

### Upskilling our people

Another key goal has been to develop and maintain an in-house rolling stock maintenance function capable of competing with the private sector.

During the past year, RailCorp made significant progress on creating and delivering initiatives that provide long-term benefits. One such initiative was the delivery of an adult apprenticeship program to teach existing staff new skills.

### Better integration of transport services across NSW

The launch of the State Government's Metropolitan Transport Plan demonstrates there is a long-term vision and funding commitment to the development of public transport and in particular expansion of rail services.

On 1 July 2010, changes to the *Transport Administration Act 1988* meant RailCorp became an agency under Transport NSW. This will enable better integration of transport services – trains, buses and ferries – to directly benefit passengers. It will require greater collaboration and teamwork across all the agencies, but by co-ordinating efforts to improve our planning, passenger information and facilities, we will better meet community door-to-door travel needs.

These changes also abolished the RailCorp Board. As such, I would like to express my thanks and appreciation to the RailCorp Board for its contribution during the year.

In the meantime, RailCorp will continue to work hard to boost performance, achieve its targets and goals and deliver improvements in customer service.

Yours sincerely

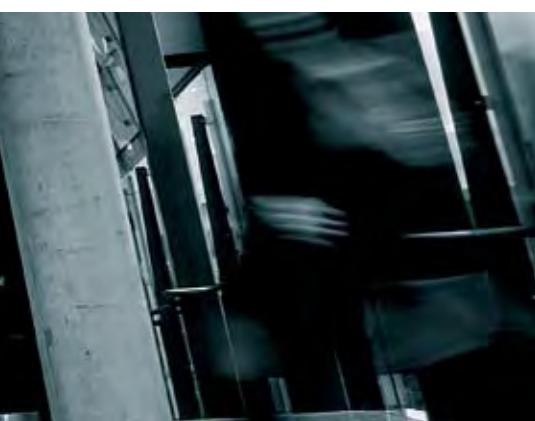
**Rob Mason**  
Chief Executive

**\$1 billion**  
of capital works  
delivered

**11,500+**  
passengers  
used new  
stations each  
weekday

**\$2 billion**  
Rail Clearways  
Program to  
untangle network

**\$19 billion+**  
assets managed  
and owned  
by RailCorp





# Vision

We want to be known as Australia's world-class railway.

**RailCorp's mission is to deliver safe, clean and reliable services that are efficient, sustainable and to the satisfaction of customers**

## Overview

### About RailCorp

Rail Corporation New South Wales (RailCorp) was established in 2004 and is now a New South Wales (NSW) Government agency directly reporting to the Minister for Transport, enabling RailCorp to better deliver integrated transport solutions for the Government. RailCorp incorporates both its metropolitan and suburban service CityRail, and its rural and regional service, CountryLink.

Funding to operate RailCorp services comes from three sources:

- › RailCorp's fare revenue
- › NSW Government funding
- › other revenue such as property rental, access fees, penalty notices and sales of maintenance and other services and products.

It costs about \$2.5 billion each year to operate RailCorp, but less than 28% of this cost is funded through fares. The rest is mostly subsidised by the NSW Government – and this means, the taxpayers of NSW.

Government funding is provided as a financial contribution through a funding arrangement with the

Director-General of Transport NSW. This enables RailCorp to deliver services, offer fare concessions and undertake capital works as detailed and agreed in RailCorp's Statement of Business Intent and the Rail Services Contract.

### Mission

At RailCorp, our mission is to deliver safe, clean and reliable services that are efficient, sustainable and to the satisfaction of all customers.

### Charter

The principal objectives of RailCorp under the *Transport Administration Act 1988* are:

- › to deliver safe and reliable railway passenger services in NSW in an efficient, effective and financially responsible manner, and
- › to ensure that the part of the NSW rail network vested in or owned by RailCorp enables safe and reliable railway passenger and freight services to be provided in an efficient, effective and financially responsible manner.

The other objectives of RailCorp are:

- › to maintain reasonable priority and certainty of access for railway passenger services
- › to promote and facilitate access to the part of the NSW rail network vested in or owned by RailCorp
- › to be a successful business and, to that end:
  - to operate at least as efficiently as any comparable business, and
  - to maximise the net worth of the State's investment
- › to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates
- › where its activities affect the environment, to conduct its operations in compliance with the principles of ecologically sustainable development contained in Section 6(2) of the *Protection of the Environment Administration Act 1991*
- › to exhibit a sense of responsibility towards regional development and decentralisation in the way in which it operates.

Our values	Our role
<b>Safety</b>	<b>We will put safety first</b>
<b>Customer service</b>	<b>We will work hard to provide quality customer service</b>
<b>Teamwork</b>	<b>We will work together</b>
<b>Integrity</b>	<b>We will have a just culture and will be honest and ethical</b>
<b>Respect</b>	<b>We will treat our customers and each other with respect</b>
<b>Continuous improvement</b>	<b>We will encourage and support each other to improve the quality and productivity of our work, our systems and our assets</b>

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# CityRail

CityRail provides passenger rail services covering suburban Sydney and extending to the Hunter, Central Coast, Blue Mountains, Southern Highlands and South Coast regions.

The CityRail network is one of the world's most complex. An average of one million trips are made to and from 307 stations each weekday. The radial nature of the network itself makes the task of moving this number of people to and from work a real challenge.

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**47%**

of CityRail weekday  
journeys in the morning  
peak are to the CBD

**302  
million**

passenger journeys

**112,604**

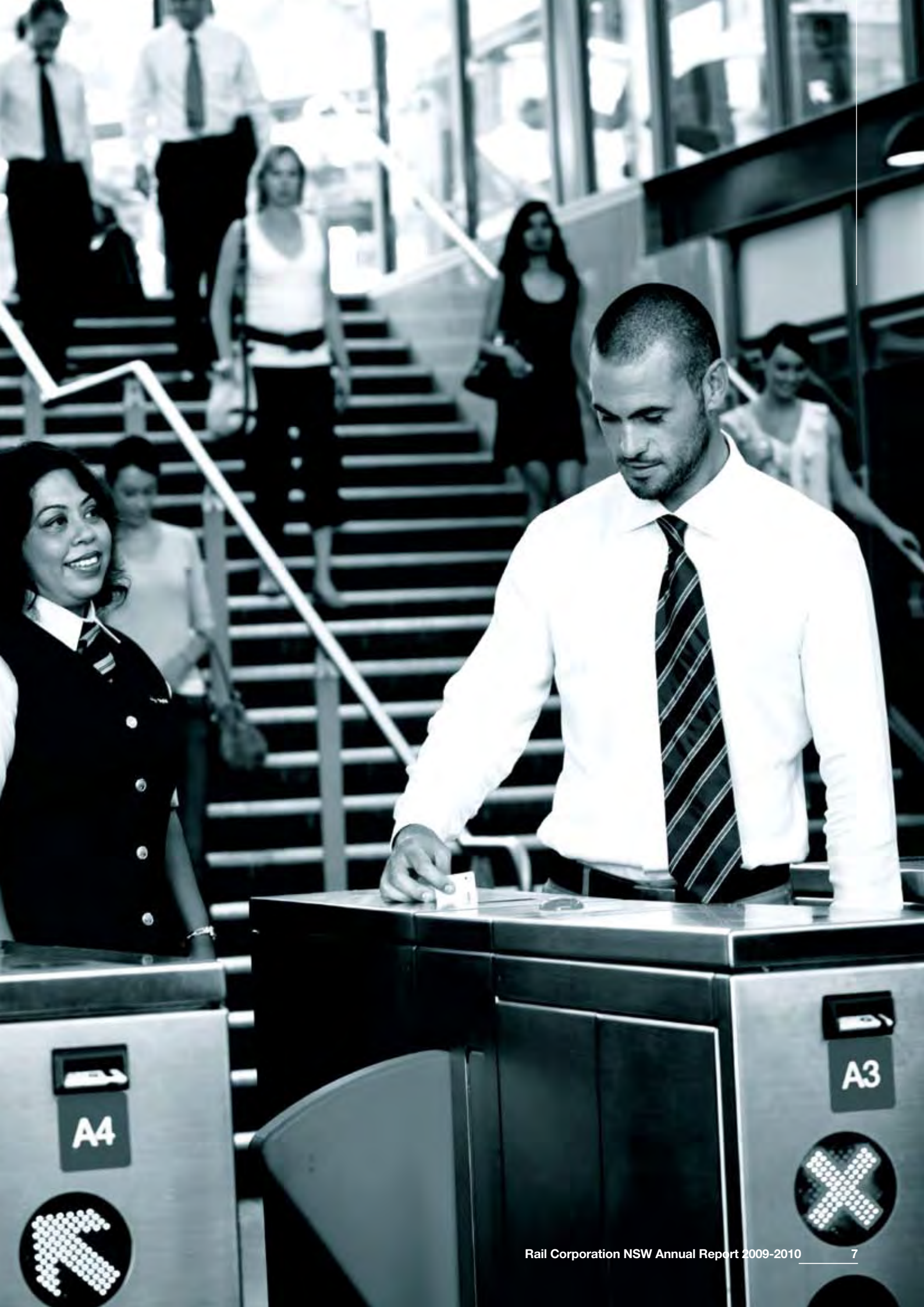
kilometres covered by  
CityRail trains every  
weekday

**320,000**

commuters each weekday

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# CountryLink

Travelling long distances by train has been part of the Australian way of life for more than 150 years. CountryLink continues that tradition by carrying almost two million passengers every year to around 365 destinations in NSW, QLD, the ACT and VIC.

The XPT and XPLOERER trains provide a safe, comfortable and relaxing way to travel while sitting back in airconditioned comfort.

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**365**

destinations serviced  
by CountryLink

**1.79**

million passenger  
journeys made on  
CountryLink in 2009-10

**102**

carriages and  
power cars in the  
CountryLink fleet

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CountryLink's XPT fleet links Sydney with Melbourne in the south, Dubbo in the west and Grafton, Casino and Brisbane in the north. The XPLOERER fleet links Sydney with Armidale, Moree, Griffith, Broken Hill and Canberra

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CountryLink operates 20 daily rail services and four weekly services along with 555 weekly coach services

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## Financial Performance Summary

For the 2009-10 year, RailCorp generated \$964 million income from operating activities, while expending \$3.226 billion operating the business, recording a deficit from operations, before government support, of \$2.262 billion.

Government contributions towards the day-to-day operations of RailCorp was \$1.606 billion, giving an operating deficit of \$656.1 million for the year. Government contributions towards RailCorp's capital investment program totalled \$710.8 million and, after treating this as income for the year, RailCorp recorded a surplus of \$54.7 million.

For the 2009-10 year total income was \$964 million, which rose this year by \$26 million or 2.8%, being mainly driven by an increase of 4.9% in passenger services revenue of \$32.5 million over the previous year. This reflects the IPART<sup>1</sup> approved increases in CityRail fares implemented through the year, partly offset by a 0.8% drop in CityRail passenger journeys.

Total expenditure for the year was \$3.226 billion, an increase of \$153.2 million or 5.0% on the prior year.

### Budget

The surplus for the year of \$54.7 million was \$241.5 million higher than budget. This reflected lower than budgeted total expenses of \$127.2 million and higher government contributions for operating and capital items of \$6.5 million and \$113.6 million respectively. Income

from operating activities was \$5.8 million lower than budget, reflecting lower CityRail passenger revenue of \$26.4 million due to lower than budgeted patronage and the introduction of the MyZone fare structure in April 2010, offset by higher non-passenger revenue and interest of \$20.6 million.

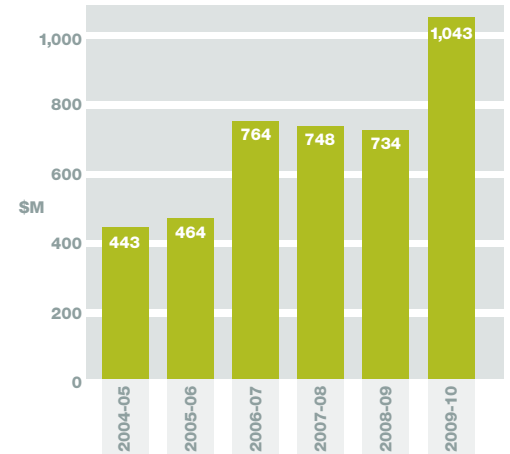
The operating budget for 2010-11 is a deficit of \$3 million. This consists of income from operating activities of \$989 million (including \$724 million from passenger services revenue) and total expenses including depreciation and finance costs of \$3.465 billion. Government contributions towards operating and capital expenditure are \$1.619 billion and \$854 million respectively.

### Capital expenditure

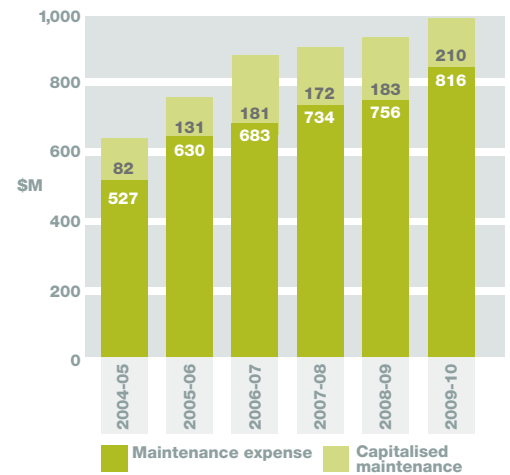
RailCorp capital expenditure in 2009-10 increased by 42% to \$1.043 billion (\$733.9 million in 2008-09). A further \$209.9 million of major periodic maintenance was capitalised, a 15% increase (\$183.0 million in 2008-09).

In addition, practical completion was granted on 18 June 2010 to Reliance Rail for the Auburn Maintenance Facility under the rolling stock PPP<sup>2</sup>, resulting in the recognition of a leased asset for \$219.3 million and corresponding lease liability. This gave a total capital investment of \$1.472 billion for 2009-10. Table 03 shows the major capital programs for 2009-10.

### Capital expenditure




### Infrastructure and rolling stock maintenance expenditure



<sup>1</sup> Independent Pricing and Regulatory Tribunal

<sup>2</sup> Public Private Partnership





RailCorp capital expenditure in 2009-10 was \$1.043 billion (\$734 million in 2008-09)

Table 01: RailCorp finance at a glance

Finance	\$million				
	2005-06*	2006-07*	2007-08*	2008-09	2009-10
Passenger services revenue	526.5	568.3	623.0	660.8	693.3
Other income	244.8	257.1	286.0	277.3	270.7
Income from operating activities	771.3	825.4	909.0	938.1	964.0
Total expenses	2,390.8	2,411.3	2,684.4	3,072.7	3,225.9
Deficit from operations before government contributions	-1,619.5	-1,585.9	-1,775.4	-2,134.6	-2,261.9
Government subsidies and concessions	1,317.2	1,482.4	1,496.6	1,466.8	1,605.8
Deficit from operations before capital contribution	-302.3	-103.5	-278.8	-667.8	-656.1
Government contributions for capital expenditure	471.9	554.4	572.8	932.0	710.8
<b>Surplus for the year</b>	<b>169.6</b>	<b>450.9</b>	<b>294.0</b>	<b>264.2</b>	<b>54.7</b>

Table 02: Cost and revenue per journey

	2005-06*	2006-07*	2007-08*	2008-09	2009-10
Cost per passenger journey	8.68	8.52	9.02	10.03	10.61
Revenue per passenger journey	1.91	2.01	2.09	2.16	2.28

\*Note Prior year cost and surplus figures in Tables 01 and 02 have been amended following a change in accounting policy in 2008-09.

Table 03: Capital investment by program

2009-10 capital investment, by program	\$M
Clearways	388
Outer Suburban Carriages — tranche 3	125
Waratah rolling stock — enabling and ancillary works	84
Traction Supply Upgrade (Waratah A-Sets)	56
Easy Access (A2 Program and Macarthur)	26
Digital Train Radio System	22
Oatley-Sutherland Resignalling and Overhead Wiring	14
Lidcombe to Granville Corridor Upgrade	9
Automatic Train Protection	6
Other capital programs	312
<b>Capital expenditure</b>	<b>1,043</b>
Capitalised maintenance works	210
PPP lease — Auburn Maintenance facility	219
<b>Total capital investment</b>	<b>1,472</b>

**Continued investment  
in people, services  
and infrastructure for  
a world-class railway**



## 2/ Operational Performance

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## Keeping People Safe and Secure

### Overview

The safety of all who use its services remains RailCorp's top priority. That includes the safety not only of customers, but also employees, contractors and the community.

During the year RailCorp services were involved in two tragic rail worker accidents. In April 2010, a contract track worker died after being struck by a train at Kogarah Station. The NSW Police, the Independent Transport Safety Regulator, the Office of Transport Safety Investigations and RailCorp itself are conducting investigations into the incident. In May, a

CountryLink XPT Sydney to Dubbo train was involved in a fatal collision near Newbridge. The train struck an excavator conducting contract trackwork for Australian Rail Track Corporation (ARTC).

To keep people safe and secure, RailCorp has implemented a comprehensive Safety Management System. This is part of RailCorp's ongoing commitment to meeting and, in many cases, exceeding the regulatory and statutory requirements.

RailCorp spent more than \$30 million on safety and is measuring

its success for 2009-10 based on the following key objectives:

- › A safe railway
- › A safe workplace
- › A safe culture
- › Maintain alignment with the national threat model.

Some of the year's highlights include progress with major safety projects such as the Automatic Train Protection Program, the Digital Train Radio System and the Worksite Protection Program which brings a co-ordinated approach to better protect the safety of workers on track.

### Current safety and security initiatives

RailCorp undertook the following initiatives during the year in support of its safety and security strategies:

**Project:**  
**Automatic Train Protection System** – to install this world-class safety system in trains

**Progress**  
The Automatic Train Protection (ATP) Program is now in the design and planning phase. ATP helps prevent collisions through a driver's failure to observe a signal or speed restriction.

Following approval from the NSW Government, the project team has completed essential preliminary design and evaluation works.

**Project:**  
**Digital Train Radio System** – to update train radios to new technology

**Progress**  
RailCorp signed a \$225 million contract to implement a new Digital Train Radio System (DTRS). This project addresses recommendations that all passenger and freight trains on the NSW rail network have compatible train radio systems for emergency communication.

Detailed planning and design for the roll-out of the DTRS has been completed and preliminary radio frequency designs were submitted for RailCorp review in June 2010.

**Project:**  
**Worksite Protection Program** – to improve the safety of workers on track

**Progress**  
This group of related projects will progressively deliver a safer working environment for employees and contractors involved in trackside works, adding controls to one of the major areas of safety risk.







The year's highlights include the planning phase for the Automatic Train Protection System and detailed design for the Digital Train Protection System

During 2009-10 RailCorp successfully installed voice recorders in signal boxes for monitoring safety critical communications.

It also completed field trials for the Automatic Train Warning System, the Rail Corridor Safety System, night work trackside beacons and high-visibility lookout identification measures.

**Project:**  
**Corridor Fencing Project** – a 'hotspot' targeted program to reduce trespassing and vandalism

**Progress**  
Effective fencing of the rail corridor benefits both safety and security on the RailCorp network.

This project is progressively providing increased protection to the rail corridor in areas where trespass, vandalism and particularly rock-throwing incidents have presented serious safety concerns.

The 2009-10 program has seen \$1 million capital expenditure on upgrade or new installation works at 20 locations.

Works on high-security fencing between Campbelltown and Macarthur will continue into the year 2010-11.

**Project:**  
**Critical and Vital Infrastructure Program** – a counter-terrorism security plan

**Progress**  
The eight project components of this program are providing enhanced counter-terrorism security to RailCorp facilities considered critical to its ability to maintain services.

Works have been completed at two sites and construction is underway at a number of other facilities.

Capital expenditure for the 2009-10 year for these projects was approximately \$12 million.

**Project:**  
**Signals Passed At Danger (SPAD) Management Program** – a multi-faceted program to reduce the number of high-risk SPADs on the network

**Progress**  
The SPAD Management Program aims to achieve a sustainable reduction in the number of SPAD events, as they are potential precursors to serious incidents such as collisions or derailments.

The year's activities have included analysis of causal factors, a communications strategy for train crew, driver Professional Driving Techniques training, and an ongoing program of signal obstruction clearing and review of signal placement and sighting.

**Project:**  
**Level Crossings** – includes major and minor safety upgrades and Community Safety Awareness programs

**Progress**  
Level crossing upgrades at four locations including Berry, Cowan, Jasper's Brush and Riverstone were completed during the 2009-10 financial year and two other level crossing upgrades began.

During 2009-10, approximately \$6 million was spent on the design and delivery of rail level crossing upgrades. This has enhanced safety for motorists and pedestrian users and will improve traffic flow over the rail level crossings.

As an extension of its Community Safety Awareness programs, RailCorp has been running an education program for high school students and 'at risk' youth on the dangers of inappropriate behaviour at stations and near trains.

**Project:**  
**Asset Operations Safety Improvement Program** – a wide-ranging group of initiatives aimed at reducing safety-related incidents, including lost time injuries.

**Progress**  
**Injury Reduction Plans** have been introduced across all three operating groups to improve both LTIFR<sup>1</sup> performance and the incidence of workplace injuries. The plans identify the main causes of injury and corresponding solutions.

<sup>1</sup> Lost time injury frequency rate





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**\$225  
million**

contract signed for a new  
digital train radio system

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more than **\$30 million**  
has been spent on safety and security

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**20**  
locations  
have improved  
corridor fencing

**8,700+**  
CCTV cameras

---



SEE  
10  
SECONDS  
IN A  
SAFE  
PLACE



### Passenger and public safety

There were no passenger fatalities due to train operations during 2009-10.

The RailCorp Safety Incident Index tracks a number of incident categories considered to be directly related to the risk of passenger fatalities. These incidents are:

- the highest risk SPADs
- trains exceeding the published speed limit by more than 20 kph
- significant track defects

- collisions with motor vehicles at level crossings
- explosions
- accidental passenger fatalities.

RailCorp's annualised Safety Incident Index performance since 2006 is as shown below. The total incident numbers for each year are normalised per million passenger journeys for that year.

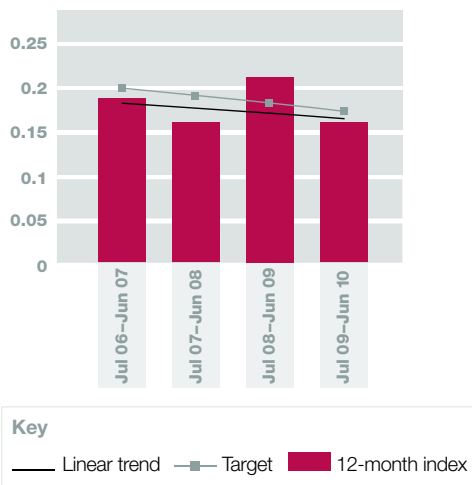
The categories of incidents included in RailCorp's Safety Incident Index will broaden in 2010-11.

### Employee safety

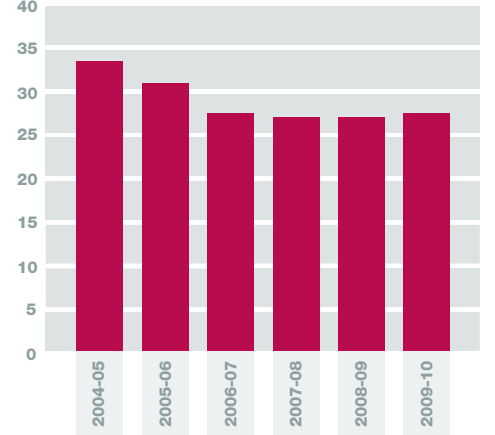
A lost time injury is a work-related injury that causes an employee to miss a full day's work or one full working shift. To obtain the Lost Time Injury Frequency Rate (LTIFR) these injuries are normalised per million hours worked.

RailCorp's LTIFR performance for the 12 months ended 30 June 2010 was 28.2. Continuous improvement in employee safety remains a priority for the organisation. The chart indicates RailCorp's annual LTIFR performance for the six financial years since commencement.

Safety Incident Index



Lost Time Injury Frequency Rate (LTIFR)





## CountryLink

### **Project:** Participation in security exercises

#### **Progress**

During the year CountryLink participated in an annual emergency

exercise and debriefing sponsored by the Victorian Government, a requirement for CountryLink's operations to Melbourne.

The exercise scenario was based on a security incident affecting the operation of an interstate train, and tested the response capabilities of a number of

agencies to an emergency in a regional location remote from major urban areas.

These exercises are valuable to RailCorp with regard to both preventative measures and post-incident business continuity.



Key Performance Indicator (KPI)	2009-10	Target
Lost Time Injury Frequency Rate (LTIFR)*	28.2	≤ 19.0
Safety Incident Index	0.162	≤ 0.181
BOCSAR offences against the person per million passenger journeys <i>(reported quarterly, three months in arrears)</i>	8.7 (June YTD)	≤ 9.5

\*As a result of LTIFR performance, there is now a greater emphasis on programs within RailCorp to reduce staff injuries, as outlined in this Report.





# Case Study

## Spotlight on Worksite Protection Program

**Challenge /** To identify practical measures to improve the safety of RailCorp's trackside workers.

**Solution /** In January 2010 RailCorp refreshed this important work with the establishment of a new Worksite Protection Program (WPP) team to bring a co-ordinated approach to the many individual safety projects underway and better measure their performance. There are currently more than 20 separate projects in place to enhance worksite protection processes and procedures, improve staff skills and competence, as well as introduce new tools and technology.

Two of the projects achieving significant progress during 2009-10 are targeting the improved visibility of track workers. In one of these initiatives, RailCorp undertook trials of new tools to improve the visibility of workers and better identify lookouts. The project involved the testing of a range of flashing beacons and still lights, and high visibility clothing. Train drivers were involved in the trial and they collectively agreed on the tools that provided the best advance sighting of track workers.

**Result /** Having completed field trials, RailCorp has commenced the process to introduce the selected high-visibility lookout identification and night work trackside beacons.

The improved visibility initiatives are just two from a large number of projects under active management by the WPP to further improve the safety of RailCorp's workers.

Other projects achieving significant progress during 2009-10 include completion of the WPP installation of voice recorders in all signal boxes, and the enhancement of a program of auditing safety communications to provide improvement feedback to the people involved. In addition, trials for the Automatic Train Warning System and the Rail Corridor Safety System commenced.

More projects will be developed and added to the WPP in the coming year as part of RailCorp's focus on enhancing the safety of all workers who need to enter the rail corridor.



## Improving Customer Satisfaction

### Overview

RailCorp is continually looking and listening for ways to meet its customer satisfaction objective. That means getting the basics right.

During the 2009-10 financial year, RailCorp dedicated significant time and resources to making improvements. Customers have already noticed improvements and the 2009 survey conducted by the Independent Transport Safety and Reliability Regulator recorded the highest levels of customer

satisfaction with CityRail services since the surveys began in 2003, particularly in areas including helpfulness and knowledge of staff (89%) and train punctuality (79%).

RailCorp is measuring its success for 2009-10 based on the following five key objectives. These have been further expanded in CityRail's Customer Charter and CountryLink's specific goals.

The objectives are:

- › Reliable services
- › Clean and comfortable
- › Secure and safe travel
- › Fast, accurate and useful information
- › Helpful and easy to use.

Some of the year's highlights include the introduction of new services, and the improvement in ticketing services, and the achievement of our customer commitments through the CityRail Customer Charter.

### Improving satisfaction levels through major infrastructure and service upgrades

RailCorp owns and manages assets valued in excess of \$19 billion, and commuters are benefiting from its ongoing commitment to continually upgrade its infrastructure and rolling stock. Projects like the \$2 billion Rail Clearways Program are helping to untangle its network.

Other highlights include:

- › Operating new infrastructure and transport hubs such as the \$2.3 billion Epping to Chatswood rail link so that customers benefit from a more integrated transport system. The Epping to Chatswood rail link was integrated into the

network during 2009, providing rail access for the first time to the growing employment and education area of Macquarie University, Macquarie Park and North Ryde. On average, more than 11,500 customers have been using the three new stations each weekday. Integration of the new link means train services from Macquarie Park operate every 15 minutes throughout the day, in both directions

- › The completion of the Cronulla branch line duplication to deliver extra service capacity to the network in 2010
- › Worked closely with Transport NSW to implement MyZone, a new, simplified fare structure for public transport in the greater Sydney area. The key features

for rail fares included reducing CityRail fare bands from 20 to five, introducing new MyMulti ticket products in three new rail zones, and standardising CityRail ticket fares and products. RailCorp implemented a comprehensive change program that included training for more than 2,500 customer service staff, and overnight the conversion of over 700 ticketing devices and updating customer materials at all 307 stations

- › In September 2010 the first train from the current tranche of new Oscars (outer suburban carriages) was delivered, more than five weeks ahead of the contracted date







RailCorp experienced an increase of 4.9% in passenger services revenue of \$32.5 million over the previous year

- › By the end of 2010, the manufacturer of the new Waratah trains expects to deliver the first of the 626 modern, airconditioned Waratah rail carriages to replace non-airconditioned carriages
- › RailCorp has been conducting station staff reviews as part of the 2008 RailCorp Union Collective Agreement. Station reform provides for the right station staffing levels that are a balance between the requirements of safety, customer service and efficiency
- › During 2009-10, 104 automated defibrillators were installed at 45 CityRail stations, 14 CountryLink stations, on all CountryLink trains, the Emergency Response Unit, seven maintenance depots and other selected corporate locations. During the year, two lives were saved – on 4 December 2009 at Lidcombe Station and on 30 April 2010 at Redfern Station
- › As at 30 June 2010, RailCorp delivered all 20 of its 2009 Customer Charter Commitments.

### CityRail Customer Charter continues to meet expectations

The CityRail Customer Charter is a commitment to provide a service that meets customer expectations.

RailCorp completed the delivery of all 20 commitments under its Customer

Charter for the calendar year 2009 on or before time and within budget. It focused on key areas that customers highlighted as the most important. These are:

- › On-time trains
- › Manage crowding
- › Fast, accurate, useful information
- › Secure and safe travel
- › Clean trains and stations
- › Fast ticket sales
- › Quick and fair complaints handling.

The inaugural CityRail Customer Charter was established for the 2009 calendar year and contained 20 service improvement commitments. In December 2009, RailCorp and the NSW Government released CityRail's Customer Charter for the 2010 calendar year. Improvements include:

- › Incorporation of a new area of focus, Accessible Services and Facilities. This was in recognition of RailCorp's responsibility to provide a service for all customers
- › Incorporation of a further 25 specific commitments to be delivered throughout the 2010 calendar year, particularly focusing on the areas of security and cleanliness.

**\$2.3 billion**  
Epping to  
Chatswood  
rail link  
integrated into  
network

**Completion**  
of Cronulla  
branch line  
duplication

**All 20**  
commitments  
met under 2009  
CityRail  
Customer  
Charter





By June 2010, CityRail had delivered all 20 Customer Charter commitments for 2009 on or ahead of time, and was on track to meet all 25 of its 2010 Customer Charter commitments again on or ahead of time:



### On-time trains

To provide customers with a reliable consistent service, regardless of where they live or to where they are travelling.

	Specific commitment	Progress
2009	By January, complete works on the City Circle signalling circuits to help reduce train delays in the peak periods.	Complete
	By the end of March, begin the implementation of train maintenance reforms.	Complete
	By April, continue the roll-out of new practices to improve customer movement on and off trains and to help keep trains on time during peak periods, starting with Blacktown and North Sydney stations.	Complete
	By June, complete a trial intended to reduce the impact of vandalism to train windows.	Complete
2010	By February, commence a trial of modifications to intercity trains to reduce delays caused by train doors.	Complete
	By June, complete the signalling upgrade in the Sutherland area to reduce signalling-related delays.	Complete



### Fast, accurate, useful information

To provide customers with fast, accurate and useful information, especially when there are changes or delays to timetabled services.

	Specific commitment	Progress
2009	By July, have 24-hour automatic indicators and announcements at 10 additional stations.	Complete
	By July, introduce a purpose-built high-quality audio system that allows simultaneous announcements across platforms and in the tunnels at Central Station.	Complete





### Fast, accurate, useful information – continued

	Specific commitment	Progress
2010	By August, have 24-hour automatic passenger information screens and announcements on seven additional stations.	On track for early completion. More than 70% of required work completed.
	By August, install improved directional signage at four stations on the network, and by the end of the year complete another eight stations.	On track for early completion. More than 80% of required work completed.
	By November, introduce an online carbon calculator, allowing customers to compare the carbon emissions for train and car travel options.	On track for completion. Project successfully progressed to third-party verification and design stage.

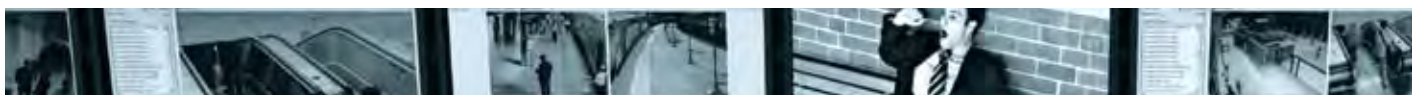


### Clean trains and stations

To provide customers with clean and well-presented trains, stations and toilet

	Specific commitment	Progress
2009	By February, start a new waste paper recycling pilot at 10 stations.	Complete
	By May, commence a pilot to reduce graffiti in the rail corridor on a section of the Illawarra Line.	Complete
	By the end of December, complete the refurbishment of Central, Town Hall and Circular Quay Station toilet facilities.	Complete
	By the end of 2009, complete the refurbishment of 50% of the Endeavour diesel car fleet with new seats, upgraded toilet facilities and repainted interiors.	Complete
2010	By March, commence a trial of 'Safer by Design' garbage and paper recycling bins at Central Station and, if successful, install these bins at some of our busiest stations by the end of the year.	Program progressing to schedule. Successful trial undertaken. Project has progressed to pre-production sample and procurement stage as a precursor to manufacture. Installations to begin before the end of the year.
	By May, complete the roll-out of paper recycling bins to 100 stations across the network.	Complete





**Clean trains and stations – continued**

	Specific commitment	Progress
2010	By October, complete the refurbishment of the Endeavour diesel car fleet with new seats, upgraded toilet facilities and repainted interiors.	On track for completion. Final carriages in the fleet scheduled for completion prior to program deadline.
	By October, complete the repainting of entrance areas on 400 train carriages.	Program progressing to schedule. More than 60% of required work completed.
	By November, conduct a Spring Clean initiative targeting 20 hot-spot stations across the network.	Program progressing to schedule. 20% of Spring Cleans completed with most of this program scheduled for completion during the third quarter of 2010.
	Throughout the year, complete the refurbishment of toilet facilities at another seven stations across the network.	Program progressing to schedule. Seven refurbishment projects are scheduled for progressive completion during the latter half of 2010.



**Quick and fair complaints handling**

Every piece of feedback is a unique insight into customers' individual journeys and how they view the services.

	Specific commitment	Progress
2009	By the end of March, complete the improved complaints handling pilot process being carried out at five stations.	Complete
	By September, implement a new customer feedback process.	Complete
2010	By April, as requested by customers, reduce the minimum transaction value limit of EFTPOS transactions to \$10 at ticket windows.	Complete
	Throughout the year, conduct more than 100 'Meet the Manager' events across the network at stations and on trains, and from January, publish the locations on a monthly basis on the CityRail website and through the quarterly issues of <i>CityRail Update</i> .	On track for early completion. Over 90 'Meet the Manager' events have been held to date. A CityRail webpage is being developed to display questions and answers to feedback enquiries aligned to the Charter areas.





## Manage crowding

To provide a comfortable journey for all customers regardless of the time of day they travel.

	Specific commitment	Progress
2009	By the end of March, begin a shuttle service on the Epping to Chatswood rail link, and by November introduce an integrated service.	Complete
	By August, provide customers with information about less crowded services and commit to updating this information every six months.	Complete
	Through the year introduce 40 new Oscar carriages into service.	Complete
	By December, pilot the fitting of additional hand-holds on a train to improve customer comfort while standing.	Complete
2010	By April, increase the frequency of the Olympic Park to Lidcombe service from every 20 minutes to every 10 minutes, in peak periods.	Complete
	By June, extend selected Sutherland peak services to commence from Cronulla, and by December, provide additional services on the Cronulla Line during the peak, off-peak and weekends.	Program progressing to schedule. Sutherland peak services have been extended to commence from and terminate at Cronulla as of 19 April 2010. Additional services are currently being scheduled to commence with the new timetable.
	By the end of the year, introduce the first of the new Waratah trains into service.	Program progressing to schedule for entry into service by the end of the year.



## Secure and safe travel

The safety and security of customers, staff and the community is the number-one priority.

	Specific commitment	Progress
2009	By March, implement a consistent approach to the management of stations with ticket barriers across the network.	Complete
	By May, establish closer links between RailCorp and the NSW Police Force to further improve coverage and responsiveness to security needs for customers and staff across the rail network.	Complete





**Secure and safe travel – continued**

	Specific commitment	Progress
2010	Upon introduction of the 2010 timetable, introduce guardian services on selected Friday and Saturday night train services. These services will have enhanced security arrangements to provide customers further peace of mind when travelling at night.	On track for completion. Trials of prospective service elements have been undertaken and the service offer is currently being finalised with the added benefit of staff and customer feedback gathered during these trials.
	By the end of the year, introduce an additional 2,000 car parking spaces near stations, with improved security including lighting, fencing and CCTV.	Program progressing to schedule. More than 10% of additional car parking spaces have been delivered and substantial works are in progress at all scheduled locations for the balance. Most of this program is scheduled for delivery in the latter half of 2010.



**Fast ticket sales**

We are committed to reducing ticket queues for you, particularly at the busiest times of Monday and Tuesday mornings.

	Specific commitment	Progress
2009	By February, pilot the introduction of faster EFTPOS facilities at Central Station ticket windows, and if successful, by July, roll out the facility to the top 10 ticket queue hot spots.	Complete
	By March, pilot the introduction of EFTPOS facilities on ticket-vending machines at Central Station.	Complete
2010	By April, extend the expiry date of weekly tickets over public holiday weekends to reduce ticket queues on Tuesday mornings.	Complete
	By June, enable customers to buy longer-term tickets online.	Complete
	By October, install 10 new EFTPOS-only touch screen ticket-vending machines across the network.	On track for completion. Internal testing, prototype and initial operational trial progressed.
	By December, modify an additional 40 existing ticket-vending machines to enable EFTPOS transactions.	Program progressing to schedule. Program logistics phase underway.





## Accessible services and facilities (introduced 2010)

To improve our facilities and services to provide a service that every customer can

	Specific commitment	Progress
	By July, introduce MLAK (Master Locksmith Access Key) locks in toilet facilities at 10 stations to facilitate access for customers with restricted mobility.	On track for scheduled completion at all 10 stations.
2010	By August, complete an Easy Access upgrade at Burwood Station.	On track for scheduled completion. Power upgrade work undertaken and lifts to be prepared for commissioning. Associated facility works also on track.
	By the end of the year, install tactile tiles on the edge of 34 platforms at 16 stations.	On track for early completion. More than 90% of required work undertaken.



**CountryLink – customer satisfaction in focus**

**Customer Service Objective:** to provide customers with safe, reliable, relaxing and enjoyable rail and coach travel experiences.

CountryLink is improving customer satisfaction in the following areas:

**Project:**  
**On Time Running (OTR)** – to improve punctuality

**Progress**  
 Normal operating speeds (160 km/h maximum) between Macarthur and Albury have been restored, with essential level crossing safety issues now complete. Speed restoration for the rest of the network will follow during 2010-11.

**Project:**  
**On Board** – providing customers with more flexibility regarding onboard luggage

- Progress**
- From April 2010, cargo space for bicycles, surfboards, snowboards and snow skis on XPT services increased from three spaces to a total of five spaces
  - CountryLink has also increased the number of folding bicycles accepted on XPT and XPLOERER services from three to a total of five spaces.

**Project:**  
**Train your Kids for \$1 program** – encouraging uptake of train travel among families

**Progress**  
 This year-round value fare began during 2009-10. Since this initiative, the number of families travelling with children has increased by 183%.

**Project:**  
**Upgrade of CountryLink Travel Centres** – to ensure the customer receives quality service

**Progress**  
 The \$1.9 million standardisation of CountryLink Travel Centres project aimed to improve customer booking, travel experience and corporate image. The scope of works included the upgrade of existing facilities at 20 country locations.





  
**Project:**

**Improving infrastructure** – improving the onboard experience for our customers

**Progress**

The \$42.8 million refurbishment of the XPTs and the \$27 million refurbishment of the XPLOERER and Endeavours continued this year. As at the end of June, all XPT trailer carriages have been completed and returned to service and 12 of the 19 XPT power carriages have been completed and returned to service. Also 21 XPLOERER carriages have been completed and have been returned to service.

**Project:**

**CountryLink Customer Service Standards and CountryLink Retraining** – standardising service guidelines

**Progress**

- As Phase 1, CountryLink has established a set of 14 CountryLink Customer Service Standards as mandatory criteria, guidelines and best practices
- These will apply to all staff throughout the network to improve the individual customer's experience
- Phase 2 includes the development and delivery of a comprehensive

Customer Service Training Program. The program is scheduled for roll-out in late 2010.

**Project:**

**Quick and fair complaints handling** – the priority is to give customers a consistently reliable and safe experience every time they use the service.

**Progress**

CountryLink has streamlined its complaints handling process to ensure an appropriate response is given within a reasonable timeframe.

RailCorp OTR performance at a glance						
Service provision	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
<b>CityRail</b>						
Passenger journeys (millions)	270.3	273.7	281.5	296.1	304.8	302.3
Metropolitan trains on time peak (%)	61.5	88.7	92.9	93.6	95.8	96.5
Intercity trains on time peak (%)	72.4	89.6	92.1	91.7	94.0	94.9
Total CityRail trains on time peak (%)	63.1	88.8	92.8	93.4	95.5	96.3
<b>CountryLink</b>						
Passenger journeys (millions)	1.77	1.74	1.61	1.55	1.68	1.81
Trains on time (%)	71.2	75.9	73.7	70.5	76.6	75.0

\*Note All CityRail OTR data are post force majeure. 2004-05 thresholds – metropolitan 3 minutes 59 seconds and intercity 5 minutes and 59 seconds. Later years – metropolitan 5 minutes and intercity 6 minutes.



Key Performance Indicator (KPI)	2009-10	Target
CityRail peak on-time running (OTR) <i>post force majeure (%)</i>	96.3%	≥ 92.0%
CityRail peak delay minutes <i>(monthly average)</i>	3,704	≤ 4,620
CityRail crowding <i>average number of passengers per m<sup>2</sup> of standing space in the peak</i>	1.0 <i>(March 2010)</i>	≤ 1.9
CityRail comfort <i>fleet less than 10 years old (%)</i>	16.9%	≥ 16.0%



# Case Study

## CityRail introduces Tickets Online

**Challenge /** To provide a modern ticketing solution for customers that offers an alternative to over-the-counter ticket purchases.

**Solution /** CityRail launched Tickets Online on 3 April 2010 to provide customers with a convenient way to purchase monthly, quarterly, yearly and special event tickets via the internet.

Tickets Online allows retail and corporate customers to better manage their CityRail accounts by simplifying ticket purchases, reorders and ticket replacements.

Customer feedback has been important in shaping future enhancements to the service. This ticketing service enables customers to register 30-day, 90-day and 365-day tickets purchased at stations to streamline the process of replacing tickets if they are lost or stolen. Customers can also use the service to request refunds for the unused portion of longer-term tickets.

**Result /** Tickets Online has been well received. From April-June, almost 4,000 tickets were purchased online and 15,000 customer accounts were registered.



Zammit Line  
© Macquarie Bank  
© Macquarie Bank

Way out →

← No way out



## Growing Capacity to Meet Demand

### Overview

During the past five years, passenger numbers have increased across RailCorp's network by 12%, or more than 32 million trips per annum. During 2009-10, just over 302 million passenger journeys were made with CityRail, the vast majority by weekday commuters. The effect of the global financial crisis on employment and therefore people travelling to and from work meant this was a 0.8% decrease over the previous year.

However, during the next five years, passenger journeys are expected to grow by an additional 7% to 13%.

The trend mirrors global trends and locally is driven by:

- › Continued long-term employment growth in the Economic Corridor (Macquarie Park Chatswood North Sydney City of Sydney Airport) and Parramatta
- › Continued residential development along railway lines
- › Higher car operating costs.
- › Expand services by planning for network growth in alignment with demographic change demands
- › Use strategic sourcing and delivery to expand the availability of resources both internally, and externally through RailCorp alliances.

After 30 years of limited expansion, the above factors have stimulated new investment in the rail network, and tighter collaboration across agencies has been taking place to address Sydney's transport needs.

RailCorp is measuring its success for 2009-10 based on the following two key objectives:

Some of the year's highlights include the completion of the Cronulla branch line duplication which is delivering extra capacity to the network in 2010, the integration of the Epping to Chatswood rail link into the timetable, and preparation for the new Waratah trains, which represents one of the most exciting events in RailCorp's 150-year history.

### Helping manage capacity, now and in the future

To accommodate the increase in patronage, RailCorp introduced the following initiatives to manage growth:

#### INFRASTRUCTURE

##### Project:

**South West Rail Link** – In conjunction with the Transport Construction Authority (TCA), the \$2.1 billion South West Rail Link (SWRL) project involves the construction of 11.4 km of new twin track from Glenfield to Leppington, as well as a major

upgrade to facilities on the current line, including:

- › Brand-new stations and commuter car parks at Leppington and Edmondson Park, and a new train stabling facility at Rossmore
- › A major upgrade to Glenfield Station including a new platform, a new pedestrian footbridge and easy access lift facilities
- › Rail flyovers to both the north and south of Glenfield Station
- › An upgrade of the bus/rail interchange in Glenfield
- › An additional 570 commuter car parking spaces at Glenfield alone.

#### Progress

- › Stage 1 of the project is currently underway and includes an upgrade to Glenfield Station, construction of a major commuter car park and junction upgrade
- › In December 2009, the Transport Minister announced the enabling of Stage 2 works to the SWRL project. Stage 2 includes the Glenfield southern flyover and a new greenfield railway from Glenfield to Leppington
- › The new rail link will be completed by 2016, providing existing and future residents with improved access to major centres and employment areas.





### **Project:**

**Rail Clearways Program** – A \$2 billion initiative to improve the reliability and capacity of the suburban network, by removing bottlenecks and junctions, reducing congestion and delays, minimising the impact of incidents at network levels, and enabling significantly improved service capability.

### **Progress**

In conjunction with TCA, excellent progress was made on the following Clearways projects in 2009-10:

#### › **Cronulla branch line duplication**

The Cronulla branch line duplication project was completed in April 2010. It provides a continuous second track between Cronulla and Sutherland, including station upgrades at Sutherland, Kirrawee, Woolooware and Cronulla, and bridge renewals and extensions.

The NSW Government invested \$350 million to build a second track along these sections of the line, involving the construction of more than 6.6 km of new track and infrastructure. The greater track capacity will allow for a doubling in morning peak-hour trains from four to eight, reducing crowding. The new infrastructure will also provide the network with more flexibility to quickly recover from any incidents because of the separation of the City-bound and Cronulla-bound services.

› **Sutherland-Oatley-Loftus Area Resignalling (SOLAR)** This was the essential component for the Cronulla branch line duplication. SOLAR consisted of the replacement of

existing signalling equipment, with modern computer-based signalling systems. Control of the Sutherland/Cronulla area was transferred from Sutherland Signal Box (which was decommissioned) to Sydenham and overhead wiring equipment and structures were replaced.

Successful delivery of SOLAR has enabled a significantly more reliable signalling control system, permitting automatic route setting rather than manual route setting for trains, and providing capacity to meet future growth.

#### › **Kingsgrove to Revesby Quadruplication**

Major construction activities continue for the approximately \$794 million project, which involves the construction of two additional railway tracks between Kingsgrove and Revesby.

The new tracks will allow the complete separation of local and express services operating on the East Hills Line between Kingsgrove and Revesby. This will also strengthen reliability and improve journey times on some limited-stop services from South Western Sydney.

Ongoing works this year saw the completion of the King Georges Road overbridge in January 2010 and the commencement of work on the Salt Pan Creek Bridge in April 2010. The project is being delivered through an alliance led by TCA and completion is expected in late 2012.

#### › **Richmond Line Duplication (Quakers Hill to Schofields)**

Construction commenced on the Richmond Line Duplication in November 2009 to provide an additional track between Quakers Hill and Schofields. The approximately \$236 million project is currently in progress and includes a new, relocated Schofields Station and a second track between Quakers Hill and Schofields. An upgrade to Quakers Hill Station, which includes an Easy Access upgrade, is also currently underway.

The duplication will improve the frequency and reliability of peak services on the Richmond Line by reducing the need for services operating in one direction to wait for services in the other direction. This project will also provide capacity for additional peak services on the Richmond branch line to cater for future passenger demand.

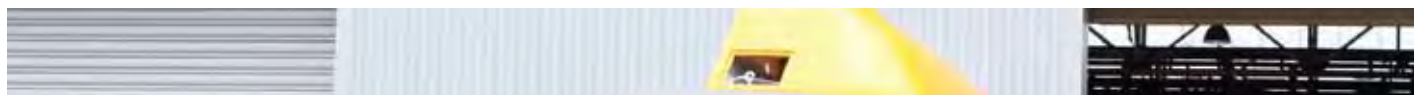
### **Project:**

**Main Northern Track Upgrade** – to upgrade track infrastructure between Gosford and Newcastle so reliability is improved across the network.

### **Progress**

RailCorp undertook 170 km of track reconstruction between these locations at a cost of \$195 million. This included replacing timber sleepers with concrete sleepers, new rail, and new ballast and drainage.





**Project:**

**Traction Supply Upgrade**

**(TSU) Program** – RailCorp has a program of infrastructure works across the Sydney rail network to increase the capacity and reliability of the electrical system that provides power to trains. These works will also meet the electrical demands of the new generation airconditioned Waratah trains.

**Progress**

In 2009-10, \$55.6 million was spent on TSU, with the following milestones achieved:

- › Three overhead wiring projects (Granville to Leumeah, City Underground Down Shores and City Auxiliary Feeders) commenced construction and are progressing to schedule
- › Substation construction commenced in 2009-10 at West Ryde, Edgecliff, Art Gallery, Toongabbie, Warwick Farm and Campbelltown
- › The Edgecliff to Art Gallery Feeder 7U3 and Lewisham to Newtown Feeder 763 commenced construction in early 2010, to be completed in late 2010.

Whilst working in an alliance with Novo Rail, a total of 16 TSU projects have been referred to Novo Rail for delivery, including six substations, six overhead wiring projects and four high-voltage feeders.

**Project:**

**Station upgrades** – Developing RailCorp’s station infrastructure to better address future growth.

**Progress**

- › The Redfern Station upgrade is now in the design phase. Quakers Hill Station progressed through to detailed design and construction commenced in May 2010 with an expected completion date in late 2011. Stage one of the Unanderra Station upgrade was completed in May 2010 and stage two has now commenced
- › In 2009-10 Easy Access upgrades commenced at Central, Martin Place, St James (stage two), Newtown, Quakers Hill and Unanderra. Easy Access works were completed at Emu Plains, Lindfield, St James (stage one) and ramps at Woonona. Please refer to Appendix 5 for more detailed information on accessible services.

**Project:**

**Commuter Car Park Program**

– Leading the rapid expansion and enhancement of commuter car parking supply in key areas of Greater Sydney with a view to easing congestion on roads and encouraging more commuters onto public transport.

**Progress**

Commuters are now enjoying 1,265 more parking spaces (including approximately 60 fully accessible spaces), additional bicycle parking and the installation of lighting and CCTV surveillance cameras at eight

locations across the network. These include Helensburgh, Campbelltown, Holsworthy, Glenfield Seddon Park, Tuggerah, Windsor, Werrington and Woonona.

The NSW Government invested about \$31 million in the development of these car parks.

Some locations also include improvements to bus interchanges, new taxi zones, and dedicated kiss & ride spaces.

Another 18 new commuter car parks were under construction across the network during the year. These include Katoomba, Ourimbah, Morisset, Glenfield Multi Storey, Macarthur 1, Macarthur 2, Wyong, Waterfall, Berowra, Emu Plains, Quakers Hill, St Marys, Wollongong, Seven Hills, Warwick Farm, Blacktown, Revesby and Woy Woy.

The total net increase in spaces under construction is 4,566 (including approximately 200 fully accessible spaces).

**Project:**

**Parramatta to Epping Rail Link**

**(PERL)** – In August 2010, the Federal Government announced \$2.1 billion in federal funds towards the project, with the NSW Government to contribute \$520 million.

**Progress**

The 14 km PERL project involves upgrading five stations at Parramatta, Telopea, Dundas, Rydalmere and Carlingford, and a new station at Rosehill-Camellia.





Key benefits include reducing the journey time to Chatswood from Parramatta by about 25 minutes and improving the development of the Western Express services between Western Sydney and the City by increasing capacity on the Western Line.

## ROLLING STOCK

### Project:

**PPP: Rolling Stock Public Private Partnership** – The Public Private Partnership contract represents the largest single order of trains in Australia. A total of 626 new airconditioned cars will replace non-airconditioned cars and provide additional capacity to the network. The focus is on launching the ‘Waratah’ as the next generation CityRail fleet.

### Progress

On 13 December 2009, the first eight-car Waratah set arrived at Downer EDI’s Cardiff facility (near Newcastle, NSW) for final assembly and manufacture, marking a significant move closer to the delivery of the airconditioned Waratah fleet.

Seventy-eight train sets (plus two spare cars) will undergo final manufacture, assembly, testing and commissioning at Cardiff under the public private partnership arrangement with Reliance Rail. The fleet will be maintained at the \$220 million Auburn Maintenance Centre, which was completed

18 June 2010 and officially opened on 24 July 2010 by the Minister for Transport John Robertson, MLC.

The Waratah prototype test train commenced trials in April 2010 to tune key components and systems. These trials were completed by July 2010 and the first eight-car train began testing on the Sydney network in August 2010. To support the largest safety and reliability testing program ever conducted by RailCorp, a dedicated test crew team has been formed for the first time to conduct the tests of the new trains and to lead ongoing crew training.

The consortia supplying the Waratah train expects the train to be first available for passenger service from late 2010.

### Project:

#### Oscar rolling stock acquisition

– Stages 1 and 2 represented an investment of \$450 million in 30 four-carriage trains and two spare carriages. In 2009-10 RailCorp took delivery of two spare carriages and this completed the first two stages of the Oscar project. Stage 3 of the Oscar project is underway.

### Progress

As at July 2010, Oscar carriages were being used on a daily basis to deliver 878 weekly services on the South Coast, Illawarra, Central Coast, Northern, Western and lower Blue Mountains lines.

The deployment of the Oscar carriages has provided the additional rolling stock to enable the introduction of service improvements for the 2009 timetable.

The new trains have improved comfort and safety for commuters on the South Coast, Central Coast and Western Line to Springwood.

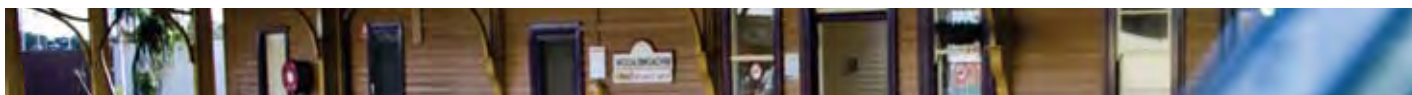
The third stage will involve delivery of an additional 18 four-carriage trains plus two spare carriages and associated stabling works by June 2012 at a cost of \$370 million. The four spare carriages will be combined to form a 49th Oscar set.

## ALLIANCES

### Project:

**Novo Rail Alliance** – Novo Rail was established as a long-term alliance between RailCorp and the private sector to manage a program of about 50 RailCorp projects across the Sydney rail network. The projects comprise a \$1 billion infrastructure upgrade program, running from 2009 to 2014. The partners specialise in designing and delivering signalling, traction supply and multi-disciplinary projects. As well as delivering infrastructure projects, the Novo Rail Alliance is also developing and accrediting critical construction resources for RailCorp and the industry in the signalling and traction power fields.





**Progress**

Projects under this banner include:

- › Traction Supply Upgrades (including the substations and feeder cabling needed to support the increased power needs of the new Waratah trains), junction and signalling projects, train stabling projects and overhead wiring
- › In July 2009, Novo Rail commenced its first construction, the West Ryde substation, which is designed to boost and improve the reliability of the power supply for trains using the Northern Line
- › On the South Coast, level crossings were completed and commissioned at Jaspers Brush and O’Keefe’s Lane, providing enhanced safety to both vehicles and pedestrians
- › In the Sydney metropolitan area, the West Ryde and Art Gallery substations neared completion and commissioning, to enable improved power supply for trains on relevant lines
- › Works commenced at Sulphide Junction to ensure ready access for the Waratah trains in and out of the Downer EDI Cardiff manufacturing facility
- › Works also commenced at Glenfield Junction to increase capacity for trains, prepare for the upgrade of the existing train station into a transport interchange, and to enable future construction of the South West Rail Link

- › Works also commenced on the replacement of the Auburn Station road bridge to improve access into Auburn by providing an additional two traffic lanes over the railway line, and wider pedestrian footpaths.

**Project:**

**Track Services Alliance** – Track Services Alliance (TSA) was established in June 2008 for a period of up to five years to develop capacity within the rail sector. Alliance partners include RailCorp and John Holland, with KBR and Invensys Rail providing design support.

**Progress**

Achievements include:

- › The completion of more than \$33 million worth of turnout renewals and other associated works
- › Completion of the bulk of works on the Eveleigh Stabling Yard facility – the first capital works project to be undertaken by TSA
- › Development of a purpose-built high-lift scissor-rail to deliver overhead wiring works
- › Delivery of over \$100,000 worth of specialist rail training to the project team and workforce
- › Achievement of engineering authority in the track and OHW disciplines
- › As at May 2010, TSA has zero LTI score.

**TIMETABLE DEVELOPMENT**

**Project:**

**October 2009 CityRail Timetable** – Introduced to integrate the \$2.3 billion Epping to Chatswood rail link and other completed Rail Clearways projects into the CityRail network.

The new CityRail timetable was introduced on Sunday 11 October 2009 and benefits included:

- › Direct rail access to the Macquarie Park employment and education precinct, benefiting 11,500 passengers on a typical weekday
- › Additional services between 9am and 11.30am for Western, South, Northern and lower North Shore passengers
- › Additional carriages on peak-hour trains to increase capacity
- › Crowd relief at CBD stations through altered platform arrangements.

This timetable delivered 100 additional weekday services and 9,800 additional seats in peak periods. This benefited many lines including the Western Line, where the number of morning peak trains exceeding 135% of seating capacity has reduced from eight to one.

**Project:**

**October 2010 CityRail Timetable** –

A new timetable for the Eastern Suburbs, Illawarra and South Coast lines will be introduced on Sunday 10 October 2010 to activate the capacity benefits of the Cronulla branch line duplication and SOLAR projects.







## The 2009 CityRail Timetable delivered 100 additional weekday services

### Progress

Planning for, and development of, the proposed timetable for the Eastern Suburbs & Illawarra and South Coast lines took place during 2009-10.

RailCorp carried out extensive community consultation in relation to the proposed timetable for those lines and made it available for public comment on the CityRail website at [www.cityrail.info](http://www.cityrail.info) and on posters at the relevant CityRail stations from 15 February to 14 March 2010. More than 700 submissions were received, with approximately 23% complimenting the proposed timetable. RailCorp assessed the feedback and, where possible, service improvements were incorporated.

Benefits for the Eastern Suburbs & Illawarra Lines will include a doubling in morning peak-hour trains from four to eight, with further service improvements on the South Coast Line. There will also be minor timetable changes on other lines as a result of the new timetable's introduction.

### Project: Increase frequency of Olympic Park to Lidcombe services –

From 1 March 2010, RailCorp doubled services operating between Lidcombe and Olympic Park during peak periods.

### Progress

Waiting times have been cut for commuters travelling to and from

Olympic Park, Monday to Friday during peak periods. Trains now run every 10 minutes from 6am to 10.30am for the morning peak and 3pm to 9pm for the afternoon peak.

These service improvements have been delivered to support increased population and business growth forecast in the area.

### SPECIAL EVENTS

**Station upgrades: Catering for Possessions and Special Events** – Planning new special events, for example the Sydney Royal Easter Show, World Masters Games, V8 Supercars.

### Progress

RailCorp continues to deliver additional rail services to support new and recurring major special events. In 2009-10, RailCorp provided additional trains for 30 major events, including the V8 Supercars, the World Masters Games and New Year's Eve.

Services are provided for event patrons by utilising available rolling stock and track capacity, catering for projected demand whilst maintaining services for regular customers.

Track possessions have been provided throughout 2009-10 to continue delivery of RailCorp's multi billion dollar capital improvement program and maintenance regime.

## CountryLink – reaching more of regional New South Wales

- CountryLink has continued its support for regional tourism through active sponsorship of regional tourism awards and symposiums
- On 11 October 2009 a new timetable commenced to better meet customer needs
- During December 2009, CountryLink introduced additional Canberra services, adding an extra eight services every week for customers in Canberra, Queanbeyan, Southern Highlands and Sydney. Also, to coincide with the *Masterpieces of Paris* exhibition in Canberra, CountryLink offered travel and accommodation packages from 6 December 2009 to 18 April 2010. Both these initiatives proved to be a success and helped contribute to a 56.2% increase in passenger journeys and an increase of 41.1% in revenue
- The annual CountryLink Elvis Express has experienced 10% growth compared to 2008-09. Passenger numbers jumped from 696 in 2009 to 766 in 2010. CountryLink's support of the Parkes Elvis festival is part of a wider program of support for tourism in regional communities



Key Performance Indicator (KPI)	2009-10	Target
Growth in CityRail passenger journeys (%)*	-0.8%	≥ 1.1%

\*The effect of the Global Financial Crisis on employment, and therefore people travelling to and from work, resulted in a slight decrease in patronage, particularly in the CBD where CityRail has 50% mode share of journeys to work.

2/  
**Operational Performance –  
Growing Capacity to Meet Demand**



# Case Study

## The Waratah – the Next Generation Train

**Challenge /** To meet future customer demand and lead RailCorp into the next generation of public rail transport.

**Solution /** The introduction of the new Waratah trains is a key component in RailCorp's strategic growth and renewal plans.

The project involves the acquisition of 626 new Waratah carriages and the 30 year maintenance of this fleet. This represents the largest infrastructure project of its type ever in Australia, and requires an investment of \$3.6 billion (net present cost).

The Waratah trains provide advanced design, systems and technology with several differentiating features including smart airconditioning which adjusts to the number of passengers on board to ensure maximum comfort and energy efficiency.

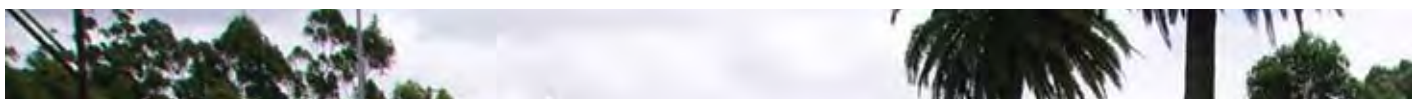
The manufacturer of the Waratah trains expects the first train to enter passenger service in late 2010, and from mid 2011 a new set will be delivered every 10 days. This deployment will be four times faster than any comparable train delivery taken in Australia.

The new trains represent about 50% of the current suburban fleet. Other components of this mammoth project include:

- › A \$220 million Auburn Maintenance Facility
- › State of the art driver and guard training simulators
- › Several infrastructure enabling projects including the \$870 million traction (power) supply upgrade program which is underway to support the sector-by-sector roll-out of the new airconditioned trains
- › An Integrated Contract and Fleet Management System (ICFMS)
- › A Common Telemetry Infrastructure Platform designed to capture and wirelessly transmit information between the train and onshore RailCorp systems.

**Progress /** The first eight carriage shells arrived on 13 December 2009, marking the 'official' beginning of local manufacture ramp up for the Waratah trains. RailCorp has now entered the testing and commissioning phase on the Sydney network. Local and international components and systems have been sourced to meet the rigorous performance requirements of the Australian designed Waratah trains. Final assembly and manufacture is being conducted in Cardiff, near Newcastle. Almost 30% local content is being used in the manufacture of the trains and in the Hunter alone 300 employment opportunities including 30 trade apprenticeships have been created.

Across the life of the project it is estimated that around 800 jobs will have been created in both Sydney and the Hunter. While this project is still a work-in-progress, looking forward, the expectation is to have the first passenger train in service with a further three sets testing on the network by December this year.



## Driving Sustainable Efficiency

### Overview

Improving efficiency without compromising quality of service will enable RailCorp to deliver even better value to its customers. It costs about \$2.5 billion each year to operate RailCorp, but less than 28% of this cost is returned through fares.

Increasing efficiency will enable RailCorp to reinvest in its business; however, if RailCorp is to sustain its growth, then cost reductions, productivity improvements, simplified work practices and additional revenue initiatives are essential.

RailCorp must also aim to:

- › Enhance service levels for customers
- › Continue to meet and exceed compliance obligations
- › Demonstrate good corporate citizenship across service delivery, management of assets and infrastructure, and support functions.

RailCorp is reporting on its success for 2009-10 based on the following objectives:

- › Environmental Sustainability

- › Cost-Effective Operations
- › Compliance
- › Strategic Sourcing and Delivery
- › Asset Management
- › Reliable Information and Technology Platforms
- › Strategic and Risk Management.

Some of the year's highlights include the roll out of a new procurement process, and the use of Lean Six Sigma to improve process flow and eliminate waste in corporate support areas.

### Project: Focus on Environmental Sustainability

– to identify opportunities to minimise environmental risk and improve resource efficiencies

#### Progress

RailCorp is committed to operating in a manner that respects the environment, the people it employs and the communities it serves.

RailCorp has commenced a program to develop a true understanding of sustainability within the RailCorp context. This will form the basis of RailCorp's Sustainability Strategy that will embed sustainability principles into business practices and provide a framework for setting and achieving sustainability goals.

Some of RailCorp's key 2009-10 achievements include:

#### **Energy and carbon emissions**

As a member of the Federal Government's Energy Efficiency Opportunities Program, RailCorp is actively investigating opportunities for improving energy efficiency. LED lighting technology is being examined, and RailCorp has undertaken a number of trials of LED lighting at stations.

Pending the success of these trials, there is potential for wider LED application, not only at stations but also at stabling yards, maintenance centres and substations.

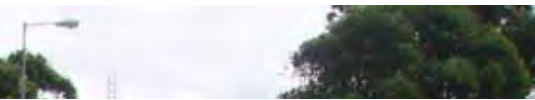
**Regenerative braking** This is an important energy saving feature now in operation on more than half of the electric fleet. This system

works by redistributing braking energy generated by trains through the overhead wires to be reused by other nearby trains. This cuts energy consumption and improves the overall energy efficiency and carbon performance of trains.

**Biodiversity** RailCorp continues to implement management plans for threatened species of flora and fauna, including the Downy Wattle (*Acacia pubescens*) and the Green and Gold Bell Frog (*Litoria aurea*).

During 2009-10, RailCorp has undertaken bush regeneration works to enhance environmentally sensitive locations around the metropolitan network. Regeneration works have been undertaken on Blue Gum High Forest remnants in northern Sydney, remnant bushland in the World





Heritage Listed Blue Mountains and in areas close to the National Parks estate in the south.

**Water** RailCorp was awarded a top prize in Sydney Water's 2009 Every Drop Counts Business Awards, which recognise businesses, government agencies and staff committed to improving water management and which adopt innovative approaches to water efficiency.

The Central Station Precinct Water Savings Action Team received the 2009 Water Efficiency Award. In 2009, Central Station's stormwater detention tank was transformed into an innovative stormwater harvesting system.

Comprising a 1.4 million litre tank which sources water from a 16,500 square metre catchment area, the harvesting scheme has resulted in water savings of 125,000 litres a day at the station and generating ongoing financial savings.

**Waste Reduction and Purchasing Policy** RailCorp continues to implement the principles of the NSW Government's Waste Reduction and Purchasing Policy and promoting a culture that reduces, reuses, recycles and buys recycled products.

As part of its Customer Charter, RailCorp has installed public place recycling bins at more than 100 CityRail stations across the network for the collection of garbage and paper, and is developing a prototype security bin for use at Category 1 and Category 2 stations.

**Project:**

**Cost Effective Operations** – to reduce government subsidy and cost to customers

**Progress**

**Rolling Stock Maintenance Reform Program** Progressing well during 2009-10, the program involves the reform of in-house rolling stock maintenance practices to bring these in line with NSW private sector practices.

Results will include efficiency savings and better support of on-time running improvements.

**Employee related costs savings**

In line with the 2008 Union Collective Agreement the following initiatives were completed:

- Station staff reform to improve staffing levels
- The review of administrative functions.

**NSW Government Better Services and Value Plan**

Transport NSW and the Department of Premier and Cabinet have led the amalgamation of transport agencies to achieve improved service delivery, economies of scale, and a blueprint for corporate and shared services.

RailCorp has continued to review and implement specific reforms and cost savings initiatives in line with the Plan to enhance its value-for-money approach to managing expenditure.

**Asset performance improvement**

RailCorp has embarked on a number of improvement programs.

For rolling stock, total annual incidents are now half of 2006-07 levels. For infrastructure maintenance, where the reliability improvement program has been underway for some years, the corresponding reduction is about 25%. Key contributors to this result are the Asset Management methodology and Six Sigma reliability work.

**Lean Six Sigma** This structured problem-solving discipline works best on processes most fundamental to an organisation's operation or value creation. Lean Six Sigma projects have contributed substantially to improved asset reliability, supporting consistently greater than 92% on-time running.

Projects include work on track circuits, points, speed restrictions, train stops, and rolling stock door/brake/traction and indication systems. One project improved the reliability of tax circuits in the city circle, reducing peak incidents with the project cost covered by savings made in the first year.

Asset reliability will remain a key focus for Six Sigma project work as customers benefit from fewer incidents and delays.





**Project:**

**Compliance** – adhering to the requirements of laws, industry and organisational standards and codes, principles of good governance and accepted community and ethical standards

**Progress**

**Procurement Transformation Program** This initiative is driving significant efficiencies in procurement practices, active supplier and contract management, reverse auctions and invoice payments.

The Program is one of the key responses to the Independent Commission Against Corruption's (ICAC) recommendations and is aimed at enhancing compliance and controls. Outcomes include:

- › The creation of a new strategic procurement and procurement shared services organisation and operating model aligned to best practice
- › New processes to support the operating model incorporating leading practices and embedding preventative compliance and detection controls
- › The implementation of a 'best of breed' procurement application
- › The rationalisation and standardisation of panel rules from more than 150 different supply panel arrangements to five standard procurement panel arrangements
- › The electronic enablement and training of more than 3,000 users in new processes

- › The electronic enablement of more than 350 existing RailCorp suppliers in order for them to collaborate on sourcing for new supply requirements and/or respond to requests for existing goods and services requirements
- › RailCorp is working hard to bed down the new system and its performance and is supporting staff in using the new processes and systems.

**Fraud and Corruption Prevention**

Training was rolled out to the majority of employees following on from a Management Development Program. Training included a briefing about RailCorp's Code of Conduct. During the 2009-10 period, Fraud and Corruption Prevention Training was delivered to 16,082 employees and contractors. As an outcome, a number of key policies and procedures were revised during the year to ensure compliance with to the ICAC recommendations. These include:

- › **Code of Conduct:** In 2009-10, RailCorp issued a revised Code of Conduct applicable to all employees, contractors and consultants. The revised Code clarifies the minimum standards expected of RailCorp staff and fosters a culture in which all of RailCorp's values are consistently demonstrated. The revisions to the Code provide greater employee, contractor and consultant awareness and therefore compliance to their obligations

regarding procurement and conflicts of interest and gifts and benefits.

- **Attendance Recording Procedure:** Changes provide improved employee accountability and monitoring of absences
- **Secondary Employment and Voluntary Work:** Changes minimise fraud and corruption caused by lack of knowledge of risks especially those associated with conflicts of interest and gifts and benefits
- **Protected Disclosures and Reports of Corrupt Conduct and Other Serious Misconduct/ Maladministration:** Changes ensure protection for eligible disclosures; and compliance with legislation.

**Project:**

**Strategic Sourcing and Delivery**

– to expand resource availability

**Progress**

**Procurement Transformation Program**

RailCorp rolled out Releases 2 and 3 of the Procurement Transformation project introducing standard processes across all categories of expenditure, as well as invoicing and contract management.

All procurement activity is now conducted through one single system. More than 60% of all transactions are now sourced through preferred





supplier arrangements and negotiated to ensure value for money is achieved.

In June 2010, RailCorp became the first organisation in NSW to receive the Standard of Excellence in Procurement Policies and Procedures from the Chartered Institute of Purchasing and Supply.

**Project:**

**Asset Management** – to strengthen the integrity, performance and utilisation of current and future assets to maximise alignment with future rail network requirements

**Leadership in Asset Management**

In 2009, the Asset Management Council of Australia gave RailCorp the prestigious Asset Management Leadership award.

The award recognises RailCorp's asset management methodology, which is the framework for planning RailCorp's maintenance program as well as co-ordinating all the critical resource requirements for carrying out maintenance and capital works.

The Master of Engineering Asset Management (MEAM) course at Wollongong University, which is fully funded by RailCorp, reflects RailCorp's commitment to excellence in asset management.

The two-year course is designed to promote the total or whole-of-life asset management concept, and is structured to connect academic learning with practical application, primarily in rail.

**Commencement of the \$380 million Lidcombe to Granville corridor renewal project**

The project is due for completion in 2017 and includes track reconstruction, new overhead wiring, signalling and a control system. It also includes improvements to Auburn Junction in readiness for maintenance of the new Waratah fleet at the Auburn Maintenance Centre, and Clyde Junction for access to the new Auburn Stabling Facility.

**General running and maintenance**

RailCorp has targeted the key areas that affect the reliability and safety of services. For example, replacing timber sleepers with concrete sleepers.

Timber-sleepered track is vulnerable to extreme weather conditions, making the track prone to misalignments. In past years, trains had to slow down when summer temperatures reached the mid-30 s because of the risk of damage to the infrastructure. This resulted in delays, mostly during the afternoon peak.

These problems still exist on other rail networks around Australia where similar levels of investment have not been made. Investment in the condition of infrastructure has reduced incidents, resulting in better on-time running and safer, more reliable rail services.

**Land Remediation** During the year, RailCorp implemented a variety of new initiatives in response to changes to the *Contaminated Land Management Act 1997 (NSW)*, which came into force on 1 July 2009.

This included a review of RailCorp's entire property portfolio, and the continued proactive remediation of properties to ensure their future use.

**Project:**

**Reliable Information and Technology Platforms** – to improve management of information and accurate and timely information on all aspects of services to customers and stakeholders

**Progress**

**Key initiatives** These include effective and reliable technology operations, asset maintenance and support services, combined with the alignment of strategy, architecture and governance.

Other priorities during the year included effective management of suppliers, strategic procurement and service management.

**ICT expenditure** A detailed review commenced during 2009-10 with the first phase already completed. A savings target of 5% from 2010-11 onwards has been identified and RailCorp is on track with the implementation.

**Managed Print Services** During the year, RailCorp commenced the implementation of this project and is continuing its roll-out in 2010-11.

This project's primary objective is to reduce printing and photocopying costs through the introduction of more efficient multi-function devices, consolidation and standardisation of printer and copier devices, enterprise-wide print policies and improved overall management of the RailCorp print environment.





Benefits will include:

- › Greater than 70% reduction in number of print/copy (from 850 machines to approximately 280)
- › Sustainable environmental benefits
- › Reduction in number of models used to simplify support
- › Improved service availability
- › Visibility and control
- › Single point of contact for technical and user support.

**Project**

**Rail Heritage** – implementing sustainable asset management arrangements for non-operating railway heritage

**Progress**

- › The updated s170 Register and the Thematic History were completed in December, endorsed by the Heritage Council, and received an EnergyAustralia National Trust Heritage Award in the Government/Corporate Development Category. RailCorp made the updated s170 Register accessible to staff via its intranet, and to the public via the Heritage Branch of the NSW Department of Planning website. In addition, RailCorp methodically worked on integrating the s170 Register into its existing systems and educating staff to use the valuable resource. The next step is to develop a forward five-year Heritage Asset Management Strategy to guide agency heritage management.

- › 2009-10 saw significant progress in the upgrade of the Rail Heritage Centre, Thirlmere.

In November 2009 the new roundhouse was completed and officially opened by The Hon. Phillip John Costa, MP, Minister for Water and Minister for Corrective Services. The upgrade of the Display Hall and volunteer facilities were completed in June 2010.

The final stage of the upgrade, the construction of the multi-purpose Exhibition Building, is scheduled for completion in December 2010, with the exhibition fit-out to be completed shortly thereafter. Significant site remediation has taken place during 2009-10 and is nearing completion.

The Centre is scheduled to open in February 2011.

- › At Broadmeadow, practical completion was achieved on repairs to the roundhouse, including structural repairs to the roundhouse building and recommissioning of the turntable and installation of high-security fencing to the site. The site now provides safe storage for heritage rolling stock not allocated to a custodian.
- › A major overhaul of steam locomotive 3801 is underway, with the NSW Rail Transport Museum progressing the mechanical overhaul at Chullora and a contract for a new boiler awarded by RailCorp to Deutsche Bahn AG. As of 30 June 2010 boiler fabrication is well advanced in Germany and the overhaul

is 60% completed. It is anticipated that the locomotive will be recommissioned by mid-2011.

- › Under the Heritage Restoration Program, the last remaining Pay Bus FP1 (c.1937) was restored by RailCorp apprentices and displayed at Central Station as part of a 'Ca\$h on Tracks' exhibition over a 10-month period.

The exhibition and the restoration project won the EnergyAustralia National Trust Heritage Award 2010 in the Education (Corporate/Government) category and both have been loaned to the Workshops Rail Museum in Queensland.

- › The pilot Rail Heritage Care Program was run by Conservation Volunteers Australia (CVA) in an initiative to transfer conservation skills and build volunteering. The highly successful program saw 81 new volunteers participating, completing 1,043 incident-free volunteer days of work, from general on-site maintenance to restoration and cataloguing 15,000 items at five sites.

**Project**

**Co-Operative Research Centre for Rail Innovation (CRC)** – supporting industry research

**Progress**

- › The CRC is a collaborative venture between leading organisations within the Australian rail industry and a number of Australian universities, and is supported by the Commonwealth Government.







- › Research areas and topics are driven by the industry, carried out by research experts, supported by key industry personnel with the aim of resulting outputs being adopted by the rail industry.
- › RailCorp is involved in more than half the projects the CRC board has approved to date. Projects undertaken during 2009-10 cover a diverse range of issues such as safety culture management, skills recognition and migration, national competence assurance framework for train drivers, e-learning, through to noise, ballast and rail grinding.

Under the Commonwealth Agreement for the CRC, RailCorp provides an annual cash contribution of \$285,000, a commitment of 3.0 full-time equivalent persons (FTEs) in 'staff-in-kind' (time contributed in relation to the CRC by RailCorp personnel during the course of normal employment), and the equivalent of \$570,000 'non-staff benefit in-kind'.

### **Project Domestic and International Benchmarking**

#### **Progress**

- › As a member of the Australasian Railways Association, RailCorp participated in a domestic benchmarking exercise for its CityRail operations and a number of workshops to look at the comparability across Australian passenger rail operators.



- › As a member of the international Nova Benchmarking community, RailCorp participated in an annual benchmarking, again for its CityRail operations; it participated in a number of studies, and exchanged information with other passenger rail operators to look at more efficient ways of working and identifying best practices.
- › In late April 2010, the Nova annual meeting was held in Sydney, giving RailCorp the opportunity to showcase some aspects of its operations to the international delegates.

### **Project Strategic and Risk Management**

– identify practices to efficiently utilise human, capital and intellectual assets through effective planning

#### **Progress**

##### **Proactive risk assessment**

The effective management of risk remains central to the continued growth and efficient management of RailCorp. RailCorp's approach to risk management focuses on the proactive identification and assessment of risks associated with the business, and implementation of treatments to control those risks, mitigating negative impacts and locking in opportunities.

##### **Enterprise Risk Management**

**(ERM)** RailCorp made significant progress this year with the completion of an agreed ERM framework and risk management policy. Through its application, RailCorp has been progressively implementing an enterprise risk management approach that builds on and utilises the strengths of legacy systems.

When fully implemented, the ERM approach will enable RailCorp to adopt a holistic approach to risk management that is in line with current good practice.

RailCorp also successfully completed the first stage of integration of ERM principles and practices against Group and Divisional Business Plans for 2010-11 in order to enhance the likelihood of the business groups achieving their stated objectives. In addition, selected programs and projects are using the ERM approach to identify project-related risks and to increase the likelihood of successful delivery of the desired project benefits.

A risk management information system is also being procured to support the collection, analysis and reporting of risk information through the business. Product evaluation and specification works for this were completed during the year.

**Insurance** During 2009-10, RailCorp maintained a comprehensive insurance program commensurate with the risks associated with its activities and commercial arrangements. Continued attention has also been placed on risk and claims management and monitoring to minimise contingent liabilities and reduce premiums. No significant insurance claims were made or received during the reporting year.

## Internal Audit and Risk Management Statement for the 2009-10 Financial Year for Rail Corporation New South Wales

I, Rob Mason, am of the opinion that the Rail Corporation New South Wales has internal audit and risk management processes in place that are, excluding the exceptions described below, compliant with the core requirements set out in Treasury Circular NSW TC 09/08 *Internal Audit and Risk Management Policy*.

I, Rob Mason, am of the opinion that the internal audit and risk management processes for Rail Corporation NSW depart from the following core requirements set out in Treasury Circular NSW TC 09/08 and that (a) the circumstances giving rise to these departures have been determined by the Portfolio Minister and (b) the Rail Corporation NSW has implemented the following practicable alternative measures that will achieve a level of assurance equivalent to the requirement:

Ministerially Determined Departure	Reason for Departure and Description of Practicable Alternative Measures Implemented
Core Requirement 2 – Single Audit and Risk Committee	Rail Corporation New South Wales (RailCorp) Board determined that it is desirable to conduct separate Audit Board and Risk Management Board committees to continue to oversee the audit and risk management responsibilities.  From 1 July 2010, RailCorp will combine the Risk Management Board Committee and Audit Board Committee to form an Audit and Risk Committee and therefore will be in compliance with this Core Requirement.
Core Requirement 1.5 and 4.3 – Governance of the Internal Audit Function and Reporting Lines: Audit and Risk Committee and Internal Audit	The Chief Audit Executive (CAE) in RailCorp reports on internal auditing matters to the RailCorp Audit Board Committee. However, contrary to this Core Requirement, the CAE reports administratively to the Company Secretary and Corporate Counsel who reports directly to the Chief Executive.  The administrative reporting has been delegated by the Chief Executive due to the scale and complexity of RailCorp's business and the overall demands of management by the Chief Executive.

I, Rob Mason, am of the opinion that the Audit Board Committee and Risk Management Board Committee for Rail Corporation NSW are constituted and operate in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08. The Chair and Members of the Audit Board Committee were:

**G. Fletcher** Independent Chair (three-year term of appointment)      **N. Milne** Independent Member (three-year term of appointment)  
**E. Crouch** Independent Member (three-year term of appointment)      **G. Amos** Independent Member (three-year term of appointment)

The Chair and Members of the Risk Management Board Committee were:

**N. Milne** Independent Chair (three-year term of appointment)      **G. Fletcher** Independent Member (three-year term of appointment)  
**E. Crouch** Independent Member (three-year term of appointment)      **C. Smith** Independent Member (three-year term of appointment)

There are no non-independent members of these board committees.

These processes, including the practicable alternative measures being implemented, provide a level of assurance that enables the senior management of Rail Corporation NSW to understand, manage and satisfactorily control risk exposures.

As required by the policy, I have submitted an Attestation Statement outlining compliance to the Treasury.



**Rob Mason**  
Chief Executive  
Date: 29 October 2010



### CountryLink – a more efficient way of doing business

CountryLink's ongoing improvements have centred around maximising the use of its existing assets to continue to deliver high-quality value to customers. In particular, the following results in efficiency were achieved:

#### *Increasing passenger journeys*

During the year, the Countrylink Sydney to Canberra service increased its frequency from 28 to 36 services per week, providing customers with more flexibility to plan return journeys to destinations on the route.

By 30 June 2010, passenger journeys on the Southern Explorer service (which also includes twice-weekly services to Griffith) had increased from 118,850 to 147,845 when compared with the previous financial year.

#### *Increase in internet bookings*

CountryLink's marketing initiatives have led to 25% of all bookings being consumer direct via the internet, at a much lower transaction cost as compared to customers booking through traditional methods.

Key Performance Indicator (KPI)	2009-10	Target
Community support ratio (%) <small>(reported annually)</small>	60.5%	62.4%

Community support ratio – measures the proportion of RailCorp's operating costs that are funded by government subsidy and concessions. Fare box and other revenues are not sufficient to meet operating costs.

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**125,000**  
**litres of water saved**  
**daily at Central Station**

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**25%**  
**of CountryLink**  
**consumer bookings**  
**via the web**

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**55 km** **8**  
**of track reconstructed** **bridges**  
**refurbished**

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# Case Study

## Making good governance better – RailCorp increases probity awareness amongst staff

**Challenge /** To continue to build awareness of probity practices amongst staff without compromising efficient work practices.

**Solution /** In September 2009, a new Management Development Program (MDP) was put in place to help develop the capability of managers.

This included Fraud and Corruption Prevention training and a briefing on RailCorp's revised Code of Conduct, which clarified the minimum standards expected of all staff, particularly in relation to procurement, conflicts of interest, gifts and benefits. RailCorp also began a review of its existing policies and processes for more effective management of employees who do not meet conduct or performance standards. The delivery of Probity and Ethics in Procurement training has also been introduced to assist RailCorp employees and contractors to understand the new procurement processes and procedures.

**Result /** As part of the MDP, workshops were attended by 2,341 managers and employees with financial and/or HR delegation. The Board and Executive team also attended. The workshops included participant discussion relating to fraud and corruption prevention in RailCorp and gained their views on what was working well, what needed improvement, and identified any further action that could be taken. In January 2010, these Workshops were extended to all remaining employees, consultants and contractors.

By 30 June 2010, a total of 16,082 personnel had attended Fraud and Corruption Prevention training and Code of Conduct briefings, providing them with greater awareness of their obligations in their day-to-day work practices. In relation to Probity and Ethics in Procurement, a total of 662 employees and contractors undertook the training as of 30 June 2010.

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**\$12.3  
million**

**to refurbish  
Petersham  
Training Facility**

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**16,052**

**employees and contractors attended  
Fraud and Corruption Prevention training**

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**3,000**

**users trained in new electronic  
procurement process**

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## Our People – Capable, Positive and Performance Driven

### Overview

RailCorp's success depends on the skills of its people.

To maintain a capable, positive and performance driven workforce, RailCorp must attract, develop and retain the right people, and develop their skills to meet the growth and change demands of a complex rail environment.

Because of the intensely competitive market for rail technical skills and expertise, RailCorp has introduced targeted corporate programs to develop and support its people.

RailCorp is measuring its success for 2009-10 based on the following four key objectives:

- › Values-driven culture
- › Build the right capabilities and skills in our people

- › Attract, develop and retain the right people
- › Create and fill the right jobs at the right time.

Some of the year's highlights include the development of the Our People Strategy, a new, streamlined Performance Development Planning process, and the rolling stock maintenance reform project.

### A five-year direction for workforce success

RailCorp has developed key strategies to deliver on this strategic priority and meet commitments under the NSW State Plan.

In December 2009, the RailCorp executive approved the Our People Strategy (OPS) which provides direction for a five-year portfolio of projects designed to deliver workforce success. The OPS was developed through extensive consultation across RailCorp. Subsequently, a high-level implementation plan was developed identifying six key programs of work, as shown below. Governance for the OPS has been designed, and each program is led by a member of the executive.

#### Program:

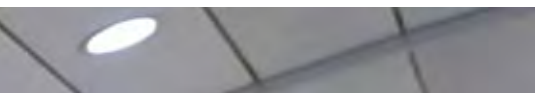
**Maximise Performance** – provide an environment that encourages high performance

#### Outcomes include:

- › The completion of a more streamlined Performance Development Planning process which was ready for implementation at the start of the 2010-11 financial year
- › A draft three-year Equity and Diversity Strategy and Plan was delivered after extensive internal consultation, and is due to be finalised and endorsed by October 2010
- › Under a separate project termed Ethical Behaviour and Conduct, more than 16,000 staff received Fraud and Corruption Prevention training

- › A total of 74 frontline staff members – including CityRail and CountryLink staff, transit officers, train crew, presentation staff and signallers – received either Golden Mic or Customer Service Excellence awards in recognition of outstanding performance
- › RailCorp's training facility at Petersham was reopened in November 2009 after a \$12.3 million refurbishment, and with no delay to training needs. The expanded facility now provides modern, fully equipped facilities including virtual reality centres, driver and guard simulators and practical training areas. It has reduced the need for the hire of external training facilities.





**Program:**

**Transform Culture** – develop and measure RailCorp’s culture and behaviours

**Outcomes include:**

- › Management workshops were held to address the results of the 2009 Culture Survey which highlighted areas for improvements. These included actions to streamline bureaucratic processes, and to better understand the linkages between levels of respect in the organisation and other measures such as grievances and sick leave.
- › Almost 430 employees attended a two-day Just Culture program and 1,135 employees attended a two-hour Just Culture induction. These programs provide vital training and personal development for management staff in the principles and application of a culture that is just and fair for all.
- › RailCorp maintained Employee Networks to progress employment equity in five areas including Women, Aboriginal and Torres Strait Islander, Disability, Culturally and Linguistically Diverse (CALD) and Carers.
- › RailCorp developed guidelines for Managing Reasonable Adjustment (for employees with a disability) and Managing Pregnancy at Work, to be published in 2010-11
- › RailCorp also developed a Language and Literacy Skills program for CALD employees, and conducted activities to build networks among employees from minority groups

- › As part of its commitment to cultural change, RailCorp again undertook an organisation-wide culture survey. More than 50% of RailCorp employees participated in the 2009 survey and results were benchmarked against the 2007 survey results. These showed a small upward trend in staff satisfaction and no negative shift in the overall culture. The survey’s outcomes were reviewed with all Business Groups and their Divisional teams and actions are currently being built into the 2010-11 business planning process.

**Program:**

**Engage Employees** – develop unified communications and engagement models to build RailCorp’s relationship with employees

**Outcomes include:**

- › RailCorp established a Keep-in-Touch program to keep employees on maternity or parental leave informed and involved in current workplace issues. The program includes networking and development events.
- › Training workshops were implemented for employees who are single fathers to provide information and skills on how to better manage separation and maintain relationships with their children.
- › A Carers’ Forum was held in October 2009 to celebrate Carers’ Week. The forum provided information to better help employees balance work and carer responsibilities

- › Approximately 45 employees attended a Gay, Lesbian, Bi-Sexual, Transgender and Intersex (GLBTI) Forum in February 2010 to raise awareness on how best to progress employment equity outcomes. RailCorp also participated in the 2010 Gay and Lesbian Mardi Gras Parade to demonstrate RailCorp’s commitment to a diverse workforce and community.
- › An inaugural 12-month Disability Traineeship Program commenced during 2009-10 to provide study and employment experience for four trainees with a disability.
- › The Equity and Diversity Unit, along with RailCorp’s Disability Network, hosted a Disability Forum to raise awareness about issues, barriers and solutions relating to the employment of people with disabilities.

**Program:**

**Develop Managers and Leaders** – develop the management capabilities of RailCorp’s leaders

**Outcomes include:**

- › RailCorp developed a framework to better identify the skills and knowledge required by its leaders at organisational and group level. This included the formation of a Management Development Program whereby managers will undertake six mandatory training courses in their first year covering behaviour, safety, leadership, culture, people and finance. For example, during 2009-10 behaviour training included probity awareness, specifically Fraud and Corruption Prevention and RailCorp’s Code of Conduct.





**Program:**

**Build Knowledge and Skills**

– protect and better leverage the knowledge and skills in the organisation, particularly as it faces the challenge of a generation of ‘baby boomers’ retiring

**Outcomes include:**

- › RailCorp continued significant investment in the Apprentice, Intern and Graduate programs. These programs are key talent management initiatives and form the basis of the Talent Pipeline. The aim of the programs is to develop capable and competent resources to fill critical roles within the organisation. Currently there are 354 apprentices and 196 graduates and interns at RailCorp in various stages of their accelerated developmental programs.
- › In partnership with TAFE, RailCorp implemented a Pre-Apprenticeship program to build confidence and skills in Aboriginal and Torres Strait Islander people and so maximise their chance of success in the merit selection process for Rail Traction apprentices. As a result of this program, five participants were appointed to RailCorp positions.
- › RailCorp commenced a strategic review of the Graduate program so it could better meet the long-term needs of the organisation.

**Program:**

**Secure Our Future Workforce –**

attract, develop and retain suitable numbers of people at the right levels with the right skills to meet current and future requirements

**Outcomes include:**

- › A conference was held for Aboriginal and Torres Strait Islander employees in November 2009 to inform Aboriginal and Torres Strait Islander employees about career and self-development options. Approximately 60 employees attended the conference.
- › Work commenced on the Workforce Intelligence project to improve RailCorp’s ability to predict and report on its workforce requirements.
- › As outlined earlier in this Report, RailCorp has been involved in a number of workforce-related research activities through its partnership with the Co-Operative Research Centre for Rail Innovation (a collaborative venture between rail industry organisations and Australian universities). These include safety culture management, skills recognition and migration, a national competence assurance framework for train drivers, and e-learning solutions.

**NSW Government Action Plan for Women:**

RailCorp has continued to build on its commitment to improve the welfare of its female employees. In 2009-10 RailCorp:

- › Maintained a support network for female employees in apprenticeship and trade positions. The Support Network is designed to assist RailCorp retain and attract female employees in non-traditional occupations.
- › Maintained a Women’s Employee Network.
- › Held a Women’s Conference in August 2009, attended by more than 100 employees, to provide participants with the skills and knowledge to better manage their career in a non-traditional/ male-dominated organisation.
- › Held International Women’s Day celebrations in March 2010 to highlight the achievements of RailCorp’s female employees and promote career opportunities for women in RailCorp.

**Key initiatives planned for 2010-11 include:**

- › The completion of the Organisational Change Management framework to enable easier implementation of change programs within the organisation.
- › Further progress of the Management Development program; specifically continue to roll out mandatory training, as well as incorporate learning-on-the-job and effective succession planning.
- › Roll out the new streamlined Performance Development Management process.
- › Continue to foster a culture in which all of RailCorp’s values are





consistently demonstrated by building the outcomes of the 2009 Culture Survey into the 2010-11 business planning process.

- › Conduct a strategic review of RailCorp's graduate program.
- › Development of e-learning solutions across the organisation.
- › Enhance workforce planning to better capture, transfer and leverage knowledge from existing and changing employees to sustain and improve corporate memory.
- › Continue to roll out diversity training workshops for Human Resource (HR) practitioners.
- › Finalise and commence the implementation of the new Equity and Diversity Management Plan.
- › Develop Equity and Diversity guidelines to assist in the recruitment and selection of female employees.
- › Publish Pregnancy Management Guidelines to inform employees of their rights and responsibilities and assist managers and supervisors manage issues that may arise for pregnant employees.
- › Develop and establish an Indigenous Cadetship program.
- › Deliver a Disability Traineeship program.
- › Deliver an Aboriginal Pre-Apprenticeship Program.
- › Deliver a Language and Literacy Skills program.

## Health and wellbeing

Approximately 5,000 employees participated in health services initiatives which included the 2009 City to Surf, the JP Morgan Corporate Chase Challenge, Health Fairs, the influenza vaccination program, the Executive Health Program and the Nissan BRW Corporate Triathlon.

In terms of employee support services available, the annualised usage of the Employee Assistance Program was 4.8%, and a total of 2,020 hours of Critical Incident Support (trauma counselling) was provided to employees. The Managers' Assistance Program was used by 37 managers for a total of 39 hours.

## CountryLink – upskills and refreshes

- › CountryLink participated in organisation recognition schemes to award staff for outstanding efforts in providing excellent customer service often in very difficult circumstances, such as the floods at Junee in March 2010.
- › During 2009, CountryLink introduced a new staff uniform to present a consistent and professional image to customers, the community and each other.

Key Performance Indicator (KPI)	2009-10	Target
<b>Average sick days per employee*</b> <i>(rolling 12-month average)</i>	10.6	≤ 9.5
<b>Overtime as a percentage of total normal hours worked</b> <i>(full year average)</i>	8.95%	≤ 9.0%
<b>Vacancies as a % of budgeted positions</b> <i>(year end)</i>	1.4%	≤ 2.2%
<b>Total headcount</b> <i>(RailCorp Employees and Contractors in establishment positions)</i>	15,176 (March 2010)	N/A
<b>Workforce composition: % female</b> <i>(year end)</i>	19%	≥ 20.0%
<b>Voluntary employee turnover as a % of total headcount</b>	3.8%	≤ 4.0

\*With such a diverse group of employees (including shift workers) working in varied work environments and customer-facing roles, it is a challenge to reduce sick leave.

Initiatives such as the introduction of a revised Attendance Management Procedure setting out the standards of attendance expected of employees, and the process to be followed to manage unsatisfactory sick leave or unauthorised absences, has assisted in the management of sick leave.

Other initiatives such as influenza vaccinations have showed that employees who received influenza vaccines took less sick leave than those who were not vaccinated, especially in winter.







# Case Study

## Rolling Stock Maintenance Reform

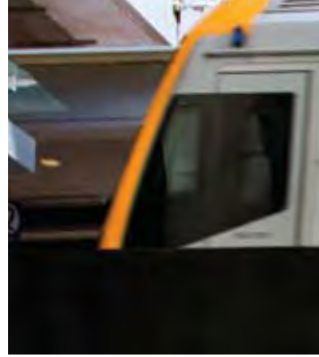
**Challenge /** To develop and maintain an in-house rolling stock maintenance function capable of competing with the private sector.

**Solution /** During the past year, RailCorp made significant effort to create and deliver initiatives that provide long term benefits. These include:

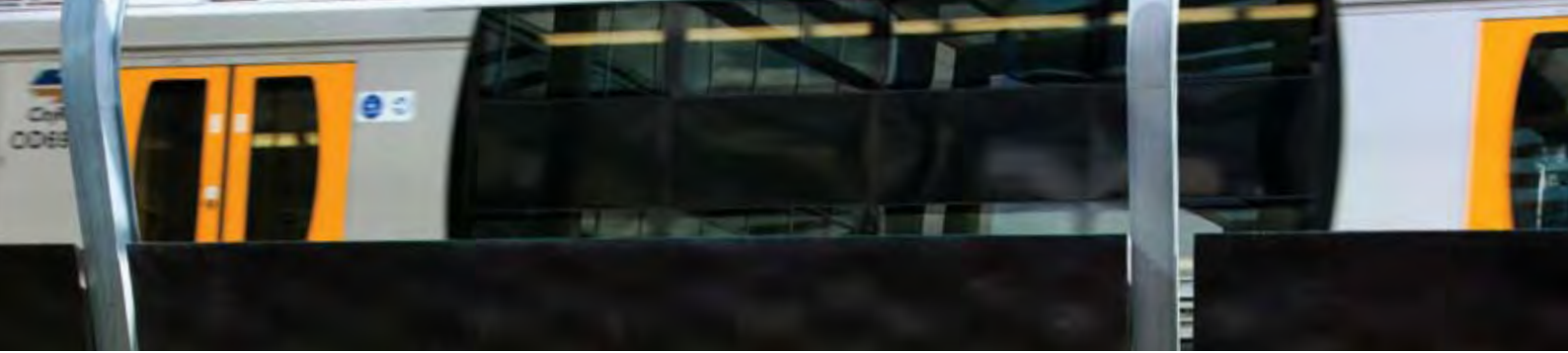
- › Establishing and implementing a new workforce classification structure which enables workforce flexibility. This included a complete revision of the Technical Maintenance Plans; an overhaul of shopfloor position descriptions and translating staff into the new classification
- › Defining and launching a new depot management structure new Line Managers and new Team Leaders
- › Delivering an adult apprenticeship program to teach existing staff new skills to become a certified fitter or an electrician. The initiative was open to all maintenance staff and 80 met the selection criteria. Of this group, 30 employees started their program this year
- › Developing a future workforce model (Capacity Plan) which aligns the workforce requirement to efficiently deliver an in-house maintenance service
- › Providing a comprehensive training and cross-skilling initiative which enables personnel to progress in accordance with their abilities and being able to undertake any activity for which they have been trained
- › Implementing new maintenance management systems and processes. This included a computerised time capture system; developing flexible rosters which suit the business needs; introducing job costing and rolling out an electronic rostering and scheduling system
- › Developing, agreeing and implementing a memorandum of understanding for the use of external contractors to support the implementation of the reform project
- › Establishing a culture of continuous improvement within depots whereby management and the workforce work together so that in-house maintenance levels are comparable to industry.

**Result /** All the above initiatives were delivered with continued improvement in the reliability and availability of rolling stock. The program now moves to ongoing implementation to deliver long term benefits. In addition to the adult apprenticeship program mentioned above, RailCorp employs 354 apprentices in various disciplines.

# Information about Board and Management relating to the 2009-10 financial year







### 3/ Management and Structure





## Management and Structure



### The Board

The NSW Government introduced the *Transport Administration Amendment Act 2010* which provided as at 1 July 2010 that the RailCorp Board was abolished.

The information about the Board and Management structure given below therefore relates only to the 2009-10 financial year.

### Role of Individual Directors

The role of the Directors was to develop and approve the policies of RailCorp. In common with all Directors, individual Directors had responsibility for the successful operations of RailCorp, including:

- › financial efficiency and effectiveness, and
- › compliance with the law.

The Directors held individual responsibility for the performance of their duties.

### Method of Appointment

The Board was appointed by the Minister for Transport. RailCorp's Board of Directors was responsible and accountable to the Minister for Transport.

The *Transport Administration Act 1988* allows for a minimum of four and a maximum of seven Directors (not including the CEO). The appointment and term of each Director was determined by the Minister for a period not exceeding three years. Appointments could be renewed.

The remuneration of the Chair and Directors is determined by the Minister. The Chief Executive Officer is not entitled to any additional remuneration for being an executive Director.

### Frequency of Meetings

Meetings of the RailCorp Board were held monthly or more often if special circumstances required. Board Committee meetings were generally held on a quarterly basis. The Chief Executive Officer attended Board Committee meetings by invitation.

The Board had four standing Committees which assisted in the good governance of the organisation, allowed for more detailed consideration of major issues, provided advice on specific matters to the Board and examined matters that were referred to it by the Board. Each Committee had a charter, which was approved by the Board and was reviewed during the year.





## Profile of Board Members during 2009-10

### **Elizabeth Crouch**, BEc, GAICD

*Chair, Member of the Audit Board Committee, Member of the Risk Board Committee, Member of the Safety and Environment Board Committee, and Human Resources and Remuneration Board Committee*

Ms Crouch was appointed as non-executive Director and Chairperson from 1 January 2009 to 31 December 2011. Ms Crouch is the former Chief Executive of a major industry group and has an extensive public policy background, having served more than 16 years with the Federal Government. She has worked in the areas of regional development, health and housing policy, industry forecasting and economics. Ms Crouch's experience also includes international trade and bilateral negotiations.

Ms Crouch is the Chair of the Public Transport Ticketing Corporation, Fair Trading Advisory Council and the Ku-ring-gai Planning Panel. She is the Deputy Chair of the City of Sydney Planning Committee, a Director on the Council of Macquarie University and Chair of the University's Audit and Risk Committee. Ms Crouch is also the registrar of several junior sports clubs.

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### **Rob Mason**, BSc (Hons), MBA

*Chief Executive Officer*

Mr Mason was appointed by the RailCorp Board to act as Chief Executive Officer effective from 7 April 2008 and formally appointed to the position on 15 July 2008. Mr Mason is a Director of the Transport Infrastructure Development Corporation and a Director of the Public Transport Ticketing Corporation. Mr Mason was Group General Manager Train Services and then Group General Manager Service Delivery in RailCorp since appointment in February 2005. He has extensive management experience in the rail industry and prior to joining RailCorp spent four years as Main Board Director for customer service delivery at the London Underground (LUL).

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### **Bob Plain**

*Member of the Safety and Environment Board Committee and a Member of the Human Resources and Remuneration Board Committee*

Mr Plain has been a non-executive Director of the RailCorp Board since 19 December 2003. He was reappointed on 1 January 2009 for a period of three years. He was a former non-executive Director of the Rail Infrastructure Corporation and the State Rail Authority of NSW. He has over 40 years of railway experience. Mr Plain held a number of union positions, including the National President of the Rail Tram and Bus Union and is a former member of the Labor Council Executive.

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### **Geoff Amos**, MTM

*Chair of the Human Resources and Remuneration Committee and Member of the Audit Board Committee*

Mr Amos was appointed as a non-executive Director from 1 April 2009 to 31 March 2012. Mr Amos is a traffic and transport consultant with over 38 years in transport roles including previous work at the State Rail Authority, the Olympic Roads and Transport Authority and Roads and Traffic Authority. Mr Amos specialises in strategic planning, organisational development, negotiation and transport planning. Mr Amos is a Director of the Cronulla Golf Club.



**Gregory Fletcher**, BCom, ACA

*Chair of the Audit Board Committee  
and Member of the Risk Board  
Committee*

Mr Fletcher was appointed as a non-executive Director from 1 April 2009 to 31 March 2012. Mr Fletcher is a chartered accountant with over 30 years' experience and is a specialist in audit and risk management and was formerly a partner and now a consultant to Deloitte Touche Tohmatsu. Mr Fletcher is a director at Gloucester Coal Limited. He has extensive experience working with state and national audit offices. He is a member of the Institute of Chartered Accountants and the Institute of Internal Auditors. Mr Fletcher is the Chair of the NSW Health Infrastructure Audit Committee and a member of the Audit Office of NSW Audit Committee.

**Nancy Milne**, OAM, LLB, MAICD

*Chair of the Risk Board Committee,  
Member of the Audit Board  
Committee and Member of the Safety  
and Environment Board Committee*

Ms Milne was appointed as a non-executive Director from 1 April 2009 to 31 March 2012. Ms Milne is an experienced solicitor and a former acting Judge of the District Court of NSW. Ms Milne brings experience from a range of sectors including insurance, real estate, construction and financial services. Ms Milne is also a consultant to Clayton Utz.

Ms Milne is currently a director of Commonwealth Managed Investments Limited, Australand Funds Management Limited, Munich Reinsurance Australasia Limited, and Comminsure.

**Colin Smith**, FAICD, FRMIA, CPRM

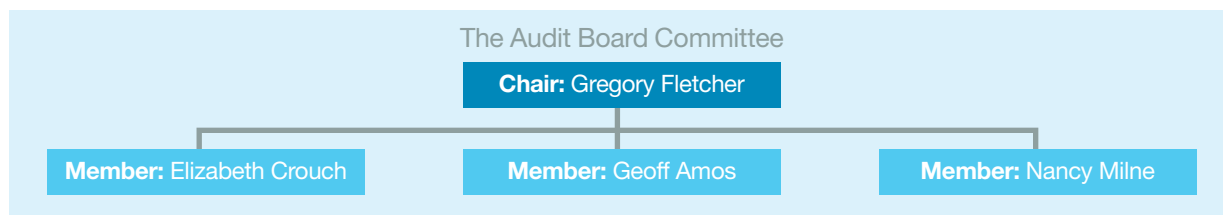
*Chair of the Safety and Environment  
Board Committee, Member of the  
Risk Board Committee and Member  
of the Human Resources and  
Remuneration Board Committee*

Mr Smith was appointed as a non-executive Director from 1 April 2009 to 31 March 2012. Mr Smith is the Managing Director of his own risk and insurance advisory business. He has wide-ranging experience in the risk and insurance sectors and has advised many large corporations, professional firms and government bodies. Mr Smith is a Fellow of the Australian Institute of Company Directors, Fellow of the Risk Management Institution of Australasia and Certified Practising Risk Manager.





## Board Committees



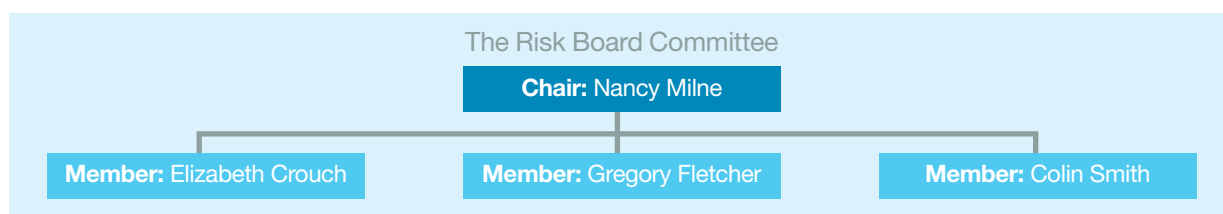
The Audit Board Committee assisted the Board to discharge its oversight and governance responsibilities related to:

- › financial reporting practices, including accounting policies
- › financial management
- › financial and business policies and practices
- › business ethics and corruption prevention policies and practices

- › internal controls
- › compliance with laws, regulations, standards, and best practice guidelines
- › providing a forum for communication between the Board, senior management and both the internal and external auditors
- › fostering an ethical culture throughout the organisation

- › monitoring and review the independence, performance, integrity and objectivity of the internal audit function.

The Chief Executive Officer, the Group General Manager Finance and Corporate Services, the General Manager Internal Audit and representatives from the Audit Office of NSW had a standing invitation to attend meetings but were not members.



The Risk Board Committee assisted the Board in discharging its oversight and corporate governance responsibilities relating to:

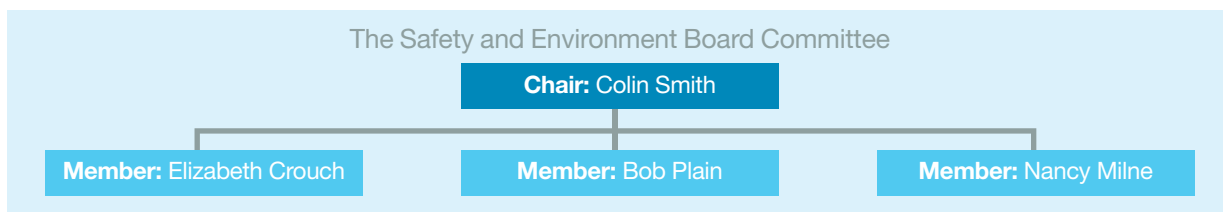
- › the review of the RailCorp risk profile, risk management policy, risk management strategy and risk management framework

- › the implementation, operation and continued development of risk management and legal and regulatory compliance throughout the organisation
- › the effectiveness and adequacy of risk management policies, procedures and related assurance processes
- › insurance and risk management
- › the review of the organisation's insurance coverage

- › the review of the business ethics and corruption prevention policies and practices
- › fostering an ethical culture throughout the organisation.

The Chief Executive Officer, the Group General Manager Finance and Corporate Services, the Group General Manager Safety and Environment, as Chief Risk Officer, and the General Manager Internal Audit had a standing invitation to attend meetings but were not members.





The Safety and Environment Board Committee supported the Board in discharging its responsibilities for the safety of the rail network and of the passengers, employees, contractors and members of the public who worked on and used the network, and for environmental protection.

The committee supported the Board to:

- › review and monitor the strategic direction of safety and environment at RailCorp
- › monitor and review the effectiveness of safety and environment policies, systems and programs which

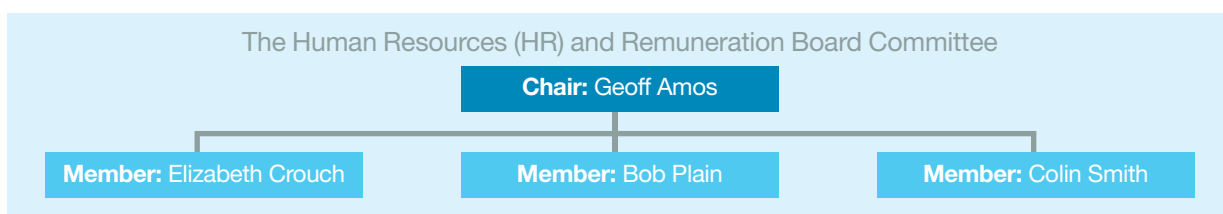
are designed to meet legislative responsibilities

- › promote a proactive safety and environment culture at RailCorp
- › monitor and review the performance of key programs which identify and manage safety and environment risks across operations
- › monitor and review key issues arising from the RailCorp Board
- › provide advice to the RailCorp Board on key safety and environment issues
- › monitor and review performance through reporting relating to environmental management and

the safety of infrastructure, train operations and OHS

- › receive assurance that issues arising from relevant safety and environment audit and investigation reports are being actioned
- › take into account safety and environment objectives relating to RailCorp as it sees fit.

The Chief Executive Officer and the Group General Manager Safety and Environment had a standing invitation to attend meetings but were not members.



The Human Resources and Remuneration Board Committee assisted the Board in discharging its responsibilities in relation to:

- › contractual, performance and remuneration arrangements for the Chief Executive Officer and senior management

- › the maintenance and growth of the Corporation's workforce capability necessary to support the corporate objectives
- › the promotion of an efficient and effective workforce
- › staff wellbeing and sound corporate culture

- › industrial relations outcomes that support corporate objectives
- › succession planning.

The Chief Executive Officer and the Director Human Resources had a standing invitation to attend meetings but were not members.





## Attendance at Board and Board Committee Meetings

Board Member	Board Meetings		Audit Board Committee Meetings		Risk Board Committee Meetings		Human Resources and Remuneration Board Committee Meetings		Safety and Environment Board Committee Meetings	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Elizabeth Crouch	12	12	5	5	6	6	5	5	5	5
Geoff Amos	12	12	5	4			5	5		
Gregory Fletcher	12	12	5	5	6	6				
Rob Mason	12	11								
Nancy Milne	12	11	5	3	6	6			5	5
Bob Plain	12	11					5	3	5	5
Colin Smith	12	12			6	6	5	5	5	5

### Declaring Conflicts of Interest

A register of Directors' interests was maintained, and Directors disclosed any material contract in which they had an interest. Directors did not take part in any discussions or decision-making processes considered by the Board if they had any personal interest in matters.

### Code of Conduct for Board of Directors

The RailCorp Board adopted the Code of Conduct as was set out in the Conduct Guidelines for Members of NSW Government Boards and Committees, which was produced by the Department of Premier and Cabinet.

This document outlined the fundamental values and principles that defined the standards of behaviour expected of NSW Government boards and committees.

It also provided sources of information and advice on ethical and other accountability issues of relevance to the NSW public sector.

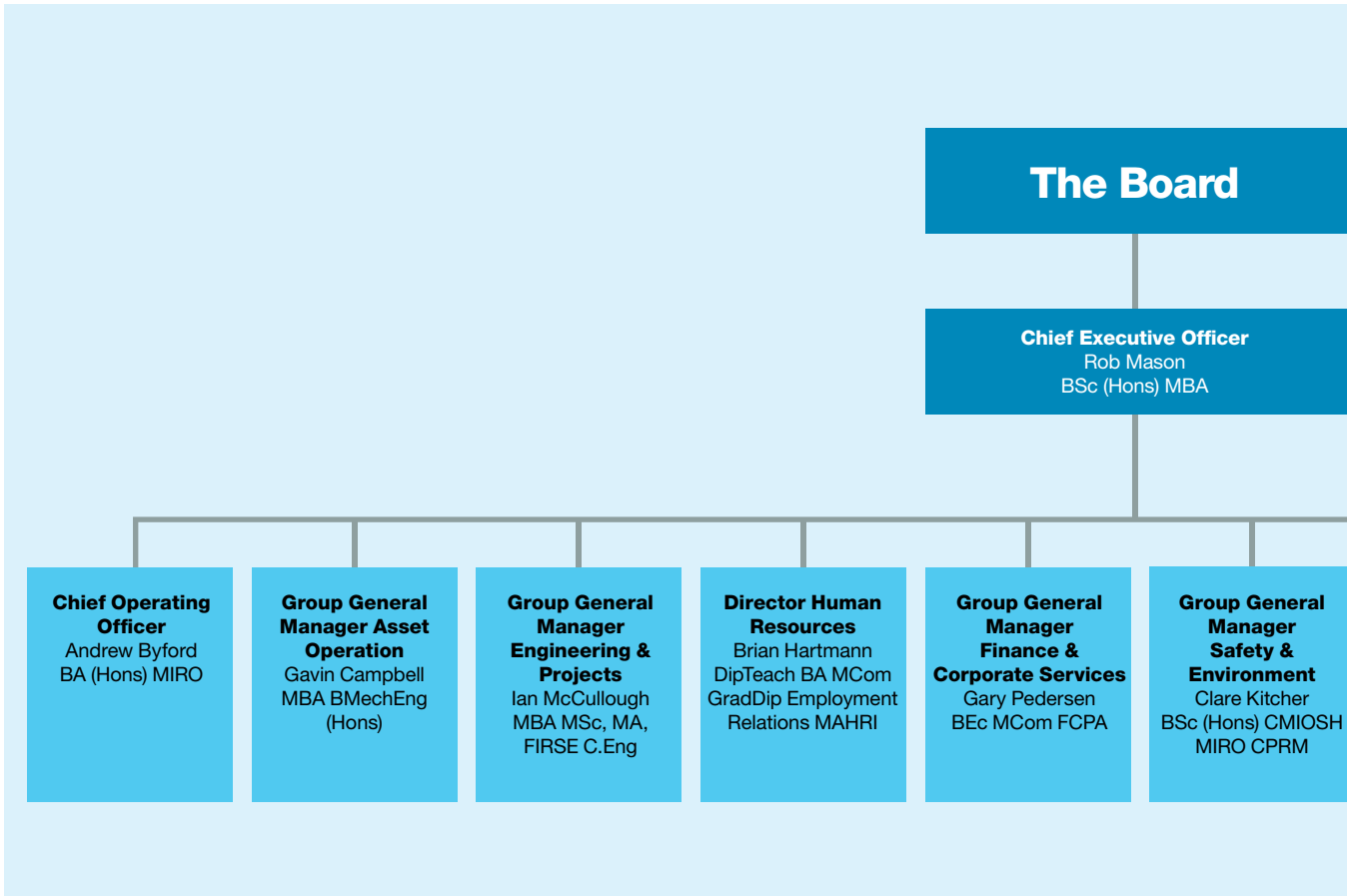
### Independent Internal Audit

RailCorp maintained an independent internal audit service to help the organisation meet its objectives by applying a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

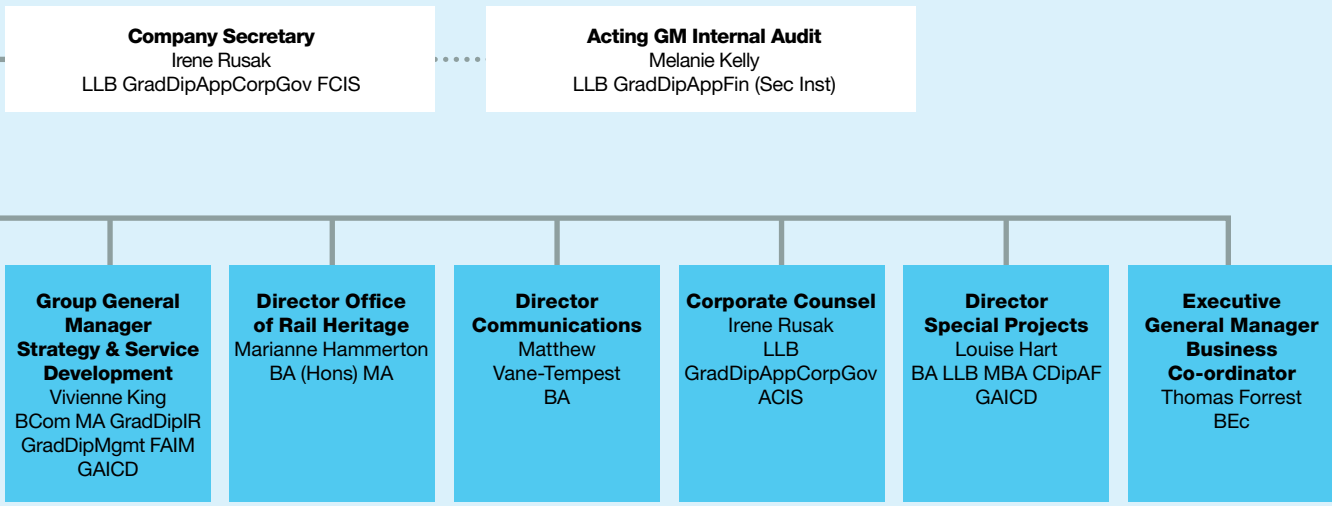
The internal audit function was authorised by the Board to direct a comprehensive program of internal auditing within the Corporation with full and unrestricted access to all functions, property, personnel records, accounts, files and other documentation.

The internal audit work program is subject to annual endorsement by the Audit Board Committee, with the results, progress and performance of internal audit regularly reviewed by both the committee and external auditors.









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4/  
**Financial  
Statements**  
2009-2010

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Way out

Lift

Woollooware

## Statement by the Chief Executive

in relation to the Financial Statements for the year ended 30 June 2010

Pursuant to section 41C(1B) of the *Public Finance and Audit Act 1983* and clause 7 of the Public Finance and Audit Regulation 2010 I declare that:

- (a) In my opinion, the accompanying financial statements, read in conjunction with the notes thereto, exhibit a true and fair view of the financial position of RailCorp as at 30 June 2010 and of its financial performance for the year ended 30 June 2010.
- (b) The financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2010, the Australian Accounting Standards, which includes Australian Accounting Interpretations, and Treasurer's directions.
- (c) I am not aware, as at the date of this statement, of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



**Rob Mason**  
Chief Executive

28 September 2010

(Start of audited financial statements)

## Statement of Comprehensive Income for the year ended 30 June 2010

	Note	2009-10 \$000	2008-09 \$000
<b>Income</b>			
Passenger services revenue		693 278	660 814
Non passenger revenue	3.1	264 688	259 087
Interest		6 059	18 145
Income from operating activities		964 025	938 046
<b>Expenses</b>			
Operating expenses			
– Payroll costs and other employee benefits	4.1	1 377 073	1 308 774
– Other operating expenses	4.3	1 086 811	1 058 324
Depreciation and amortisation	9.2, 10.2	761 386	703 262
Finance costs		625	2 313
Total expenses		3 225 895	3 072 673
<b>Deficit from operations before Government Contributions</b>		<b>(2 261 870)</b>	<b>(2 134 627)</b>
Government subsidies	2.7	1 353 645	1 241 023
Government concessions	2.7	251 761	224 882
Other Government operating subsidies	3.2	408	910
<b>Deficit from operations before Capital Contributions</b>		<b>(656 056)</b>	<b>(667 812)</b>
Government contributions for capital expenditure	3.2	710 762	931 970
<b>Surplus for the year from continuing operations</b>		<b>54 706</b>	<b>264 158</b>
<b>Other Comprehensive Income</b>			
– Net gain/(loss) in forward foreign exchange	16	(1 719)	(10 082)
– Net gain/(loss) in commodity swaps	16	3 265	(11 966)
Revaluation of Property, Plant and Equipment	16	(86)	165 627
Superannuation actuarial gains/(losses) on defined benefit schemes	17	(89 252)	(278 411)
<b>Other Comprehensive Income for the year</b>		<b>(87 792)</b>	<b>(134 832)</b>
<b>Total Comprehensive Income for the year</b>		<b>(33 086)</b>	<b>129 326</b>

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

**Statement of Financial Position** as at 30 June 2010

	Note	30.6.2010 \$000	30.6.2009 \$000
<b>Current assets</b>			
Cash and cash equivalents	5.1	24 691	220 600
Trade and other receivables	6.1	120 265	121 594
Security deposits		38	37
Inventories	7	38 952	34 390
Non-current assets classified as held for sale	8	2 103	216
Derivative financial instruments	20.1	1 692	3 397
<b>Total current assets</b>		<b>187 741</b>	380 234
<b>Non-current assets</b>			
Inventories	7	27 166	26 737
Property, plant and equipment	9	19 406 237	18 727 765
Intangible assets	10	149 261	137 521
Derivative financial instruments	20.1	772	-
Other	11	62 067	57 933
<b>Total non-current assets</b>		<b>19 645 503</b>	18 949 956
<b>Total assets</b>		<b>19 833 244</b>	19 330 190
<b>Current liabilities</b>			
Trade and other payables	12	555 083	427 145
Borrowings	13	38 928	-
Provisions	14	491 481	443 789
Derivative financial instruments	20.1	14 298	18 757
<b>Total current liabilities</b>		<b>1 099 790</b>	889 691
<b>Non-current liabilities</b>			
Trade and other payables	12	52 585	53 801
Borrowings	13	213 437	-
Provisions	14	439 098	320 650
Derivative financial instruments	20.1	1 980	-
<b>Total non-current liabilities</b>		<b>707 100</b>	374 451
<b>Total liabilities</b>		<b>1 806 890</b>	1 264 142
<b>Net assets</b>		<b>18 026 354</b>	18 066 048
<b>Equity</b>			
Contributed equity	15	13 600 268	13 606 876
Reserves	16	3 631 639	3 621 567
Retained earnings	17	794 447	837 605
<b>Total equity</b>		<b>18 026 354</b>	18 066 048

The Statement of Financial Position should be read in conjunction with the accompanying notes.

## Statement of Changes in Equity for the year ended 30 June 2010

	Note	Contributed Equity \$000	Retained Earnings \$000	Asset Revaluation \$000	Other Reserves \$000	Total \$000
<b>Balance at 1 July 2009</b>		<b>13 606 876</b>	<b>837 605</b>	<b>3 639 065</b>	<b>(17 498)</b>	<b>18 066 048</b>
<b>Surplus for the year</b>		-	<b>54 706</b>	-	-	<b>54 706</b>
<b>Reserves transferred from Retained Earnings</b>	16,17	-	<b>(8 612)</b>	<b>6 474</b>	<b>2 138</b>	-
<b>Other Comprehensive Income</b>						
Net gain/(loss) in forward foreign exchange	16	-	-	-	<b>(1 719)</b>	<b>(1 719)</b>
Net gain/(loss) in commodity swaps	16	-	-	-	<b>3 265</b>	<b>3 265</b>
Increase/(decrease) in Asset Revaluation Reserve	16	-	-	<b>(86)</b>	-	<b>(86)</b>
Superannuation actuarial gains/ (losses) on defined benefit schemes	17	-	<b>(89 252)</b>	-	-	<b>(89 252)</b>
<b>Total Other Comprehensive Income for the year</b>		-	<b>(89 252)</b>	<b>(86)</b>	<b>1 546</b>	<b>(87 792)</b>
Increase/(decrease) in net assets from equity transfers (contribution by owners)	15.2	<b>(6 608)</b>	-	-	-	<b>(6 608)</b>
<b>BALANCE AS AT 30 JUNE 2010</b>		<b>13 600 268</b>	<b>794 447</b>	<b>3 645 453</b>	<b>(13 814)</b>	<b>18 026 354</b>
<b>Balance at 1 July 2008</b>		11 721 564	851 858	3 473 438	4 550	16 051 410
<b>Surplus for the year</b>		-	264 158	-	-	264 158
<b>Other Comprehensive Income</b>						
Net gain/(loss) in forward foreign exchange	16	-	-	-	(10 082)	(10 082)
Net gain/(loss) in commodity swaps	16	-	-	-	(11 966)	(11 966)
Increase/(decrease) in Asset Revaluation Reserve	16	-	-	165 627	-	165 627
Superannuation actuarial gains/(losses) on defined benefit schemes	17	-	(278 411)	-	-	(278 411)
<b>Total Other Comprehensive Income for the year</b>		-	(278 411)	165 627	(22 048)	(134 832)
Increase/(decrease) in net assets from equity transfers (contribution by owners)	15.2	1 885 312	-	-	-	1 885 312
<b>BALANCE AS AT 30 JUNE 2009</b>		<b>13 606 876</b>	<b>837 605</b>	<b>3 639 065</b>	<b>(17 498)</b>	<b>18 066 048</b>

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**Statement of Cash Flows** for the year ended 30 June 2010

	Note	<b>2009-10</b>	2008-09
		<b>\$000</b>	\$000
<b>Cash flows from operating activities</b>			
<i>Cash received</i>			
Passenger services		<b>693 990</b>	676 407
Other receipts from customers and others		<b>466 308</b>	445 465
Government subsidies and concessions		<b>1 605 406</b>	1 465 905
Other Government operating subsidies		<b>408</b>	910
Interest received		<b>6 059</b>	18 145
Total cash received		<b>2 772 171</b>	2 606 832
<i>Cash used</i>			
Payments to suppliers, employees and others		<b>(2 478 081)</b>	(2 472 186)
Interest paid		<b>(58)</b>	(3 955)
Total cash used		<b>(2 478 139)</b>	(2 476 141)
<b>Net cash from operating activities</b>	5.2	<b>294 032</b>	130 691
<b>Cash flows from investing activities</b>			
<i>Cash received</i>			
Capital grants		<b>710 762</b>	934 279
Property, plant and equipment and intangible assets disposals		<b>2 014</b>	3 019
Total cash received		<b>712 776</b>	937 298
<i>Cash used</i>			
Property, plant and equipment and intangible assets acquisitions		<b>(1 210 717)</b>	(962 585)
Milestone advances to a supplier		-	(13 000)
Total cash used		<b>(1 210 717)</b>	(975 585)
<b>Net cash used in investing activities</b>		<b>(497 941)</b>	(38 287)
<b>Cash flows from financing activities</b>			
<i>Cash received</i>			
Proceeds from borrowings		<b>19 000</b>	-
Total cash received		<b>19 000</b>	-
<i>Cash used</i>			
Repayment of borrowings		<b>(11 000)</b>	(185 680)
Total cash used		<b>(11 000)</b>	(185 680)
<b>Net cash used in financing activities</b>		<b>8 000</b>	(185 680)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(195 909)</b>	(93 276)
Cash and cash equivalents at the beginning of the year		<b>220 600</b>	313 876
<b>Cash and cash equivalents at the end of the year</b>	2.9, 5.1	<b>24 691</b>	220 600

The Statement of Cash Flows should be read in conjunction with the accompanying notes.



## Notes to the Financial Statements for the year ended 30 June 2010

### Note 1 Reporting entity and financial statements

Rail Corporation New South Wales (RailCorp) was initially established as a State Owned Corporation but, from 1 January 2009, was changed to a Statutory Authority constituted under the *Transport Administration Act 1988* and scheduled under the *Public Finance and Audit Act 1983*. It is domiciled in Australia and its principal office is at 477 Pitt Street, Sydney NSW 2000. Its principal objectives are:

- to deliver safe and reliable railway passenger services in New South Wales in an efficient, effective and financially responsible manner, and
- to ensure that the part of the NSW rail network vested in or owned by it enables safe and reliable railway passenger and freight services to be provided in an efficient, effective and financially responsible manner.

As stated in Note 22, amendments to the Transport Administration Act took effect 1 July 2010 resulting in the abolition of the RailCorp Board.

The financial statements were authorised for issue by the Chief Executive on the date on which the accompanying Statement by the Chief Executive was signed.

### Note 2 Summary of accounting policies

#### 2.1 Basis of accounting

These are general purpose Financial Statements prepared in accordance with Australian Accounting Standards, which includes Australian Accounting Interpretations, the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2010, and specific directions issued by the Treasurer.

Generally, the historical cost basis of accounting has been adopted and these financial statements do not take into account changing money values or current valuations. However, property, plant and equipment, certain provisions, and derivative financial assets and liabilities are measured at fair value. See notes 2.3(ii), 2.14(ii), and 2.19.

The accrual basis of accounting has been adopted in the preparation of the financial statements, except for cash flow information.

RailCorp is a not-for-profit entity for accounting purposes.

The financial statements have been prepared on a going concern basis which assumes that RailCorp is expected to be able to pay its debts as and when they fall due and continue in operation without any intention or necessity to liquidate or otherwise wind up its operations. Despite current liabilities exceeding current assets at year end, RailCorp's continued operation and ability to pay its debts are assured because the annual *Appropriation Act 2010* has allocated funds by the Government to support RailCorp in delivering services, offering fare concessions and undertaking capital works during the ensuing year. The NSW Government funds the majority of the cost of operation of the rail network. The proportion of total expenses met by the travelling public through fares was 21.6% in 2009-10 (21.5% in 2008-09).

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency. Certain comparatives have been reclassified to conform to the current year's presentation.

#### 2.1.1 Change in accounting policy

There have been no changes in accounting policy in 2009-10.

## Notes to the Financial Statements for the year ended 30 June 2010

### Note 2 Summary of accounting policies (continued)

#### 2.2 Adoption of new and revised Accounting Standards

In the current year, RailCorp has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the annual reporting period beginning on 1 July 2009. The adoption of these new and revised Standards and Interpretations has not resulted in any significant changes to RailCorp accounting policies.

RailCorp applies AASB 101 *Presentation of Financial Statements (2007)* which became effective as at 1 January 2009. As a result RailCorp presents in the Statement of Changes in Equity all owner changes in equity, whereas all non-owner changes in equity are presented in the Statement of Comprehensive Income.

RailCorp did not early adopt any new Accounting Standards that are yet not effective. The following new Accounting Standards and Interpretations have not yet been adopted and are not effective as at 30 June 2010.

AASB Amendment	Affected Standard(s) and Interpretations	Change in Accounting Standard	Application date of Standard
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 5, 101, 107, 117, 118, 136, 139)	1 January 2010	1 July 2010
AASB 2009-9	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards	1 January 2010	1 July 2010
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issue (AASB 132)	1 February 2010	1 July 2010
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 – Financial Instruments (AASB 1, 3, 4, 5, 7, 101, 102, 108, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 & Interpretations 10 & 12)	1 January 2013	1 July 2013
AASB 2009-12	Amendments to Australian Accounting Standards AASB 124 – (Related Party Disclosure & AASB 5, 108, 110, 119, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052)	1 January 2011	1 July 2011
AASB 2009-13	AASB 1, AASB 1048 & Interpretation 19 – Extinguishing financial liability with equity instruments	1 July 2010	1 July 2010
AASB 2009-14	Amendments to Australian Interpretations – Prepayments of a minimum funding requirement	1 January 2011	1 July 2011
AASB 2010-2	Amendments to Australian Accounting Standards from reduced disclosure requirements	1 June 2010	1 July 2013
AASB 2010-3	Amendments to Australian Accounting Standards from annual improvements project	1 June 2010	1 July 2010
AASB 2010-4	Further amendments to Australian Accounting Standards from the annual improvements project	1 June 2010	1 January 2010
Interpretation 4	Determining whether an arrangement contains a lease	1 December 2009	1 January 2010
AASB 1053	Application of tiers of Australian Accounting Standards	1 June 2010	1 January 2011

It is considered that the adoption of these Standards and Interpretations in future will have no material financial impact on the financial statements. NSW Treasury has mandated not to early adopt any of the standards that are not effective.

## 2.3 Financial instruments

Financial instruments are contracts that give rise to both a financial asset of one entity and a financial liability (or equity instrument) of another entity. They include cash and cash equivalents, receivables, payables, borrowings and derivatives (forward foreign exchange contracts, and commodity swap contracts).

### (i) Recognition

A financial asset or financial liability is recognised when RailCorp becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the associated cash flows expire, are effectively transferred, or are otherwise lost. Financial liabilities are derecognised when the contractual obligation is discharged, is cancelled, or expires.

Any applicable amortisation, impairment loss (or reversal), or fair value adjustment is recognised in the income statement.

On derecognition, any difference between the item's carrying amount and the consideration received or paid is recognised in the income statement.

### (ii) Measurement

On initial recognition, a financial asset or financial liability is measured at its fair value (which is usually its cost) plus any directly-attributable transaction costs.

After initial recognition, receivables and payables are carried in the Statement of Financial Position at amortised cost, which is a reasonable approximation of their fair value. Borrowings are carried at amortised cost. Their fair value at year end is disclosed in note 13. Derivatives are carried at fair value.

The fair value of borrowings and derivatives is determined at year end as the quoted offer price or the risk-adjusted market price of the instrument. It represents current market value.

### (iii) Hedging

Derivative financial instruments are used to hedge against exposures to foreign currency risk on overseas purchase commitments and on commodity price risk on forecast distillate and electricity purchases.

Forward foreign exchange contracts are used to hedge against currency risk on firm commitments for the purchase of goods or services from overseas suppliers. These contracts entail a right to receive a fixed amount of foreign currency at a specified future date, which is offset by an obligation to pay a fixed amount of domestic currency at that time.

Forward foreign exchange contracts and commodity swap contracts are used to hedge against commodity price risk on forecast purchases of distillate. The contracts effectively entail a right to buy a specified quantity of distillate at a fixed price on a future date, which is offset by an obligation to sell a similar quantity at its prevailing market price at that time.

RailCorp policy for electricity hedging is similar to distillate operations. Electricity hedging applies only to periods not under a fixed price contract. Hedges are subsequently closed out once a fixed price contract is in place.

## **Notes to the Financial Statements** for the year ended 30 June 2010

### **Note 2 Summary of accounting policies (continued)**

#### **2.3 Financial instruments (continued)**

##### **(iv) Hedge accounting**

Cash flow hedge accounting is adopted for all hedging relationships involving forward foreign exchange contracts and commodity swap contracts. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is initially recognised directly in the Hedging Reserve. When the cash flow in relation to the hedged item eventually occurs, the gain or loss is transferred from the Reserve to property, plant and equipment (in the case of equipment purchases) or to inventories (in the case of distillate purchases) where it is included in the cost of the hedged item. If the hedge is ineffective the portion of the gain or loss on the ineffective portion of the hedging instrument is recognised immediately in the income statement.

Hedge accounting is used on all RailCorp exposures. The hedging relationship is formally designated and documented at the inception of the hedge; the hedge is expected to be highly effective; the effectiveness is measurable, assessed on a quarterly basis and is actually achieved; and the hedged forecast transaction remains highly probable.

Hedge accounting is discontinued when the hedging instrument expires, is sold, is terminated, is exercised, no longer meets the hedge accounting criteria, has its designation revoked, or if the hedged forecast transaction is no longer expected to occur. Generally, any associated cumulative gain or loss in the Hedging Reserve is only transferred out when the hedged cash flow eventually occurs. However, if the hedged transaction is no longer expected to occur, the gain or loss is immediately transferred to the income statement.

See note 20.

#### **2.4 Taxes**

##### **(i) Income tax equivalents**

RailCorp is exempt from the National Tax Equivalent Regime (NTER) and the Tax Equivalent Regime (TER) and is not required to pay income tax.

##### **(ii) Goods and Services Tax**

Revenues, expenses and assets are generally recognised net of the amount of Goods and Services Tax (GST). However, receivables and payables are stated with the amount of GST included, and GST that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of the relevant asset or expense.

The net amount of GST recoverable from (or payable to) the ATO is recognised as part of receivables (or payables) in the Statement of Financial Position. Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of any cash flow arising from investing activities that is recoverable from (or payable to) the ATO is classified as an operating cash flow.

##### **(iii) State Taxes**

The change in the status of RailCorp on 1 January 2009 to a statutory authority representing the Crown means that RailCorp is exempt from land tax levied after 2009.

## 2.5 Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

### (i) Details of operating leasing arrangements

Various operating leases are in place.

The NSW rail network in the country rail area is used by RailCorp as lessee under ten or fifteen year, non-exclusive, non-cancellable operating leases (access agreements). The lease rental (access fee) is reviewed annually.

Certain Victorian and Queensland railways and stations are used by RailCorp as lessee under informal non-exclusive operating leases (access agreements).

Coaches for rural passenger services and buses for use during service disruptions are obtained under various operating leases. The rural coaches are obtained under three-year non-cancellable leases, renewable at RailCorp's option for up to two years.

Motor vehicles are obtained under three or four year operating leases. Rentals are all contingent, being based on floating interest rates.

Some office accommodation is obtained under operating leases. Some leases are renewable at RailCorp's option for periods up to five years.

Some telecommunications facilities in the country rail area are obtained under a non-cancellable operating lease.

Some items of office equipment and plant are also obtained under operating leases.

RailCorp has granted various operating leases (access agreements) to other rail operators giving them non-exclusive access to the metropolitan rail network or stations. Such leases generally cover a five year period.

Various real estate operating leases have also been granted (including air space and advertising rights), sometimes covering long periods (up to 99 years). A few of the longer leases are non-cancellable.

### (ii) Details of finance leasing arrangements

An agreement is in place for a Rollingstock Public Private Partnership (PPP), which incorporates finance leases, whereby Reliance Rail will:

- Design, manufacture and commission a total of 626 carriages, together with simulators for training;
- Design, manufacture and commission a maintenance facility on RailCorp land at Auburn;
- Make a certain number of eight car train sets available for RailCorp's use over the term of the contract. (The term continues for 30 years after the delivery of the tenth last set, i.e. until about 2043).
- Provide a maintenance facility for the sets over the term of the contract;
- Decommission any sets which RailCorp does not wish to acquire at the end of the contract;
- Handover the maintenance facility at the end of the contract.

In accordance with the PPP contract RailCorp is required to make certain milestone payments. These are treated as interest free advances pending satisfactory completion of the construction of carriages together with two simulators and a maintenance facility.

See note 18.4.

## **Notes to the Financial Statements** for the year ended 30 June 2010

### **Note 2 Summary of accounting policies (continued)**

#### **2.5 Leases (continued)**

##### **(iii) Accounting treatment – operating leases**

Lease rentals under an operating lease are recognised as income (or expense) on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Initial direct costs incurred, as lessor, in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

An asset leased to a lessee is presented in the Statement of Financial Position according to the nature of the asset and is subject to the depreciation policy for similar but non-leased assets.

See notes 2.16 and 11.

##### **(iv) Accounting treatment – finance leases**

Finance leases, which transfer to RailCorp substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease term at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease liability. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are capitalised in accordance with the accounting policy on borrowing costs.

See note 2.8.

Finance leased assets are depreciated on a straight line basis over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that RailCorp will obtain ownership by the end of the lease term. Where there is reasonable certainty that RailCorp will obtain ownership of the asset after the lease term the asset is depreciated over its estimated useful life.

See note 18.4.

##### **(v) Arrangements in the form but not the substance of a lease**

An arrangement comprising a series of transactions involving the legal form, but not the economic substance, of a lease is accounted for as one linked transaction rather than as a lease. Any fee resulting from the arrangement is recognised as income in the year it is received.

See notes 2.7 and 9.4.

##### **(vi) Accounting treatment for prepaid rentals**

Prepaid rentals where the lease term exceeds 50 years are allocated on a straight line basis over the entire lease in accordance with NSW Treasury policy, TPP 06-03, Lessor Accounting for Prepaid Long-term Leases of Land.

See note 12.

#### **2.6 Foreign currency translation**

A foreign currency transaction is recognised and initially translated into Australian currency using the spot rate at the date of the transaction. A monetary item outstanding at any subsequent reporting date is translated at the spot rate at that date.

Exchange differences on monetary items that qualify as hedging instruments in a cash flow hedge are recognised initially in equity to the extent that the hedge is effective. Exchange differences on other monetary items are recognised as income or expense.

## 2.7 Income

Income is measured at the fair value of the consideration or contributions received or receivable. In most cases this is the value of the cash exchanged or exchangeable. Income is only recognised if its receipt is probable and the amount is reliably measurable. The accounting policies for the recognition of income are discussed below:

### Passenger Revenue

Proceeds received from the sale of tickets are reported as passenger services revenue. Passenger service revenue is initially recognised based on ticket sales. Revenue received prior to passenger travel, and the pro-rata unearned portion of periodic tickets, is assessed annually and treated as deferred revenue.

### Fines and penalties

Fines and penalties are collected by the State Debt Recovery Office on behalf of RailCorp and are recognised by way of an estimate of the amount expected to be collected.

### Rendering of services

Revenue from the rendering of a service is recognised by reference to the stage of completion of the transaction, provided that the transaction's outcome, stage of completion, and the past and prospective costs are all reliably measurable. Otherwise such revenue is only recognised to the extent of the associated recognised recoverable expenses.

The stage of completion of a construction contract is determined by comparing the cost incurred to date with the estimated total cost of the contract.

### Government contributions

Contributions are received from the NSW Government towards the cost of providing certain agreed services and concessions. The passenger revenue covers only a part of operating expenses and the shortfall is met by those contributions by the NSW Government (refer Statement of Comprehensive Income).

Contributions are recognised when control of the cash or other asset (or the right to receive it) is obtained.

The presentation of the Statement of Comprehensive Income includes subtotals for the result from operations before Government Contributions and the result from operations before Capital Contributions. That presentation has been adopted as it is a more informative representation of the operating result with reference to RailCorp's sources of funding.

### Interest Revenue

Interest revenue is recognised as interest accrues using the effective interest method, which uses a rate that exactly discounts a financial instrument's expected future cash receipts through the expected life of the financial instrument (or shorter period) to the net carrying amount of the instrument. Interest revenue includes all earnings from NSW Treasury Corporation Hourglass cash facility and 11 am Call Deposit.

### Leases

Operating lease income is recognised on a straight-line basis over the lease term.

Fees received under an arrangement that is in the legal form of a lease but that is not, in substance, a lease under AASB 117, are recognised as revenue and disclosed as a cross-border lease participation fee in the income statement.

### Sale of assets and goods

Revenue from the sale of assets or other goods is recognised when control and the significant risks and rewards of ownership have passed to the buyer and the past and prospective transaction costs are reliably measurable.

## **Notes to the Financial Statements** for the year ended 30 June 2010

### **Note 2 Summary of accounting policies (continued)**

#### **2.8 Borrowing costs**

Borrowing costs are capitalised in respect of constructed property, plant and equipment that meet the criteria of qualifying assets. Other borrowing costs are recognised as an expense in the period in which they are incurred. For 2009-10 no borrowing costs were incurred with respect to qualifying assets.

#### **2.9 Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position includes cash at bank and on hand, at call deposits, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

See note 5.

#### **2.10 Trade and other receivables**

Trade receivables are measured initially at fair value and subsequently at invoiced cost less a provision for impairment, which is not materially different from amortised cost due to their short term nature. A trade receivable is usually due for settlement within thirty days of invoicing. Collectability of trade receivables is reviewed on an ongoing basis.

A receivable is recognised when it is probable that the future cash inflows associated with it will be realised and it has a value that can be measured reliably. It is derecognised when the contractual rights to future cash inflows from it expire or are transferred.

An expected reimbursement of expenditure required to settle a provision is only recognised as a receivable when it is virtually certain that the reimbursement will be received. Such reimbursement is treated separately from the related provision and its amount does not exceed the amount of that provision.

If there is objective evidence at year end that a receivable may not be collectable, its carrying amount is reduced by means of a provision for impairment and the resulting loss is recognised in the income statement. Receivables are monitored during the year and bad debts are written off against the provision when those are determined to be irrecoverable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that trade receivables are impaired.

See note 6.

#### **2.11 Inventories**

Inventories comprise materials and supplies to be consumed in operations and construction works in progress for customers. Inventories held for distribution are measured at cost adjusted for any loss of service potential. Inventories held for sale are measured at the lower of cost and net realisable value.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing them to their present location and condition. This includes material, labour and attributable fixed and variable overhead costs.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned by using specific identification of their individual costs. The cost of remaining inventories is assigned by using the weighted average cost formula. Cost formulae are applied consistently to all inventories having a similar nature and use to the entity.

The carrying amount of inventories sold is recognised as an expense when the related revenue is recognised. The amount of any write-down of inventories to net realisable value and any loss relating to inventories is recognised as an expense in the year in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction of the expense relating to inventories in the year in which the reversal occurs.

See note 7.



## 2.12 Non-Current assets held for sale

Non-current assets are classified as held for sale, where their carrying amount will be recovered principally through a sale transaction, not through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and is expected to be completed within one year from the date of classification.

Non-Current assets held for sale are recognised at the lower of carrying amount and fair value less cost to sell. Such assets are presented separately from other assets in the Statement of Financial Position and are not depreciated or amortised while they are classified as held for sale.

See note 8.

## 2.13 Impairment of financial assets

All financial assets are subject to an annual review for impairment. An allowance for impairment is established when there is objective evidence that RailCorp will not be able to collect all amounts due. The calculated impairment loss is recognised in the income statement as an allowance to reduce the carrying amount of the financial asset.

When there is objective evidence that impairment no longer exists previously recognised impairment losses are reversed through the income statement so that the carried amount at amortised value does not exceed what the carrying amount would have been had there not been an impairment loss.

## 2.14 Property, plant and equipment

### (i) Recognition

An item of property, plant and equipment is recognised as an asset if it has service potential controlled by RailCorp, is expected at acquisition to be used for more than one year, has a cost or value that can be measured reliably and exceeds the capitalisation threshold.

A component is accounted for separately if it (a) has a useful life materially different from that of the prime asset and therefore requires separate replacement during the life of the prime asset, (b) is material enough to justify separate tracking, and (c) is capable of having a reliable value attributed to it. A dedicated spare part does not normally have a useful life of its own.

Dedicated spares purchased specifically for a particular asset, or class of assets, and which would become redundant if that asset or class were retired or use of that asset or class were discontinued, are considered to form part of the historical cost of that asset or class.

Expenditure on the acquisition, replacement or enhancement of property, plant and equipment is capitalised, provided it exceeds the capitalisation threshold or qualifies for recognition as a capital spare.

The capitalisation threshold for a network of property, plant and equipment items or for an individual (non-networked) item (other than a capital spare) is \$5000. A capital spare is only capitalised if it is part of a pool of rotatable spares, primarily held for the overhaul of the asset to which it relates, and significant enough to warrant its being individually tracked. Expenditure below the capitalisation threshold or not qualifying for recognition as a capital spare is charged to the income statement.

An item of property, plant and equipment in the course of construction is classified as capital work in progress.

An item leased to a lessee under an operating lease continues to be recognised as property, plant and equipment and to be classified according to the nature of the asset.

## Notes to the Financial Statements for the year ended 30 June 2010

### Note 2 Summary of accounting policies (continued)

#### 2.14 Property, plant and equipment (continued)

##### (ii) Measurement

An item of property, plant and equipment purchased or constructed is initially measured at its cost, which is its fair value on acquisition. This includes the purchase price and any costs directly attributable to bringing it to the location and condition necessary for it to be capable of operating as intended. An item of property, plant and equipment acquired at no cost, or for a nominal cost, is initially measured at its fair value.

Property, plant and equipment is revalued, at least once every five years, to fair value having regard to its highest and best use. As existing natural, legal, financial or socio-political restrictions on asset use or disposal generally prevent any alternative use being feasible within the next five years, highest and best use is taken to be existing use. Fair value is an asset's market price or, if such a price is not observable or estimable from market evidence, its replacement cost, being the written-down cost of an optimised modern equivalent asset. Non specialised assets with short useful lives are measured at depreciated historical cost as a proxy for fair value.

If an item of property, plant and equipment is revalued, the entire class to which it belongs is revalued.

Any accumulated depreciation at the date of a revaluation is restated proportionately with the change in the gross carrying amount of the related asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Upon revaluation of a class of property, plant and equipment, a net revaluation increase is recognised in Other Comprehensive Income and accumulated in equity under Asset Revaluation Reserve. A net revaluation decrease shall be recognised in Other Comprehensive Income to the extent of any credit balance existing in revaluation surplus in respect of that same class of asset. The net revaluation decrease recognised in Other Comprehensive Income reduces the amount accumulated in equity under the heading of Asset Revaluation Reserve

##### (iii) Depreciation

Each item of property, plant and equipment (except land) is depreciated on a straight-line basis over its estimated useful life commencing when the item is available for use. A capital spare is depreciated over the useful life of the asset or class of assets to which it relates.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately, except for rollingstock which is depreciated as a discrete asset.

The depreciation charge for each period is recognised as an expense unless it is included in the carrying amount of another asset.

In determining an asset's useful life consideration is given to its expected usage, its expected wear and tear, technical or commercial obsolescence; and legal or similar limits on its use.

The expected useful lives of items of property, plant and equipment are as follows:

	Years
Stations and buildings	15 - 200
Station services and facilities	15 - 25
Track, including sleepers and ballast	15 - 100
Turnouts	15 - 50
Bridges and tunnels	100
Electrical overhead wiring and structures	15 - 100
Substations	10 - 50
Signalling equipment	20 - 50
Rollingstock	32 - 35
Plant and machinery	3 - 30

Each asset's useful life, residual value and depreciation method are reviewed each year and any resulting adjustments are accounted for as a change in accounting estimate.

#### **(iv) Derecognition**

An item of property, plant and equipment is derecognised either on disposal or when its service potential ceases and it is not expected to have any disposal value.

On derecognition of an item of property, plant and equipment, any gain or loss or any related compensation receivable is recognised in the income statement. Any revaluation increase remaining in the Asset Revaluation Reserve in respect of a derecognised asset is transferred to retained earnings.

See note 9.

### **2.15 Intangible assets**

#### **(i) Recognition**

An identifiable, non-monetary asset without physical substance (such as computer software that is not integral to the related hardware) is recognised as an intangible asset if it has service potential controlled by RailCorp, is expected at acquisition to be used for more than one year, and has a cost or value that (a) can be measured reliably, (b) exceeds the capitalisation threshold of \$5000 and (c) has not previously been expensed.

The service potential is assessed using reasonable and supportable assumptions relating to the estimated conditions likely to exist over the useful life of the asset.

An intangible asset arising from development (or from the development phase of an internal project) is only recognised if it is likely to be completed and actually used and the development expenditure can be measured reliably. Expenditure on research (or on the research phase of an internal project) is not recognised as an intangible asset.

An intangible asset in the course of development is classified as intangible capital work in progress.

#### **(ii) Measurement**

An intangible asset that is purchased or internally developed is initially measured at its cost. This includes the purchase price and any costs directly attributable to preparing the asset for its intended use. An intangible asset acquired at no cost, or for a nominal cost, because it is transferred by the government is initially measured at its fair value, which is based on its amortised cost as recognised by the transferor. After initial recognition, such software is accounted for under the cost model.

Due to the absence of active markets for intangible assets, they are not subsequently revalued but continue to be carried at cost less any accumulated amortisation.

#### **(iii) Amortisation**

Each intangible asset is amortised on a straight-line basis over its estimated useful life commencing when the item is available for use. Useful lives are all finite. Residual values are assumed to be zero, due to the absence of active markets for disposing of the assets.

In determining an asset's useful life, consideration is given to its expected usage; technical, technological, commercial or other types of obsolescence; legal or similar limits on its use; and whether its life is dependent on the useful life of other assets.

The expected useful life of an item of software ranges between two and four years.

Each intangible asset's useful life and amortisation method are reviewed each year and any resulting adjustments are accounted for as a change in accounting estimate.

The amortisation charge for each year is recognised in the income statement as depreciation and amortisation expense unless it is included in the carrying amount of another asset.

## **Notes to the Financial Statements** for the year ended 30 June 2010

### **Note 2 Summary of accounting policies (continued)**

#### **2.15 Intangible assets (continued)**

##### **(iv) Derecognition**

An intangible asset is derecognised either on disposal or when its service potential ceases and it is not expected to have any disposal value. On derecognition, any gain or loss is recognised in the income statement.

See note 10.

#### **2.16 Service concession arrangements**

Airport Link Company (ALC) has a concession to build and operate four stations on the Airport Line until 2030. Under the concession arrangement, RailCorp is to provide train services to the stations. RailCorp will take over the four stations in 2030.

This right to receive the four stations is accounted for as a premium on the ground lease of the station premises, which is a non-cancellable operating lease. The premium is recognised as rent revenue and a non-current asset (earned portion of right to receive Airport Line stations). It is measured as the estimated written down replacement cost of the stations in 2030 and the value of the emerging asset is calculated by use of an annuity formula whereby the ultimate value of the right to receive the property is treated as the compound value of an annuity that accumulates as a series of equal annual receipts together with a notional compound interest thereon. The discount rate used is the NSW Government bond rate applicable to the purchaser at the commencement of the concession period – in this case 7%. The present value of the written down replacement cost of the stations in 2030 is allocated over the term of the lease on the basis of a formula provided by NSW Treasury which calculates the annual annuity sum.

See note 11, Other Assets, for the cumulative value as at 30 June 2010.

In October 2005 RailCorp and the ALC entered into a Restated Stations Agreement as part of the overall restructuring of the ALC operations and related debt. The revised agreement included amended terms in respect of various matters including revenue sharing, fee arrangements and RailCorp's various performance obligations.

See note 18.3.

#### **2.17 Trade and other payables**

A payable is recognised on the Statement of Financial Position when a present obligation arises under a contract. It is derecognised when the obligation expires or is discharged, cancelled or substituted.

A payable is measured at original invoice amount, which is not materially different from amortised cost due to the short term nature of trade payables.

Any gain or loss arising when a payable is settled or transferred is recognised in the income statement.

Trade payables are unsecured and, unless otherwise agreed with the creditor, are due for settlement by the end of the month following the month in which the invoice is received.

See note 12.

## 2.18 Borrowings

A borrowing is recognised when a present obligation arises under a debt instrument. It is classified as a current liability if settlement is due within twelve months after the reporting date. Otherwise it is classified as non-current. It is derecognised when the obligation expires or is discharged, cancelled or substituted.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period in which they occur.

A borrowing is initially measured at its fair value and subsequently measured at amortised cost, being its face value less unamortised discount or plus unamortised premium.

Discount or premium is amortised over the term of the borrowing on an effective interest rate basis and recognised as a loss or gain in the income statement. Any difference between the carrying amount and the consideration paid on repayment or transfer of a borrowing is also recognised as a gain or loss.

See note 13.

## 2.19 Provisions

### (i) Provisions generally

Provisions are made for liabilities of uncertain amount or uncertain timing of settlement, eg employee benefits, workers' compensation claims, public liability claims, legal claims, Airport Line asset replacement, quarry site restoration, land and buildings remediation, ballast disposal, restoration of leased premises and land tax and related charges.

A provision is recognised when (a) there is a likely present legal or constructive obligation as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation.

The amount recognised is the best estimate of the expenditure required to settle the likely present obligation as at reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision. Where the effect of the time value of money is material, a provision is measured using the present value of the expenditures expected to be required to settle the obligation and using a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Each provision is reviewed as at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that a settlement will be required, the provision is reversed. A provision is only used for its intended purpose.

## **Notes to the Financial Statements** for the year ended 30 June 2010

### **Note 2 Summary of accounting policies (continued)**

#### **2.19 Provisions (continued)**

##### **(ii) Employee benefits**

Employee benefit provisions represent the expected amounts payable in the future in respect of unused entitlements accumulated as at the reporting date.

Superannuation, long service leave, annual leave, and award leave liabilities are recognised as provisions when the obligations arise, which is usually through the rendering of service by employees. Expenditure creating such provisions is either expensed or capitalised, depending on its nature. Severance liabilities are recognised as a provision (and an expense) when a voluntary redundancy agreement is reached or when there is a demonstrable commitment to the termination of employees' services and a valid expectation has been created.

Provisions are not recognised for employee benefits that have already been settled (eg payments to First State Super, a fully funded superannuation scheme); that do not accumulate (eg allowances, non-monetary benefits, parental leave), that are unlikely to be settled beyond the current year's entitlement (eg sick leave), or that have little or no marginal cost (eg post-employment travel passes).

Costs associated with, but that are not, employee benefits (such as payroll tax) are recognised separately.

Superannuation and long service leave provisions are actuarially assessed prior to each reporting date and are measured at the present value of the estimated future payments. All other employee benefit provisions (i.e. for benefits falling due within twelve months after reporting date) are assessed by management and are measured at the undiscounted amount of the estimated future payments.

The amount recognised for the superannuation provision is the net total of the present value of the defined benefit obligation at the reporting date, minus the fair value at that date of any plan assets out of which the obligations are to be settled directly. However, any prepaid superannuation asset recognised cannot exceed the total of any cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan.

The amount recognised in the income statement for superannuation is the net total of current service cost, interest cost, and the expected return on any plan assets. Actuarial gains or losses for superannuation are recognised outside of profit or loss in other comprehensive income.

The actuarial assessment of superannuation and long service leave provisions uses the Projected Unit Credit Method and reflects estimated future salary increases and the benefits set out in the terms of the plan. The liabilities are discounted using the market yield rate on government bonds of similar maturity to those obligations. Actuarial assumptions are unbiased and mutually compatible and financial assumptions are based on market expectations for the period over which the obligations are to be settled.

An asset relating to one superannuation plan is not offset against a liability relating to another plan because there is no legally enforceable right to do so.

See note 14.

#### **2.20 Equity adjustments due to industry restructuring/transfer of assets and liabilities**

A transfer of assets (or liabilities) from (or to) another NSW public sector entity as a result of a Ministerial order to give effect to industry restructuring or transfer of assets or liabilities from certain other government entities is treated as a contribution by (or distribution to) the Government and recognised as a direct adjustment to contributed equity.

See note 15.



## **2.21 Significant accounting judgements, estimates and assumptions**

Management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future period.

See notes 9.3, 14.5 - 14.13 and 18.4.

**Notes to the Financial Statements** for the year ended 30 June 2010

	<b>2009-10</b>	2008-09
	<b>\$000</b>	\$000

**Note 3 Income**

**3.1 Non passenger revenue**

Rental income	<b>32 945</b>	32 938
Access fees	<b>54 360</b>	48 616
Construction contract revenue	<b>58 607</b>	57 174
Sale of rail products	<b>20 340</b>	12 092
Fines and penalties	<b>9 065</b>	4 262
Sale of quarry products	<b>12 331</b>	12 327
Recoveries for interstate services	<b>9 687</b>	9 593
Operating lease contingent rents	<b>1 727</b>	2 148
Advertising revenue	<b>8 458</b>	8 968
Other revenue*	<b>57 168</b>	70 969
<b>Total non passenger revenue</b>	<b>264 688</b>	259 087

\*Note: Other revenue comprises a number of items which individually are not material.

**3.2 Capital and other Government contributions and subsidies**

**Government contributions for capital expenditure**

Funding for capital expenditure	<b>710 762</b>	931 970
<b>Total Government contributions for capital expenditure</b>	<b>710 762</b>	931 970

**Other Government operating subsidies**

**Operating subsidies from NSW Government**

Training schemes	-	152
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**Operating subsidies from Commonwealth Government**

Training schemes	<b>408</b>	758
<b>Total other Government operating subsidies</b>	<b>408</b>	910



	Note	2009-10 \$000	2008-09 \$000
<b>Note 4 Expenses</b>			
<b>4.1 Payroll costs and other employee benefits</b>			
Employee related expenses include the following items:			
Salaries and wages		1 130 199	1 047 276
Annual leave		106 541	99 373
Long service leave		54 536	61 990
Superannuation – defined benefit plan	4.2	524	(2 229)
Superannuation – defined contribution		66 114	64 773
Workers' compensation		22 506	17 456
Payroll tax and fringe benefits tax		74 596	74 775
Other		43 158	44 338
		<b>1 498 174</b>	<b>1 407 752</b>
Less: Employee related expenses allocated to capital works		<b>121 101</b>	<b>98 978</b>
		<b>1 377 073</b>	<b>1 308 774</b>

#### 4.2 Defined benefit superannuation plan expense

Current service costs		27 625	26 509
Interest costs		79 487	87 577
Expected return on plan assets		(106 588)	(116 315)
<b>Total defined benefit superannuation expense/(income)</b>	14.2.5	<b>524</b>	<b>(2 229)</b>

#### 4.3 Other operating expenses

The following items are included within other operating expenses in the Statement of Comprehensive Income:

Subcontractors		206 605	243 851
Materials		163 373	161 744
External maintenance costs		182 895	152 459
Operating lease non-contingent rents (including rail access fees)		107 092	107 853
Operating lease contingent rents		11 257	10 774
Plant and equipment hire		65 950	61 241
Bulk electricity		71 837	53 740
Security costs		26 924	26 135
Traction fuel costs		24 386	28 283
Derecognition and write off of assets		34 575	41 405
Insurance costs		19 272	17 087
Telecommunications expenses		15 460	13 230
Computer expenses		50 839	46 503
Advertising & Marketing		8 067	8 700
Printing and stationery		10 872	11 766
Land and buildings remediation		28 798	11 530
Consultants (See note (a) below)		1 541	1 866
Discounting of provisions		1 622	(4 142)
Audit remuneration for auditing RailCorp's Financial Statements		632	630
Bad debts		457	44
Non executive Board members emoluments		423	328
Impaired trade receivables		1 515	(123)
Other		52 419	63 420
<b>Total other operating expenses</b>		<b>1 086 811</b>	<b>1 058 324</b>

Note (a): A further amount of \$1.493m for consultants was capitalised in 2009-10 (2008-09: \$9.852m).

## Notes to the Financial Statements for the year ended 30 June 2010

### Note 4 Expenses (continued)

	2009-10 \$000	2008-09 \$000
<b>4.4 Maintenance expenses</b>		
Labour	298 435	265 206
Contracted and non labour expenditure	519 279	490 510
	<b>817 714</b>	755 716

In addition to the above a further \$209.9m of major periodic maintenance was capitalised during the year ended 30 June 2010 (2008-09: \$183.0m).

### Note 5 Cash and cash equivalents

#### 5.1 Cash and cash equivalents

	30.6.2010 \$000	30.6.2009 \$000
Cash at bank	14 960	5 706
Cash in hand and in transit	7 755	9 201
Cash deposits with NSW Treasury Corporation (TCorp)	1 976	205 693
<b>Total cash and cash equivalents</b>	<b>24 691</b>	220 600

#### 5.2 Reconciliation of surplus for the year with net cash from operating activities

	2009-10 \$000	2008-09 \$000
<b>Surplus for the year</b>	<b>54 706</b>	264 158
Cash capital grants	(710 762)	(934 279)
Derecognition and write off of assets	34 575	45 048
Airport Line lease premium	(4 134)	(3 863)
Prepaid lease rental	(1 623)	(1 623)
Depreciation and amortisation	761 386	703 262
Impaired trade receivables expense	1 972	(79)
Amortisation of borrowing premium	-	(49)
Amortisation of borrowing discount	-	41
Discounting of provisions	1 622	(4 142)
<i>Net movements in assets and liabilities applicable to operating activities:</i>		
(Increase)/decrease in trade and other receivables	(643)	1 733
(Increase)/decrease in inventories	(4 991)	(1 242)
(Increase)/decrease in other assets	-	95 723
Increase/(decrease) in trade and other payables & provisions	161 924	(33 997)
<b>Net cash from operating activities</b>	<b>294 032</b>	130 691

#### 5.3 Credit standby arrangements and loan facilities

The credit standby arrangements and unused amounts available each are:

	30.6.10 Credit Facilities \$000	30.6.10 Unused \$000	30.6.09 Credit Facilities \$000	30.6.09 Unused \$000
Westpac Banking Corporation (WBC) – Tape negotiation authority	70 000	70 000	70 000	70 000
WBC – Purchasing Card	20 097	-	20 097	-
TCorp – Borrowing	700 000	700 000	1 363 000	1 363 000
TCorp – Come and Go facility	80 000	46 964	80 000	80 000
<b>Total</b>	<b>870 097</b>	<b>816 964</b>	1 533 097	1 513 000

## 5.4 Non-cash investing activities

During 2009-10 the Transport Infrastructure Development Corporation transferred assets and liabilities to RailCorp. The net transfer represents a non-cash reduction in equity of \$6.608m comprising \$18.428m property, plant and equipment and borrowing liabilities of \$25.036m (2008-09: \$1,885.3m) by the Government.

See note 15.2.

## Note 6 Trade and other receivables

### 6.1 Analysis of trade and other receivables

	30.6.2010 \$000	30.6.2009 \$000
<b>Current trade and other receivables</b>		
Trade receivables	36 674	40 923
Other receivables	75 289	74 588
Less provision for impairment	(3 688)	(2 022)
	108 275	113 489
Prepayments	11 990	8 105
<b>Total trade and other receivables</b>	<b>120 265</b>	121 594

Movements in the provision for impairment were as follows:

Balance at beginning of year	2 022	2 157
Allowance recognised in income statement	1 515	(123)
GST movement	151	(12)
<b>Balance as at 30 June</b>	<b>3 688</b>	2 022

### 6.2 Impaired trade and other receivables

As at 30 June 2010 current trade and other receivables with a nominal value of \$3.688m (2009: \$2.022m) were impaired. The ageing of the impaired trade and other receivables is as follows:

	30.6.2010 \$000	30.6.2009 \$000
1 to 3 months	12	30
3 to 6 months	2 250	616
Over 6 months	1 426	1 376
<b>Balance as at 30 June</b>	<b>3 688</b>	2 022

### 6.3 Past due but not impaired receivables

As at 30 June 2010, trade receivables of \$13.231m (2009: \$21.201m) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

Up to 3 months	7 504	11 115
3 to 6 months	723	5 605
Over 6 months	5 004	4 481
	13 231	21 201

**Notes to the Financial Statements** for the year ended 30 June 2010

**Note 6 Trade and other receivables (continued)**

	<b>30.6.2010</b>	30.6.2009
	<b>\$000</b>	\$000

**6.4 Nature and extent of risk arising from receivables**

Exposure to credit risk in relation to trade and other receivables is provided in Note 20.

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

**6.5 Minimum lease rentals receivable under non-cancellable operating leases**

Not later than 1 year	<b>21 678</b>	22 685
Later than 1 year and not later than 5 years	<b>44 479</b>	47 461
Later than 5 years	<b>145 225</b>	130 844
<b>Total non-cancellable lease rentals receivable</b>	<b>211 382</b>	200 990

**Note 7 Inventories**

Materials and supplies, at cost	<b>69 953</b>	65 054
Work in progress	<b>1 291</b>	1 076
	<b>71 244</b>	66 130
Less provision for obsolete inventory	<b>5 126</b>	5 003
<b>Total inventories</b>	<b>66 118</b>	61 127

Total inventories are comprised of:

Current inventories	<b>38 952</b>	34 390
Non current inventories	<b>27 166</b>	26 737
	<b>66 118</b>	61 127

**Note 8 Non-Current assets held for sale**

Various properties (including certain properties vested from State Rail Authority in June 2007 to fund sustainable heritage management) have been identified as land for future sales and are valued by an independent valuer at \$20.942m (2009: \$24.899m) of which \$2.1m (2009: \$0.2m) is disclosed as a current asset held for sale as other properties are in the process of being prepared for sale. The balance is included in the Statement of Financial Position as property, plant and equipment.

<b>30.6.2010</b>	30.6.2009
<b>\$000</b>	\$000

## Note 9 Property, plant and equipment

### 9.1 Classes

#### Land

Gross carrying amount*	<b>3 709 767</b>	3 715 665
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#### Buildings

Gross carrying amount	<b>5 153 055</b>	4 967 708
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Less accumulated depreciation	<b>1 766 747</b>	1 648 939
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Total buildings	<b>3 386 308</b>	3 318 769
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#### Buildings under finance lease

Gross carrying amount	<b>242 425</b>	-
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Less accumulated depreciation	<b>100</b>	-
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Total buildings under finance lease	<b>242 325</b>	-
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#### Rollingstock

Gross carrying amount	<b>6 614 032</b>	6 523 493
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Less accumulated depreciation	<b>4 140 176</b>	3 944 278
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Total rollingstock	<b>2 473 856</b>	2 579 215
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#### Plant and machinery

Gross carrying amount	<b>513 947</b>	501 768
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Less accumulated depreciation	<b>289 058</b>	268 795
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Total plant and machinery	<b>224 889</b>	232 973
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#### Trackwork and infrastructure

Gross carrying amount	<b>13 113 906</b>	12 634 872
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Less accumulated depreciation	<b>5 461 740</b>	5 118 057
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Total trackwork and infrastructure	<b>7 652 166</b>	7 516 815
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#### Capital works in progress

Trackwork and infrastructure work in progress	<b>1 257 221</b>	1 019 342
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Other work in progress	<b>459 705</b>	344 986
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Total capital work in progress	<b>1 716 926</b>	1 364 328
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<b>Total property, plant and equipment</b>	<b>19 406 237</b>	18 727 765
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\*Land includes land for sale valued at \$18.839m (2009: \$24.683m).

## Notes to the Financial Statements for the year ended 30 June 2010

### Note 9 Property, plant and equipment (continued)

#### 9.2 Asset class movement

	Land	Buildings	Rolling stock	Plant and machinery	Trackwork & Infrastructure	Capital works in progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Gross carrying amount</b>							
Balance at 1 July 2009	3 715 665	4 967 708	6 523 493	501 768	12 634 872	1 364 328	29 707 834
Additions	918	418 469	90 493	39 477	517 087	355 417	1 421 861
Disposals/derecognition/write-offs	(497)	-	-	(21 508)	(55 153)	(2 819)	(79 977)
Revaluations	(86)	-	-	-	-	-	(86)
Transfers from TCA*	(3 776)	(1 381)	-	-	23 585	-	18 428
Transfers to CRIA**	-	-	-	-	-	-	-
Other movements	(570)	10 684	46	(5 790)	(6 485)	-	(2 115)
Classify (to)/from assets held for sale	(1 887)	-	-	-	-	-	(1 887)
<b>Balance at 30 June 2010</b>	<b>3 709 767</b>	<b>5 395 480</b>	<b>6 614 032</b>	<b>513 947</b>	<b>13 113 906</b>	<b>1 716 926</b>	<b>31 064 058</b>
Balance at 1 July 2008	3 676 017	4 543 556	3 402 171	352 355	10 556 992	1 160 554	23 691 645
Additions	4 656	43 139	106 064	22 164	458 403	203 774	838 200
Disposals/derecognition/write-offs	(15 500)	(379)	(1 220)	(9 078)	(26 368)	-	(52 545)
Revaluations	-	-	3 017 848	136 145	-	-	3 153 993
Transfers from TCA*	46 042	371 059	-	-	1 655 640	-	2 072 741
Transfers to CRIA**	(58)	-	-	-	-	-	(58)
Other movements	-	10 333	(1 370)	182	(9 795)	-	(650)
Classify (to)/from assets held for sale	4 508	-	-	-	-	-	4 508
<b>Balance at 30 June 2009</b>	<b>3 715 665</b>	<b>4 967 708</b>	<b>6 523 493</b>	<b>501 768</b>	<b>12 634 872</b>	<b>1 364 328</b>	<b>29 707 834</b>
<b>Depreciation</b>							
Balance at 1 July 2009	-	(1 648 939)	(3 944 278)	(268 795)	(5 118 057)	-	(10 980 069)
Depreciation for the year	-	(117 788)	(195 871)	(41 270)	(381 060)	-	(735 989)
Revaluations	-	-	-	-	-	-	-
Disposals/derecognition/write-offs	-	-	-	20 175	37 257	-	57 432
Other movements	-	(120)	(27)	832	120	-	805
<b>Balance at 30 June 2010</b>	<b>-</b>	<b>(1 766 847)</b>	<b>(4 140 176)</b>	<b>(289 058)</b>	<b>(5 461 740)</b>	<b>-</b>	<b>(11 657 821)</b>
Balance at 1 July 2008	-	(1 541 744)	(832 091)	(164 491)	(4 784 347)	-	(7 322 673)
Depreciation for the year	-	(98 250)	(202 893)	(33 077)	(348 645)	-	(682 865)
Revaluations	-	-	(2 910 388)	(77 978)	-	-	(2 988 366)
Disposals/derecognition/write-offs	-	211	1 068	6 766	5 140	-	13 185
Other movements	-	(9 156)	26	(15)	9 795	-	650
<b>Balance at 30 June 2009</b>	<b>-</b>	<b>(1 648 939)</b>	<b>(3 944 278)</b>	<b>(268 795)</b>	<b>(5 118 057)</b>	<b>-</b>	<b>(10 980 069)</b>
<b>Net carrying amounts</b>							
At 1 July 2008	3 676 017	3 001 812	2 570 080	187 864	5 772 645	1 160 554	16 368 972
At 30 June 2009	3 715 665	3 318 769	2 579 215	232 973	7 516 815	1 364 328	18 727 765
At 1 July 2009	3 715 665	3 318 769	2 579 215	232 973	7 516 815	1 364 328	18 727 765
<b>At 30 June 2010</b>	<b>3 709 767</b>	<b>3 628 633</b>	<b>2 473 856</b>	<b>224 889</b>	<b>7 652 166</b>	<b>1 716 926</b>	<b>19 406 237</b>

\*TCA: Transport Construction Authority, previously known as Transport Infrastructure Development Corporation (TIDC)

\*\*CRIA: Country Rail Infrastructure Authority, previously known as Rail Infrastructure Corporation (RIC)

### 9.3 Valuation of land, buildings, trackwork and infrastructure

Land, buildings and trackwork and infrastructure were revalued during 2007-08 by independent valuers, in accordance with guidelines provided by the NSW Treasury in Accounting Policy: Valuation of Physical Non Current Assets at Fair Value (TPP 07-1, April 2007) to determine fair value as follows:

#### (a) Land

Land, other than land identified as available for sale, was valued on the basis of existing use as at 1 January 2008 and an indexation factor applied for period 1 January 2008 to 30 June 2008. Each area was valued taking into account adjacent land use values, discounted to reflect limited existing use of the subject land, and its physical attributes. Indices for land values were obtained from the Department of Lands to confirm that land carrying values at 30 June 2010 materially reflect fair value.

Land identified as available for sale was valued by the Department of Lands as at 30 June 2008.

#### (b) Buildings

Buildings were valued by an independent valuer as at 30 June 2008 on the following bases:

- Railway stations/commercial/industrial type buildings and leased properties are portions of railway property adjacent to the corridor, the majority of which is used for railway purposes, and which land is not intended to be sold. Such properties were classed as specialised buildings and were valued at the replacement cost of the assets' remaining economic benefits based on a modern equivalent asset. Indirect costs, professional and builders fees were added to direct costs. An additional allowance is made for heritage buildings to replicate the heritage appearance.
- Residences are severable, stand alone, properties that may be sold and, therefore, were classed as non specialised buildings and were valued at market value.

An independent valuer advised on buildings valuations to confirm that buildings are stated at fair value as at 30 June 2010.

#### (c) Trackwork and infrastructure

Trackwork and infrastructure was valued by an independent valuer as at 30 June 2008 at depreciated replacement cost, i.e. the current replacement cost of each asset less accumulated depreciation (which depreciation is calculated by reference to the remaining life of each asset as determined by RailCorp engineers). Replacement cost is measured by reference to the lowest cost of replacing the economic benefits with a technologically modern equivalent optimised asset, having regard to differences in the quality and quantity of outputs and operating costs, and adjusting for over design, overcapacity and redundant components.

To confirm that the carrying value of trackwork and infrastructure materially reflect fair value as at 30 June 2010 internally obtained construction costs were reviewed as well as relevant cost indices from the Australian Bureau of Statistics.

#### (d) Rollingstock

Rollingstock was valued by an independent valuer as at 30 June 2009 at depreciated replacement cost based on replacement costs of both domestic and international vehicles adjusted by an optimisation factor to reflect the technical and functional obsolescence and attractiveness of the fleet sub types relative to the modern equivalent. RailCorp engineers confirmed technical data and the remaining life of rollingstock. An increase in the value of this class of asset, totalling \$107.460m was credited to the Asset Revaluation Reserve.

To confirm that the carrying value of rollingstock materially reflects fair value as at 30 June 2010 an independent valuer reviewed the appropriateness of the replacement costs derived at the time of the last revaluation.

## Notes to the Financial Statements for the year ended 30 June 2010

### Note 9 Property, plant and equipment (continued)

#### 9.3 Valuation of land, buildings, trackwork and infrastructure (continued)

##### (e) Major plant and equipment

Major plant and equipment, a sub class of plant and machinery, was revalued by RailCorp management as at 30 June 2009 by obtaining current replacement cost from major suppliers and determining economic life and remaining life to obtain a depreciated replacement cost. An increase in the value of this sub class of asset, totalling \$58.1m, was credited to the Asset Revaluation Reserve.

#### 9.4 Rollingstock leasing arrangements

RailCorp is the lessee to leasing arrangements for some of its rollingstock. Each arrangement is accounted for as a single linked transaction in accordance with its economic substance. The arrangements do not restrict RailCorp's use of the rollingstock in normal operations and have terms of up to 36 years. The leases include options for RailCorp to purchase the rollingstock on certain specified future dates. See note 2.5(v).

#### 9.5 Heritage rollingstock

Heritage rollingstock, which includes locomotives and carriages, is held for its historical significance. It is recorded at nominal value.

### Note 10 Intangible assets

#### 10.1 Class

<b>Software</b>	<b>30.6.2010</b>	30.6.2009
	<b>\$000</b>	\$000
Gross carrying amount	<b>154 072</b>	152 467
Less accumulated amortisation	<b>76 500</b>	79 310
Net carrying amount of software	<b>77 572</b>	73 157
<b>Software works in progress</b>	<b>71 689</b>	64 364
<b>Total intangible assets</b>	<b>149 261</b>	137 521

#### 10.2 Movements during the year

	Software \$000	Work in progress \$000	Total \$000
<b>2010</b>			
<b>Carrying amount at start of year</b>	<b>73 157</b>	<b>64 364</b>	<b>137 521</b>
<b>Additions</b>	<b>28 051</b>	<b>21 086</b>	<b>49 137</b>
<b>Disposals/write-offs</b>	<b>(132)</b>	<b>(13 761)</b>	<b>(13 893)</b>
<b>Amortisation expense</b>	<b>(25 397)</b>	<b>-</b>	<b>(25 397)</b>
<b>Other movements</b>	<b>1 893</b>	<b>-</b>	<b>1 893</b>
<b>Carrying amount at end of year</b>	<b>77 572</b>	<b>71 689</b>	<b>149 261</b>
<b>2009</b>			
Carrying amount at start of year	41 877	60 620	102 497
Additions	51 677	3 744	55 421
Disposals/write-offs	-	-	-
Amortisation expense	(20 397)	-	(20 397)
Other movements	-	-	-
Carrying amount at end of year	73 157	64 364	137 521



	Note	30.6.2010 \$000	30.6.2009 \$000
<b>Note 11 Other assets</b>			
Earned portion of right to receive Airport Line stations	2.16	31 067	26 933
Milestone advances under Rollingstock PPP contract	18.4	31 000	31 000
<b>Total other assets</b>		<b>62 067</b>	57 933

## Note 12 Trade and other payables

### 12.1 Current trade and other payables

Trade payables		107 680	60 463
Capital works accruals		174 174	132 487
Accrued salaries and wages		60 033	42 613
Other payables and accruals		193 608	170 912
Deferred revenue		19 588	20 670
<b>Total current trade and other payables</b>		<b>555 083</b>	427 145

### Non-current trade and other payables

Deferred revenue – long term leases of land		52 585	53 801
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<b>Total non-current trade and other payables</b>		<b>52 585</b>	53 801
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<b>Total trade and other payables</b>		<b>607 668</b>	480 946
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### 12.2 Fair value

Due to the short term nature of current trade and other payables, their carrying value is deemed to approximate their fair value.

### 12.3 Risk Exposure

Information about RailCorp exposure to payables with a foreign exchange risk is provided in Note 20.

## Note 13 Borrowings

	Note	30.6.2010 \$000	30.6.2009 \$000
<b>Borrowings</b>			
<b>Current</b>			
Borrowings (At Face Value)*		33 036	-
Finance lease		5 892	-
		<b>38 928</b>	-
<b>Non-Current</b>			
Finance lease	18.4	213 437	-
<b>Total Borrowings</b>		<b>252 365</b>	-

The Finance Lease relates to the provision of a Maintenance facility in connection with a Public Private Partnership (PPP) for rollingstock which was accepted by RailCorp on the 18 June 2010.

\* Borrowings included \$25.04m vested from Transport Construction Authority (formerly Transport Infrastructure Development Corporation) – refer 15.2.

**Notes to the Financial Statements** for the year ended 30 June 2010

	Note	30.6.2010 \$000	30.6.2009 \$000
<b>Note 14 Provisions</b>			
<b>14.1 Provisions</b>			
<b>Current provisions</b>			
Annual leave (see note (a) below)		161 214	147 559
Long service leave (see note (a) below)	14.3	262 914	237 426
Pay in lieu of certain holidays worked (see note (a) below)		18 907	16 700
<b>Total current employee benefits</b>		<b>443 035</b>	<b>401 685</b>
Workers' compensation	14.5	14 965	13 566
Public liability claims	14.6	1 037	1 713
Legal claims	14.7	3 048	2 514
Airport Line asset replacement	14.8	1 015	779
Land and buildings remediation	14.10	13 716	9 815
Ballast disposal	14.11	9 614	4 355
Restoration of leased premises	14.12	3 973	3 771
Land tax and related charges	14.13	1 000	5 583
Other		78	8
<b>Total current provisions</b>		<b>491 481</b>	<b>443 789</b>
<b>Non-current provisions</b>			
Superannuation	14.2	271 850	182 075
Long service leave (see note (a) below)	14.3	24 985	22 029
<b>Total non-current employee benefits</b>		<b>296 835</b>	<b>204 104</b>
Workers' compensation	14.5	74 477	68 896
Public liability claims	14.6	3 681	1 598
Airport Line asset replacement	14.8	8 533	9 144
Quarry restoration	14.9	3 809	3 162
Land and buildings remediation	14.10	51 763	33 746
<b>Total non-current provisions</b>		<b>439 098</b>	<b>320 650</b>
<b>Total provisions</b>			
Superannuation	14.2	271 850	182 075
Annual leave		161 214	147 559
Long service leave	14.3	287 899	259 455
Pay in lieu of certain holidays worked		18 907	16 700
<b>Total employee benefits</b>		<b>739 870</b>	<b>605 789</b>
Workers' compensation	14.5	89 442	82 462
Public liability claims	14.6	4 718	3 311
Legal claims	14.7	3 048	2 514
Airport Line asset replacement	14.8	9 548	9 923
Quarry restoration	14.9	3 809	3 162
Land and buildings remediation	14.10	65 479	43 561
Ballast disposal	14.11	9 614	4 355
Restoration of leased premises	14.12	3 973	3 771
Land tax and related charges	14.13	1 000	5 583
Other		78	8
<b>Total provisions</b>		<b>930 579</b>	<b>764 439</b>

(a) In accordance with Australian Accounting Standards all annual leave and unconditional long service leave is classified as a current liability in the Statement of Financial Position because RailCorp does not have an unconditional right to defer settlement. Only conditional long service leave is shown as a non current liability. However, on the basis of past payment experience, leave is expected to be settled in the following pattern:

	Within 12 months \$000	Later than 12 months \$000	Total \$000
<b>2010</b>			
Long service leave	30 897	257 002	287 899
Annual leave	111 258	49 956	161 214
Pay in lieu of certain holidays worked	18 907	-	18 907
	<b>161 062</b>	<b>306 958</b>	<b>468 020</b>
<b>2009</b>			
Long service leave	26 619	232 836	259 455
Annual leave	108 239	39 320	147 559
Pay in lieu of certain holidays worked	16 700	-	16 700
	151 558	272 156	423 714

## 14.2 Superannuation

### 14.2.1 Overview

Employer contributions are made to three defined-benefit superannuation schemes administered by the SAS Trustee Corporation (STC): the State Authorities Superannuation Scheme (SASS), the State Authorities Non-Contributory Superannuation Scheme (SANCSS) and the State Superannuation Scheme (SSS), which together form the Pooled Fund. Each scheme is closed to new members and its investments are held in trust by the Pooled Fund. At least a component of the final benefit is derived from a multiple of member salary and years of membership. All fund assets are invested by SAS Trustee Corporation at arm's length through independent fund managers.

An underfunded scheme is recognised as a provision and an overfunded scheme is recognised as an asset. Details of both provisions and assets are given below.

The recognised liability or asset at reporting date comprises the following:

	SASS \$000	SANCSS \$000	SSS \$000	Total \$000
<b>30.6.2010</b>				
<b>Underfunded schemes</b>				
Accrued liability	1 422 971	150 990	35 543	1 609 504
Estimated reserve account balance	(1 181 778)	(133 709)	(22 167)	(1 337 654)
Net liability	241 193	17 281	13 376	271 850
Future service liability (see Note (a) below)	(101 563)	(56 097)	(1 412)	(159 072)
Surplus in excess of recovery available from schemes	-	-	-	-
<b>Net liability recognised in Statement of Financial Position</b>	<b>241 193</b>	<b>17 281</b>	<b>13 376</b>	<b>271 850</b>
<b>30.6.2009</b>				
<b>Underfunded schemes</b>				
Accrued liability	1 299 094	136 714	30 715	1 466 523
Estimated reserve account balance	(1 133 710)	(130 410)	(20 328)	(1 284 448)
Net liability	165 384	6 304	10 387	182 075
Future service liability (see Note (a) below)	(105 577)	(60 578)	(1 739)	(167 894)
Surplus in excess of recovery available from schemes	-	-	-	-
Net liability recognised in Statement of Financial Position	165 384	6 304	10 387	182 075

Note (a): The Future Service Liability (FSL) does not have to be recognised by an employer. It is only used to determine if an asset ceiling limit should be imposed. Any prepaid superannuation asset recognised cannot exceed the total of any unrecognised past service cost and the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan. Where the 'surplus in excess of recovery' is zero, no asset ceiling limit is imposed.

**Notes to the Financial Statements** for the year ended 30 June 2010

**Note 14 Provisions (continued)**

**14.2 Superannuation (continued)**

**14.2.1 Overview (continued)**

	<b>SASS</b>	<b>SANCSS</b>	<b>SSS</b>
<b>Member numbers</b>			
<b>30.6.2010</b>			
Contributors	<b>3 938</b>	<b>3 960</b>	<b>22</b>
Deferred benefits	-	-	<b>1</b>
Pensioners	<b>149</b>	-	<b>9</b>
Pensions fully commuted	-	-	-
<b>30.6.2009</b>			
Contributors	4 151	4 178	27
Deferred benefits	-	-	-
Pensioners	101	-	4
Pensions fully commuted	-	-	-

**14.2.2 Reconciliation of the present value of the defined benefit obligation**

	<b>SASS \$000</b>	<b>SANCSS \$000</b>	<b>SSS \$000</b>	<b>Total \$000</b>
<b>2010</b>				
Present value of defined benefit obligations at the beginning of the year	<b>1 299 094</b>	<b>136 714</b>	<b>30 715</b>	<b>1 466 523</b>
Current service cost	<b>20 750</b>	<b>6 526</b>	<b>349</b>	<b>27 625</b>
Interest cost	<b>70 417</b>	<b>7 362</b>	<b>1 707</b>	<b>79 486</b>
Contributions by fund participants	<b>15 105</b>	-	<b>459</b>	<b>15 564</b>
Actuarial (gains)/losses	<b>88 651</b>	<b>8 770</b>	<b>2 696</b>	<b>100 117</b>
Benefits paid	<b>(71 046)</b>	<b>(8 382)</b>	<b>(383)</b>	<b>(79 811)</b>
<b>Present value of defined benefit obligations at the end of the year</b>	<b>1 422 971</b>	<b>150 990</b>	<b>35 543</b>	<b>1 609 504</b>
<b>2009</b>				
Present value of defined benefit obligations at the beginning of the year	1 243 505	121 569	21 801	1 386 875
Current service cost	20 036	6 242	230	26 508
Interest cost	78 554	7 601	1 422	87 577
Contributions by fund participants	15 322	-	433	15 755
Actuarial (gains)/losses	17 290	8 544	6 269	32 103
Benefits paid	(75 613)	(7 242)	560	(82 295)
Present value of defined benefit obligations at the end of the year	1 299 094	136 714	30 715	1 466 523

#### 14.2.3 Reconciliation of the fair value of fund assets

	SASS \$000	SANCSS \$000	SSS \$000	Total \$000
<b>2010</b>				
Fair value of Fund assets at beginning of the year	1 133 710	130 410	20 328	1 284 448
Expected return on fund assets	94 079	10 777	1 733	106 589
Actuarial gains/(losses)	9 931	904	30	10 865
Employer contributions	-	-	-	-
Contributions by Fund participants	15 105	-	459	15 564
Benefits paid	(71 047)	(8 382)	(383)	(79 812)
<b>Fair value of Fund assets at end of the year</b>	<b>1 181 778</b>	<b>133 709</b>	<b>22 167</b>	<b>1 337 654</b>
<b>2009</b>				
Fair value of Fund assets at beginning of the year	1 308 277	152 520	20 185	1 480 982
Expected return on fund assets	102 738	11 943	1 634	116 315
Actuarial gains/(losses)	(217 013)	(26 811)	(2 484)	(246 308)
Employer contributions	-	-	-	-
Contributions by Fund participants	15 322	-	433	15 755
Benefits paid	(75 614)	(7 242)	560	(82 296)
Fair value of Fund assets at end of the year	1 133 710	130 410	20 328	1 284 448

#### 14.2.4 Reconciliation of the assets and liabilities recognised in the Statement of Financial Position

	SASS \$000	SANCSS \$000	SSS \$000	Total \$000
<b>2010</b>				
Present value of partly funded defined benefit obligations at end of year	1 422 971	150 990	35 543	1 609 504
Fair value of fund assets at end of year	(1 181 778)	(133 709)	(22 167)	(1 337 654)
Subtotal	241 193	17 281	13 376	271 850
Unrecognised past service cost	-	-	-	-
Unrecognised gain/(loss)	-	-	-	-
Adjustment for limitation on net asset	-	-	-	-
<b>Net Liability/(Asset) recognised in Statement of Financial Position at end of year</b>	<b>241 193</b>	<b>17 281</b>	<b>13 376</b>	<b>271 850</b>
<b>2009</b>				
Present value of partly funded defined benefit obligations at end of year	1 299 094	136 714	30 715	1 466 523
Fair value of fund assets at end of year	(1 133 710)	(130 410)	(20 328)	(1 284 448)
Subtotal	165 384	6 304	10 387	182 075
Unrecognised past service cost	-	-	-	-
Unrecognised gain/(loss)	-	-	-	-
Adjustment for limitation on net asset	-	-	-	-
Net Liability/(Asset) recognised in Statement of Financial Position at end of year	165 384	6 304	10 387	182 075

**Notes to the Financial Statements** for the year ended 30 June 2010

**Note 14 Provisions (continued)**

**14.2 Superannuation (continued)**

**14.2.5 Expense recognised in the Statement of Comprehensive Income**

	<b>SASS</b> <b>\$000</b>	<b>SANCSS</b> <b>\$000</b>	<b>SSS</b> <b>\$000</b>	<b>Total</b> <b>\$000</b>
<b>2010</b>				
<b>Components recognised as expenses</b>				
Current service cost	20 750	6 526	349	27 625
Interest cost	70 417	7 363	1 707	79 487
Expected return on Fund assets (net expenses)	(94 078)	(10 777)	(1 733)	(106 588)
<b>Expense/(income) recognised</b>	<b>(2 911)</b>	<b>3 112</b>	<b>323</b>	<b>524</b>
<b>2009</b>				
<b>Components recognised as expenses</b>				
Current service cost	20 036	6 242	231	26 509
Interest cost	78 554	7 601	1 422	87 577
Expected return on Fund assets (net expenses)	(102 738)	(11 943)	(1 634)	(116 315)
Expense/(income) recognised	(4 148)	1 900	19	(2 229)

**14.2.6 Amounts recognised in Other Comprehensive Income**

	<b>SASS</b> <b>\$000</b>	<b>SANCSS</b> <b>\$000</b>	<b>SSS</b> <b>\$000</b>	<b>Total</b> <b>\$000</b>
<b>2010</b>				
Actuarial (gains)/losses recognised in year	78 720	7 866	2 666	89 252
Adjustment for limit on net assets	-	-	-	-
<b>Cumulative amount of actuarial (gain)/losses</b>	<b>78 720</b>	<b>7 866</b>	<b>2 666</b>	<b>89 252</b>
<b>2009</b>				
Actuarial (gains)/losses recognised in year	234 303	35 355	8 753	278 411
Adjustment for limit on net assets	-	-	-	-
Cumulative amount of actuarial (gain)/losses	234 303	35 355	8 753	278 411

**14.2.7 Fund assets**

The percentage invested in each asset class at the Statement of Financial Position date:

	<b>2010</b> <b>%</b>	2009 <b>%</b>
Australian equities	<b>31.0</b>	32.1
Overseas equities	<b>26.8</b>	26.0
Australian fixed interest securities	<b>6.1</b>	6.2
Overseas fixed interest securities	<b>4.3</b>	4.7
Property	<b>9.5</b>	10.0
Cash	<b>9.6</b>	8.0
Other	<b>12.7</b>	13.0

#### 14.2.8 Fair value of Fund assets

All Fund assets are invested by STC at arm's length through independent fund managers.

#### 14.2.9 Expected rate of return on assets

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment tax and investment fees.

<b>Actual Return on Fund Assets</b>	<b>SASS \$000</b>	<b>SANCSS \$000</b>	<b>SSS \$000</b>
<b>2010</b>			
Actual return on Fund assets	<b>105 264</b>	<b>11 681</b>	<b>1 847</b>
<b>2009</b>			
Actual return on Fund assets	(127 510)	(14 868)	1 895

#### 14.2.10 Valuation method and principal actuarial assumptions at the Statement of Financial Position date

##### a) Valuation method

The Project Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

##### b) Economic assumptions

	<b>2010</b>	2009
Salary increase rate (excluding promotional increases)	<b>3.50% pa</b>	3.50% pa
Rate of CPI increase	<b>2.50% pa</b>	2.50% pa
Expected rate of return on assets	<b>8.60% pa</b>	8.13% pa
Discount rate	<b>5.17% pa</b>	5.59% pa

##### c) Demographic Assumptions

The demographic assumptions at 30 June 2010 are those that were used in the 2009 triennial actuarial valuation. The triennial review report is available from the NSW Treasury website.

**Notes to the Financial Statements** for the year ended 30 June 2010

**Note 14 Provisions (continued)**

**14.2 Superannuation (continued)**

**14.2.11 Historical information**

	<b>SASS</b> <b>\$000</b>	<b>SANCSS</b> <b>\$000</b>	<b>SSS</b> <b>\$000</b>
<b>2010</b>			
Present value of defined benefit obligation	<b>1 422 971</b>	<b>150 990</b>	<b>35 543</b>
Fair value of Fund assets	<b>(1 181 778)</b>	<b>(133 709)</b>	<b>(22 167)</b>
(Surplus)/deficit in Fund	<b>241 193</b>	<b>17 281</b>	<b>13 376</b>
Experience adjustments – Fund liabilities	<b>88 651</b>	<b>8 770</b>	<b>2 696</b>
Experience adjustments – Fund assets	<b>(9 931)</b>	<b>(904)</b>	<b>(30)</b>
<b>2009</b>			
Present value of defined benefit obligation	1 299 094	136 714	30 715
Fair value of Fund assets	(1 133 710)	(130 410)	(20 328)
(Surplus)/deficit in Fund	165 384	6 304	10 387
Experience adjustments – Fund liabilities	17 290	8 544	6 269
Experience adjustments – Fund assets	217 013	26 811	2 484
<b>2008</b>			
Present value of defined benefit obligation	1 243 505	121 569	21 801
Fair value of Fund assets	(1 308 277)	(152 520)	(20 185)
(Surplus)/deficit in Fund	(64 772)	(30 951)	1 616
Experience adjustments – Fund liabilities	(23 846)	2 203	1 697
Experience adjustments – Fund assets	176 929	23 639	1 139
<b>2007</b>			
Present value of defined benefit obligation	1 239 547	113 165	17 721
Fair value of Fund assets	(1 407 869)	(160 480)	(18 530)
(Surplus)/deficit in Fund	(168 322)	(47 315)	(809)
Experience adjustments – Fund liabilities	11 038	(5 875)	(451)
Experience adjustments – Fund assets	(96 152)	(9 314)	(1 618)
<b>2006</b>			
Present value of defined benefit obligation	1 156 538	108 147	16 590
Fair value of Fund assets	(1 209 477)	(135 011)	(14 915)
(Surplus)/deficit in Fund	(52 939)	(26 864)	1 675
Experience adjustments – Fund liabilities	108 397	(7 650)	5 052
Experience adjustments – Fund assets	(192 215)	(8 806)	(3 771)
<b>2005</b>			
Present value of defined benefit obligation	460 718	67 519	3 863
Fair value of Fund assets	(509 973)	(90 285)	(5 297)
(Surplus)/deficit in Fund	(49 255)	(22 766)	(1 434)
Experience adjustments – Fund liabilities	-	-	-
Experience adjustments – Fund assets	-	-	-
<b>14.2.12 Expected contributions</b>			
<b>2010</b>			
Expected employer contributions for 2011	<b>0</b>	<b>0</b>	<b>0</b>
<b>2009</b>			
Expected employer contributions for 2010	0	0	0
Actual employer contributions for 2010	0	0	0



#### 14.2.13 Funding arrangements for employer contributions

##### a) Surplus/deficit

The following is a summary of the financial position of the Fund calculated in accordance with AASB 25 Financial Reporting by Superannuation Plans:

	<b>SASS \$000</b>	<b>SANCSS \$000</b>	<b>SSS \$000</b>
<b>2010</b>			
Accrued benefits	1 255 783	133 977	24 217
Net market value of Fund assets	(1 181 778)	(133 709)	(22 167)
Net deficit	74 005	268	2 050
<b>2009</b>			
Accrued benefits	1 177 647	123 642	21 859
Net market value of Fund assets	(1 133 710)	(130 410)	(20 328)
Net (surplus)/deficit	43 937	(6 768)	1 531

##### b) Contribution recommendations

	<b>SASS multiple of member contributions</b>	<b>SANCSS % member salary</b>	<b>SSS multiple of member contributions</b>
<b>2010</b>			
Recommended contribution rates for the entity were:	0.00	0.00	0.00
<b>2009</b>			
Recommended contribution rates for the entity were:	0.00	0.00	0.00

##### c) Funding method

The method used to determine the employer contribution recommendations at the last actuarial review was the Aggregate Funding method. The method adopted affects the timing of the cost to the employer.

Under the Aggregate Funding method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

##### d) Economic assumptions

The economic assumptions adopted for the last actuarial review of the Fund were:

<b>Weighted average assumptions</b>	<b>2010</b>	2009
Expected rate of return on Fund assets backing current pension liabilities	<b>8.3% pa</b>	8.3% pa
Expected rate of return on Fund assets backing other liabilities	<b>7.3% pa</b>	7.3% pa
Expected salary increase rate	<b>4.0% pa</b>	4.0% pa
Expected rate of CPI increase	<b>2.5% pa</b>	2.5% pa

## Notes to the Financial Statements for the year ended 30 June 2010

### Note 14 Provisions (continued)

#### 14.2 Superannuation (continued)

##### 14.2.14 Nature of asset/liability

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of fund assets and the defined benefit obligations.

#### 14.3 Long service leave

Long service leave is provided to employees after ten years' service.

The liability for long service leave was assessed by a consulting actuary, Mr G. Holley FIAA of Mercer Human Resource Consulting. The actuary assumed an interest rate of 5.1% (2009: 5.3%) per annum and a salary growth rate of 3.5%-4% (2009: 4%) per annum.

#### 14.4 Movements in provisions (other than employee benefit provisions)

2010	Carrying amount at start of year \$000	Increase in provision \$000	Discounting adjustment \$000	Sub Total \$000	Payment of claims \$000	Unused amount reversed \$000	Carrying amount at end of year \$000
<b>Workers' Compensation</b>	<b>82 462</b>	<b>25 196</b>	<b>2 781</b>	<b>110 439</b>	<b>18 307</b>	<b>2 690</b>	<b>89 442</b>
<b>Public liability claims</b>	<b>3 311</b>	<b>3 515</b>	<b>-</b>	<b>6 826</b>	<b>2 108</b>	<b>-</b>	<b>4 718</b>
<b>Legal claims</b>	<b>2 514</b>	<b>2 786</b>	<b>-</b>	<b>5 300</b>	<b>288</b>	<b>1 964</b>	<b>3 048</b>
<b>Airport Line asset replacement</b>	<b>9 923</b>	<b>-</b>	<b>(147)</b>	<b>9 776</b>	<b>28</b>	<b>200</b>	<b>9 548</b>
<b>Quarry restoration</b>	<b>3 162</b>	<b>150</b>	<b>497</b>	<b>3 809</b>	<b>-</b>	<b>-</b>	<b>3 809</b>
<b>Land and buildings remediation</b>	<b>43 561</b>	<b>30 041</b>	<b>(1 509)</b>	<b>72 093</b>	<b>5 370</b>	<b>1 243</b>	<b>65 480</b>
<b>Ballast disposal</b>	<b>4 355</b>	<b>7 327</b>	<b>-</b>	<b>11 682</b>	<b>926</b>	<b>1 142</b>	<b>9 614</b>
<b>Restoration of leased premises</b>	<b>3 771</b>	<b>4 047</b>	<b>-</b>	<b>7 818</b>	<b>921</b>	<b>2 924</b>	<b>3 973</b>
<b>Property related charges</b>	<b>5 583</b>	<b>-</b>	<b>-</b>	<b>5 583</b>	<b>-</b>	<b>4 583</b>	<b>1 000</b>

2009	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Workers' Compensation	74 667	23 392	5 227	103 286	15 553	5 271	82 462
Public liability claims	5 311	1244	-	6 555	2 034	1 210	3 311
Legal claims	4 269	574	-	4 843	886	1 443	2 514
Airport Line asset replacement	16 490	-	(5 662)	10 828	905	-	9 923
Quarry restoration	4 830	189	(1 857)	3 162	-	-	3 162
Land and buildings remediation	37 521	11 530	(1 850)	47 201	3 640	-	43 561
Ballast disposal	2 199	4 153	-	6 352	1 592	405	4 355
Restoration of leased premises	787	2 984	-	3 771	-	-	3 771
Land tax and related charges	31 695	-	-	31 695	26 112	-	5 583

#### 14.5 Workers' compensation

Workers' compensation insurance is in place to cover any claim exceeding \$1m and the workers' compensation provision is maintained for smaller claims, for which RailCorp is a licenced self-insurer.

The workers' compensation liability at year end was assessed by McMahon Actuarial Services assuming a discount rate ranging from 4.5% to 5.7% over the next 10 years (2009: ranging from 3.4% to 6.5% per annum) and a future wage inflation rate of 4% per annum over the next 10 years (2009: 4% per annum over the next 10 years).

The actuary has advised that no allowance was made for asbestos related claims (2009: nil). Liabilities for such claims prior to July 1996 were vested to the Crown. Post 1996 exposure to asbestos is low, highly uncertain and, therefore, cannot be quantified with any reliability.

#### 14.6 Public liability claims

The public liability claims provision recognises claims against RailCorp that arise from personal injuries or property damage occurring on its premises or involving its assets.

Any claim recoverable from RailCorp's insurer is also recognised as a receivable or disclosed as a contingent asset, depending on its probability of settlement.

See notes 6 and 19.

The liability at year end was assessed by management. The likely amount to be settled was assessed on the basis of past experience. The likely timing of settlement was assessed by reviewing individual claims. The liability is inherently uncertain due to disputes over the existence or quantum of individual claims.

#### 14.7 Legal claims

The Legal Claims Provision recognises claims against RailCorp arising from prosecutions or fines in relation to legislative or contractual breaches or other matters.

The liability at year end was assessed by management by reviewing individual claims. The liability is inherently uncertain due to disputes over the existence or quantum of individual claims.

#### 14.8 Airport Line asset replacement

The Airport Line asset replacement provision recognises RailCorp's contractual obligation to fund the replacement of major track and tunnel assets on the Airport Line, by the line's maintenance contractor during the term of the contract to 2030. Any unused balance of the provision remaining in 2030 will be shared equally with the maintenance contractor.

The liability at year end is the unused portion of the contractually-specified maximum sum to be provided. The quantum and timing of payments are inherently uncertain as they are based on unpredictable future claims by the maintenance contractor. This provision has been discounted to a present value that reflects the time value of money.

#### 14.9 Quarry restoration

The quarry restoration provision recognises RailCorp's legal obligation to restore quarry sites when operations cease.

The liability at year end was assessed by management undertaking site investigations and estimating the cost of the necessary restoration work. The liability is inherently uncertain due to the time likely to elapse before the restoration is required.

## Notes to the Financial Statements for the year ended 30 June 2010

### Note 14 Provisions (continued)

#### 14.10 Land and buildings remediation provision

This provision is comprised of \$36.800m (2009: \$18.225m) for remediation of asbestos and \$28.679m (2009: \$25.335m) for remediation of contaminated land.

In response to the identification of asbestos contamination in a railway station in March 2006 RailCorp initiated during 2005-06 a program of hazardous materials surveys to identify the full extent of contamination and remedial action required in stations.

During 2006-07 the program was extended to encompass other hazardous materials and operational buildings including signal boxes, depots and maintenance centres as well as rollingstock.

This project will continue beyond 30 June 2010 to provide incident management and undertake remediation projects funded by this provision to be undertaken from 2010-11 to 2014-15.

#### 14.11 Ballast disposal provision

The ballast disposal provision recognises RailCorp's legal obligation in relation to the disposal of non-recyclable landfill and materials arising from its ballast recycling operations.

The liability was assessed at 30 April 2010 by management after investigation of stockpiles at the Chullora site. The liability is inherently uncertain due to the quantum and timing of future disposal.

#### 14.12 Restoration of leased premises

A provision has been established for the cost of restoring certain leased premises to an agreed condition on lease termination.

#### 14.13 Land tax and related charges provision

In accordance with section 40 of the *Transport Administration (General) Regulation 2005* (which previously applied to RailCorp as a State owned corporation prior to 1 January 2009) land tax and related charges were payable on land that was leased or licensed by RailCorp to another party or land that was not used primarily for railway purposes. Land tax for the period 2005-2009 was settled with Office of State Revenue in June 2009. RailCorp has a provision in relation to the estimated liability for related charges for the period 1 January 2005 to 30 June 2009. The change in the status of RailCorp to a statutory authority representing the Crown on 1 January 2009 means that RailCorp is exempt from land tax and other charges from 2010. The provision has been adjusted accordingly.

### Note 15 Contributed equity

#### 15.1 Contributed equity

	Note	30.6.2010 \$000	30.6.2009 \$000
Contributed equity at start of year		13 606 876	11 721 564
Net assets contributed by Government	15.2	(6 608)	1 885 312
<b>Contributed equity at end of year</b>		<b>13 600 268</b>	13 606 876

#### 15.2 Net assets contributed by the Government

Certain assets constructed for RailCorp by the Transport Construction Authority (formerly Transport Infrastructure Development Corporation), as part of the Epping/Chatswood Rail Link, have been vested during the year. In addition certain commuter carparks have been transferred during the year.

The net transfers have been treated as equity contributions by the Government and are recognised as direct adjustments to contributed equity.

	<b>30.6.2010</b>	30.6.2009
	<b>\$000</b>	\$000
<b>Assets transferred</b>		
Property, plant and equipment	<b>18 428</b>	2 072 683
Total assets	<b>18 428</b>	2 072 683
<b>Liabilities transferred</b>		
Trade and other payables	-	1 683
Borrowings (current)	<b>25 036</b>	118 464
Borrowings (non current)	-	67 224
Total liabilities	<b>25 036</b>	187 371
<b>Net assets contributed</b>	<b>(6 608)</b>	1 885 312

## Note 16 Reserves

The Hedging Reserve recognises the cumulative gains or losses on hedging instruments used for existing cash flow hedges. An Asset Revaluation Reserve was established in 2007-08.

The movements during the year were:

### Hedging Reserves

Balance at start of year	<b>(17 498)</b>	4 550
Net gain/(loss) in forward foreign exchange	<b>(1 719)</b>	(10 082)
Net gain/(loss) in commodity swaps	<b>3 265</b>	(11 966)
Reserve transferred from Retained Earnings	<b>2 138</b>	-
<b>Balance at end year</b>	<b>(13 814)</b>	(17 498)

### Asset Revaluation Reserve

Balance at start of year	<b>3 639 065</b>	3 473 438
Increase/(decrease) as a result of revaluation	<b>(86)</b>	165 627
Reserve transferred from Retained Earnings	<b>6 474</b>	-
<b>Balance at end of year</b>	<b>3 645 453</b>	3 639 065
<b>Total reserves</b>	<b>3 631 639</b>	3 621 567

**Notes to the Financial Statements** for the year ended 30 June 2010

	<b>30.6.2010</b>	30.6.2009
	<b>\$000</b>	\$000

**Note 17 Retained earnings**

Retained earnings at start of year	<b>837 605</b>	851 858
Surplus for the year	<b>54 706</b>	264 158
Superannuation actuarial gains/(losses)	<b>(89 252)</b>	(278 411)
Transfer of reserves from retained earnings	<b>(8 612)</b>	-
<b>Retained earnings at end of year</b>	<b>794 447</b>	837 605

**Note 18 Expenditure commitments**

**18.1 Expenditure commitments**

**Operating leases**

Within 12 months	<b>91 848</b>	66 262
12 months or longer but not longer than 5 years	<b>130 962</b>	111 227
Longer than 5 years	<b>38 114</b>	45 777
<b>Total operating leases</b>	<b>260 924</b>	223 266

**Property, plant and equipment (including intangible assets)**

Within 12 months	<b>538 051</b>	173 573
12 months or longer but not longer than 5 years	<b>309 682</b>	59 842
Longer than 5 years	<b>-</b>	3 288
<b>Total property, plant and equipment</b>	<b>847 733</b>	236 703

**Operating expenditure (excluding leases & inventories)**

Within 12 months	<b>557 910</b>	537 339
12 months or longer but not longer than 5 years	<b>271 746</b>	537 985
Longer than 5 years	<b>5 680</b>	8 938
<b>Total operating expenditure (excluding leases and inventories)</b>	<b>835 336</b>	1 084 262

**Total**

Within 12 months	<b>1 187 809</b>	777 174
12 months or longer but not longer than 5 years	<b>712 390</b>	709 054
Longer than 5 years	<b>43 794</b>	58 003

**Total expenditure commitments**

(excluding Rollingstock PPP contract commitments shown at note 18.4)	<b>1 943 993</b>	1 544 231
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The expenditure commitments include any associated Goods and Services Tax. Related input tax credits of \$181.384m (2009: \$145.986m) are expected to be recoverable from the Australian Taxation Office.

**18.2 Minimum lease payments committed under non-cancellable operating leases**

Not later than 1 year	<b>72 476</b>	65 443
Later than one year and not later than 5 years	<b>83 133</b>	142 752
Longer than 5 years	<b>38 114</b>	69 788
<b>Total committed</b>	<b>193 723</b>	277 983

Minimum lease payment commitments include any associated Goods and Services Tax. Related input tax credits of \$17.611m (2009: \$25.271m) are expected to be recoverable from the Australian Taxation Office.

### 18.3 Restated Stations Agreement

Claims made against RailCorp by the Airport Link Company Limited (ALC) were settled in October 2005 when RailCorp and ALC entered into a Restated Stations Agreement. RailCorp has a commitment to pay a capped amount on the basis of an agreed proportion of train fares generated by the Airport Line stations business. As at 30 June 2010 the outstanding commitment due to be paid from the capped amount is \$25.771m (2009: \$41.640m) the timing of which is contingent upon revenue earned and, therefore, cannot accurately be predicted.

### 18.4 Rollingstock PPP contract commitments

RailCorp has signed a contract for a rollingstock PPP with Reliance Rail which constitutes a finance lease (see Note 2.5(ii)). The Auburn Maintenance Facility (AMF) reached practical completion on 18 June 2010 and therefore an addition to property, plant and equipment – buildings of \$219.3m (2009: nil) and associated finance lease liability of \$219.3m has been recognised in the financial statements.

The finance lease liability relating to rollingstock sets amounts to \$nil at 30 June 2010. These assets and associated finance lease liability will be recognised on completion and delivery of the rollingstock sets.

Reliance Rail will:

- design, manufacture and deliver 626 carriages, together with simulators for training.
- design and construct a maintenance facility at Auburn (commissioned 18 June 2010); and
- provide through life support for the trains, the maintenance facility and the simulators over a period of more than 30 years.

Payments for the above will be made via a series of Set Availability Unit Allowances (SAUs) made by RailCorp to Reliance Rail. The SAUs ramp up progressively as each set becomes available for passenger service. The SAU payments are inflated at CPI.

Reliance Rail has advised that the sets will be progressively available for passenger services from late 2010. Overall, the total payments to be made by RailCorp to Reliance Rail, including milestone and completion payments and financing costs, over the term of the project are estimated to be \$9,727m (2009: \$9,698m) in nominal dollars which, together with further ancillary RailCorp costs and retained risk, amount to a total project cost of \$3,650m in net present value as at 30 June 2006.

No milestone payments were made in 2009-10 (2008-09: \$13m) to Reliance Rail. Milestone payments are interest free advances pending delivery of the rollingstock upon which event those advances will be offset against the finance lease liability.

The commitment under this contract is as follows (excluding GST):

<b>Maintenance facility finance lease</b>	Note	<b>30.6.2010</b>	30.6.2009
		<b>\$000</b>	\$000
Within 12 months		<b>6 064</b>	-
12 months or longer but not longer than 5 years		<b>42 937</b>	-
Longer than 5 years		<b>662 784</b>	-
Total minimum lease payments		<b>711 785</b>	-
Less amounts representing finance charges		<b>(492 456)</b>	-
Present value of net future minimum lease payments		<b>219 329</b>	-
(Included in the financial statements as Borrowings)			
<b>Classified as:</b>			
Current	13	<b>5 892</b>	-
Non-Current	13	<b>213 437</b>	-
Total		<b>219 329</b>	-
<b>Other PPP contract commitments</b>			
Within 12 months		<b>14 484</b>	19 067
12 months or longer but not longer than 5 years		<b>701 250</b>	559 226
Longer than 5 years		<b>8 299 554</b>	9 119 787
Total other PPP contract		<b>9 015 288</b>	9 698 080

**Notes to the Financial Statements** for the year ended 30 June 2010

**Note 19 Contingent liabilities and contingent assets**

Contingent liabilities represent matters that are unconfirmed (pending the occurrence or non-occurrence of an uncertain future event), or not reliably measurable or unlikely to be settled. However, their probability of settlement is not remote.

Contractual and other claims against RailCorp arise in the ordinary course of operations. The existence or quantum of each claim is usually in dispute and the outcome cannot be measured reliably.

RailCorp has certain obligations under the contract for the Rollingstock PPP and the NSW Government guarantees the performance of those obligations. However, there is no expectation that those guarantees will ever be exercised.

RailCorp by virtue of its operations has a range of possible contamination in land and buildings. RailCorp is engaged in an ongoing process of identifying necessary remediation of land and buildings the final amount of which is contingent on further investigation and cannot be accurately calculated at the date of preparation of these Financial Statements – Note 14.10 refers to a provision for land and buildings remediation where there is a legal or constructive obligation to undertake remediation and the cost of which can be reliably estimated.

Contingent assets represent matters that are unconfirmed (pending the occurrence or non-occurrence of an uncertain future event), or not reliably measurable or unlikely to be settled. However, their probability of settlement is 'probable' but not 'virtually certain'.

Contractual and other recoveries represent claims made by RailCorp against others in relation to contractual breaches and insurance claims in relation to other matters. The existence or quantum of each claim is usually in dispute.

	<b>30.6.2010</b>	30.6.2009
	<b>\$000</b>	\$000
<b>Contingent assets</b>		
Contractual and other recoveries	<b>1 095</b>	876
<b>Total contingent assets</b>	<b>1 095</b>	876



## Note 20 Financial instruments

### 20.1 Financial instruments

RailCorp holds the following financial instruments:

	30.6.2010 \$000	30.6.2009 \$000
<b>Financial assets</b>		
Cash and cash equivalents	24 691	220 600
Trade and other receivables	62 859	72 736
Derivative financial assets	2 464	3 397
<b>Total financial assets</b>	<b>90 014</b>	296 733
<b>Financial liabilities</b>		
Trade and other payables	477 689	375 263
Borrowings	252 365	-
Derivative financial liabilities	16 278	18 757
<b>Total financial liabilities</b>	<b>746 332</b>	394 020

### 20.2 Financial risks

The operational activities of RailCorp expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and commodity price risk in respect of distillate and electricity purchases). A risk management program focuses on the financial performance of the Corporation and seeks to minimise potential adverse effects from financial market price movements. RailCorp uses derivative instruments to hedge financial exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. Methods used to measure risk include sensitivity analysis in the case of interest rate, foreign exchange and other commodity price risks, and an ageing analysis for credit risk.

Risk management is carried out by RailCorp's Treasury section under approved policies. RailCorp's Treasury Management Policy establishes a prudential framework covering policies, best practice internal controls and reporting systems for the management of financial risks within RailCorp's operation. The policy covers specific areas such as foreign exchange risk, interest rate risk, commodity risk, credit risk, use of derivative financial instruments and investment of excess liquidity. The RailCorp Treasury Management Policy is approved annually.

The primary objective of this policy is to achieve management of all financial risks in strict compliance with internal policies and guidelines within the broad framework of the NSW Treasury Management Policy (TPP07-7). Accounting for Treasury Instruments is in accordance with NSW Treasury accounting policy, Accounting for Financial Instruments (TPP08-1).

The Treasury section identifies, evaluates and hedges financial risk in close cooperation with RailCorp's operating groups. Treasury instruments approved for the management of financial risk are in accordance with the *Public Authorities (Financial Arrangements) Act 1987*.

## Notes to the Financial Statements for the year ended 30 June 2010

### Note 20 Financial instruments (continued)

#### 20.3 Market risk

Market risk relates to fluctuations in the fair value of future cash flows of financial instruments because of changes in market prices. This applies to RailCorp's foreign exchange, interest rate and commodity price hedging instruments.

Sensitivity analysis on market risk is based on a possible price variability taking into account the economic environment in which RailCorp operates and the time frame for assessment, that is, until the end of the next reporting period. The sensitivity analysis is based on financial instruments held at the balance date. The analysis assumes that all other variables remain constant.

##### 20.3.1 Foreign exchange risk

RailCorp is exposed to foreign exchange risk arising from currency exposures. Foreign exchange risk arises from contractual commercial transactions denominated in a foreign currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The RailCorp Treasury Management Policy covers all elements of financial risk including foreign exchange risk. The policy requires 100% hedging of all material foreign exchange exposures.

Purchases involving foreign currency risk exposure that exceeds an aggregate of A\$150,000, are required to be reviewed in advance of the signing by the Treasury section to assess the financial risk and formulate strategies to manage the risk. The Treasury section confirms a budget rate with project managers based on current forward prices and hedging strategies implemented. Counterparty risk is minimised by conducting all foreign exchange transactions with eligible counterparties (defined below under note 20.4 Credit risk).

RailCorp's foreign currency contracts outstanding at year end were:

Maturity profiles	Weighted Average Exchange Rate		Contract Value	
	2010	2009	2010 A\$000	2009 A\$000
<b>Contracts denominated in US Dollars (USD)</b>				
Not later than 3 months	<b>0.8309</b>	0.8413	<b>13 088</b>	7 054
Later than 3 months and not later than 12 months	<b>0.7889</b>	0.7387	<b>21 914</b>	14 790
Later than 12 months	<b>0.7865</b>	0.6993	<b>31 486</b>	17 859
Total hedged US Dollar contracts			<b>66 488</b>	39 703
<b>Contracts denominated in Euros</b>				
Not later than 3 months	<b>0.6113</b>	0.5209	<b>1 091</b>	1 306
Later than 3 months less than 12 months	<b>0.5163</b>	0.5049	<b>27 180</b>	16 058
Later than 12 months	<b>0.5547</b>	0.4921	<b>5 533</b>	19 435
Total hedged Euro contracts			<b>33 804</b>	36 799
<b>Contracts denominated in Japanese Yen</b>				
Not later than 3 months	-	-	-	-
Later than 3 months and not later than 12 months	<b>64.50</b>	66.77	<b>25 797</b>	18 117
Later than 12 months	-	64.23	-	18 668
Total hedged Japanese Yen contracts			<b>25 797</b>	36 785
<b>Contracts denominated in Korean Won</b>				
Not later than 3 months	<b>884.19</b>	896.01	<b>1 751</b>	611
Later than 3 months and not later than 12 months	-	903.26	-	3 678
Later than 12 months	<b>963.00</b>	-	<b>190</b>	-
Total hedged Korean Won contracts			<b>1 941</b>	4 289

Maturity profiles	Weighted Average Exchange Rate		Contract Value	
	2010	2009	2010 A\$000	2009 A\$000
<b>Contracts denominated in Pounds Sterling</b>				
Not later than 3 months	0.5238	0.4538	66	61
Later than 3 months less than 12 months	0.4608	0.3815	513	16
Later than 12 months	0.5595	0.4608	50	556
Total hedged Pounds Sterling contracts			629	633
<b>Contracts denominated in Danish Kroner</b>				
Not later than 3 months	-	-	-	-
Later than 3 months and not later than 12 months	3.6777	-	-	-
Later than 12 months	-	3.6777	143	180
Total hedged Danish Kroner contracts			143	180
<b>Contracts denominated in Swedish Kroner</b>				
Not later than 3 months	6.5725	-	336	-
Later than 3 months and not later than 12 months	5.9725	-	2 363	-
Later than 12 months	6.1270	-	75	-
Total hedged Swedish Kroner contracts			2 774	
<b>Total hedged purchase</b>			<b>131 576</b>	118 389

#### Foreign exchange risk sensitivity analysis

The following table shows the effect on Other Comprehensive Income at the reporting date of a 10% adverse and favourable movement in exchange rates, with all other variables being held constant and taking into account all underlying exposures and related hedges.

Although currency markets have been volatile in the current reporting period, a sensitivity of 10 per cent has been selected for use at the reporting date as this is considered reasonable based on the current AUD level and the historical volatility of the AUD against other currencies and economic forecast expectations. Based on the value of the AUD at the reporting date as compared with the currencies below, adverse or favourable movements in the foreign exchange rates would result in an increase or decrease in the AUD respectively.

Based on the financial instruments held at 30 June 2010, had the Australian dollar (AUD) spot price weakened/strengthened by 10% against currencies in which contracts are held, with all other variables held constant, the impact on equity is shown in the table below.

An adverse movement in exchange rates implies an increase in the AUD against the hedged currency. A favourable movement represents a fall in the AUD against the hedged currency.

Decrease of 10%	Surplus Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
US Dollar	-	-	(5 629)	(3 277)
Euros	-	-	(2 313)	(2 899)
Japanese Yen	-	-	(1 996)	(2 811)
Korean Won	-	-	(151)	(339)
Pounds Sterling	-	-	(48)	(54)
Danish Kroner	-	-	(9)	(14)
Swedish Kroner	-	-	(230)	-
<b>Total</b>	-	-	<b>(10 376)</b>	(9 394)

## Notes to the Financial Statements for the year ended 30 June 2010

### Note 20 Financial instruments (continued)

#### 20.3 Market risk (continued)

##### 20.3.1 Foreign exchange risk (continued)

Increase of 10%	Surplus Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000
US Dollar	-	-	6 880	4 005
Euros	-	-	2 827	3 543
Japanese Yen	-	-	2 440	3 435
Korean Won	-	-	184	415
Pounds Sterling	-	-	58	66
Danish Kroner	-	-	11	17
Swedish Kroner	-	-	281	-
<b>Total</b>	-	-	<b>12 681</b>	<b>11 481</b>

##### 20.3.2 Commodity price risk

RailCorp is exposed to a range of commodity price risks, principally from distillate and electricity purchases.

Forecasted distillate purchases, AUD costs under the supply agreements price mechanism, are reflective of movements in Singapore Gas Oil prices and AUD/USD exchange rates. RailCorp treasury management policy requires that 100% of exposures be hedged in year one, year two up to 60% and year three up to 40% hedged given the continuous nature of the exposure. RailCorp hedges its distillate exposure by entering into Singapore Gas oil swap and USD forward contracts.

RailCorp purchases its electricity under fixed price contracts. RailCorp policy for electricity hedging is similar to distillate operations. Electricity hedging applies only to periods not under a fixed price contract. 100% of exposures are required to be hedged in year one. Up to 60% of exposures can be hedged in year two and up to 40% in year three. Hedges are subsequently closed out once a fixed price contract is in place.

Details of outstanding contracts at year end are:

Maturity profiles	Contract Value	
	2010 \$000	2009 \$000
<b>Not later than 1 year</b>		
Favourable	4 761	5 474
Non-favourable	10 481	14 277
	<b>15 242</b>	<b>19 751</b>
<b>Between 1 and 5 years</b>		
Favourable	5 873	8 085
Non-favourable	5 528	4 867
	<b>11 401</b>	<b>12 952</b>
<b>Total commodity swap contracts</b>	<b>26 643</b>	<b>32 703</b>

##### Commodity price risk sensitivity analysis

Based on contracts in place at 30 June 2010, had the Singapore Gas Oil spot price weakened or strengthened by 10%, with all other variables held constant, the impact on the Corporation would have been as follows:

Index	Change in unit price	Impact on Surplus	Impact on Surplus	Impact on Other Comprehensive Income	Impact on Other Comprehensive Income
		2010 \$000	2009 \$000	2010 \$000	2009 \$000
<b>Distillate</b>	-10%	(2 363)	-	-	(2 541)
	+10%	2 363	-	-	2 541

Significant assumptions used in the commodity price exposure sensitivity analysis include reasonably possible movements in commodity price rates, determined based on a review of the last two years historical movements and various economic forecasters' expectations.

### 20.3.3 Interest rate risk

Interest rate risk refers to the market value of financial instruments or cash flows associated with the instruments fluctuating due to changes in market yields. RailCorp's main interest rate risk relates primarily to borrowings and deposits on call with Treasury Corporation.

The PPP maintenance facility finance lease recognised on RailCorp's statement of financial position is not exposed to interest rate risk. Amounts payable under the leasing arrangement are fixed, based on the achievement of certain milestones and key performance indicators by Reliance Rail. The interest rate charged on the lease liability is that which is implicit within the lease and will not be impacted by market interest rate fluctuations. See Note 18.4.

#### Investment

RailCorp invests in the Treasury Corporation 11am Call Deposit. Funds are held for operational rather than trading purposes.

The Treasury Corporation 11am Call Deposit facility is designated at cost through the profit and loss. Therefore, any changes in price impacts on profit and loss (rather than comprehensive income).

#### Debt

RailCorp adopts a continuously diversified approach to risk managing its debt portfolio. Debt maturity is spread across the yield curve, comprising both short term TCorp borrowing and long term semi government bonds. A neutral benchmark measures the performance of the debt portfolio.

RailCorp treasury management policy requires a fixed/floating ratio where no more than 70% of the portfolio's face value can be fixed rate debt or floating rate debt while the modified duration of the long-term debt must be between 2 and 6. The debt portfolio is managed through a restructuring facility offered by TCorp. Borrowings issued at variable rates expose RailCorp to cash flow risk.

Exposure to interest rate risk at year end is set out below:

	Interest rate		Principal amount	
	2010 %	2009 %	2010 \$000	2009 \$000
<b>Financial assets</b>				
<b>Not later than 1 year</b>				
Cash on hand	-	-	7 755	9 201
Cash at bank	4.51	3.03	14 960	5 706
Deposits on Call – TCorp Investment	4.45	2.95	1 976	205 693
<b>Total Financial Assets</b>			<b>24 691</b>	<b>220 600</b>
<b>Financial liabilities</b>				
<b>Between 1 and 5 years</b>				
Borrowings	4.65	-	(68 671)	-
<b>Later than 5 years</b>				
Borrowings*	-	-	(183 694)	-
<b>Total Financial Liabilities</b>			<b>(252 365)</b>	<b>-</b>
<b>Net Exposure</b>			<b>(227 674)</b>	<b>220 600</b>

\* Interest rate not applicable as amount relates to Finance Lease.

## Notes to the Financial Statements for the year ended 30 June 2010

### Note 20 Financial instruments (continued)

#### 20.3 Market risk (continued)

##### 20.3.3 Interest rate risk (continued)

##### Interest rate sensitivity analysis

Exposure to interest rate risk arises primarily through RailCorp's interest bearing liabilities. A change of +/- 1% is used, consistent with current trends in interest rates, to measure RailCorp's financial sensitivity to interest rate movements. RailCorp's exposure to interest rate risk is set out below:

Index	Change in yield	Impact on Surplus 2010 \$000	Impact on Surplus 2009 \$000	Impact on Other Comprehensive Income 2010 \$000	Impact on Other Comprehensive Income 2009 \$000
TCorp investments and bank deposits	-1%	(169)	(2 114)	-	-
	+1%	169	2 114	-	-

If interest rates had changed by 1% the TCorp investments bank deposits would have moved by 1% and affected RailCorp's profit and loss.

Index	Change in yield	Impact on Surplus 2010 \$000	Impact on Surplus 2009 \$000	Impact on Other Comprehensive Income 2010 \$000	Impact on Other Comprehensive Income 2009 \$000
Borrowings	-1%	(330)	-	-	-
	+1%	330	-	-	-

If interest yields had changed by 1% the market value of RailCorp's debt portfolio would have moved in accordance with the weighted average modified duration for the portfolio. RailCorp had no outstanding borrowings at 30 June 2009.

#### 20.4 Credit risk

Credit risk arises where a debtor or RailCorp counterparty does not complete their obligations, resulting in financial risk to RailCorp.

Credit risk can arise from financial assets of RailCorp, including cash and cash equivalents, derivative financial instruments, deposits with banks and TCorp, as well as credit exposure to customers, including outstanding receivables and committed transactions. RailCorp holds bank guarantees for significant customers as well as property bonds for some leased premises. RailCorp has not granted any financial guarantees.

RailCorp credit risk policy is aimed at minimising the potential for counter party default. RailCorp uses the Standard & Poor's rating system in assessing credit risk.

Credit risk associated with RailCorp's financial assets, other than receivables, is managed through the sound selection of counterparties and establishment of minimum credit rating standards. *The Public Authorities (Financial Arrangements) Act 1987* requires RailCorp to transact all debt management and investment activities with TCorp, which has a AAA credit rating from Standard & Poor's due to their financial arrangements and obligations being guaranteed by the NSW Government.

RailCorp held \$16.936m in cash at bank and investments at 30 June 2010. This was held with Treasury Corporation and Westpac Banking Corporation.

## Derivatives

In relation to foreign exchange contracts and commodity swap transactions, RailCorp only transacts with counter parties with a Standard & Poor's long term credit rating of A+ or greater. Railcorp held \$2.464m in derivative financial assets and \$16.278m in derivative financial liabilities.

Further, no counterparty may have more than 50% of RailCorp's total contract value in regards to foreign currency and commodity transactions.

RailCorp also holds 'International Swap Dealers Association' master agreements with all counterparties which is an industry standard.

## Trade receivables

The maximum credit risk exposure in relation to receivables is the carrying amount, less the allowance for impaired debts. Where necessary to support approval of a credit application for customers, security may need to be obtained in the form of an unconditional bank guarantee and/or security deposit.

Railcorp is not obliged to extend credit. RailCorp is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors.

## Investments

RailCorp held funds on deposit with Treasury Corporation at 30 June 2010 which has been rated as 'AAA' by Standard & Poor's. The deposits at balance date were earning an average interest rate of 4.45% (2009: 2.95%) while over the year the weighted average interest rate was 3.62% (2009: 5.35%) on a weighted average balance during the year of \$169m (2009: \$346m).

## 20.5 Liquidity risk

Liquidity risk refers to RailCorp being unable to meet its payment obligations when they fall due. RailCorp manages risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Current investment powers allow RailCorp to manage liquidity through TCorp's facilities. The bank balance is managed daily to a minimum set-off balance with surplus funds being invested in the TCorp 11am Call Deposit or Hour Glass Cash Facility. Shortfalls in working capital funding are managed through TCorp's Come & Go Facility. RailCorp's bank accounts are on an account set off arrangement so funds are aggregated to allow flexibility.

Credit standby arrangements are shown at Note 5.3.

During the current and prior years, there have been no defaults or breaches on any loans payable. No assets have been pledged as collateral. RailCorp exposure to liquidity risk is deemed insignificant based on prior period data and current assessment of risk.

Liabilities are recognised for amounts due to be paid in the future for goods and services received, whether or not invoiced. If trade terms are not specified, payment is generally made no later than the end of the month following the month in which an invoice or a statement is received.

## Notes to the Financial Statements for the year ended 30 June 2010

### 20.5 Liquidity risk (continued)

The table below summarises the remaining contractual maturity profile of RailCorp's financial liabilities and derivatives, together with the interest rate and foreign exchange risk exposure. The tables include both interest and principal cash flows.

<b>30 June 2010</b>	<b>Less than 1 year \$000</b>	<b>Between 1 and 5 years \$000</b>	<b>Over 5 years \$000</b>
<b>Financial assets</b>			
Cash and cash equivalents	24 691	-	-
Trade and other receivables	65 495	-	-
	<b>90 186</b>	-	-
<b>Financial liabilities</b>			
Trade and other Payables	(477 689)	-	-
Borrowings	(33 036)	-	-
Finance Lease (PPP maintenance facility)	(5 892)	(29 743)	(183 694)
<b>Derivatives</b>			
Forward exchange contracts	(94 241)	(37 335)	-
Commodity swap contracts	(15 242)	(11 401)	-
	<b>(626 100)</b>	<b>(78 479)</b>	-
<b>Net maturity – assets/(liabilities)</b>	<b>(535 914)</b>	<b>(78 479)</b>	<b>(183 694)</b>

### 30 June 2009

#### Financial assets

Cash and cash equivalents	220 600	-	-
Trade and other receivables	72 736	-	-
	293 336	-	-

#### Financial liabilities

Trade and other payables	(375 263)	-	-
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#### Derivatives

Forward exchange contracts	(61 691)	(56 698)	-
Commodity swap contracts	(19 751)	(12 952)	-
	(456 705)	(69 650)	-

<b>Net maturity – assets/(liabilities)</b>	<b>(163 369)</b>	<b>(69 650)</b>	-
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### 20.6 Fair value compared to carrying amount

The fair values of financial instrument assets and liabilities are determined as follows:

- the fair value of financial instrument assets and liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial instrument assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.
- RailCorp considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

The fair values of most of the contractual financial assets and liabilities are the same as the carrying amounts.



RailCorp uses various methods for disclosing the fair value of financial instruments by valuation technique:

- Level 1 – Derived from quoted market prices in active markets for identical assets/liabilities. Quoted market price represents the fair value determined based on the quoted prices on active markets as at the reporting date without any deduction of transaction costs
- Level 2 – Derived from inputs other than quoted prices that are observable directly or indirectly using valuation techniques with only observable market inputs and prices, commodity swap contracts and foreign exchange contracts
- Level 3 – Derived from valuations techniques that include inputs for asset/liabilities not based on observable market data. RailCorp currently does not have these financial instruments

<b>Fair Value at 30 June 2010</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Financial assets</b>			
Foreign exchange contracts	-	1 404	-
Commodity swap contracts	-	1 060	-
TCorp investments	-	-	-
<b>Total financial assets</b>	-	<b>2 464</b>	-
<b>Financial liabilities</b>			
Foreign exchange contracts	-	14 803	-
Commodity swap contracts	-	1 475	-
<b>Total financial liabilities</b>	-	<b>16 278</b>	-
<hr/>			
<b>Fair Value at 30 June 2009</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Financial assets</b>			
Foreign exchange contracts	-	1 165	-
Commodity swap contracts	-	2 232	-
TCorp investments	-	-	-
<b>Total financial assets</b>	-	<b>3 397</b>	-
<b>Financial liabilities</b>			
Foreign exchange contracts	-	12 845	-
Commodity swap contracts	-	5 912	-
<b>Total financial liabilities</b>	-	<b>18 757</b>	-

### Note 21 Joint venture

RailCorp has a participating 50% interest in the AK Car Joint Venture which operates an inspection railcar as a jointly controlled asset. The venture commenced on 1 February 2006. The aggregate amount of RailCorp's assets employed in the joint venture at 30 June 2010 is \$0.695m (2009: \$0.569m).

### Note 22 Events occurring after reporting date

Amendments to the Transport Administration Act commenced on 1 July 2010 establishing Transport NSW and abolishing the RailCorp Board. The Chief Executive of RailCorp has the authority to manage and control the affairs of RailCorp in accordance with any directions of the Director General of Transport NSW to RailCorp for the purposes of exercising the functions of the Director General. For the year end 30 June 2011 RailCorp will be a controlled entity of Transport NSW for consolidation purposes.

(End of audited financial statements)



GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDITOR'S REPORT

### Rail Corporation New South Wales

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Rail Corporation New South Wales (RailCorp), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

#### Auditor's Opinion

In my opinion, the financial statements:

- present fairly, in all material respects, the financial position of RailCorp as at 30 June 2010, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

My opinion should be read in conjunction with the rest of this report.

#### The Chief Executive's Responsibility for the Financial Statements

The Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to RailCorp's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RailCorp's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

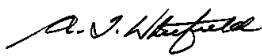
My opinion does not provide assurance:

- about the future viability of RailCorp
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal controls.

#### Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.



A T Whitfield  
Acting Auditor-General

28 September 2010  
SYDNEY

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## Appendix 1

### Nature and Scope of Operations

RailCorp has three primary functions which are conferred by Part 2 of the *Transport Administration Act 1988*. The three primary functions are regulated under the *Rail Safety Act 2008*. They are also subject to the *Passenger Transport Act 1990* which provides that the terms and conditions under which they are carried out are to be set out in a rail services contract with the Director-General of Transport NSW. The three primary functions are:

#### Railway passenger services

RailCorp is to operate railway passenger services, and it has the ability to establish new and alter or discontinue services as required.

Metropolitan, regional services (Newcastle and Hunter areas) and intercity services (South Coast, Southern Highlands, Blue Mountains and Central Coast) are operated through the CityRail network. CountryLink provides affordable long-distance passenger train and land-based coach services to regional NSW communities and the four capital cities in NSW, ACT, QLD and VIC. CountryLink also manages all NSW country stations, trains, onboard staff, reservations, bookings, sales and marketing. The majority of non-metropolitan rail infrastructure, excluding stations and rolling stock, is provided by the Australian Rail Track Corporation.

#### Rail infrastructure functions

RailCorp is to hold, manage, maintain and establish rail infrastructure facilities owned by or vested in RailCorp on behalf of the State. Rail infrastructure facilities include railway track, associated track structures, over track structures, cuttings, drainage works, track support earthworks and fences, tunnels, bridges, level crossings, service

roads, signalling systems, train control systems, communication systems, overhead power supply systems, power and communication cables and associated works, buildings, plant, machinery and equipment.

#### Metropolitan rail area access functions

RailCorp is to provide and promote access to its rail network, primarily to support rail freight services by third party operators. RailCorp currently provides 19 operators with access to the metropolitan network which also includes heritage and long distance passenger operations.

## Appendix 2

### Changes in Acts and Subordinate Legislation

#### 1. Rail Safety (Offences) Amendment Regulation 2009

**Date of Commencement:**  
**31 July 2009**

The object of this Regulation is to replace the graffiti and vandalism offence in the *Rail Safety (Offences) Regulation 2008* with an offence relating to vandalism and fixing posters.

Offences relating to graffiti are now contained in the *Graffiti Control Act 2008*. A consequential amendment is also made to enable a rail safety officer to direct a person who is damaging or defacing property by means of graffiti on a train or railway land to leave the train or land.

#### 2. Rail Safety (General) Amendment (Exemption) Regulation 2009

**Date of Commencement:**  
**18 September 2009**

The object of this Regulation is to amend the *Rail Safety (General)*

*Regulation 2008* to exempt the Rail Infrastructure Corporation (RIC) from Part 3 (Accreditation of rail transport operators) of the *Rail Safety Act 2008*. That Part provides that a rail transport operator must not carry out railway operations unless the person is accredited under that Part or exempt from the requirement to be accredited.

The purpose of the accreditation is to attest that the operator has demonstrated the competence and capacity to manage risks to safety associated with railway operations.

The exemption of RIC from those provisions is subject to the following conditions:

- (a) that RIC must, if requested, provide the Independent Transport Safety and Reliability Regulator (ITSRR) with certain information relating to the maintenance and operation of the RIC rail network and the maintenance of certain bridges over the RIC rail network
- (b) that RIC ensures, to the satisfaction of the ITSRR, that ARTC identifies and assesses risks to safety arising from certain work on the RIC rail network
- (c) that RIC ensures, to the satisfaction of the ITSRR, that any person engaged by RIC to maintain a public bridge over the RIC rail network, on behalf of RIC, identifies and assesses risks to safety arising from that maintenance.

#### 3. Occupational Health and Safety Amendment (National Code of Practice and National Standard for Licensing) Regulation 2009

**Date of Commencement:**  
**1 September 2009**

The object of this Regulation is to amend the *Occupational Health and Safety Regulation 2001*

(the OHS Regulation) to implement the national scheme for occupational health and safety training and assessments of competency in relation to construction work generally and high-risk work activities.

Under the national scheme, persons nominated by approved registered training organisations will provide general occupational health and safety induction training (**general induction training**) in accordance with the *National Code of Practice for Induction for Construction Work* (May 2007) (the **Code of Practice**). In addition, such persons will provide assessments of competency to carry out high-risk work (currently known as **scheduled work** in the OHS Regulation) in accordance with the *National Standard for Licensing Persons Performing High Risk Work* (April 2006).

The application of pesticides, the use of fumigants and categories of work involving certain loadshifting machines are not covered under the national scheme. Assessments of competency in relation to those work activities will remain under the current scheme outlined in the OHS Regulation.

In particular, this Regulation makes provision for the following matters:

- (a) the issue of OHS construction induction training cards by WorkCover to persons who have completed general induction training in accordance with the Code of Practice
- (b) the approval by WorkCover of registered training organisations and persons nominated by registered training organisations for the purpose of providing general induction training and high-risk work assessments in NSW
- (c) the issue of licences by WorkCover in accordance with the National Standard, which authorise a person to perform high-risk work.

#### 4. Dangerous Goods (Road and Rail Transport) Amendment Regulation 2010

**Date of Commencement:**  
**18 June 2010**

The object of this Regulation is to amend the Dangerous Goods (Road and Rail Transport) Regulation 2009 to provide that the driver of a road vehicle transporting dangerous goods who is required to carry a dangerous goods driver licence must, on request, produce the licence for inspection by an authorised officer or an officer of an emergency service.

This Regulation also makes law revision amendments relating to penalty amounts for certain offences under the Dangerous Goods (Road and Rail Transport) Regulation 2009.

#### 5. Transport Administration Amendment Act 2010

**Date of Commencement:**  
**1 July 2010**

The object of this Act is to establish a new framework for the administration and governance of the delivery of transport services and infrastructure by public transport agencies under the general direction of the Director-General of Transport NSW. For that purpose, the Act:

- (a) confers on the Director-General of Transport NSW specific functions in relation to such matters as transport planning and policy, the administration of the allocation of public funding for public transport agencies, transport infrastructure, contracting for the delivery of public transport services, transport services co-ordination, incident management and the provision and deployment of staff to public transport agencies
- (b) enables the Director-General, for the purposes of exercising his or her functions, to give directions to public transport agencies and provides that the chief executive

of a public transport agency is to manage the affairs of the agency in accordance with any directions of the Director-General

- (c) consequently abolishes the boards of management of various public transport agencies.

The object of this Act with respect to the administration of the transport services provided to the people of New South Wales include the following:

- (a) to provide an efficient and accountable framework for the governance of the delivery of transport services
- (b) to enable strategic directions to be set for integrated transport services
- (c) to enable effective planning and delivery of transport infrastructure and services
- (d) to facilitate the mobilisation and prioritisation of key resources across the transport sector
- (e) to co-ordinate the activities of those engaged in the delivery of transport services
- (f) to maintain independent regulatory arrangements for securing the safety of transport services.

#### 6. Government Information (Public Access) Act 2009

**Date of Commencement:**  
**1 July 2010**

In order to maintain and advance a system of responsible and representative democratic government that is open, accountable, fair and effective, the object of this Act is to open government information to the public by:

- (a) authorising and encouraging the proactive public release of government information by agencies
- (b) giving members of the public an enforceable right to access government information

## Appendix 2 (cont'd)

(c) providing that access to government information is restricted only when there is an overriding public interest against disclosure.

An agency must make the government information, that is its **open access information**, publicly available unless there is an overriding public interest against disclosure of the information.

Part 3 lists the information that is open access information, and includes the following:

- › the agency's current publication guide
- › information about the agency contained in any document tabled in Parliament by or on behalf of the agency, other than any document tabled by order of either House of Parliament
- › the agency's policy documents
- › the agency's disclosure log of access applications
- › the agency's register of government contracts
- › the agency's record (kept under section 6) of the open access information (if any) that it does not make publicly available on the basis of an overriding public interest against disclosure.

Open access information is to be made publicly available free of charge on a website maintained by the agency (unless to do so would impose unreasonable additional costs on the agency) and can be made publicly available in any other way that the agency considers appropriate.

Access to government information in response to an access application may be provided in any of the following ways:

- (a) by providing a reasonable opportunity to inspect a record containing the information
- (b) by providing a copy of a record containing the information
- (c) by providing access to a record containing the information, together with such facilities as may be

necessary to enable the information to be read, viewed or listened to (as appropriate to the kind of record concerned)

- (d) by providing a written transcript of the information in the case of information recorded in an audio record or recorded in shorthand or other encoded format.

### 7. Government Information (Public Access) Act 2009

**Date of Commencement:**  
1 July 2010

For the purposes of section 18 (g) of the *Government Information (Public Access) Act 2009* ('the Act'), the following government information is also to be prescribed as 'open access information' of a government department:

- › a list of the department's major assets, other than land holdings, appropriately classified and highlighting major acquisitions during the previous financial year
- › the total number and total value of properties disposed of by the department during the previous financial year
- › the department's guarantee of service (if any)
- › the department's code of conduct (if any).

### 8. Industrial Relations Amendment (Public Sector Appeals) Act 2010 No. 54 (NSW)

**Date of Commencement:**  
1 July 2010

The Act made consequential amendments due to the proposed amendment of the *Industrial Relations Act 1996 No. 17* (NSW) to empower the Industrial Relations Commission of NSW ('the Commission') to review decisions concerning the promotion and discipline of public sector employees, instead of the Government and Related Employees Appeal Tribunal, and the amendment of the *Industrial Relations Act 1996*

*No. 17* (NSW) and *Transport Appeal Boards Act 1980 No. 104* (NSW) to empower the President of the Industrial Relations Commission of NSW to review decisions concerning the promotion and discipline of officers and employees of the State Transit Authority, Sydney Ferries, the Roads and Traffic Authority and RailCorp instead of Transport Appeal Board.

The following are repealed:

- (a) the *Government and Related Employees Appeal Tribunal Act 1980*
- (b) the *Government and Related Employees Appeal Tribunal (Education Ancillary Staff Amendment) Act 1987*
- (c) the *Government and Related Employees Appeal Tribunal Regulation 2005*.

### 9. Passenger Transport (Drug and Alcohol Testing) Amendment Regulation 2010

**Date of Commencement:**  
23 July 2010

The object of this Regulation is to revise the process for the testing and analysis of urine samples provided by transport safety employees, and to allow the use of an on-site drug screening device to initially test such samples for the presence of a drug or drugs.

This Regulation also:

- (a) provides for the authorisation of test supervisors by operators of passenger transport services
- (b) requires the provision of certain information relating to the drug testing activities of bus and ferry operators
- (c) increases the time within which a test of the breath, blood or urine of a transport safety employee may be performed from three hours after the employee carried out transport safety work to four hours after the employee carried out transport safety work.



## Appendix 3

### Human Resources

Category Groups	2005 <sup>1</sup>	2006	2007	2008	2009	2010
Train Operations	593	633	612	585	625	616
Train Crew	3,080	3,080	3,120	3,202	3,235	3,377
Station Staff	3,029	2,701	2,829	2,773	2,636	2,358
Presentation Services	559	573	578	592	664	898 <sup>2</sup>
Security	664	559	582	625	576	542
Asset Management						
– Trades	791	2,449	2,492	2,485	2,475	2,509
– Engineering	180	897	826	1,003	1,072	1,255
Corporate/Other <sup>3</sup>	1,289	2,374	2,800	2,828	3,097	3,433
<b>Total</b>	<b>10,185</b>	<b>13,266</b>	<b>13,839</b>	<b>14,093</b>	<b>14,380</b>	<b>14,988</b>

<sup>1</sup> For reporting in 2005, Rail Infrastructure Corporation (RIC) was counted as a separate entity and not included in the figures provided at that time. The RIC figures were progressively added in 2006 and 2007.

<sup>2</sup> By 2010, a significant amount of station cleaning work was transferred to Presentation Services division, as were the staff and positions to perform this work.

<sup>3</sup> The Corporate/Other category includes all the apprentices, graduates, cadets and interns, of which during 2009 and 2010 there have been an increase in these positions.

The Corporate/Other category includes all displaced employees – there has been an increase in displaced employees as a result of the Station Staff Reform.

The Corporate/Other category for 2010 includes capital expenditure project positions which were previously not recorded in *Ellipse*.

#### Exceptional Movements in Wages, Salaries or Allowances

- › April 2009 – 4% salary increase for all employees covered by the Rail Corporation New South Wales Union Collective Agreement 2008
- › April 2009 – 4% increase in allowances for all employees covered by the Rail Corporation New South Wales Union Collective Agreement 2008
- › From 1 July 2009, the average increase for RailCorp managers on contract was 2.75%. Managers on contract receive an increase subject to achieving specific performance agreement targets.

#### Personnel Policies and Practices

##### HR policy development

A number of key policies and procedures were revised this year to ensure compliance with the ICAC recommendations, these include:

**Attendance Recording Procedure:** changes provide improved employee accountability and monitoring of absences.

**Secondary Employment and Voluntary Work:** changes minimise fraud and corruption caused by lack of knowledge of risks, especially those associated with conflicts of interest and gifts and benefits.

##### **Protected Disclosures and Reports of Corrupt Conduct and Other Serious Misconduct/**

**Maladministration:** changes ensure protection for eligible disclosures and compliance with legislation.

**Code of Conduct:** In 2009-10, RailCorp issued a revised Code of Conduct which applies to all employees, contractors and consultants. The revised Code clarifies the minimum standards that are expected of everyone who works at RailCorp, and fosters a culture in which all of RailCorp's values are consistently demonstrated. The revisions to the Code provide greater employee, contractor and consultant awareness and therefore compliance re their obligations regarding procurement and conflicts of interest and gifts and benefits.

## Appendix 3 (continued)

The revised Code of Conduct is published on the RailCorp website.

**New HR Procedures:** A total of 12 new HR Procedures were also published. The majority of these Procedures were designed to communicate obligations and ensure compliance with the National Employment Standards and other relevant NSW State legislation

(including audit and finance requirements).

### Industrial Relations Legislation, Awards and Agreements

- Contracts of employment
- National Employment Standards (NES)
- Rail Industry Award 2010
- Rail Corporation New South Wales Union Collective Agreement 2008.

## Appendix 4

### Equal Employment Opportunity

**Table 1: Trends in the Representation of EEO Groups (see notes below)**

EEO group	Benchmark or target	2007	2008	2009	2010
Women	50%	18%	18%	18%	19%
Aboriginal people and Torres Strait Islanders	2%	2.3%	2.2%	2.2%	2.2%
People whose first language is not English	19%	27%	27%	28%	28%
People with a disability	12%	7%	7%	6%	6%
People with a disability requiring work-related adjustment	7%	2.5%	2.2%	2.1%	1.9%

**Table 2: Trends in the Distribution of EEO Groups (see notes below)**

EEO group	Benchmark or target	Distribution index			
		2007	2008	2009	2010
Women	100	91	94	94	96
Aboriginal people and Torres Strait Islanders		83	82	84	82
People whose first language is not English	100	95	96	96	98
People with a disability	100	100	100	100	99
People with a disability requiring work-related adjustment	100	97	99	99	98

Notes: Data about EEO groups (excluding women) are estimates based on responses received from employees who completed an EEO questionnaire. As at the time of reporting 48% of employees completed an EEO Survey questionnaire.

A Distribution index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 indicate that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels.

## Appendix 5

### Making our Services More Accessible

RailCorp is progressively improving the accessibility of stations, trains, coaches and information for all passengers.

#### Stations

Following investment of almost \$500 million in the Easy Access program to date, 120 CityRail stations provide independent wheelchair access. Approximately 76% of passenger journeys involve the use of one or more accessible stations. An additional 59 stations provide wheelchair access with the help of a friend or carer.

Six station access upgrades were completed in 2009-10, and access improvements were underway at a further seven CityRail stations. Master locksmith access key (MLAK) locks were installed at 10 CityRail stations to improve the availability of accessible toilets for people with disabilities. We are continuing to install tactile tiles on CityRail stations, with approximately 53% of operational platforms having platform edge warning tiles to help passengers with vision impairment to navigate safely.

About \$34 million was invested during 2009-10 to provide additional commuter parking capacity in the CityRail network. Eight car parks with a total of 2,060 parking spaces were completed with 58 spaces designed and designated as accessible parking. A further 18 car parks were under construction which, on completion, will provide 6,660 spaces, 200 of which will be accessible.

Upgrade work to improve the safety and accessibility of level crossings in the CityRail network continued during 2009-10, with four crossings completed and two crossings commenced.

#### Trains

All suburban and regional CityRail services are wheelchair accessible and 39% of outer suburban/intercity services are accessible with the deployment of boarding ramps. In 2009-10 initiatives to further improve fleet accessibility included:

- › Completion of \$450 million investment to introduce 30 four-car Oscar trains (with two carriages spare) to provide enhanced passenger safety, better accessibility and comfort on outer-suburban services including audio and visual passenger information, allocated wheelchair spaces, priority seats and accessible help points
- › Further design development of the 626 double-deck Waratah carriages to replace non-airconditioned suburban carriages, with similar accessibility features to the Oscar trains. This included testing of the prototype train in preparation for the progressive introduction of the carriages to passenger service from late 2010
- › Improvements to colour contrasting, stair nosings and handrails on Tangara carriages commenced.

#### Communications

In 2009-10 RailCorp invested \$13.6 million as part of a progressive passenger information improvement program for CityRail stations. Electronic visual information was installed on eight CityRail stations with a further one underway, and audio upgrades were commenced at five stations. Directional signage was improved at two stations with more planned for 2010-11.

#### Community relations

Ongoing liaison and consultation with peak disability organisations and independent access consultants during 2009-10 was integral to the

development of key projects, including major station and interchange upgrades, and significant operational changes such as boarding procedures for passengers needing assistance.

RailCorp staff joined with a range of disability organisations and customers to celebrate International Day of People with Disability at Central Station. The celebration created an opportunity to raise awareness and for customers to participate in a familiarisation session with staff about the accessibility of CityRail's trains and stations.

RailCorp's strategies, actions and targets for accessible rail services are documented in the Transport NSW Accessible Transport Action Plan. The current version of the plan is publicly available through a link on the RailCorp website ([www.railcorp.info](http://www.railcorp.info)) and also at Transport NSW and Australian Human Rights Commission sites. Key performance indicators are updated every six months and consultation with peak disability organisations is undertaken at regular intervals.

#### Disability Plan – Employee Focus

In 2009-10, RailCorp:

- › Implemented a Traineeship Program in Human Resources for people with disabilities
- › Maintained a Disability Employee Network
- › Consulted managers and employees to facilitate the development of Managing Reasonable Adjustment guidelines which are to be published in 2010-11.

In 2010-11, RailCorp will:

- › Continue to roll out diversity training workshops for HR practitioners, including Disability Awareness

## Appendix 5 (continued)

- › Develop Equity and Diversity guidelines to assist in the recruitment and selection of employees including people with a disability
- › Publish Reasonable Adjustments guidelines to inform employees of their rights and responsibilities and assist managers and supervisors to manage issues that may arise when making workplace adjustments.

## Appendix 6

### Promotion

#### 2009-10 publications – RailCorp

- › RailCorp Annual Report 2008-09
- › RailCorp Corporate Plan 2009-14
- › Draft Corporate Plan 2010-15.

Please refer to RailCorp corporate website ([www.railcorp.info](http://www.railcorp.info)) for more detailed information on any of the publications listed above.

#### 2009-10 publications – CityRail

##### 1. Operational information

Station posters and customer brochures are produced to communicate operational information affecting customers' journeys including:

- › Major possessions and closedowns
- › Trackwork
- › Commissioning of the Cronulla branch line
- › Network maps
- › Christmas and New Year timetables
- › New Year's Eve integrated transport information
- › Timetables for all lines (ECRL integration sheet bill posters and timetable booklets).

##### 2. Major events

Station posters and customer brochures promoting integrated transport arrangements to major

sporting and community events including:

- › Easter Show
- › Sydney 400 V8 Supercars
- › Integrated transport events at ANZ Stadium including Big Day Out
- › NRL and AFL football finals series
- › A-League soccer
- › Australia Day
- › Anzac Day
- › Premier's Gala concerts
- › Over 250 special/charity events including Chinese New Year, Spring Cycle and City to Surf.

##### 3. Customer marketing initiatives

A range of station posters and customer brochures are produced to support customer marketing initiatives including:

- › National Rail Safety Week 2009
- › Anti-social behaviour
- › Personal security
- › Spring cleaning at station
- › School student courtesy
- › Family Funday Sunday
- › Welcome Aboard
- › Navigating the network
- › Pram safety
- › FlexiPass
- › TravelPass
- › DayTripper
- › Blue Mountains ExplorerLink
- › New Fares (January 2010)
- › MyZone launch (18 April 2010)
- › CityRail Customer Charter 2009
- › CityRail Customer Charter 2010
- › *CityRail Update* quarterly newsletter
- › Pram safety
- › If you see something, say something
- › Meet the Manager posters for each station's event.

Please refer to CityRail website ([www.cityrail.info](http://www.cityrail.info)) and RailCorp corporate website ([www.railcorp.info](http://www.railcorp.info)) for more detailed information on any of the initiatives listed above.

#### 2009-10 publications – CountryLink

##### 1. Operational information

A range of brochures and supporting posters (both station and onboard) are produced to communicate operational information affecting our customers' journeys including:

- › Timetables for all lines (booklet and posters)
- › Trackwork (posters)
- › Network maps
- › Welcome to CountryLink brochure
- › XPT layout guides
- › Luggage check-in poster
- › Travelling with CountryLink poster (Read me before you travel)
- › Travel agent Product Reports.

##### 2. Customer marketing initiatives

A range of brochures and supporting posters (both station and onboard) are produced to promote CountryLink products and destinations:

- › CountryLink Holidays retail holiday program (brochures, posters)
- › Miscellaneous retail marketing initiatives: Summer in Sydney, Autumn in Sydney, Winter Rail Escapes, winter special fare, New England, Kids travel for \$1 (brochures, posters)
- › Event-based retail marketing initiatives: Floriade, Masterpieces from Paris, Bledisloe Cup (brochures, posters)
- › Event-based trains: Elvis Express, Supercheap Auto Bathurst 1000 (brochures, posters)
- › Inbound market: CountryLink passes, retail holiday flyers and Rail Australia (brochures)
- › Destination-based general information (brochures, folders, posters)
- › Pensioner guide (booklet)
- › Student discount flyer
- › Destination-based postcards
- › XPTraveller onboard magazine
- › CountryLink travel centre open days (posters)
- › Monthly electronic newsletters.

### 3. Internal

A range of material supporting CountryLink staff, including:

- › We believe – customer service standards booklet
- › A quarterly newsletter
- › Seasonal calendars.

## Appendix 7

### Consumer Response

#### A. Customer feedback commentary and data for the year

The Customer Relations team provides timely and accurate responses to customers who provide feedback including complaints, compliments, suggestions and queries via Transport info (131 500), which includes telephone and web lodgements, letters and others as a result of RailCorp's (i.e. CityRail and CountryLink) performance and activities.

A total of 41,252 issues of all types were logged in 2009-10, an overall increase of nearly 21% on 2008-09's total of 34,126 issues. This increase has been driven by a significant increase in feedback from customers via the RailCorp and 131 500 website and passenger feedback on CityRail's new timetables.

Compliments showed an increase of more than 12.8% on 2008-09's totals, from 2,171 to 2,449 issues logged.

A total of 21,234 complaint issues were logged in 2008-09, rising to 26,318 in 2009-10.

Increases were experienced across a number of KPI categories with feedback about the October 2009 timetable and the draft October 2010 timetable accounting for a significant portion of this trend.

KPI categories showing a decrease were Claims, Cleanliness, Internal Matters and Security.

The KPI category Service, dealing with levels of comfort and convenience experienced by our customers, was the greatest source of customer dissatisfaction – from 3,212 last financial year to 4,205. Of these the temperature on board trains was the most common complaint. The progressive replacement of non-airconditioned rolling stock will alleviate this cause of complaint.

There were a total of 3,676 issues in the Staff complaints category and 2,959 on-time running complaint issues in 2009-10.

Timetable complaints showed the largest increase this past year, with a total of 2,153 issues logged. In 2008-09 the total was 551 complaints. This was due to the introduction of the 2009 timetable in October of that year as well as customer consultation on the draft timetable for the Eastern Suburbs, Illawarra and South Coast lines to be introduced in October 2010. RailCorp actively encouraged passenger feedback on both of these timetables. As a direct result of this feedback a number of service changes were made to both timetables. October 2009 Timetable changes included:

- › Introduction of a new afternoon peak service from Central to Quakers Hill, departing Central at 3.41pm
- › Extension of more services to Macarthur
- › Improvements to connections at Epping in the afternoon peak
- › An additional stop at Berowra has been added to the 2.15pm Central to Newcastle weekday service to improve services for school children at Asquith. This service now stops at Berowra at 3.01pm
- › Introduction of a late night service from Gosford to Hornsby to suit shift workers.

Changes as a result of consultation on the October 2010 timetable included:

- › Extending more services between Kiama and the City including the morning peak service arriving at Central Station at 8.30am
- › Additional stops at North Wollongong for selected weekday services and all weekend services to/from the City
- › Reduced service gaps on selected services at Penshurst, Unanderra, and stations between Otford and Austinmer
- › Restoration of stops at stations between Hurstville and Sutherland on the afternoon peak service departing Bondi Junction at 5.32pm.

The feedback channel Web Lodgement continues to increase. The number of feedback issues logged via the CityRail and 131 500 websites, or other e-mail, rose from 7,564 in 2008-09 to 12,500 in 2009-10. It is apparent that this channel is assuming greater importance as one of the primary means of communicating with our customers.

#### All Issues Received

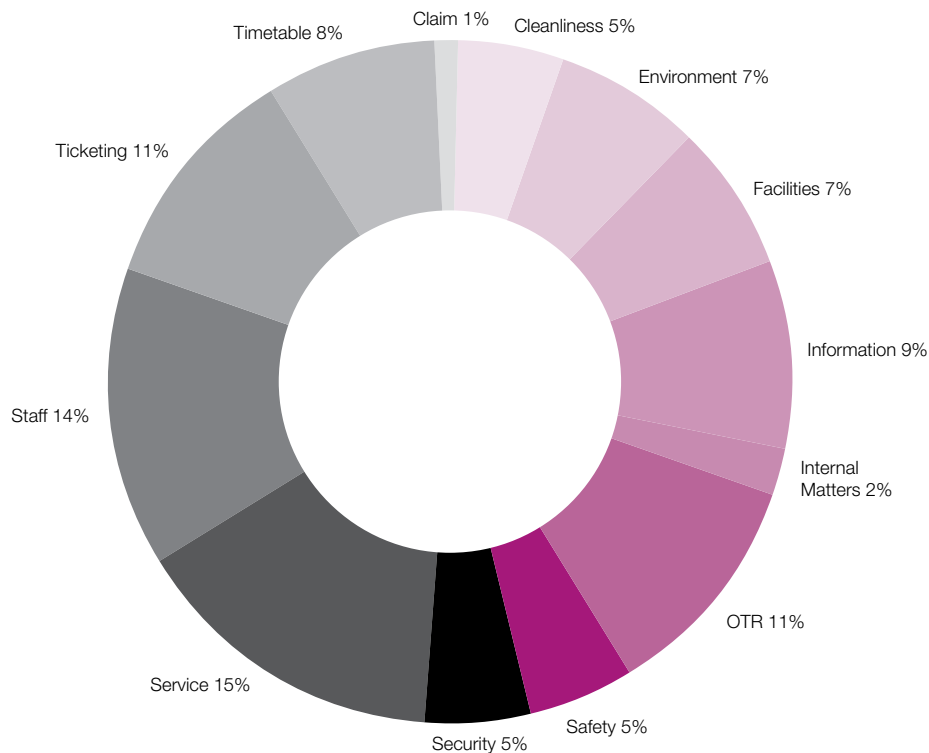
Case Source	2009-10
Phone 131 500	25,955
Web Lodgement	12,500
Ministerial	1,590
Letter	1,202
Other	5
	<b>41,252</b>

#### All Complaint Issues Received

Case Source	2009-10
Phone 131 500	15,375
Web Lodgement	8,947
Ministerial	1,274
Letter	718
Other	4
	<b>26,318</b>

## Appendix 7 (continued)

### Complaints by Key Performance Indicators 2009-10



#### All On-Time Running Complaint Issues Received

Case Source	2009-10
Phone 131 500	1,693
Web Lodgement	1,144
Ministerial	63
Letter	59
Other	0
	<b>2,959</b>

#### B. Achievements against the Customer Charter Commitment for Quick and Fair Complaints Handling

The CityRail Customer Charter has 'quick and fair complaints handling' as one of its key aims, and an overview of all feedback received during the 2009-10 financial year shows that the Customer Relations

unit exceeded the stated targets by handling all customer feedback received by phone and web within five working days or less, and all postal correspondence within 15 working days or less.

#### C. Customer Feedback Improvement Program

The three-year Customer Feedback Improvement Program (CFIP) implemented in 2008 aims to improve the customer experience when using RailCorp services.

Further improvements have been made during this financial year, including a rationalisation of the Issue Classification Taxonomy to streamline the registration of feedback. The new taxonomy came into effect in May 2010, reducing more than 500 individual feedback symptoms to just over half this number, and a review of the

KPI categories used to classify customer feedback issues was also undertaken.

Additional resources were also applied to the handling of customer complaints.

### Customer and Community Relations

#### Youth Outreach Program

The main focus during this year is high school students and 'at risk' youth. At risk youth are young people who have been identified as possibly not completing school at the minimum age requirement of 17.

The objectives of the Outreach Program are to make young people aware of dangerous behaviour on or around stations and trains, create an understanding of life after a serious injury, encourage students to accept

responsibility for their actions and to stand up to peer pressure by encouraging positive friendships.

A total of 157 presentations to 13,447 youth audiences were made by RailCorp in 2009-10.

During the past five years the Outreach Program has woven strong ties with organisations that assist these young people to get their lives back on track. Some of these organisations are Mission Australia, Links to Learning, Rosemount Good Shepherd youth and family services, Department of Juvenile Justice, TAFE NSW and Police and Citizens Youth Clubs.

## Appendix 8

### Multicultural Policies and Services Plan

RailCorp has prepared a program that will underline its commitment to the Multicultural Policies and Services Plan (formerly EAPS) as part of its core business function in 2009-10.

The Principles and Objectives of the Community Relations Commission and *Principles of Multiculturalism Act 2000* will link all current and future programs into one structure and framework.

The key areas where RailCorp has developed its EAPS commitments in 2009-10 are:

#### **Planning and development**

Within the RailCorp Corporate Plan, a key objective is to employ people from diverse backgrounds that represent Australia's multicultural society. This is reflected in RailCorp's Equity and Diversity Management Plan.

RailCorp is an equal opportunity employer that values a diverse and

skilled workforce. In 2008-09 28% of RailCorp's workforce were people whose language first spoken as a child was not English.

**Employees** As in previous years, all new staff participate in the employee induction program that covers EEO, anti-discrimination and issues associated with Equity and Diversity. RailCorp's Workplace Communication and Pre-Apprentice programs aim to improve the skills and support the career development of Culturally and Linguistically Diverse (CALD) employees in lower-graded positions, so they can better perform their jobs and boost their career prospects. The Pre-Apprenticeship course, conducted by TAFE NSW, is designed for CALD employees who wish to apply for a RailCorp apprenticeship.

**Community** A joint co-ordinated effort and co-operation between RailCorp, the local member for Granville and the Consul General of India for Sydney resulted in major changes to Harris Park Station to improve the safety and security for commuters and pedestrians. The improvements to Harris Park Station included improved lighting, the installation of CCTV cameras in designated areas, moving the overhead pedestrian crossing to vastly improve the security situation, and local landscaping. RailCorp conducted a successful community engagement program with over 1,500 letters delivered to residents and local businesses.

**Communication** For the launch of the 2009 timetable RailCorp produced a range of material for its customers of Non-English Speaking Backgrounds (NESB).

- **Newspaper:** The 2009 timetable was promoted in a variety of non-English speaking outlets in Arabic, Chinese, Greek, Italian, Korean and Vietnamese which covered a reach of over 120,000

people. NESB printing accounted for 10.35% of the overall print spend.

- **Radio:** More than 200 radio slots to promote the 2009 timetable were allocated within metro, regional and state programs in Arabic, Cantonese, Greek, Italian, Korean, Mandarin and Vietnamese.
- **Television:** TV advertising provided broad reach and coverage for the campaign; spots were placed with SBS News to reach our Non-English Speaking Background audience.
- NESB TV and radio accounted for 3% of the overall electronic media spend. RailCorp developed the NESB media plan for print and radio with a specialist company, Multicultural Marketing.

For the 2010-11 year, RailCorp will continue to build on these strategies to ensure culturally diverse employees and the wider population continue to be recognised as valuable resources within NSW.

## Appendix 9

### Agreements within the Community Relations Commission

RailCorp does not have a formalised agreement with the Community Relations Commission. Instead, a copy of the information provided in RailCorp's Annual Report is provided to the Commission which partly meets our requirements under the Community Relations Commission and *Principles of Multiculturalism Act 2000*.

However, when the Community Relations Unit is re-established within RailCorp, a formal arrangement will be entered into.

## Appendix 10

### Occupational Health and Safety

RailCorp's Occupational Health and Safety (OHS) is managed through our Safety Management System (SMS), through which rail safety obligations are also managed.

RailCorp is a licensed self-insurer under the *Workers Compensation Act 1987 (NSW)*.

More than 70 OHS committees are constituted within RailCorp, and these committees oversee safety issues on a location-specific basis. Training is provided for OHS Committee chairs, who are also invited to attend an annual forum.

Workers compensation claims are managed through the Workers Compensation Services Division. According to data extracted on 5 July 2010, for the 2009-10 year:

- 1,428 injury claims were accepted by RailCorp
- 167 of those claims related to journey injuries
- 688 injuries were lost time injuries
- the average cost of claim was \$18,166\*.

\*Analysis shows that 1% of reported claims have been identified as having an expected cost of greater than \$100,000 (indexed from 2006). By contrast, 50% of reported claims have an expected cost of less than \$1,000. (Source: *McMahon Actuarial Services Report: RailCorp Workers Compensation Self-Insurance Outstanding Claims Liability as at 30 June 2010.*)

RailCorp was not the subject of a WorkCover prosecution during the 2009-10 year.

The organisational spread of injuries (the subject of accepted claims) for the year was as follows:

RailCorp runs comprehensive health and wellness programs for its employees throughout the year, details of which are provided elsewhere in this report.

Further detail of RailCorp's Occupational Health and Safety Performance is contained in its 2009-10 Annual Safety Performance Report, produced in accordance with the requirements of Section 15 of the *Rail Safety Act (NSW) 2008*.

## Appendix 11

### Privacy and Personal Information Protection Act 1998

RailCorp did not receive any applications under Part 5 of the *Privacy and Personal Information Protection Act 1998* during the 2009-10 year.

Group	Employees*	Injuries	LTIs**
Service Delivery Group	8,723	1,022	526
Asset Operations Group	3,555	312	123
Engineering & Projects Group	634	9	5
Corporate and Strategy Development Groups (including CEO's office)	2,076	85	34
RailCorp Total	14,988	1,428	688

\*as at 30 June 2010

\*\*lost time injuries



## Appendix 12

### Performance and Numbers of Executive Officers

The total number of positions with remuneration equal to or exceeding Senior Executive Service (SES) Level 1 (total remuneration package \$149,150) is 295. This compares with 268 for the 2008-09 reporting period. Please note that since the introduction of the RailCorp Classification

Structure in 2008 there has been an increase in the number of employees engaged under management contracts, as any position above RC7 is now covered by a management contract. This new structure has therefore increased the number of employees that now have a total remuneration package of \$149,150 and above, and not covered by the RailCorp UCA.

Of the 295 positions, women hold 42 (14.2%) of these. This compares with 39 (14.5%) for the 2008-09 reporting period.

As shown in the table below, the total number of positions in receipt of remuneration equal to or exceeding SES Level 5 (total remuneration package \$231,951) is 37.

Title	Officer	Total Rem. Package	
Chief Executive Officer	Rob Mason	\$503,181	<p>Delivered high and improving level of organisational performance in the areas of reliability, safety and customer satisfaction.</p> <p>Successfully introduced new timetable in October 2009, incorporating Epping and Chatswood into CityRail networks.</p> <p>Achieved all commitments from RailCorp's first Customer Charter; introduced second (2010) Customer Charter and achieved all commitments to date.</p> <p>Cronulla Line Duplication completed.</p> <p>MyZone successfully introduced.</p> <p>Proactively supported the establishment of Transport NSW, including negotiation of Rail Services Contract.</p> <p>Progressed reforms in operational and corporate areas (capex up 40%).</p> <p>Proactively addressed and identified RailCorp probity issues.</p>
Chief Operating Officer	Andrew Byford	\$408,544	<p>Implementation of the 2009 Timetable.</p> <p>Delivered operational implementation of the new MyZone ticketing system including product awareness training for 2,700 station staff.</p> <p>Completed implementation of the Station Staff Review to place station staff where and when they are most needed.</p> <p>Delivered the 20 commitments of the 2009 Customer Charter on time and on budget.</p> <p>Oversaw further improvements to on-time running and customer satisfaction.</p> <p>Proactively addressed improvements to operational safety leading to an 18% reduction in Signals Passed at Danger.</p>

## Appendix 12 (continued)

Title	Officer	Total Rem. Package	
Group General Manager Asset Operations	Gavin Campbell (commenced November 2009)	\$375,000 (pro rata)	<p>Designed and commenced the implementation of a new business plan for the Asset Operations Group.</p> <p>Supported the continued improvement in operational performance and overall asset condition.</p> <p>Created a new position of Director Worksite Protection Program to enhance and accelerate this safety-critical initiative across RailCorp.</p> <p>Assessed the overall Occupational Health and Safety performance of the Group, benchmarked other key organisations and commenced planning for a stepped improvement in this important area.</p> <p>Commenced a cultural change program starting with leadership development to complement the existing strong technical skills with improved safety, commercial and people management skills.</p> <p>Actively supported the acceleration of the Lean Six Sigma continuous improvement methodology to improve customer satisfaction, reliability and quality across the Group.</p> <p>Worked with other RailCorp business groups to align Asset Operations' future direction and way of operating with primary customers and stakeholders.</p>
Group General Manager Engineering and Projects	Ian McCullough (commenced November 2009)	\$375,000 (pro rata)	<p>40% Growth in Capital Invested relative to 2008/9</p> <p>Capital invested achieved 97% of group budget (vs. &lt;90% 2008/9)</p> <p>10% Growth in Key Technical Resource relative to 2008/9</p> <p>ATP programme refocused and passed investment Gateway appraisal</p> <p>Draft Technical Strategies prepared to support 2040 Plan</p> <p>Waratah Prototype Train Certified for Test Operations</p> <p>Planning/scheduling activity re-focused onto use of corporate toolset and changes made to initiate cross-business integration.</p>
Project Director PPP	Frederick Paton	\$334,400	<p>Led the ongoing procurement of 626 passenger carriages for the PPP (Waratah) Rolling Stock Project, the Auburn Maintenance Facility, and Simulators.</p> <p>Managed key project and external stakeholder relationships and the government project governance and reporting requirements to stakeholders.</p> <p>Led the financial, commercial and technical compliance requirements for the project.</p> <p>Oversaw the implementation of the transition organisation and commencement of transition activities to enable operational readiness for the new trains including IT enabling projects.</p> <p>Drove the practical completion of the Auburn Maintenance Facility, Petersham Training College Upgrade, Manchester Road Upgrade, the Auburn Down Relief and associated mainline connections.</p> <p>Managed the commencement activities for track testing of the PPTV on the Sydney network.</p>

Title	Officer	Total Rem. Package	
Strategic Business Relationship Manager	Paul Poynton (commenced March 2010)	\$333,333 (pro rata)	<p>Program development manager for the Traction Supply Upgrade program to support the introduction of the 626 new Waratah passenger carriages.</p> <p>Managed a portfolio of projects sponsored by the Chief Engineer, Electrical.</p>
Group General Manager Safety and Environment and Chief Risk Officer	Clare Kitcher	\$318,552	<p>Delivered continuously improving management systems to support achievement of safe and sustainable outcomes and safety and environmental accreditation and licences.</p> <p>Developed the new function providing professional safety support services to managers across RailCorp through a team of component safety practitioners.</p> <p>Provided technical expertise to major capital projects in areas of safety risk, safety change/assurance and human factors.</p> <p>Led the drug and alcohol system and testing regime.</p> <p>As Chief Risk Officer further developed RailCorp's Enterprise Risk Management approach.</p>
Group General Manager Finance and Corporate Services	Gary Pedersen	\$316,763	<p>Achieved an unqualified Audit Report for the year ended 30 June 2009.</p> <p>Managed financial performance to bring the Corporation in better than operating budget in 2009-10.</p> <p>Continued implementation of compliance initiatives to address ICAC and enhanced procurement procedures and processes.</p> <p>Oversaw the implementation of a Business Finance Improvement Program across the Corporation to redesign all financial policies, processes and systems to best practice.</p> <p>Implemented the Procurement Transformation Program across the Corporation to adopt and redesign procurement structure, systems and processes to best practice in procurement performance and compliance.</p> <p>Assumed responsibility for ICT and oversaw development of ICT strategic plan and review of major projects in flight.</p>
Director Special Projects	Louise Hart	\$303,410	<p>Advised on arbitration of a significant dispute with a major rolling stock provider and led the transformation of the relationship with the supplier, ensuring the new contract continues after 15 months to be on time, on budget and with no claims between the parties.</p> <p>Led the evaluation of tenders for the introduction of a \$225 million Digital Train Radio System, a key safety initiative, and concluded contracts with the successful tenderer in less than a month from approval by Cabinet to appoint a preferred tenderer.</p> <p>Commenced development of a management strategy for the electric fleet to support delivery of the Metropolitan Transport Plan.</p>

## Appendix 12 (continued)

Title	Officer	Total Rem. Package	
General Manager Rolling Stock	Joseph Camilleri	\$289,008	<p>Delivered the rolling stock maintenance reform to Implementation Stage which was independently reviewed and accepted.</p> <p>Initiated and implemented a Refresh Program for the Tangara Fleet.</p> <p>Completed 2 Black Belts, 3 Green Belts and 11 Lean Six Sigma projects which targeted reliability improvements.</p> <p>Managed the reduction of the Lost Time Injury Frequency Rate (LTIFR) by 9.2% across the Division.</p> <p>Implemented the Management by Walking Around procedure in the Rolling Stock Division to ensure all senior management in the Division are involved with staff at workshop level.</p> <p>Assisted in the development of a Fleet Management Strategy.</p> <p>Improved Fleet Reliability by 50% over the year.</p>
Director Human Resources	Brian Hartmann	\$288,919	<p>Implemented the Human Resources Targeted Operating Model resulting in an improvement in the way we deliver HR services, allowing a more strategic approach to HR service delivery including the streamlining of over 40 HR processes.</p> <p>Collaborated with the Group General Manager Asset Operations for the delivery of Rolling Stock Reform.</p> <p>Developed the Our People Strategy which provides direction for a five-year portfolio of projects designed to deliver workforce success.</p> <p>Delivered a range of initiatives addressing organisational capability, talent management, attraction and retention.</p> <p>Led the expansion and refurbishment of RailCorp's training facility at Petersham to ensure that it meets the needs of RailCorp into the future with no delays to training operations.</p>
Group General Manager Strategy and Service Development	Vivienne King	\$285,000	<p>Established the Strategy &amp; Service Development Group to create a single point for strategy and planning, from both a network and corporate perspective, within RailCorp.</p> <p>Proactively supported the establishment of Transport NSW and began building a strategic partnership, including working closely with Transport NSW for the development of the new Rail Services Contract.</p> <p>Successfully introduced the 2009 Timetable, incorporating mass media, an advertising campaign and extensive public consultation.</p> <p>Successfully introduced the MyZone fare structure in association with Transport NSW and the Public Transport Ticketing Corporation.</p> <p>Launched a customer communications campaign to transition CityRail customers to MyZone. Successfully launched online ticketing through a mass media advertising campaign.</p> <p>Delivered the 2009-14 RailCorp Corporate Plan, the first required under the new legislation, and including for the first time an open public comment period.</p> <p>Hosted the 2010 Nova Annual Conference, attended by international delegates.</p> <p>Delivered Easy Access Station upgrades at Woonona, Emu Plains and Lindfield.</p> <p>Developed the rail contribution to the Metropolitan Transport Plan.</p>

Title	Officer	Total Rem. Package	
Group General Manager Strategy and Service Development (continued)	Vivienne King		Delivered car park upgrades at Windsor and Holsworthy to include new 'park and ride' and bus interchange facilities, new landscaping, and improved security, with better lighting and expanded CCTV coverage. Managed the capital investment process, including the development of the RailCorp Total Asset Management Plan (TAMP), and rolled out improvements to the enterprise-wide Project Management Methodology.
Executive General Manager Commercial Services	Aidan Hughes	\$278,512	<p>Delivered a range of shared services functions for the organisation. Led the development and establishment of an in-house Plant Hire Services Management business unit in response to recommendations in the ICAC Monto report.</p> <p>Facilitated the whole-of-business RailCorp response to the 40 recommendations from the ICAC Monto report and provided support to various change management initiatives arising.</p> <p>Contributed to the ongoing development and enhancement of RailCorp's approach to business ethics, the prevention of fraud and corruption and the development of a compliance culture in the workplace.</p> <p>Facilitated the whole-of-business RailCorp response to the ICAC Chaucer inquiry and represented management in direct evidence to the inquiry.</p> <p>Further developed a number of initiatives focusing on compliance activities including field compliance reviews.</p> <p>Led the development of a RailCorp Business Service Centre Operating Model and contributed to the development work for the Transport NSW Shared Service Centre.</p>
General Manager Infrastructure Maintenance	John Minchin	\$277,695	<p>Led a maintenance division of 1200 in the successful delivery of inspection, corrective maintenance and emergency response services. Completed a further four Six Sigma Reliability Projects.</p> <p>Conducted a series of supervisor safety road shows at eight locations to actively promote safety improvement.</p> <p>Successfully implemented the Infrastructure Customer Charter commitments.</p> <p>Implemented the new Incident Control System (ICS) with the Division. Achieved a record high 99.7% of all safety critical inspections completed on time.</p>
General Manager Infrastructure Renewals	David Foldi	\$274,386	<p>Led RailCorp's infrastructure construction team comprising over 1,100 staff members, with support from partners in the rail supply industry, to deliver approximately 600 projects valued at \$263 million to support RailCorp's Major Periodic Maintenance and Capital Programs.</p> <p>Successfully delivered major projects including the commissioning of signalling works to support the Cronulla branch line duplication, Auburn Maintenance facility signalling, Traction Supply Upgrade, Overhead Wiring Modernisation, track upgrading, turnout renewals, and RailCorp's bridge renewal programs.</p> <p>Oversaw the expanded operations of the Trackwork Service Alliance during its second year.</p> <p>Represented RailCorp in key industry forums, including the Rail Industry Safety &amp; Standards Board and Rail Innovations Australia.</p>

## Appendix 12 (continued)

Title	Officer	Total Rem. Package	
General Manager Projects	Nigel Howlett	\$271,253	<p>Successfully managed the creation of the new Projects Division on 1 July 2009. Co-located the majority of the team members at a new RailCorp office at Burwood by September 2009.</p> <p>Transitioned the team makeup from 70% contractor-based to 82% RailCorp employees through the course of the year.</p> <p>Responsible for the successful delivery of the allocated Capital Budget of \$820 million (an increase in delivery of &gt; 40% from 2008-09 actuals).</p>
General Manager Train Crewing	Ian Hill	\$266,556	<p>Planned and led the regionalisation of train crew and direct support staff into four Customer Service divisions.</p> <p>Led operational aspects of the removal of mandatory train horn soundings from CityRail trains on departure from platforms.</p> <p>Led the implementation of crew aspects of the 2009 Timetable change including crew efficiency savings of over \$7 million per annum.</p> <p>Led the implementation of the CityRail Signals Passed at Danger (SPAD) program to help reduce SPADs by 18%.</p> <p>Directed the 'Footplate' efficiency program including the commencement of new train preparation procedures.</p> <p>Led the provision of daily schedules for crew with electronically generated station stops and departure times to reduce missed stops and reduce injuries.</p>
Engineering Technical Director	Guy Collishaw	\$265,598	<p>RailCorp's principal point of contact on all engineering and technical issues related to the Waratah trains, both internally within RailCorp and with our PPP partners, Reliance Rail.</p> <p>Continued leadership of the technical review of design submissions for changes brought about through variations as well as the resolution of open design issues.</p> <p>Led the progressive assurance activities associated with the manufacture of the Waratahs at both CRC (China) and Cardiff (NSW).</p> <p>Developed and established the verification process to be adopted on the project with progressive completion of this major activity to assure the Waratah meets RailCorp requirements. Co-ordinated the track access program that is required to be provided to permit this testing to be undertaken.</p> <p>Supported the Safety and Risk team in its development of the Safety Assurance Reports and related documentation that has been provided to support the safe introduction of the Waratah onto the RailCorp network.</p> <p>Planning the reorganisation of the team to progress from Engineering team reviewing design submissions to the Technical team overseeing the delivery of 626 Waratah carriages over the next three years. Commenced the recruitment of team to meet these additional challenges.</p>

Title	Officer	Total Rem. Package	
General Manager Chief Engineer	Dimitrios Modrouvanos	\$262,840	<p>Successfully led the establishment of the Chief Engineers Division to focus on engineering standards, competency and engineering governance.</p> <p>Managed the establishment of an internet presence for RailCorp's Engineering Standards.</p> <p>Provided engineering standards, technical advice and Annual Asset Integrity reports for key asset classes.</p> <p>Led the streamlining of engineering approval processes to support the tendering schedule for the Glenfield to Leppington Line.</p> <p>Partnered with the Transport Construction Authority (TCA) to implement common processes to improve the integrity of road rail-maintenance vehicles.</p> <p>Managed the provision of technical advice to support the ongoing development and commissioning of key projects such as Cronulla Line Duplication, Waratah Sets and Traction Supply Upgrade.</p>
Director Office of Rail Heritage	Marianne Hammerton	\$262,637	<p>Achieved updated s170 Heritage Register by compliance deadline, Heritage Council endorsement and the Development Award in the Energy Australia National Trust Heritage Awards 2010.</p> <p>Completed successful Conservation Volunteers Australia Rail Heritage Care Pilot Program, generating 81 new volunteers, 1,043 incident-free volunteer days of heritage asset projects and a heritage skills audit.</p> <p>Achieved completion of new roundhouse and on schedule final stage construction in the major upgrade of the Rail Heritage Centre (Thirlmere); preferred business model and governance for Centre developed by June.</p> <p>Achieved completion of Pay Bus restoration by apprentices; display and associated exhibition at Central wins Energy Australia National Trust Heritage Award 2010 for Education.</p> <p>Contributed as Program Sponsor to the development of the People Strategy and plan for implementation.</p>
Corporate Counsel/ Company Secretary	Irene Rusak	\$262,244	<p>Improved and maintained an effective framework for corporate governance throughout the transition from a state-owned corporation to a NSW statutory authority.</p> <p>Provided ongoing support to the Board and its committees in the role of Company Secretary.</p> <p>Provided strategic legal advice to the RailCorp Board.</p> <p>Managed the provision of legal services to RailCorp.</p> <p>Managed the internal investigations function.</p> <p>Provided administration of the Internal Audit function, reporting independently to the Audit Board Committee.</p>

## Appendix 12 (continued)

Title	Officer	Total Rem. Package	
Chief Health Officer	Armand Casolin	\$262,218	<p>Delivered the roll-out of 104 automated defibrillators to 45 CityRail stations, 14 CountryLink stations, all CountryLink trains, the Emergency Response Unit, seven maintenance depots and other selected corporate locations.</p> <p>Established a panel of drug and alcohol rehabilitation providers to undertake the medical assessment and counselling of employees undertaking rehabilitation.</p> <p>Delivered the 2010 influenza vaccination program with 4,095 vaccines administered – a 10.4% increase from the 2009 vaccination program.</p> <p>Delivered the 2009 program of Health Fairs, with 905 employees having health checks – a 10% increase from 2008.</p> <p>Represented RailCorp on the Rail Medical Standards Working Group conducting the 2010 review of the National Standard for Health Assessment of Rail Safety Workers.</p> <p>Delivered the Executive Health Assessment project with a participation rate of 81%.</p> <p>Launched eapdirect, an extranet site that can be accessed by employees and their family members both at work and at home.</p>
General Manager Asset Planning and Performance	David Spiteri	\$261,641	<p>Co-ordinated the delivery of the maintenance program for the operational assets plan.</p> <p>Oversaw the Master Schedule expansion to encompass both Maintenance and Capital Works (major contributor to delivery of Capital Program in 2009-10).</p> <p>Used the Master Schedule to ensure resource availability for the successful delivery of the Sutherland Resignalling and Sutherland to Cronulla Duplication Line.</p> <p>Developed and received Board approval for RailCorp's Total Asset Management Policy.</p> <p>Developed the 10-Year Track Possession Program, incorporating Maintenance and Capital Works.</p> <p>Developed the Asset Management Plans for Operational Assets.</p> <p>Expanded the Lean Six Sigma team to allow acceleration in future years.</p> <p>Developed a capability for managing business and system requirements with sponsors.</p>
Executive General Manager Business Co-ordination	Thomas Forrest	\$260,000	<p>Led RailCorp's interface with government.</p> <p>Co-ordinated reports and advice to all bodies external to RailCorp to ensure quality and consistency.</p> <p>Worked closely with the CEO and RailCorp Engineering and Projects leadership to build a strong relationship with RailCorp's Transport corporate partners and achieved a record annual spend in the capital works field.</p> <p>Led RailCorp's relationship development and change implementation with the appointment of a new Minister for Transport.</p>



Title	Officer	Total Rem. Package	
General Manager Operations and Deputy Chief Operating Officer	Anthony Eid	\$258,960	<p>Successfully delivered 36 major events and 227 medium events in 2009-10 including the World Masters Games; Breakfast on the Bridge; and the Sydney 400 V8 Supercars, incorporating over two million passenger journeys.</p> <p>Led the operational readiness and implementation of the Sutherland Oatley Loftus Area Re-signalling (SOLAR) project; the Cronulla branch line duplication project;</p> <p>Led the delivery of phases 1 &amp; 2 of the Self-Harm Prevention Project to actively reduce self-harm incidents on the network, which included the roll-out of the staff awareness program.</p> <p>Led the successful delivery of service reliability, achieving a year to date performance of 95.9% against a target of 92%.</p> <p>Implemented phase 1 of the Business Intelligence On-Time Running System to provide improved reporting and analytical capability.</p> <p>Led the operational readiness across RailCorp for the successful delivery of the 2009 Timetable.</p> <p>Achieved ISO 9001 Certification in Train Planning for the Special Train Notice Production Process.</p> <p>Delivered and implemented 220 bussing operations for weekend possessions and weekday closedown in 2009-10 and successfully reducing the bussing spend by over \$4 million.</p> <p>Consolidated Sutherland and Cronulla signal boxes into Sydenham Signal Complex.</p> <p>Provided resources to support the newly formed Transport Co-ordination Group.</p> <p>Implemented the provision of real-time information to stations via SMS messaging in line with the 2010 Customer Charter.</p>
General Manager Professional Services	Ronnie Azzi	\$258,950	<p>Established Professional Services Division (PSD) to be the organisation's single point of contact for engineering services.</p> <p>Created new business units, including the Program Office and Rolling Stock Design unit, to help deliver the largest rail capital investment program in the history of NSW. PSD provided engineering expertise to support both capital and renewals activity.</p> <p>Developed and implemented a 'deep dive' process to prioritise design packages to maximise production in the Christmas and Easter closedowns. The process also provided greater clarity and communication of critical work load to be completed.</p> <p>Streamlined the Design Review process through industry working groups and by piloting changes such as moving towards a risk-based approach and designer-to-designer interfaces. These initiatives are significantly reducing the time required to review designs.</p> <p>Developed and implemented the Supplier Improvement Strategy to develop more effective relationships with our engineering design suppliers. Feedback from our suppliers and PSD staff indicates that the Strategy is already yielding efficiency savings in delivery of design packages.</p>

## Appendix 12 (continued)

Title	Officer	Total Rem. Package	
General Manager Professional Services (continued)	Ronnie Azzi		Finalised negotiations and contract for delivery of the Virtual Planroom. Completed an organisation-wide strategic plan for RailCorp's geospatial information systems. Seconded as a RailCorp representative to the new transport 'Super Agency', Transport New South Wales, to help develop business plans for the Infrastructure Central Division and the Policy and Planning Central Division.
General Manager Finance	Peter Crimp	\$254,678	Managed the provision of timely and relevant financial information to both internal and external users. Managed the preparation of RailCorp's financial statements and the associated external audit arrangements. Managed the financial budgeting, forecasting and reporting processes. Represented RailCorp on the development of portfolio-wide budgeting processes. Contributed to the leadership of the Business Finance Improvement program. Co-ordinated RailCorp's relationship with the Airport Link Company Pty Ltd.
Transition and Implementation Director	Robert Needham	\$251,606	Led the overall RailCorp preparation and readiness for the arrival of the Waratah train fleet and the opening of the new Auburn Maintenance Facility under a PPP contract with Reliance Rail, including project management and change management methodology, resource mobilisation and the development of an integrated training program. Led the provision of network access and dedicated train crew to support the testing, and future commissioning and reliability growth running programs for the Waratah train introduction. Managed the readiness of Reliance Rail, and its contractor Downer EDI Rail, to undertake future through-life support on the Waratah train fleet. Led the establishment of the new RailCorp team to undertake the contract management of the PPP contract during the through-life support phase, including initial recruitment of team members and development of operational procedures. Led the review of the safety assurance aspects of the through-life support activities. Represented the internal customer interests for the development of the ICT systems which are necessary for the performance reporting and commercial management of the Waratah trains in revenue service.

Title	Officer	Total Rem. Package	
General Manager Communications and Control Systems	Julian Richards	\$249,600	<p>Led safety culture within division with only one lost time injury in the year.</p> <p>Supported our customer (operations) with, amongst other deliverables, the implementation of the 2009 Timetable, the timetable testing facility initiative, ITSRR investigations and FIFA FanFest.</p> <p>Availability of Network and Systems at 99.95% (average).</p> <p>Successfully managed the realignment of operational and administrative technology in RailCorp.</p> <p>Delivered entire annual works program including identifying significant savings (around 2%) across telecommunications, control systems hardware and outsourced support contracts.</p> <p>Accelerated the delivery of the Operational Critical Data Network (OCDN).</p> <p>Championing the application of condition-based monitoring within RailCorp to improve safety and reliability.</p> <p>Responsible for promoting a people development culture within the Division to ensure sustainability of resourcing for key critical skill shortages.</p>
General Manager Emergency Preparedness	Ronald Creighton	\$249,116	<p>Manage and maintain SMS Element 15 – Incident Management and Emergency Response.</p> <p>Manage RailCorp Incident Management Framework, carrying out a revision to incorporate the Incident Control System for incident management.</p> <p>Manage the development and training of senior management teams to meet the Incident Control System incident management requirement.</p> <p>Manage RailCorp emergency response capability through the joint RailCorp/Emergency Services Exercise Program.</p> <p>Provide expert information and advice on train customer safety during emergency situation with regard to passenger detrainment procedures and equipment and fire dynamics simulation and testing.</p>
General Manager Customer Service – Sector 2 (July 2009 – January 2010)	William Cowan	\$248,170	<p>Continued as Project Manager Station Reform until January 2010. In this role completed and implemented the station staff review and related reform elements across 302 CityRail stations. The reforms are on target to deliver substantial efficiencies and benefits in station operations.</p> <p>Developed a range of follow-up initiatives to further improve CityRail station operations, which are progressively being implemented.</p> <p>Assumed responsibility for Sector 3 in February 2010. Successfully implemented the MyZone ticketing initiative in Sector 3 in April 2010.</p>

## Appendix 12 (continued)

Title	Officer	Total Rem. Package	
General Manager Security	Paul Passmore (July 2009 to April 2010)	\$245,000	Reduction in BOCSAR recorded offences against a person on rail premises per million passenger journeys. Reduction in impact of security incidents on peak on-time running. Reduction in estimated rate of fare evasion.
General Manager Innovation	(from April 2010)		Led delivery of Safer by Design Bin Prototype and Operational Trial. Led delivery of Enhanced Night Security Trial. Led development of an enterprise Vandalism Mitigation Strategy Improved Security Division Culture Survey results. Led on-time delivery of 2010 Customer Charter Quarter 2 commitments. Initiated development of 2011 Customer Charter. Initiated review of Chief Operating Officer Improvement Program Portfolio.
General Manager Strategic Procurement and Supply	Kevin McCafferty	\$241,041	Led delivery of the 2010-14 ICT Strategic Plan. Undertook review of PPP ICT Project. Led development of strategic architectures for Safety and Environment. Developed new business governance framework for ICT. Led development of Information Security Management System for roll-out across RailCorp.
General Manager ICT Strategy and Architecture	Stephen Smith (commenced November 2009)	\$240,000 (pro rata)	Led delivery of the 2010-14 ICT Strategic Plan. Undertook review of PPP ICT Project. Led development of strategic architectures for Safety and Environment. Developed new business governance framework for ICT. Led development of Information Security Management System for roll-out across RailCorp.
General Manager Business Services	Steven Beasley	\$236,106	Led delivery of the 2010-14 ICT Strategic Plan. Undertook review of PPP ICT Project. Led development of strategic architectures for Safety and Environment Developed new business governance framework for ICT. Led development of Information Security Management System for roll-out across RailCorp.

The Minister for Transport was responsible for the CEO's performance review.  
The CEO was responsible for the review of executive performance.

## Appendix 13

### Freedom of Information (FOI)

#### Comparison between 2008-09 and 2009-10 numbers as shown in Table A

\*While the figures note there were 34 fewer applications received in 2009-10 compared to 2008-09, there was an increase in 'other applications' from outside bodies of 23. These non-personal applications generally require a greater input of time and resources to complete.

\*Results show that of the 128 'other applications' completed, 114 were completed within time, while a further 11 were completed within a further 14 days.

Case Source	Personal 2009-10	Other 2009-10	Total 2009-10	Personal 2008-09	Other 2008-09	Total 2008-09
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**Table A: Number of new FOI requests**

A1	New (including transferred in)	165	136	301	219	104	323
A2	Brought forward	5	5	10	11	11	22
A3	Total to be processed	170	141	311	230	115	345
A4	Completed	161	128	289	217	105	322
A5	Transferred out	3	3	6	0	0	0
A6	Withdrawn	2	4	6	8	5	13
A7	Total processed	166	135	301	225	110	335
A8	Unfinished (carried forward)	4	6	10	5	5	10

**Table B: What happened to completed requests?**

B1	Granted in full	108	95	203	177	67	244
B2	Granted in part	24	22	46	18	17	35
B3	Refused	0	6	6	1	15	16
B4	No documents	29	5	34	21	6	27
B5	Completed	161	128	289	217	105	322

**Table C: Ministerial certificates**

C1	Ministerial Certificates issued	0	0	0	0	0	0
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**Table D: Formal consultations**

D1	Requests requiring formal consultation	9	0	9	2	7	9
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**Table E: Amendments of personnel records**

E1	Requests requiring formal consultation	0	0	0	1	0	1
E2	Result of amendment – refused	0	0	0	0	0	0
E3	<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>

## Appendix 13 (continued)

Case Source	Personal 2009-10	Other 2009-10	Total 2009-10	Personal 2008-09	Other 2008-09	Total 2008-09
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**Table F: Notation of personal records**

F1	Number of requests for notation	0	0	0	0	0	0
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**Table G: FOI request granted in part or refused**

G1	Section 19 (application incomplete or wrongly directed)	0	0	0	0	0	0
G2	Section 22 (deposit not paid)	0	0	0	0	1	1
G3	Section 25(1)(a1) Diversion of resources	2	10	12	0	0	0
G4	Section 25(1)(a) exempt	0	6	6	19	29	48
G5	Section 25(1)(a), (b), (c), (d) (otherwise available)	24	28	52	0	0	0
G6	Section 28(1)(b) (documents not held)	29	5	34	21	6	27
G7	Section 24(2) – deemed refused, over 21 days	0	0	0	0	2	2
G8	Section 31(4) (released to medical practitioner)	0	0	0	0	0	0
<b>G9</b>	<b>Total</b>	<b>55</b>	<b>49</b>	<b>104</b>	<b>40</b>	<b>38</b>	<b>78</b>

**Table H: Costs and fees of requests processed**

H1	All completed requests	<b>\$3,958</b>	<b>\$3,990</b>	<b>\$7,948</b>	<b>N/A</b>	<b>\$6,373</b>
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**Table I: Discounts allowed**

I1	Public Interest	0	0	0	0	0	0
I2	Financial hardship – pensioner/child	40	6	46	99	11	110
I3	Financial hardship – non-profit	0	0	0	11	0	11
I4	<b>Total</b>	<b>40</b>	<b>6</b>	<b>46</b>	<b>110</b>	<b>11</b>	<b>121</b>
I5	Significant correction of personal records	0	0	0			

**Table J Days to process**

Elapsed time

J1	0-21 days	160	114	274	188	61	249
J2	22-35 days	1	11	12	18	8	26
J3	More than 35 days	0	3	3	11	36	47
J4	<b>Total</b>	<b>161</b>	<b>128</b>	<b>289</b>	<b>217</b>	<b>105</b>	<b>322</b>

Case Source	Personal 2009-10	Other 2009-10	Total 2009-10	Personal 2008-09	Other 2008-09	Total 2008-09
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**Table K: Processing time**

Processing hours

K1	0-10 hours	158	56	214	188	58	246
K2	11-20 hours	2	21	23	18	11	29
K3	21-40 hours	1	29	30	11	29	40
K4	More than 40 hours	0	22	22	0	7	7
K5	<b>Total</b>	<b>161</b>	<b>128</b>	<b>289</b>	<b>217</b>	<b>105</b>	<b>322</b>

**Table L: Reviews and appeals**

Processing hours

L1	Internal reviews finalised	4	2	6	5	21	26
L2	Ombudsman reviews finalised	0	0	0	4	1	5
L3	ADT appeals finalised	1	0	1	0	1	1

<b>Basis of internal review</b>		<b>Personal</b>		<b>Other</b>	
<b>Grounds upon which internal review requested</b>	<b>Upheld</b>	<b>Varied</b>	<b>Upheld</b>	<b>Varied</b>	
L4	Access refused	4	0	2	0
L5	Deferred	0	0	0	0
L6	Exempt matter	0	0	0	0
L7	Unreasonable charges	0	0	0	0
L8	Charge unreasonable incurred	0	0	0	0
L9	Withdrawn	0	0	0	0
L10	<b>Total</b>	<b>4</b>	<b>0</b>	<b>2</b>	<b>0</b>

<b>Exempt Documents</b>	<b>Personal</b>	<b>Other</b>	<b>Varied</b>
Cabinet documents (Clause 1)	0	2	2
Executive Council documents (Clause 2)	0	0	0
Documents affecting law enforcement and public safety (Clause 4)	1	3	4
Documents affecting counter-terrorism measures (Clause 4A)	0	2	2
<b>Documents requiring consultation</b>			
Documents affecting intergovernmental relations (Clause 5)	0	0	0
Documents affecting personal affairs (Clause 6)	15	12	27
Documents affecting business affairs (Clause 7)	0	5	6
Documents affecting the conduct of research (Clause 8)	0	0	0

## Appendix 13 (continued)

Case Source	Personal	Other	Total
<b>Documents otherwise exempt</b>			
Schedule 2 exempt agency	0	0	0
Documents containing information confidential to Olympic committees (Clause 22)	0	0	0
Documents relating to threatened species, Aboriginal objects or Aboriginal places (Clause 23)	0	0	0
Documents relating to threatened species conservation (Clause 24)	0	0	0
Plans of management containing information of Aboriginal significance (Clause 25)	0	0	0
Private documents in public library collections (Clause 19)	0	0	0
Documents relating to judicial functions (Clause 11)	0	0	0
Documents subject to contempt (Clause 19)	0	0	0
Documents arising out of companies and securities legislation (Clause 18)	0	0	0
Exempt documents under interstate FOI legislation (Clause 21)	0	0	0
Documents subject to legal professional privilege (Clause 10)	4	1	5
Documents containing confidential material (Clause 13)	14	1	15
Documents subject to secrecy provisions (Clause 12)	0	0	0
Documents affecting the economy of the state (Clause 14)	0	0	0
Documents affecting financial or property interests of the state or an agency (Clause 15)	0	4	4
Documents concerning operations of agencies (Clause 16)	13	0	13
Internal working documents (Clause 9)	15	11	26
Other exemptions (e.g. Clauses 20, 22A and 26)	0	0	0
<b>Total applications including exempt documents</b>	<b>62</b>	<b>41</b>	<b>103</b>

Information on the introduction of GIPA

Reforms to New South Wales' right to information system took effect on 1 July 2010 with the *Government Information (Public Access) Act 2009* ('GIPA') replacing the *Freedom of Information Act 1989* (NSW). In the lead-up to the transition, new forms, procedures and reporting systems were adopted, and extensive training of staff was undertaken in addition to their normal duties to familiarise themselves with the new forms and procedures. All existing Freedom of Information applications were dealt with expeditiously to enable RailCorp's GIPA office to allow the timely introduction of this legislation. Additionally, in preparation, a program of GIPA briefing sessions was conducted with management and staff from relevant units, and information describing the legislative changes was published on RailCorp's website.



## Appendix 14

### Implementation of Price Determination

#### IPART fare increases

During the year, RailCorp made a submission to the Independent Pricing and Regulatory Tribunal (IPART) to support an annual fare increase for CityRail services effective from 3 January 2010. A weighted average fare increase of 4.7% was determined, consistent with the methodology established by IPART in its earlier determination of CityRail fares and regulatory framework for the period 2009 to 2012.

In February 2010, the NSW Government announced a new fare structure for public transport in the greater Sydney area called MyZone.

On 1 April 2010, the NSW Government amended the Independent Pricing and Regulatory Tribunal (Passenger Train Services) Order 1998 to implement a limited range of MyZone fares. The relevant fares are higher than those previously determined by IPART for the equivalent CityRail products.

The amended Order has temporary effect and removes from IPART the responsibility for setting maximum prices for these products. Under the amended Order, IPART may not make a determination of these fares before April 2011. Maximum prices for CityRail products not specified by the amendment continue to be regulated by the current IPART determination.

## Appendix 15

### Electronic Service Delivery – Status Report on Delivery of Electronic Services

RailCorp provides a broad range of information and services via its public-facing websites. RailCorp maintains customer information sites for its service brands CityRail ([www.cityrail.info](http://www.cityrail.info)) and CountryLink ([www.countrylink.info](http://www.countrylink.info)), as well as a corporate site ([www.railcorp.info](http://www.railcorp.info)).

Key electronic service delivery initiatives include:

- › access to all timetables
- › a CityRail fare calculator
- › regular *CityRail Update* newsletters and subscription to trackwork e-mails
- › purchasing and managing long-life CityRail tickets online
- › performance data, including service reliability
- › an online booking system for CountryLink passengers, agents and corporate clients
- › a RailCorp careers service with job search and online application functionality.

## Appendix 16

### Investment Management Performance

In the year ended 30 June 2010, RailCorp invested surplus funds with NSW Treasury Corporation in 11am call deposits. The interest earned was 3.62% on funds invested. During the same period, the comparable NSW Treasury Corporation 11am call deposit earned 3.62%.

## Appendix 17

### Liability Management Performance

In the year ended 30 June 2010, RailCorp's cost of funds was 4.65%. During the same period, the benchmark cost of funds was also 4.65%.

## Appendix 18

### Consultants

Case Source	Projects	Costs (\$)
<b>Contracts of \$50,000 or more</b>		
<b>Management Services</b>		
GHD Pty Ltd <i>(Capital Expenditure)</i>	Development of Central Station Master Plan	315,786
Booz and Company	Professional financial evaluation for Digital Train Radio System tenders	238,483
Ernst & Young <i>(Capital Expenditure)</i>	Feasibility study for Enterprise Business Intelligence Program	135,000
The Cape Group Pty Ltd	Feasibility Study for Performance Development Process	98,000
<b>Organisational Review</b>		
Accenture <i>(Capital Expenditure)</i>	Procurement Transformation to establish an improved RailCorp procurement function	909,554
Halcrow Pacific Pty Ltd	Procurement Strategy – 2040 Plan External Resources Requirements	867,499
Positive Solutions Pty Ltd	Providing an option for a sustainable business model for redevelopment of Rail Heritage Centre at Thirlmere	142,529
<b>Training</b>		
Cadre Design Pty Ltd	Training needs analysis and development of e-learning package	259,393
Forrest Training Pty Ltd <i>(Capital Expenditure)</i>	Face-to-face training development and delivery of Employee Self-Service	93,395
Phillip Chun & Associates	Development of Risk-Based Training Needs analysis for RailCorp fire safety	58,484
<b>Total contracts of \$50,000 or more</b>	<b>(10 contracts)</b>	<b>3,118,123</b>
<b>Total contracts of \$50,000 or less</b>	<b>(8 contracts)</b>	<b>172,431</b>
<b>Total expenditure in 2009-10</b>	<b>(18 contracts)</b>	<b>3,290,554</b>

## Appendix 19

### Overseas Travel

Officer Name	Date	Destination	Purpose of Travel
Richard Nabkey Guy Collishaw Andrew Radford	19 Jul – 24 Jul 2009	China	For PPP rolling stock/Waratah contract: To define and agree on Manufacturing Governance Review and Progressive Acceptance and Quality Standards Review.
Jasbir Tumber*	24 Aug – 27 Aug 2009	UK, France and Germany	To investigate Fleet Control Systems.
Gary Pedersen Melinda Bryde	7 Aug – 15 Aug 2009	London	To meet with current and potential property and liability insurers to provide presentations and updates on RailCorp.
Guy Collishaw	11 Sep- 25 Sep 2009	Switzerland, Germany and UK	To witness train verification tests as well as to meet Hitachi UK team and London and South Eastern re: lessons learnt on their experience dealing with the traction and auxiliary system supplier.
Andrew Radford	25 Aug – 10 Sep 2009	China	For PPP rolling stock contract: To finalise RailCorp Hold and Inspection Points throughout production and to conduct audit relating to the Progressive Assurance of Sets.
George Karpouzis	28 Sep – 1 Oct 2009	New Zealand	To attend and present a paper at the 32nd Australasian Transport Research Forum 2009.
Anthony Courtman	21 Sep – 25 Sep 2009	Italy and London	To attend Nova annual meeting in Milan and meet with senior management of UK rail organisations in London implementing comparable projects.
Mark Dobrovits	25 Oct – 30 Oct 2009	Germany	For the PPP rolling stock contract: To witness the verification of technical performance requirements of the PPP/Waratah train and visit the Voith's coupler design and manufacturing facility.
Richard Nabkey Andrew Radford	3 Oct – 16 Oct 2009	China	For the PPP rolling stock contract: To witness accreditation tests for set 1, review status of test and quality assurance documentation applicable to track access integrity, manufacturing documentation and review standards of carbody flatness achieved on Set.
Edward Johnson*	22 Oct – 23 Oct 2009	Canada	To attend Cansmart International Workshop on smart materials and structures and the application of technology for monitoring and control of structures, e.g. soil movement and settlement.
Stephen Van Dort	25 Oct – 11 Nov 2009	Germany and China	For the PPP rolling stock contract: To witness the verification of technical performance requirements (coupler's energy absorbing components and carbody structure for strength) and visit the Voith coupler design and manufacturing facility.
Andrew Radford	22 Oct – 23 Oct 2009	Japan	For the PPP rolling stock contract: To conduct audit (Quality Management, Production Capacity and Testing) on Hitachi's Mito manufacturing site.
Ian Ying	31 Oct – 14 Nov 2009	China	For the PPP rolling stock contract: To witness the verification of technical performance requirements (carbody structure for strength) and visit the Voith coupler design and manufacturing facility.

## Appendix 19 (cont'd)

Officer Name	Date	Destination	Purpose of Travel
Clare Kitcher Thomas Forrest	19 Oct – 6 Nov 2009	New Zealand	To attend the 2009 ANZ School of Government Executive Fellows Program.
Ivan Kraitchev Terry Rowe	9 Oct – 20 Oct 2009	USA	To witness acceptance testing of the 20 new electronic gates at the CTS Manufacturing facility.
Andrew Radford	15 Nov – 21 Nov 2009	China	For the PPP rolling stock contract: To conduct a formal audit of Configuration Management plan and validate the implementation processes and systems defined.
David Kippist	11 Oct – 22 Oct 2009	France and Germany	For the PPP rolling stock contract: To witness the verification of technical performance requirements of the Driver Vigilance System and inspection of the main brake system.
Julian May	13 Oct – 22 Oct 2009	France and Germany	For the PPP rolling stock contract: To witness the verification of technical performance requirements of the Driver Vigilance System and inspection of the main brake system.
Dr Armand Casolin	4 Dec – 6 Dec 2009	USA	To attend the Medical Review Officer Training course and exam.
Andrew Radford*	8 Dec – 17 Dec 2009	Germany	For the PPP rolling stock contract: To witness verification tests of windows and cab windscreen glass.
Stephen Van Dort Eric Taylor	2 Jan – 9 Jan 2010	China	For the PPP rolling stock contract: To witness the verification of technical performance requirements of the PPP train and review the status of the bogie structure in respect to its compliance to strength and fatigue performance requirements.
Andrew Radford Richard Nabkey	10 Jan – 23 Jan 2010	China	For the PPP rolling stock contract: To review the status of Waratah Set 2 prior to the planned dispatch on 25th of January and to review status of Manufacturing Compliance Forum.
Richard Nabkey	1 Feb – 14 Feb 2010	China	For the PPP rolling stock contract: To witness Downer EDI Rail (DEDIR) and Changchun Railways Vehicle Company (CRC) completing Waratah Set 2 accreditation tests.
Jasbir Tumber*	22 Feb – 24 Feb 2010	India	For the PPP rolling stock contract: To assess compliance with the test methods and the project schedules for the testing phase of the Integrated Contract Fleet Management System (ICFMS) Project.
Mark Dobrovits	21 Feb – 6 Mar 2010	China	For the PPP rolling stock contract: To witness the verification of technical performance requirements to review the status of the bogie structure in respect to its compliance to strength and fatigue performance requirements.
Stephen Van Dort	21 Feb – 6 Mar 2010	China	For the PPP rolling stock contract: To witness the test setup for some of the bogies and crashworthiness systems' components and review the status of the bogie structure in respect to its compliance to strength and fatigue performance requirements.
David Kippist	22 Mar – 29 Mar 2010	China	For the PPP rolling stock contract: To review the bogie testing at the China Academy for Railway (CARS Test Institute) and Review Anti-Roll Bar Supplier testing.

Officer Name	Date	Destination	Purpose of Travel
Guy Collishaw	23 Mar – 29 Mar 2010	China	For the PPP rolling stock contract: To review the bogie testing at the China Academy for Railway (CARS Test Institute) and Review Anti-Roll Bar Supplier testing.
Andrew Radford	23 Mar – 31 Mar 2010	China	For the PPP rolling stock contract: To review the status of Waratah Set 3 prior to the planned dispatch in April 2010 and to review status of Manufacturing Compliance Forum open items, to view actual progress of carbody and bogie manufacture, development of interior fit-out activities etc.
Andrew Radford	24 Apr – 2 May 2010	China	For the PPP rolling stock contract: To review the status of Waratah Train 3 prior to the planned dispatch from CRC on 30 April 2010.
Richard Nabkey	27 Apr – 7 May 2010	China	For the PPP rolling stock contract: To witness accreditation tests for the carriages of Waratah A03 and progressive inspection and testing of the car shells.
Andrew Radford	24 May – 2 Jun 2010	China	For the PPP rolling stock contract: To hold review sessions on the interior fit-out of Waratah carriages and to monitor the status of the interior defects observed during the inspection of Train A03.
Terry Rowe Ivan Kraitchev	4 June – 18 Jun 2010	USA and UK	To review CTS progress in relation to Contract CW5345 for the purchase of the new Central System and Data Gathering Centre for the Automatic Ticketing System, overview and review of the existing London DGC functionality and to witness acceptance testing of the 50 cashless Ticket Vending Machines.
Ronald Pearson	19 Jun – 28 Jun 2010	Finland	To attend EKE Factory Acceptance Test (FAT) of the Electronic Train Information System (eTIS).
Daniel Grima Nick Danas Paul Bugeja	30 Jun – 6 Jul 2010	China	To attend Critical Integration Testing of RailCorp's Digital Train Radio Systems.

\*Airfare paid by individual.

## Appendix 20

### Land Values and Land Disposals

Land Use	Value at 30 June 2010 (\$000)	Value at 30 June 2009 (\$000)
Land under stations and infrastructure, including residential and occupied land	3,685,510	3,500,147
Strata (airspace) leased to tenants	23,342	22,295
Surplus land (incl. land available for sale)	36,242	30,697
Total land owned or occupied – based on valuation	3,745,094	3,553,139

## Appendix 21

### Funds Granted to Non-Government Agencies

RailCorp paid the NSW Railway and Tramway Ex-Services Association a grant of \$750 during 2009-10, being an annual contribution to the association. The target group benefiting from the grant are ex-railway employees. The same amount was paid in 2008-09.

## Appendix 22

### Credit Card Certification

Credit card use in RailCorp has been in accordance with the requirements of Premier's Memoranda and Treasurer's Directions.

## Appendix 23

### Annual Report Production Costs

In total 150 copies of the 2009-10 RailCorp Annual Report were printed

Production Costs: \$35,000.

Editorial Services: \$16,500.

Alternatively, the Annual Report is available on the internet at [www.railcorp.info](http://www.railcorp.info).

## Appendix 24

### Major Works in Progress

RailCorp has a wide range of works in progress at 30 June 2010 including:

	Cost to Date \$M	Forecast Completion
Clearways	1,276	2015
Outer Suburban Cars – tranche 3	140	2012
Waratah Rolling Stock – enabling and ancillary works	321	2013
Traction Supply Upgrade (Waratah A-Sets)	93	2016
Digital Train Radio System	36	2013
Lidcombe to Granville Corridor Upgrade	16	2019
Oatley Sutherland Resignalling and Overhead Wiring	72	2011
Automatic Train Protection	10	2020

## Appendix 25

### Payment of Accounts (GST included)

Outstanding invoices by age at the end of each quarter:

Quarter	Current \$M	<30 days overdue \$M	30-60 days overdue \$M	60-90 days overdue \$M	>90 days overdue \$M
September 2009	36.4	1.6	0.2	0.1	0.2
December 2009	20.2	1.0	0.2	0.1	–
March 2010	12.3	1.6	0.1	0.1	0.3
June 2010	36.4	4.4	0.5	1.0	1.3

Accounts paid on time within each quarter:

Quarter	Total Accounts Paid on Time			Total Amount Paid
	Target %	Actual % by number	\$M	\$M
September 2009	90	78.9	422.4	535.3
December 2009	90	68.6	394.9	575.7
March 2010	90	66.0	313.0	474.3
June 2010	90	63.6	394.9	621.3

RailCorp continued with the implementation of the procurement transformation process. The project is expected to result in improvements in payment performance once the process and system are fully implemented.

Penalty interest of \$7,715 was paid during the year ended 30 June 2010 in relation to one supplier as the result of a delay in payment.

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Monza Recycled contains 55% recycled fibre  
(25% post-consumer and 30% pre-consumer) and  
45% elemental chlorine free pulp. All virgin pulp is derived  
from well managed forests and controlled sources. It is  
manufactured by an ISO 14001 certified mill.