



20  
07  
20  
08



# CONTENTS

		<b>SECTION ONE</b>	<b>SECTION TWO</b>	<b>SECTION THREE</b>	<b>APPENDICES</b>
CHAIRPERSON'S REPORT	04	OUR OPERATIONAL PERFORMANCE	08	FINANCIAL REPORT 2007-08	38
CHIEF EXECUTIVE OFFICER'S FOREWORD	06	RailCorp at a glance	10	Statement by directors	41
		Our safety and security performance	16	Income statement	42
		Improving customer satisfaction	18	Balance sheet	43
		Delivering assets in response to growth	21	Statement of changes in equity	44
		Summarising financial performance for 2007-08—efficiency	23	Cash flow statement	45
				Notes to the financial statements	46
				Independent auditor's report	94
					96

To the shareholding Ministers  
30 October 2008


Hon David Campbell  
Minister for Transport and  
Minister for the Illawarra


Hon Eric Roozendaal  
Treasurer  
Governor Macquarie Tower  
1 Farrer Place  
Sydney NSW 2000  
Australia

Dear Ministers

We have pleasure in providing for your information and presentation to Parliament the Rail Corporation New South Wales annual report for the year to 30 June 2008. The report has been prepared in accordance with the Annual Reports (Statutory Bodies) Regulation 2005, the Annual Reports (Statutory Bodies) Act 1984, the Public Finance and Audit Act 1983, and exemptions under those acts.

Yours sincerely

  
 Rob Mason  
Chief Executive Officer

  
 Gordon Messiter  
Director





**RailCorp is implementing major change programs to significantly improve customer service and efficiency.**





**To meet growing demand for services, RailCorp is undertaking the largest volume of capital work in the modern history of the network.**

With the end of the financial year 2007–08, RailCorp completes its fourth full year since its formation.

RailCorp has continued to consolidate and embed improvements in safety, personal security and reliability, and has been implementing major change programs to significantly improve customer service and efficiency.

Research shows that while the majority of customers are satisfied with our services there is still significant scope for further improvement. As part of RailCorp's response, 2007-08 saw RailCorp launch a foundation program of work including the first in a series of projects aimed at ensuring our customers receive consistently excellent service that gets the essentials right every day.

CityRail patronage growth has been significantly higher than the rate implicit in the New South Wales (NSW) State Plan of 2.5%. In fact, patronage growth for the financial year 2007–08 was 5.2%.

While this is a positive result for public transport in NSW, it presents a substantial challenge for RailCorp to accommodate approximately 41,000 extra customer journeys a day while continuing to improve service and reliability for customers.

To meet growing demand for services, RailCorp is undertaking the largest volume of capital work in the modern history of the network. Better trains, better stations, and a better network is welcome news for our customers.

With regard to financial performance, RailCorp generated \$909 million income from operating activities during 2007–08, an increase of \$83.6 million or 10.1% on last year. Total expenditure at \$2.784 billion represented an increase of \$393.2 million or 16.4%. Government contributions to the operational expenditure of the rail network totalled \$1.497 billion with further contributions to the record capital investment totalling \$572.8 million.

During 2007–08, the extent to which the rail network is funded directly by passengers through fares has continued to decline and now stands

at 22.4%. Against a background of record levels of patronage growth, the reduced contribution from passengers suggests that current fare structures will not support RailCorp's future development.

RailCorp welcomes the review of fares by the Independent Pricing and Regulatory Tribunal (IPART) that will provide greater revenue certainty to fund on-going improvements in the system.

RailCorp's services are a substantial part of the State's economic activities. We will continue to work closely with the Government and IPART to implement on-going efficiencies and pricing strategies to strike an appropriate balance of funding between our customers and the community.

During 2007-08, RailCorp co-operated with the Independent Commission Against Corruption (ICAC) in relation to a public inquiry into allegations of fraud and corruption at RailCorp. RailCorp takes such allegations seriously and is committed to taking urgent and sustained action to further improve the corporation's systems, processes



and culture. The board and senior executives recognise this as a high-priority issue that will continue to demand attention.

This year saw the Chairperson, Ross Bunyon, and the Chief Executive Officer, Vince Graham, resign from their respective roles in order to pursue other professional commitments.

I would like to acknowledge Mr Bunyon's major contribution to RailCorp in its initial years. He led the board and provided considerable stability for the corporation over a period of almost five years. Similarly, Mr Graham steered the organisation through a period of profound change, progressively delivering improved safety, reliability and customer satisfaction. Mr Bunyon and Mr Graham leave RailCorp in a strong position to deliver on the expectations of the Government and customers.

Mr Rob Mason, who was Group General Manager – Service Delivery, was appointed acting Chief Executive Officer after Mr Graham resigned in April 2008, and in July, Mr Mason was appointed Chief Executive Officer.

Mr Mason brings to the role considerable experience in public transport which will allow him to advance RailCorp's agenda, particularly in improving service quality.

**Kate McKenzie**

Chairperson  
24 September 2008



56

NEW OSCAR CARRIAGES DELIVERED 2007-2008

14

NEW HUNTER RAILCARS OPERATING 2007-2008



The 2007-08 year saw RailCorp continue making progress towards achieving its objectives in the strategically important areas of delivering better customer service, responding effectively to the challenge of patronage growth, keeping customers and staff safe and secure, and improving operational efficiency.

Where customer service is concerned, the results of the 2007 Independent Transport Safety and Reliability Regulator (ITSRR) customer satisfaction survey indicated that while RailCorp meets the expectations of most customers in most areas, the corporation needs to extend its improvement efforts so that it delivers, consistently, an appropriate level of service to all customers regardless of location or time of day.

During 2007-08, RailCorp launched a number of initiatives aimed at improving customer service, including successful trials of measures to improve reliability and thereby reduce departure delays in the afternoon peak, greatly enhanced passenger information systems, improved cleanliness, and other measures.

The success of actions taken in 2007-08 to improve customer service is highlighted by the trouble-free performance during the Asia-Pacific Economic Co-operation conference (APEC) in September 2007, on so-called "Super Sunday" - 24 February 2008 - when five major events attracted bumper crowds to central Sydney, and on other days when large numbers of people used the rail network to travel to and from major events.

Further, thorough planning and preparation over the past two years laid the groundwork for the World Youth Day (WYD) events that were held in Sydney in July 2008. Planning and preparation with a similar intensity were underway during 2007-08 for the integration of

the Epping-Chatswood rail link into the network in 2009.

Of considerable importance, CityRail's on-time running (OTR) has improved significantly since the introduction of the 2005 and 2006 timetables. CityRail's peak-time OTR in 2007-08 was 93.4%, exceeding the 92% target.

During the year, patronage growth continued to pose a challenge. One of the priorities in the NSW State Plan is to increase the number of people using public transport. RailCorp is a major contributor to the achievement of this priority: currently approximately half a million people make a total of 950,000 journeys per weekday using Sydney's urban rail services. Projections, based on assumptions in the NSW State Plan, would see CityRail passenger journeys increase to 1.4 million passengers per day by 2022.

Among the actions taken in 2007-08 to address the challenge of growth in patronage was the commissioning of new rollingstock. In the year to 30 June 2008, 56 of the new OSCAR carriages were delivered,

bringing the delivery to date to 76 cars. Eventually, the OSCAR fleet will total 122 cars. The OSCARs not only provide a greater carrying capacity but also help ensure greater comfort and enhanced security for customers. Further, 14 new air-conditioned Hunter railcars are now operating services between Newcastle, Dungog and Scone, completing the delivery of this rollingstock. The last two Hunter cars were delivered in 2007-08.

At the same time, the construction of 626 new, air-conditioned carriages for the urban Sydney network has continued, with the first of these trains due in service in 2010.

RailCorp continues to build a culture in which the safety of customers, staff and the community is at the centre of decision making. Safety continues to be a prerequisite in everything RailCorp does, from planning and operations through to de-commissioning of older assets. The focus on safety is reflected in the design and operation of rollingstock and infrastructure. As well, it is reflected in rail

safety education and information campaigns. During National Rail Safety Week in July 2007, for example, RailCorp launched a new, public safety website at [www.trainsmart.com.au](http://www.trainsmart.com.au).

Where security is concerned, in 2007-08, the level of crime on the rail network continued to fall, and the number of arrests for crime and anti-social behaviour continued to increase. These achievements are in large part due to the use of security intelligence and information by transit officers to target crime hotspots and initiate improvements in the way RailCorp collaborates and co-ordinates with the police. Further, beginning in mid-2007, Operation Vision, a multi-phase joint police-RailCorp initiative, has targeted crime hotspots on trains and stations.

In 2007-08 RailCorp continued to implement programs that increase our efficiency and productivity so that RailCorp delivers services within the funding provided by Government.


On a personal note, as the newly appointed chief executive of RailCorp, I have been grateful to my colleagues on the executive team, and all the staff of RailCorp, for their support and dedication. The corporation's staff are its greatest single asset. I am also grateful to Vince Graham, from whom I took over the role of chief executive, for his major contribution to the corporation over five years. I am looking forward to the progress and advances that we will make in the future.

**Rob Mason**

Chief Executive Officer  
24 September 2008

**RailCorp continues to build a culture in which the safety of customers, staff and the community is at the centre of decision making.**





**The safety of customers, employees and the community remains RailCorp's highest priority.**





**RAILCORP AT A GLANCE**

RailCorp is a statutory state-owned corporation mandated to deliver safe and reliable passenger rail services to the people of NSW. It provides passenger services to greater Sydney through CityRail, and rural passenger services in NSW through CountryLink.

RailCorp delivers its services under the requirements of the Transport Administration Act 1988, and the State Owned Corporations Act 1989. RailCorp was established on 1 January 2004 as the amalgamation of the former State Rail Authority and the metropolitan operations of the Rail Infrastructure Corporation. The financial year 2007-08 is RailCorp's fourth full year of operation.

RailCorp also provides access to its network to third-party freight and passenger operators. There are currently 16 operators who access the network, transporting a range of goods and providing specialist passenger services.

The mission and direction of RailCorp reflects the company's legislative responsibilities and the strategic



direction of the State Government, as set out in 'The State Plan – A New Direction for NSW'.

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

The staff and the organisation as a whole commit to a set of values that guides the behaviour of all employees. These values are set out in Table 1.

**Corporate structure**

RailCorp employs approximately 14,000 people to support its two business entities: CityRail and

CountryLink. RailCorp's organisational structure is divided into three main groupings, described as follows.

**Service Delivery Group**

Service Delivery is responsible for the delivery of frontline services to RailCorp customers. This includes running the daily timetable as well as managing CityRail's security, stations, passenger information and operations as well as managing cleaning services for both trains and stations.

Service Delivery also manages CountryLink's train crewing, operations, network control of train services, and stations.

**TABLE 1: RAILCORP'S VALUES AND ROLES**

OUR VALUES	OUR ROLES
Safety	We put safety first
Customer service	We work hard to provide quality customer service
Teamwork	We work together
Integrity	We work within a just culture and will be honest and ethical
Respect	We treat our customers and each other with respect
Continuous improvement	We encourage and support each other to improve the quality and productivity of our work, our systems and our assets

**14**

THOUSAND PEOPLE ARE EMPLOYED BY RAILCORP

**16**

THIRD-PARTY FREIGHT & PASSENGER OPERATORS



**Asset Management Group**

Asset Management is responsible for asset planning, project works and performance management of infrastructure, and rollingstock assets.

**Corporate support and services**

Alongside the two main operating groups are a number of administrative and support groups:

- human resources and communications
- company secretary and corporate counsel
- finance and corporate services
- information and communications technology
- product development
- safety and environment
- strategy, performance and access
- rail heritage

RailCorp's corporate plan identifies the four outcomes critical to the achievement of customer, community and Government priorities over the next five years. They are:

- the safety and security of customers and staff
- improving customer satisfaction consistently at all network locations at all times, every day
- expanding the network and services to accommodate growth in demand in the short-, medium- and long-term future
- delivering better value for the community through continuous improvement in efficiency without compromising quality

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

**296**

MILLION JOURNEYS MADE ON CITYRAIL IN 2007-2008

**363**

DESTINATIONS ARE SERVED BY COUNTRYLINK

**500**

THOUSAND CITYRAIL CUSTOMERS MAKE ABOUT 950,000 JOURNEYS PER WEEKDAY



**KEY FACTS about CityRail**



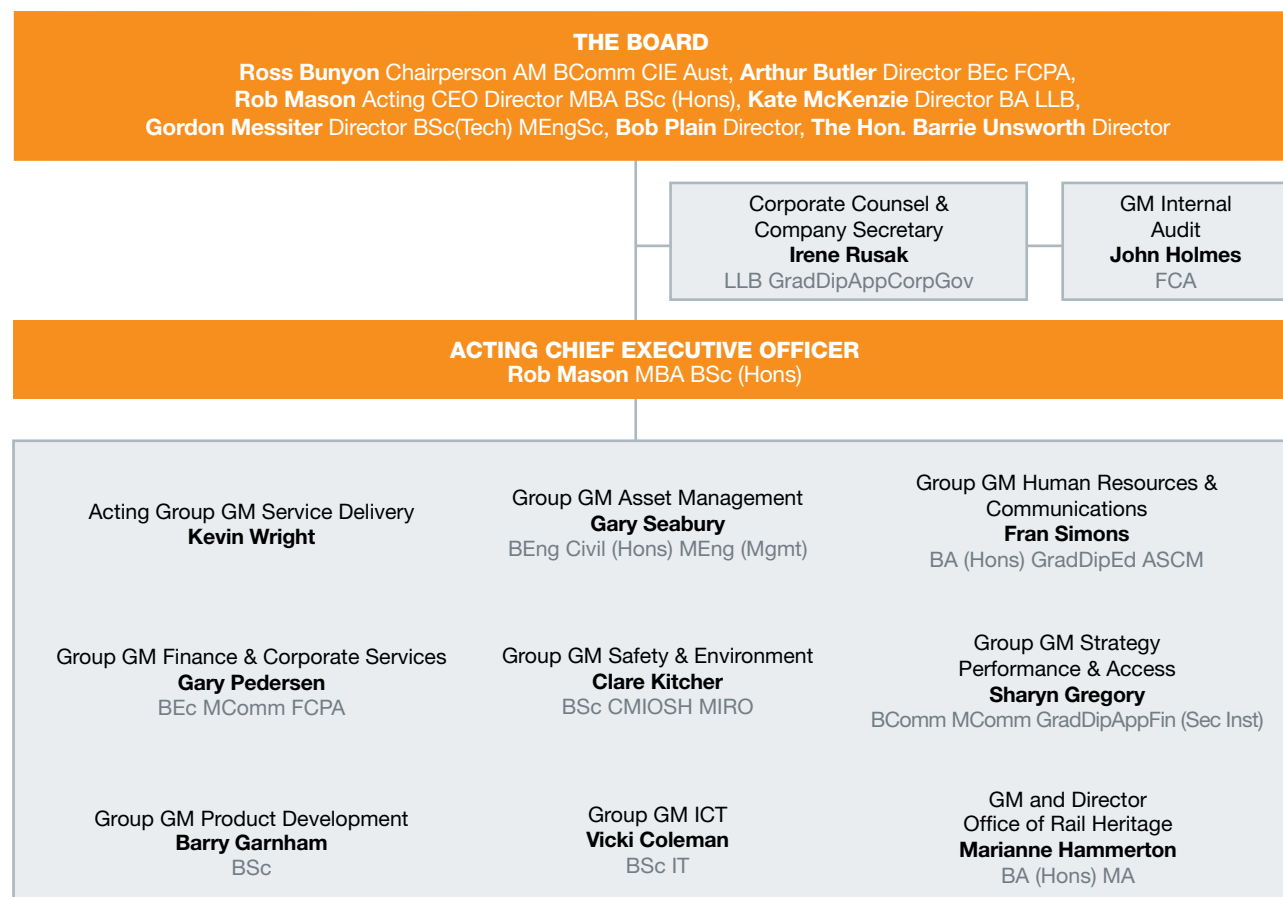
- 296 million passenger journeys were made on CityRail in 2007-08, the vast majority of them by weekday commuters going to and from workplaces
- On weekdays about 500,000 customers make about 950,000 journeys using CityRail. CityRail patronage is currently growing at 5.2% a year
- In March 2008, for the first time, passengers took more than a million journeys on the network in a single day
- CityRail provides rail services in and around the greater Sydney region stretching from Newcastle and the Hunter Valley in the north, Nowra and Goulburn to the south and south-west, and Lithgow in the west
- The CityRail fleet consists of 1644 carriages and power cars

**KEY FACTS about CountryLink**



- 1.6 million journeys were made on CountryLink in 2007-08
- CountryLink operates 20 daily rail services and four that are weekly, along with 593 weekly coach services to a total of 363 destinations
- CountryLink's XPT fleet links Sydney with Melbourne in the south, Dubbo in the west and Grafton, Casino and Brisbane in the north. The XPLOER fleet links Sydney with Armidale, Moree, Griffith, Broken Hill and Canberra
- The CountryLink fleet consists of 102 carriages and power cars

**TABLE 2: ORGANISATIONAL STRUCTURE AS AT 30 JUNE 2008**



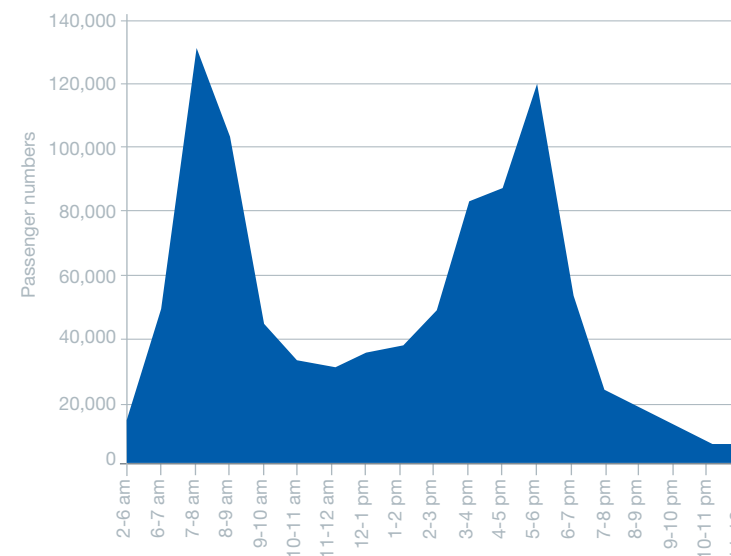
CityRail's weekday demand comprises mainly the morning and evening commuter peaks, in which the network is used by approximately 300,000 commuters travelling to and from work.

**CityRail patronage growth, 1994-95 to 2007-08**

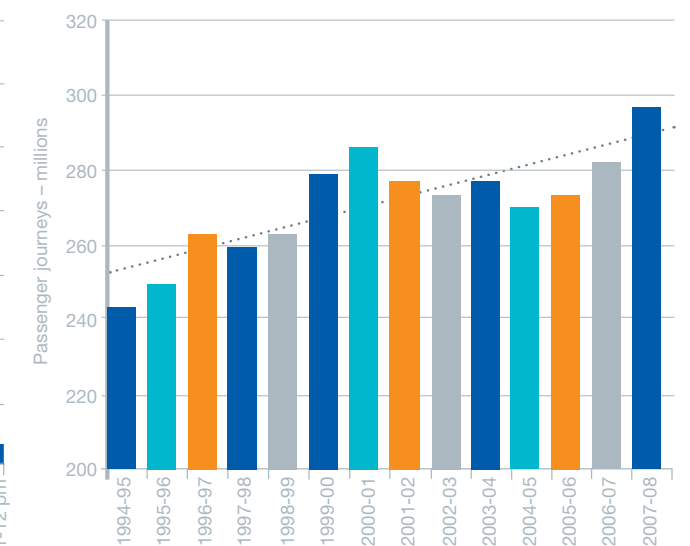
Long term, over the past 15 years, CityRail's average annual patronage growth of 1.9% per year has been slow but steady. However, during 2007-08 the rate of growth has

escalated sharply to reach 5.2%. The factors encouraging people to travel with CityRail include improvements in CityRail's reliability and job growth in the CBD.

**TABLE 3: PROFILE OF CITYRAIL AVERAGE WEEKDAY DEMAND, 2008**



**TABLE 4: CITYRAIL TOTAL PASSENGER JOURNEYS**







### CountryLink patronage in 2007-08

In 2007-08, patronage on CountryLink continued to decline. The promotion of self drive holidays and low-price domestic air fares are among the factors causing fewer people to use CountryLink's services.

### Key achievements in 2007-08

In 2007-08, RailCorp continued to build on the significant improvements achieved in recent years.

The rail network is now more reliable with better provision of passenger information. As well, the delivery of new infrastructure is increasing the capacity of the system while enhancing the passenger experience.

Some key achievements in 2007-08 include:

- consistently maintaining CityRail average on-time running at its target level of 92% since the introduction of new timetables in September 2005 and May 2006

- introducing dedicated announcers and dwell managers at the busiest city stations during the evening peak hours
- introducing major new infrastructure to the network to increase capacity, including Macdonaldtown stabling, Gosford stabling, the introduction of an additional 56 of 122 new OSCAR cars, the completion of the Automatic Train Protection (ATP) trial, and track reconstruction between Granville and Mt Victoria
- improving information provided to customers through new LCD screen technology on the Bankstown, Illawarra and East Hills lines, and new variable message screens at CBD and major suburban stations
- embedding a comprehensive Safety Management System (SMS) across the network
- CountryLink's call centre was named Call Centre of the Year 2007-08 by the Australian Teleservices Association (ATA); the awards are recognised within the call centre industry as the pre-eminent awards program

Customer satisfaction with CityRail's service has improved, as demonstrated by the 2007 annual ITSRR survey of passenger satisfaction, which is conducted independently of CityRail.

However, despite these advances in satisfaction, there remain certain 'hotspots' – particular lines, times of day, or specific performance aspects – where service must improve to meet customers' expectations.

Further, increasing patronage places pressure on RailCorp's ability to maintain its performance levels. Larger passenger volume challenges CityRail's performance, demanding continuous improvement in operational efficiency.

TABLE 5: COUNTRYLINK PATRONAGE

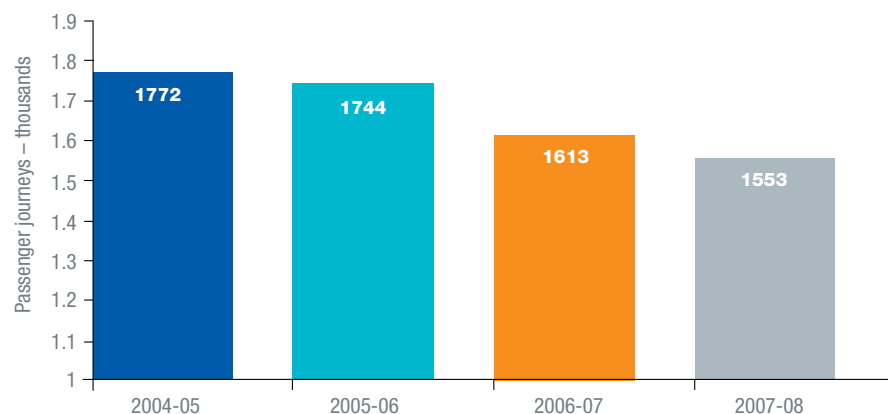


TABLE 6: RAILCORP PERFORMANCE AT A GLANCE

Service provision	04-05	05-06	06-07	07-08
<b>CityRail</b>				
Passenger journeys (millions)	270.3	273.7	281.5	296.1
Suburban trains on time – peak (%)	61.5	88.7	92.9	93.6
Intercity trains on time – peak (%)	72.4	89.6	92.1	91.7
Total CityRail trains on time – peak (%)	63.1	88.8	92.8	93.4
<b>CountryLink</b>				
Passenger journeys (millions)	1.77	1.74	1.61	1.55
Trains on time (%)	71.2	75.9	73.7	70.5

Note: All OTR data are post force majeure.

TABLE 7: RAILCORP FINANCE AT A GLANCE

	\$ million			
Finance	04-05	05-06	06-07	07-08
Passenger services revenue	520.1	526.5	568.3	623.0
Other income	200.6	244.8	257.1	286.0
Income from operating activities	720.7	771.3	825.4	909.0
Total expenses	2341.5	2317.2	2390.9	2784.1
Deficit from operations before Government contributions	-1620.8	-1545.9	-1565.5	-1875.1
Government subsidies & concessions	1218.6	1317.2	1482.4	1496.6
Deficit from operations before capital contribution	-402.2	-228.7	-83.1	-378.5
Government contributions for capital expenditure	422.5	471.9	554.4	572.8
<b>Surplus for the year</b>	<b>20.3</b>	<b>243.2</b>	<b>471.3</b>	<b>194.3</b>

TABLE 8: COST AND REVENUE PER JOURNEY

	04-05	05-06	06-07	07-08
Cost per passenger journey	\$8.61	\$8.41	\$8.45	\$9.35
Revenue per passenger journey	\$1.91	\$1.91	\$2.01	\$2.09





## OUR SAFETY AND SECURITY PERFORMANCE

The safety of customers, employees and the community remains RailCorp's highest priority.

RailCorp has implemented a comprehensive Safety Management System (SMS) to help maintain and improve our safety record over the long term. This demonstrates RailCorp's commitment to meeting, and in many cases exceeding, its regulatory and statutory requirements in relation to safety.

In 2005–06 the SMS underwent an extensive review and revision to make it simpler, more consistent and more practical. The rollout of the revised system, which commenced in January 2007 and concluded in August 2008, has helped embed the system in RailCorp's culture and operating procedures.

### Addressing passenger safety

Since January 2006, RailCorp has tracked performance of a range of safety incidents which are significant in terms of passenger safety. The incidents include accidental passenger

fatalities (category A and category B), signal passed at danger (SPAD), significant track defects, explosions, collisions with motor vehicles at level crossings, and trains exceeding line speeds by more than 20 km/h. The total number recorded each month is normalised per million passenger journeys for the same period, and the value is then expressed as the Safety Incidents Index (SII). In June 2006 the value of the SII was 0.215; in June 2008 the value stood at 0.200, an indication of the continuous improvement in safety standards.

There were no passenger fatalities due to train operations during 2007–08.

### Addressing employee safety

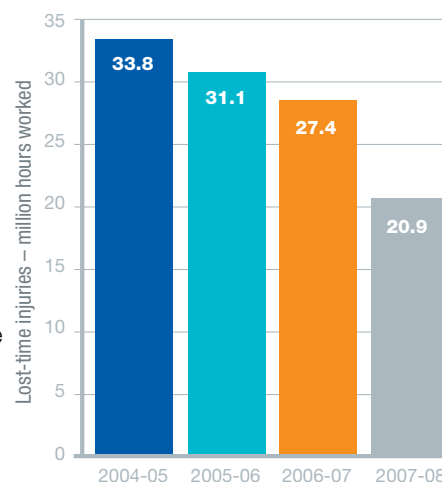
RailCorp uses the lost time injury frequency rate (LTIFR) measure to monitor trends in workplace safety. The LTIFR tracks injuries that cause a staff member to miss a full day's work or one full work shift. This is recorded and expressed in terms of frequency per million hours worked.

Workplace safety at RailCorp as measured by LTIFR has improved dramatically, falling from 33.8 lost time injuries per million hours worked to 20.9 since 2004–05. Nonetheless, RailCorp recognises that achieving best practice (i.e. fewer than 10 injuries per million hours worked) is a priority.

### Testing Automatic Train Protection (ATP)

Development and pilot testing of an ATP system on the network was completed during 2007–08; further design work and implementation planning is currently underway. ATP systems automatically activate brakes to prevent speeding or passing red signals. Implementation would address two of the recommendations of the Waterfall Special Commission of Inquiry and would reduce the risk of train collision and derailment. Pilot testing of ATP equipment was undertaken in the Blue Mountains during 2007–08. This testing showed that the technology is suited to the RailCorp operating environment.

**TABLE 9: LOST TIME INJURY FREQUENCY RATE (LTIFR)**



### Responding to the Waterfall Special Commission of Inquiry

All but one of the recommendations from the Waterfall Special Commission of Inquiry was completed this year. The outstanding recommendation relates to the long term implementation of ATP systems, a trial of which, as mentioned, is complete.

### Completing Traction Interlocking and Digital Voice Announcements

In 2007–08 RailCorp completed the installation of Traction Interlocking (TI) and Digital Voice Announcements (DVA) technology to help improve passenger safety.

RailCorp's double-deck suburban and inter-city trains are now fitted with DVA systems that warn passengers of the imminent closure of automatic doors. Traction interlocking technology prevents trains from departing stations while any passenger door is open.

The installation program was completed on time and under budget and will significantly reduce the risk of passengers being caught in train doors. This is particularly important against a background of substantial growth in passenger numbers across the network.



### Improving customer security

Security services on the rail network are provided by 600 transit officers working in close collaboration with a 300-strong police–commuter crime unit and private security guards. Other measures include 700 customer help points and more than 7800 closed-circuit television (CCTV) cameras which can be viewed remotely from RailCorp's 24-hour security control centre, both to co-ordinate real-time responses to security incidents and to provide intelligence for police investigations.

The Bureau of Crime Statistics and Research (BOCSAR) records the number of assaults, sexual assaults and robberies occurring on the rail network. RailCorp reports this data per million passenger journeys and this analysis shows that recorded offences in 2007–08 were lower than in 2006–07, falling from 9.8 per million passenger journeys to 9.0 per million.

Nonetheless, customer research and the ITSSR customer satisfaction survey indicate that personal security on trains, particularly at night, and

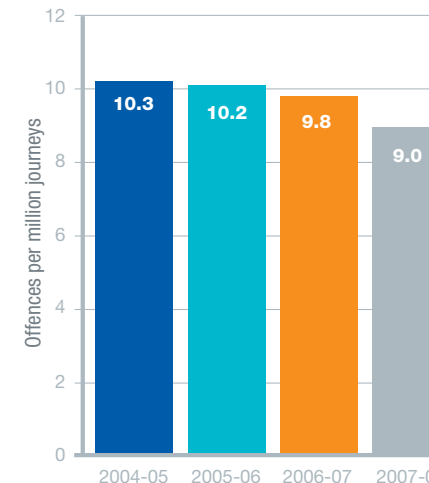
the ability to access help if needed, continues to be an area of concern for customers. During 2007–08, transit officers and police co-operated in mounting several 'Operation Vision' initiatives, providing a highly visible police and transit officer presence and specifically focusing on crime and anti-social behaviour on the rail network. The most recent of these, conducted in February–March 2008, resulted in 566 arrests and 619 charges.

Vandalism is also a significant problem for the rail network and is a cause of service interruptions. For that reason, RailCorp joined with police in April 2006 to establish the Police Rail Vandalism Task Force which works closely with transit officers to target rail vandals. The combined efforts of police and transit officers has contributed to a 65% increase in incidents proceeding to court for alleged malicious damage on rail premises between calendar years 2005 and 2007.

In 2007–08, RailCorp continued to build the capability and professionalism of its transit officers through

improved training and governance arrangements. The number of complaints against transit officers made to the RailCorp 'Your Say Line' fell by about 39% between 2004–05 and 2007–08.

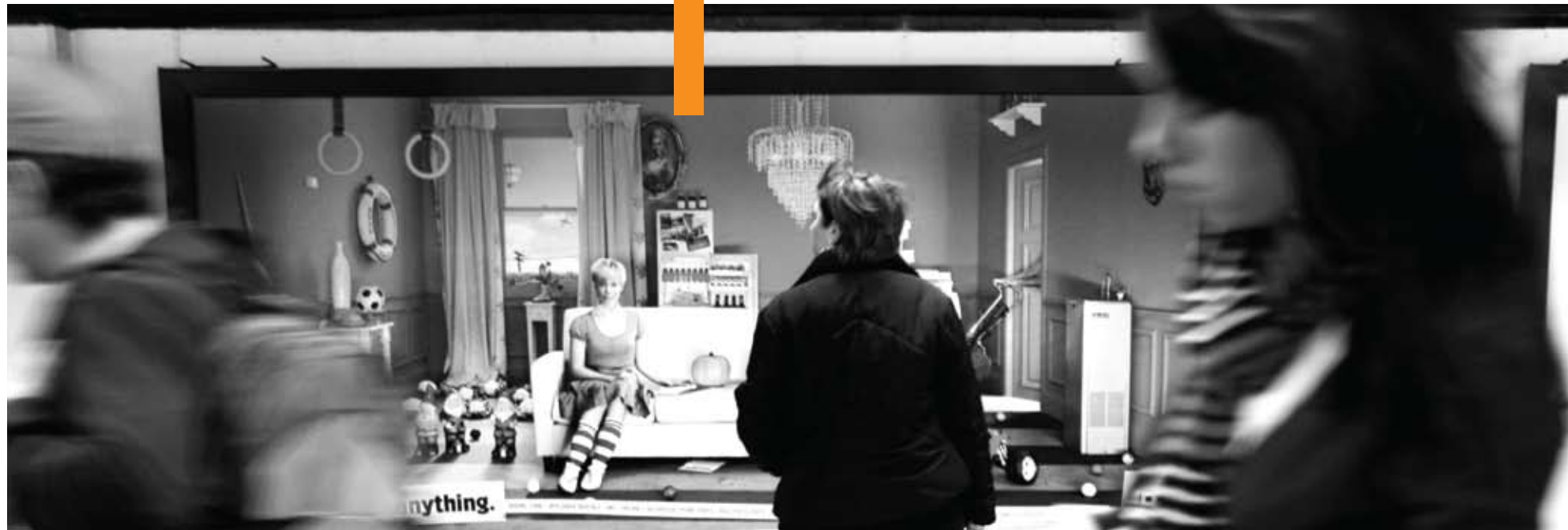
**TABLE 10: OFFENCES AGAINST THE PERSON**



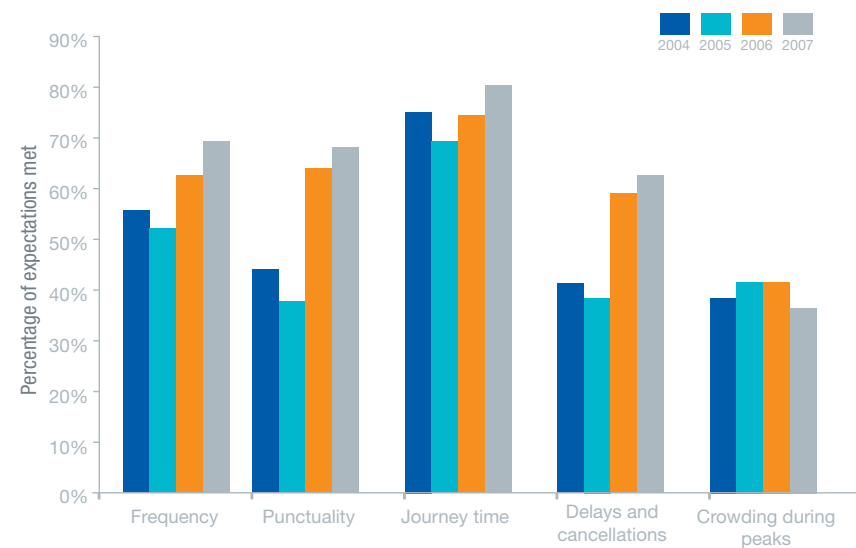


**83.0**  
COMPLAINTS PER MILLION  
PASSENGER JOURNEYS

**93.4**  
PERCENT OF PEAK  
SERVICES RAN ON TIME



**TABLE 11: ITSSR 2007 CUSTOMER SATISFACTION SURVEY**



**IMPROVING CUSTOMER SATISFACTION**

The ITSSR annual survey of CityRail customers is conducted independently of RailCorp and is a widely recognised indicator of where service levels are improving and where they need attention.

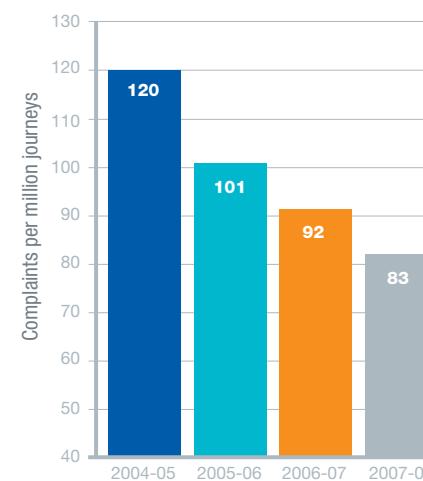
In the 2007 survey, 2755 customers were asked to rate elements of CityRail's service on a scale ranging from 'very dissatisfied' to 'very satisfied'. The proportion of customers reporting that their expectations had been met increased in key areas of service except for crowding during the peaks which reported a five percentage point decrease in people who said their expectations were met.

**Addressing customer complaints**

Each year the number of complaints made by RailCorp's customers is recorded and classified according to topic. Complaints are reported per million passenger journeys made.

Customer complaints have fallen consistently over the past four financial years and continued to decline in 2007-08 with RailCorp recording 83 complaints per million passenger journeys.

**TABLE 12: COMPLAINTS**

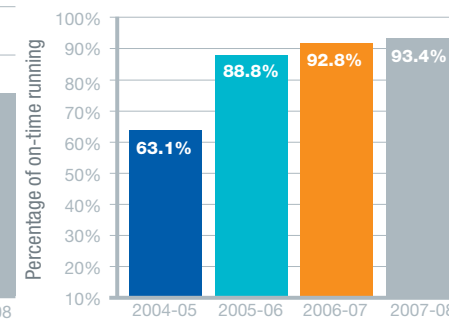


**Improving CityRail on-time running**

CityRail's on-time running (OTR) has improved significantly since the introduction of the 2005 and 2006 timetables. Prior to the revised timetables, on-time running averages were around 60-70%. CityRail on-time running has exceeded its target in 2007-08, achieving 93.4% of peak services on time post force majeure.

In calculating on-time statistics, account is taken of factors outside RailCorp's control such as extreme weather, road accidents, passenger illness and security incidents.

**TABLE 13: CITYRAIL PEAK ON-TIME RUNNING**



**CityRail on-time running exceeded its target in 2007-08, achieving 93.4% of peak services on time.**



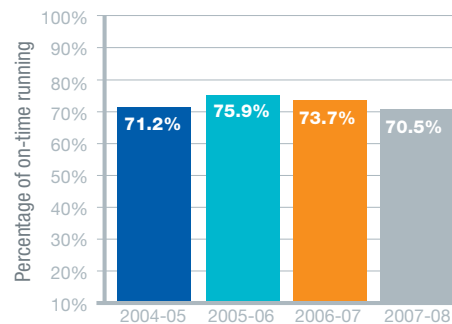


### Reporting CountryLink on-time running

CountryLink's OTR target is for 78% of its services to arrive within 10 minutes of the scheduled arrival time. In 2007-08, CountryLink failed to meet its on-time running target.

A number of factors influenced CountryLink's OTR performance in 2007-08, including speed restrictions imposed by the Australian Rail Track Corporation (ARTC), the use of longer freight trains on interstate lines, and

**TABLE 14:**  
COUNTRYLINK  
ON-TIME RUNNING



trains travelling at lower speeds because of the effects of extreme heat conditions on tracks and other infrastructure.

### Progressively increasing the proportion of air-conditioned trains

Customers say that they are concerned about the level of comfort on trains, particularly the absence of air-conditioning on older rollingstock. All of RailCorp's new rollingstock, including rollingstock on order now, is air-conditioned. Currently 70% of carriages are fully air-conditioned and this will rise progressively as old rollingstock is retired and replaced by OSCARs and by 626 new Sydney suburban cars, beginning in 2010.

### Crowding on peak services

Crowding is currently the most significant concern for customers. The 2007 ITSRR survey shows that 55% of CityRail's customers say their expectations are not being met with regard to crowding, up from 50% in 2006.

Due to a number of factors, notably including higher than expected patronage growth, crowding on



CityRail's peak services increased in 2007-08. This is despite measures to improve timetabled services such as the introduction of a new morning peak service on the Western Line and the building up of two six-carriage services to eight-carriages for the morning and evening peak periods.

However, other measures, aimed at improving customers' experience, particularly in peak times, were introduced in 2007-08 and other measures are planned for the 2008-09 year and beyond. Measures introduced or tested during 2007-08 are set out as follows.

### Easing peak-time pressure

Managing peak-time demand is one of RailCorp's biggest challenges. In 2007-08 a number of initiatives were introduced to manage capacity on the most crowded parts of the network.

Notably, CityRail successfully piloted a system to manage dwell times at its busiest stations (Town Hall, Wynyard and Central) at peak times, beginning in February 2008, resulting in 17% more trains departing on time and largely eliminating extended dwell times.

The trial included deploying staff to direct the flow of customers on and off trains, changing platform layouts to improve passenger flows, the introduction of countdown clocks to signal impending departures, and clearer announcements asking passengers to stand clear when trains are due to depart.

### Addressing ticketing and queues

In 2007-08 RailCorp introduced a number of initiatives to shorten ticket queues, including:

- a 14-day ticket, piloted in May 2008, enabling customers to

purchase longer-life tickets and make fewer transactions

- trials to identify queuing hotspots and optimise ticket window set-up
- an initiative to minimise the number of non-operational ticket-vending machines
- two mobile ticket-vending booths at special events

### Improving cleanliness

Research shows that cleanliness of trains and stations is important to customers. In response, RailCorp has introduced a number of initiatives such

as a 'pit crew' approach to cleaning trains at the end of their journeys allowing the removal of four times as much litter as previously. Another pilot has improved the way roving cleaners work, resulting in double the quantity of litter removed from trains.

### Supporting frontline customer service

In 2007-08, RailCorp created five new Customer Service General Manager positions. Each general manager is responsible and accountable for ensuring the delivery of customer service in their respective regions. Having senior line managers focus on local customer service issues is expected to bring benefits in terms of improved customer service.

### DELIVERING ASSETS IN RESPONSE TO GROWTH

RailCorp and the NSW Government are investing heavily in modernising and expanding the network to cater for accelerating patronage growth. Record levels of investment have enabled the implementation of a three-stage strategy to expand capacity. That strategy is summarised in Table 15.

The three stages of the growth program aim to deliver, progressively, more peak services on the busy corridors in order to reduce crowding as well as expand the reach of the CityRail network to the south-west. The first two stages are on track for implementation and planning is underway in relation to the third stage.

**TABLE 15: PROGRAM FOR FUTURE GROWTH**

#### STAGE 1: Epping-Chatswood, Clearways, OSCARs, 2009

- Increased capacity and reduced crowding in Sydney's west and north
- Epping-Chatswood link complete
- Clearways projects (Macdonaldtown stabling, Revesby turnback)
- Gosford stabling complete
- New OSCARs coming into service

#### STAGE 2: Clearways, new rollingstock, 2010

- Unlocking capacity to reduce crowding
- Strengthening services on the South, Bankstown and Cronulla lines
- Clearways projects (Homebush and Lidcombe turnbacks, Cronulla duplication, Macarthur easy access)
- Commencement of delivery of 626 new air-conditioned trains for Sydney suburban network

#### STAGE 3: South-West rail link, 2013

- Increasing capacity and expanding the reach of the rail network
- Delivery of South-West rail link
- Clearways projects (Schofields duplication, Kingsgrove-Revesby quad)
- Complete delivery of 626 new air-conditioned carriages for Sydney suburban network





### Procuring new rollingstock

The current investment in rollingstock is the biggest in RailCorp's history. The most notable rollingstock project underway is the construction of 626 new carriages for the Sydney urban network under a public-private partnership (PPP). These new trains – which include advanced passenger security features and air-conditioning – will begin arriving for operations in 2010. A static interior mock-up of one of the new trains was opened at Auburn during 2007–08, allowing RailCorp to show the interior to groups representing commuters and people with disabilities.

In 2007–08, RailCorp introduced 56 new OSCAR cars bringing the total number of OSCAR cars delivered to 76 at 30 June 2008. As well, 14 new Hunter railcars have been introduced, over the past two years, replacing the older cars that were servicing the region.

### Completing track and infrastructure upgrades

The final stage of the major track reconstruction program between Granville and Mt Victoria was

completed in October 2007. The project involved reconstructing 262 km of track at a cost of \$275 million, thereby delivering major benefits in safety and reliability.

As well, 11.4 km of track was upgraded between Glenfield and Campbelltown in January 2008. This was part of a major track upgrade on the southern line which is part of a five-year track reconstruction program.

Work on the duplication of the Cronulla line began in October 2007 in a major infrastructure program that will significantly extend the life and capacity of the line.

The 2007–08 year also saw the completion of new stabling facilities at Macdonaldtown, Gosford and Blacktown. A major station upgrade is continuing at North Sydney.

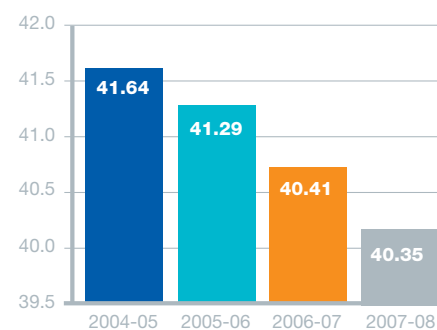
### Maintaining RailCorp infrastructure performance

The performance of infrastructure is a major contributor to the reliability of the network. RailCorp's infrastructure performance is recorded using a range of measures. These have improved in every category except one in 2007–08.

### Improving track condition

RailCorp uses a number of indicators to gauge the condition of tracks. The track condition index (TCI) is used to give an overall indication of the degree of distortion occurring in the tracks. A lower TCI is desirable, with 45.00 indicating an acceptable score and 40.00 or below reflecting very good performance. RailCorp's TCI has declined over the past four years and is approaching a highly desirable performance.

**TABLE 16: TRACK CONDITION INDEX (TCI)**



### Increasing completed routine maintenance compliance and signalling

Routine maintenance compliance completed indicates the amount of rail maintenance completed against the amount required under RailCorp's technical maintenance plan. A higher percentage indicates improved performance.

**TABLE 17:**

#### Routine maintenance compliance completed

04-05	05-06	06-07	07-08
93.7%	94.2%	96.8%	97.3%

### Continuing Station Easy Access Program

RailCorp established its Station Easy Access Program to ensure access to stations for people with disabilities, the elderly, and passengers with prams and young children.

In 2007–08 easy access works were completed at Auburn, Carlton, Penhurst, Turramurra, Werrington, Bowral, Belmore and Seven Hills. The program for 2008–09 includes Lindfield, Emu Plains, Burwood, Martin Place, and completing Eastwood.

### SUMMARISING FINANCIAL PERFORMANCE FOR 2007–08—EFFICIENCY

Funding to operate RailCorp services comes from three sources: RailCorp's fare revenue; other revenue such as property rentals, access fees, interest income, penalty notices, and sales of maintenance and other services and products; and State Government funding.

Approximately 22% of the cost of running RailCorp comes from the travelling public and more than 53% from the taxpayers of NSW. Government funding is provided as a financial contribution through a funding agreement with the Director-General of the Ministry of Transport. This enables RailCorp to deliver services, offer fare concessions and undertake capital works



as detailed and agreed in RailCorp's Statement of Corporate Intent and the Rail Performance Agreement.

For the 2007–08 year, RailCorp generated \$909 million in income from operating activities, while expending \$2.784 billion operating the business, recording a deficit from operations, before Government support, of \$1.875 billion.

Government contributions towards the day-to-day operations of the corporation were \$1.497 billion giving an operating deficit of \$378.5 million for the year. Government contributions towards the RailCorp capital investment program totalled \$572.8 million, and, after treating this as income for the year, RailCorp recorded a surplus of \$194.3 million, a decrease of \$277 million on the previous year.

Total income at \$909 million was up \$83.6 million or 10.1% on the prior year. Included in this, income from passengers was up by \$54.7 million or 9.6% reflecting the strong growth in CityRail patronage and the IPART-approved fare increases which were applied from 11 November 2007.

Total expenditure for the year was \$2.784 billion, an increase of \$393.2 million or 16.4% on the prior year.

Payroll costs increased in the year by \$247.5 million driven by:

- increases in rates of pay under the organisation's enterprise bargaining agreement (EBA)
- increased headcount to support operations
- a net expense in 2007–08 for RailCorp's defined benefit superannuation scheme as a result of the turnaround in the performance of superannuation schemes in the year

Other operating expenses and depreciation increased, by \$125.8 million and \$19.9 million, respectively.

Total Government contributions at \$2.069 billion increased by \$32.6 million in support of operations and a continuing capital investment program, as RailCorp invested heavily in projects to provide improved services and increased capacity.

RailCorp's capital investment in 2007–08 was \$747.9 million, a 2% decrease over 2006–07. Table 18 shows the top six capital programs and other program expenditure for 2007–08.





**In 2007–08, more than 780 senior managers and frontline leaders attended the two-day Just Culture program.**

**TABLE 18: CAPITAL INVESTMENT**

2007–08 capital investment, by program	\$ million
Clearways	287.2
OSCARs	46.9
PPP	46.2
Easy Access Station Program	40.8
Traction supply upgrade	42.7
North Sydney Station upgrade	34.2
Other capital programs	249.9
<b>Total capital investment</b>	<b>747.9</b>

**Implementing business finance improvement (BFI)**

All of RailCorp's key financial processes are being reviewed and re-designed to drive improved customer service and increased efficiency throughout the company in a program known as BFI.

During 2007–08, RailCorp completed the analysis of existing processes and identified significant opportunities for improvement. Further, in a number of areas RailCorp also designed the prospective requirements of the new

systems and processes. In 2008–09, the program will begin shifting into detailed systems design and implementation which is expected to drive significant improvements in the corporation's efficiency.

**Preparing for procurement transformation**

During 2007–08, RailCorp made significant progress in preparing for implementation of a best-in-class strategic procurement and supply capability.

When implemented, in 2008–09, the new structure, processes and technology will deliver financial benefits, improved compliance and enhanced service provision to the business.

**Sustaining cultural change**

Just Culture – which is an internationally recognised concept in organisations with high safety requirements – was introduced into RailCorp in 2005. The Just Culture program explains the duties and expected behaviours of every employee and provides RailCorp employees with a consistent and concise framework for making decisions about matters ranging from professional performance to safety and purchasing decisions.

In 2007–08, more than 780 senior managers and frontline leaders attended the two-day Just Culture program.

**Supporting employee health and workplace safety**

Achievements or initiatives in 2007–08 included:



- continued implementation of the 'Working Together Strategy', a Government initiative aimed at achieving improvements in injury management and return-to-work arrangements

- implementing 22,482 random alcohol tests and 5,136 random drug tests. The tests cover all RailCorp employees and contractors. These tests were in addition to specific post-incident testing

- re-engineering health assessment processes to ensure compliance with the national standard for rail safety workers

- completing initiatives in health and wellbeing, health surveillance and flu prevention

- supporting staff participation in the annual City2Surf, the BP Ultimate/BRW Corporate Triathlon and the JP Morgan Chase Corporate Challenge

**Leading and managing diversity**

RailCorp is committed to providing equal employment opportunities (EEO) to all employees, without

regard to their sex, race, ethnic or ethno-religious background, marital status, pregnancy, disability, age, sexuality, transgender status, or carer's responsibility.

RailCorp values the diversity of its workforce. In 2007–08 RailCorp launched its Equity and Diversity Management Plan and implemented the first of the plan's initiatives: the Aboriginal and Torres Strait Islander pre-apprentice program.

The year also saw the publication of a range of new procedures. The Dignity and Respect in the Workplace Procedure formalises RailCorp's commitment to providing a safe and equitable work environment where people treat each other with dignity and respect, and seeks to completely eliminate bullying and harassment in the workplace. RailCorp also launched a Grievance Advisory Service that is intended to provide advice and support to employees who believe they are facing bullying or harassment.





**We are committed to improving RailCorp's environmental performance as we develop rail as a sustainable form of transport for the future.**





## CORPORATE GOVERNANCE

RailCorp is a statutory state-owned corporation. RailCorp delivers services under the Transport Administration Act 1988 and the State Owned Corporations Act 1989.

The principal objectives of RailCorp are to:

- deliver safe and reliable railway passenger services in New South Wales in an efficient, effective and financially responsible manner
- 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 are to:

- maintain reasonable priority and certainty of access for railway passenger services
- promote and facilitate access to the part of the NSW rail network vested in or owned by RailCorp

- be a successful business and, to that end, operate at least as efficiently as any comparable business, and to maximise the net worth of the State's investment in the corporation
- 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, 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
- exhibit a sense of responsibility towards regional development and decentralisation in the way in which it operates

RailCorp has a board of directors responsible and accountable to the voting shareholders who each hold one share for and on behalf of the NSW Government.

As at 30 June 2008, the two voting shareholders representing the Government were the Treasurer,

the Hon. Michael Costa, MLC and the Deputy Premier, the Hon. John Watkins, MP. Prior to 7 December 2007 the first share was held by the Premier, the Hon. Morris Iemma, MP. As at 30 June 2008, the portfolio Minister was the Hon. John Watkins, MP, Minister for Transport.

### Outlining the role of the board

The board is accountable to the voting shareholders for ensuring the long-term success of the corporation and for achieving the shareholders' objectives of ensuring the rail network enables safe and reliable passenger and freight services that are provided in an efficient, effective and financially responsible manner.

The role of the board is to set the strategic direction of the corporation and oversee its implementation, establish clear performance targets as set out in the Statement of Corporate Intent negotiated annually between RailCorp and the voting shareholders, and monitor, at reasonable intervals, the corporation's progress in achieving its targets.

The board has a corporate governance charter that reflects current legislation

and best practice principles. It provides a framework for the board's decision-making processes and addresses the key factors that affect board effectiveness and efficiency. The board also has a code of conduct. During the year the board undertook an evaluation of both the board and board committees' performance.

### Determining board membership

The Transport Administration Act 1988 and the State Owned Corporations Act 1989 allow for a minimum of three and a maximum of seven directors. The appointment and term of each director is determined by the voting shareholders, following consultation with the portfolio Minister, for a period not exceeding five years. Appointments may be renewed.

The remuneration of each non-executive director is determined by the voting shareholders. The chief executive officer is not entitled to any additional remuneration for being an executive director.

The board, following consultation with the voting shareholders and the portfolio Minister, appoints the chief executive officer. Following



appointment, the chief executive officer is an executive director of the board.

The board is required to meet at least 10 times per year, or additionally, as special circumstances require.

Directors have access to management and to independent advice. Such advice would normally be sought after consultation with the chairperson or secretary.

### Setting out directors' accountabilities

Part Four of the State Owned Corporations Act 1989 outlines the accountabilities of directors. In summary, directors must:

- supply to voting shareholders such information relating to affairs of RailCorp as they may from time to time request
- agree with the voting shareholders on the annual Statement of Corporate Intent
- report to the voting shareholders on the operations of RailCorp on a half-yearly basis
- deliver an annual report, including audited financials, within four months of the end of the financial year

**RailCorp has a board of directors responsible and accountable to the voting shareholders who each hold one share for and on behalf of the NSW Government.**



**Profiling board members  
(during 2007–08)****Ross Bunyon***AM BComm (UNSW) CIE Aust*

Chairperson, member of the Audit and Risk Board Committee and the Human Resources and Remuneration Board Committee

Mr Bunyon was appointed as non-executive director and chairperson from 19 December 2003 to 1 January 2009. He is chairperson of Eraring Energy, chairperson of Turner & Townsend Ltd and chairperson of ICS Global Ltd. He is a former chairperson of the Rail Infrastructure Corporation, former chairperson of the State Rail Authority of NSW, former chairperson and director of Pacific Power and subsidiary companies, former chairperson of the Electricity Supply Association of Australia, and a former chairperson of Green's Foods Ltd. He is a former non-executive director of the Treasury Corporation of NSW and a former commissioner of the Snowy Mountains Council.

**Arthur Butler** *BEC FCPA*

Chairperson of the Audit and Risk Board Committee

Mr Butler was appointed a non-executive director from 19 December 2003 to 1 January 2007. He was re-appointed until 30 June 2008, and he retired from the board on 30 June 2008. He is chairperson of the conservation and compliance committee of the National Parks and Wildlife Service, Department of Environment and Climate Change and a member, internal audit committee, Department of Environment and Climate Change. He is a former non-executive director of the Rail Infrastructure Corporation and the State Rail Authority and a former independent chairperson of the State Rail Authority audit board committee. Mr Butler has held executive positions within Sydney Water and has been a non-executive director of Australian Water Technologies Pty Ltd and Water Ecoscience Pty Ltd and a member of

the NSW Treasury functions advisory committee and the NSW Investment Advisory Committee.

**Vince Graham***BEng (Civil) GradDipMgmt FAICD*

Chief Executive Officer  
(resigned effective 6 April 2008)

Mr Graham was appointed chief executive officer on 19 December 2003. He resigned as chief executive and director effective 6 April 2008. While he was chief executive of RailCorp, he was also a director of the Transport Infrastructure Development Corporation and a director of the Public Transport Ticketing Corporation. He is a former executive director and former chief executive officer of the Rail Infrastructure Corporation. He was acting chief executive of the State Rail Authority until 30 June 2007. Mr Graham was previously Co-ordinator-general of rail, managing director of the National Rail Corporation and the Grain Handling Authority of NSW and the chief operating officer of the State Rail Authority of NSW. He has more than 30 years' experience in the rail industry.

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

Acting Chief Executive Officer  
(as at 30 June 2008)

Mr Mason was appointed by the board to act as chief executive officer from 7 April 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 at RailCorp from his 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.

**Kate McKenzie** *BA LLB*

Chairperson of the Human Resources and Remuneration Board Committee and member of the Audit and Risk Board Committee

Ms McKenzie was appointed a non-executive director from 1 November 2007 to 1 November 2010. She is currently the group managing director, Telstra Wholesale and has been in this role since January 2006. Before joining Telstra she was director-general of the Department of Commerce and had previously held senior roles in other agencies, including as director-general, Department of Industrial Relations and as general manager, WorkCover Authority NSW.

**Gordon Messiter***BSc(Tech) MEngSc*

Chairperson of the Safety and Environment Board Committee and member of the Human Resource and Remuneration Board Committee

Mr Messiter was appointed a non-executive director from 3 April 2006 to 3 April 2009. He is a former chief executive or department head of five NSW Government agencies, including the Ministry of Transport and the State Rail Authority. He was the general manager of Randwick City Council from 1996 to 2004. Mr Messiter is a professional engineer with a graduate degree in electrical engineering and a master's degree in transportation and traffic engineering.

**Bob Plain**

Member of the Safety and Environment Board Committee

Mr Plain was appointed a non-executive director from 19 December 2003 to 1 January 2007. He was re-appointed to 30 June 2008, and then he was re-appointed to 30 June 2009. He is a former non-executive director of the Rail Infrastructure Corporation and the State Rail Authority. He has more than 40 years of railway experience. Mr Plain held a number of union positions, including the national president of the Rail, Tram & Bus Union and is a former member of the Labor Council Executive.

**TABLE 19: MEETING ATTENDANCE, 2007–08**

Board member	Board meetings		Audit and 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
Ross Bunyon	13	13	5	5	4	4	-	-
Arthur Butler	13	13	5	5	-	-	-	-
Vince Graham	10	10	-	*	-	*	-	*
Rob Mason	3	3	-	*	-	*	-	*
Kate McKenzie	8	8	1	0	1	0	-	-
Gordon Messiter	13	13	-	-	4	4	4	4
Bob Plain	13	12	-	-	-	-	4	4
Hon. Barrie Unsworth	13	12	5	5	-	-	4	3

\*The chief executive officer attends board committee meetings by invitation.

**Hon. Barrie Unsworth**

Member of the Safety and Environment Board Committee and the Audit and Risk Board Committee

Mr Unsworth was appointed a non-executive director from 21 December 2005 to 21 December 2008. He is chairperson of the advisory council of the Ambulance Service of New South Wales and chairperson of the board of the State Transit Authority and is a former Minister for Transport, Minister for Health, Minister for State Development and Premier of New South Wales.

**Conducting meetings of the board and its committees**

Meetings of the RailCorp board are held monthly or more often if special circumstances require. Board committee meetings are generally held on a quarterly basis. The chief executive attends board committee meetings by invitation.

The board currently has three standing committees, which assist in the good governance of the corporation, allow for more-detailed consideration of major issues, provide advice on specific matters to the board and

examine matters that may be referred to it by the board. Each committee has a charter, which was approved by the board and was reviewed during the year.

**The Audit and Risk Board Committee** assists the board to discharge its oversight and governance responsibilities related to:

- financial reporting practices, including accounting policies
- financial management

- business policies and practices, including ethics and corruption prevention policies and practices; risk management and internal controls; and compliance with laws, regulations, standards and best practice guidelines
- providing a forum for communication between the board, senior management, and both the internal and the external auditors
- fostering an ethical culture throughout the corporation
- monitoring and reviewing the independence, integrity and objectivity of the internal audit function

The chief executive, the group general manager – finance and corporate services, the general manager – internal audit and representatives from the Audit Office have a standing invitation to attend meetings but are not members.

**The Safety and Environment Board Committee** supports 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 work on and use the network, and for environmental protection.

The committee supports the board to:

- review and monitor the strategic direction of safety and environment
- 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
- monitor and review the performance of key programs that identify and manage safety and environment risks across operations
- monitor and review key issues identified by the board
- provide advice to the board on key safety and environment issues
- monitor and review performance through reporting related to environmental management, safety of infrastructure and train operations, and OH & S

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

The chief executive and group general manager – safety and environment have a standing invitation to attend meetings but are not members.

**The Human Resources and Remuneration Board Committee** supports the board in discharging its responsibilities in relation to:

- contractual, performance and remuneration arrangements for the chief executive and senior management
- maintenance and growth for the corporation's workforce capability necessary to support corporate objectives
- 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 and group general manager – human resources and communications have a standing invitation to attend meetings but are not members.

#### Declaring conflicts of interest

A register of directors' interests is maintained, and directors disclose any material contract in which they have an interest. Directors do not take part in any discussions or decision-making processes considered by the board if they have any personal interest in the matters.

#### Outlining changes to the board

During 2007–08:

- Vince Graham, chief executive, resigned, effective 6 April 2008
- Rob Mason was appointed acting chief executive and executive director from 7 April 2008

- at the conclusion of the year, Arthur Butler, non-executive director and chair of the audit and risk board committee, retired

Since the end of 2007–08:

- 1 July 2008, Bob Plain was re-appointed non-executive director for 12 months
- 15 July 2008, Rob Mason was appointed chief executive and executive director
- 31 July 2008, Ross Bunyon resigned as non-executive director and chairperson
- 18 August 2008, Kate McKenzie was appointed chairperson for four months
- 14 October 2008, Kate McKenzie resigned as chairperson and non-executive director

#### Outlining risk management

The management of risk is central to the continued growth and efficient management of RailCorp. RailCorp's approach to risk management is aimed at:

- the proactive identification of the risks inherent in RailCorp's business and resulting from its change agenda
- analysis of risks
- assessment of risks
- implementation of risk treatments and controls
- the provision of assurance of control effectiveness

RailCorp's safety risk management system requirement, business risk management framework and environmental risk management system requirement facilitate a structured approach to risk management throughout the corporation. These frameworks are modelled on the Australian Standard and follow national and international best practice, including the use of matrices to determine the overall significance of each risk based on the likelihood of occurrence and the level of impact should it occur.

During 2007–08, RailCorp carried out a business risk management maturity



evaluation. One of the findings of the evaluation was that moving from the three frameworks to an enterprise risk management approach would be beneficial in terms of providing enhanced control assurance and holistic and consistent risk processes aligned more closely with RailCorp's objectives.

#### Maintaining insurance activities

In 2007–08, RailCorp maintained a comprehensive insurance program commensurate with its activities. As part of its renewal strategy, presentations were made to both local and overseas based property and liability insurers.

In May 2008, RailCorp submitted a claim to its property insurers in relation to an incident at Sefton Park Junction in January 2007 that resulted in its rail-mounted crane being severely damaged. The claim is currently being considered by insurers. There were no other material insurance claims received or made during the reporting financial year.

#### Providing internal audit

RailCorp maintains an independent internal audit service to help the corporation 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 is 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 function also provided corruption prevention and investigation services focused on building RailCorp's resistance to fraud and corruption.

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

All reported allegations of corrupt conduct committed by staff members or contractors were investigated. Where appropriate, final investigation reports were referred to the Disciplinary Review Panel for determination. Policy and/or procedural issues that were identified during investigations and that required attention were referred to senior management for action.

All reported matters of possible corrupt conduct were reported to the Independent Commission Against Corruption (ICAC) under section 11 of the 1988 ICAC legislation. Internal audit referred a significant number of investigations to ICAC that were the subject of several ICAC hearings during the year. Matters involving criminal conduct were referred to the police for investigation and potential prosecution.

Internal audit provided ethics advice, conducted ethics awareness activities and implemented or reinforced initiatives to help build a corruption-resistant corporation. Probity advice was provided on several complex tenders. Advice was also provided on issues such as contracting, gifts and benefits, conflicts of interest, secondary employment, and sponsorship. Newsletter articles were developed and seminars for new staff were conducted as part of their induction course at the Petersham training facility or for existing staff in response to identified needs. The RailCorp corruption-prevention strategy was updated during the year to reflect RailCorp's current situation.



# 11

STATIONS HAD AN  
ACCESS UPGRADE  
COMPLETED IN 2007-08

# 93

% OF COUNTRYLINK  
STATIONS HAVE  
WHEELCHAIR ACCESS

34



## ENVIRONMENT

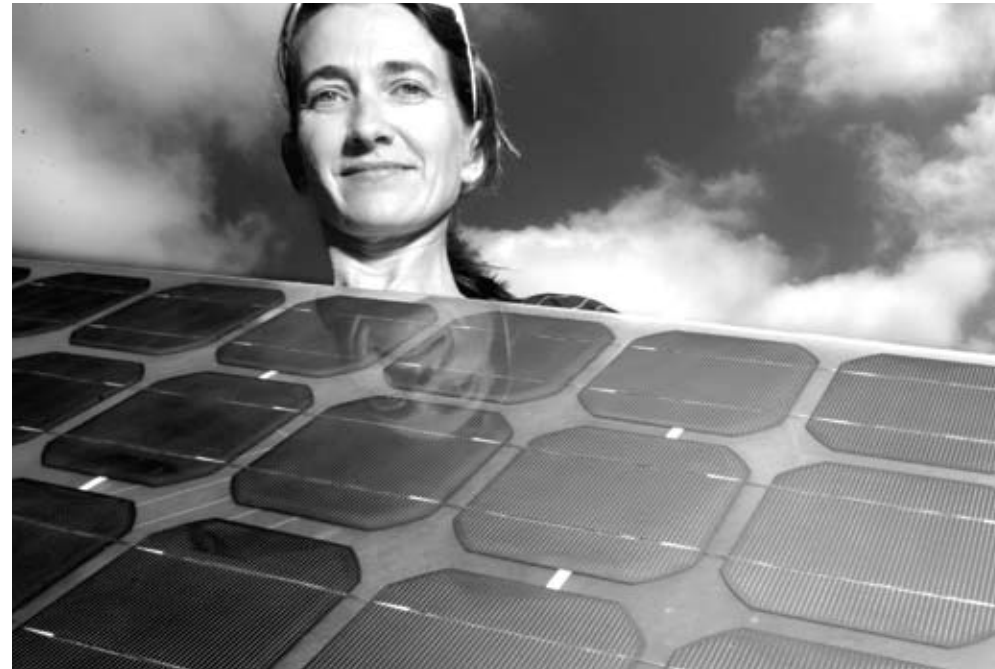
### Comparing rail travel to other modes

Relative to other forms of transport, particularly private motor vehicles, train travel is highly energy efficient, produces lower levels of noise and air pollution, and emits considerably less greenhouse gas. RailCorp's electric trains generate approximately 19 grams of carbon dioxide equivalent per passenger seat per kilometre. Carbon dioxide emissions per person per kilometre travelled in the peak commuter period are about 10% of those per person travelling by car at the same time of day.

### Managing environmental risks

RailCorp maintains an enterprise-wide environmental risk register and local risk registers as part of its environmental management plans. RailCorp's environmental risk management process ensures effort is focused on managing the most significant environmental risks to the business.

Aligned to the international standard ISO 14001, RailCorp's environmental



management system (EMS) ensures a proactive approach whereby environmental risks are systematically identified, assessed, prioritised and managed.

Important elements of the EMS include:

- procedures to protect the environment during RailCorp operations
- mechanisms for tracking compliance with legislative requirements
- environmental objectives, targets and metrics
- environmental performance monitoring and reporting
- review processes to help ensure continuous improvement

The main purpose of the EMS is to make environmental management part of day-to-day operations.

### Participating in community environment initiatives

Specific community environmental initiatives in which RailCorp participated during 2007-08 included:

- 'Earth Hour', including turning off lighting and equipment not required for safety, security or operational requirements
- working with News Limited to implement a station-based recycling program for the free afternoon *mX* newspaper
- World Environment Day – 'Kick the Habit', with the Department of Environment and Climate Change, and Sydney Water, including a public awareness campaign focusing on energy and water conservation

### Contributing to climate change measures

RailCorp uses approximately 3.3 petajoules of energy per year, approximately 70% of which is from electricity usage and the remaining 30% of which is from diesel, petrol and LPG.

RailCorp is a member of the Federal Government's Greenhouse Challenge Plus program and maintains a corporate inventory of greenhouse gas emissions across the corporation.



RailCorp is a member of the Federal Government's Energy Efficiency Opportunities Program under which RailCorp has committed to review 80% of its energy usage over a five-year period and to identify cost-effective energy efficiency opportunities.

In 2008, RailCorp conducted representative energy efficient assessment at a passenger fleet maintenance centre to identify opportunities for improvement in lighting, compressed air systems, hot water systems and air-conditioning.

## SOCIAL

### Improving the accessibility of services – stations

RailCorp is progressively improving the accessibility of stations, trains, coaches and information for all passengers. In all, 108 (36%) CityRail stations provide independent wheelchair accessibility, which account for approximately 68% of CityRail passengers. An additional 61 stations (20%) offer wheelchair accessibility with the help of a friend or carer.

Access upgrades – either in the RailCorp Station Easy Access Program

or in other programs – were completed at 11 stations in 2007-08 with a further four stations currently under construction and 11 stations in design for upgrade. Three new accessible stations are on the new Epping-Chatswood link.

Portable boarding ramps are available at all CityRail station platforms. Design development work commenced in 2007-08 to replace existing boarding ramps to improve their reliability and safety.

RailCorp continued a program which has seen 34% of operational platforms fitted with tactile tiles to help passengers with vision impairment navigate platform and station areas safely.

Design and development work, to improve the safety and accessibility of level crossings in the CityRail network, continued during 2007-08.

Of CountryLink stations, 93% are wheelchair accessible by means of level access or ramps. In 2007-08, work was undertaken at Bathurst Station to improve the accessibility of the entrance to the station.



**RailCorp is a member of the Federal Government's Greenhouse Challenge Plus program.**

35





**108**  
CITYRAIL STATIONS  
HAVE INDEPENDENT  
WHEELCHAIR ACCESS

**626**  
NEW SUBURBAN CARS  
DELIVERED FROM 2010

#### Improving the accessibility of services – trains

All suburban and regional CityRail train services are wheelchair accessible and 39% of outer-suburban and intercity services are accessible with the deployment of boarding ramps.

In 2007–08, CityRail started or continued initiatives to further improve accessibility, including but not limited to:

- the progressive introduction of accessible cars, including OSCARs and Hunter cars
- design and development of 626 new suburban cars that will begin operations in 2010
- colour contrasting of the outside of suburban carriage doors to assist passenger loading and door identification by passengers with vision impairment

The nine accessible toilets in the XPT fleet were upgraded in 2007–08, and access improvements will continue in 2008–09, including additional wheelchair spaces and priority seats for passengers with disabilities, call button access to staff, new handrails, colour contrasting and signage.

#### Improving the accessibility of services – communications

In 2007–08, RailCorp invested \$12 million in progressively installing integrated audio and electronic visual passenger information at existing CityRail stations. With work largely complete on the Bankstown, Airport, East Hills, Illawarra, North Shore and Northern lines, 83% of CityRail passengers now have access to electronic visual displays.

A new, advanced public address system (PA) for platforms at Central Station was largely completed during 2007–08. Station and information control staff and train guards underwent training in announcements and use of the PA. RailCorp's "Golden Mic" Awards continue to reward staff for clear and informative announcements.

The "Accessing CityRail" brochure was updated for "World Youth Day" and



is available at major stations, online and in large print and audio formats. Planning and design work was undertaken to upgrade the CityRail website to level two of the World Wide Web Consortium's web content accessibility guidelines.

#### Improving the accessibility of services – action plan and consultation

RailCorp's strategies, actions and targets for accessible rail services are documented in the NSW 'Accessible Transport Action Plan'. The current version of the plan is publicly available through a link from the CityRail website ([www.cityrail.info](http://www.cityrail.info)) and also at the Ministry of Transport 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.

Ongoing liaison and consultation with peak disability organisations and independent access consultants during 2007–08 were integral to the development of key projects, including the Epping–Chatswood link, major

station and interchange upgrades, new car design, retrofit of the XPT cars, significant operational changes and the "Accessing CityRail" brochure.

#### Raising awareness in the community

Other community or public safety initiatives by RailCorp in 2007–08 included:

- RailCorp continuing to raise the awareness of pedestrian safety at level crossings through a campaign in the Sydney, Hunter and Illawarra regions. RailCorp's new website [www.trainmart.com.au](http://www.trainmart.com.au) contains all of RailCorp's public safety messages and complements rail safety programs such as "National Rail Safety Awareness Week"
- February 2008 marking the third anniversary of CityRail's "Youth Safety Outreach Program", which educates young people about the potential consequences of dangerous behaviours around rail lines and trains. The program reaches thousands of young people every year through in-school presentations

- RailCorp launching its "Workplace Giving Program", in May 2008, to help employees support the charity of their choice. RailCorp's lead charity is the Child Protection Unit at the Children's Hospital at Westmead.

#### Supporting major public events

CityRail has a central role in dozens of major public events in Sydney, and elsewhere in NSW, every year. These events include annual public festivities such as New Year's Eve celebrations, which attract tens of thousands of people who use public transport, including CityRail services. They also include special international events such as APEC, in September 2007, and the "World Youth Day", events for which CityRail was preparing throughout 2007–08.

During 2007–08, other public events that were supported by CityRail included:

- the Royal Easter Show, when CityRail transported more than 480,000 people to the event

- ANZAC Day, during which CityRail provided extra services, and RailCorp staff provided refreshments for passengers at CBD stations
- "Super Sunday" – 24 February 2008 – when five public events coinciding on a single day increased the number of passengers markedly.

**In 2007-08, RailCorp invested \$12 million in progressively installing integrated audio and electronic visual passenger information at existing CityRail stations.**



**This year, RailCorp  
invested heavily in  
projects to provide  
improved services and  
increased capacity.**

<b>STATEMENT BY DIRECTORS</b>	<b>41</b>
<b>INCOME STATEMENT</b>	<b>42</b>
<b>BALANCE SHEET</b>	<b>43</b>
<b>STATEMENT OF CHANGES IN EQUITY</b>	<b>44</b>
<b>CASH FLOW STATEMENT</b>	<b>45</b>
<b>NOTE 1 REPORTING ENTITY AND FINANCIAL REPORT</b>	<b>46</b>
<b>NOTE 2 SUMMARY OF ACCOUNTING POLICIES</b>	<b>46</b>
<b>NOTE 3 INCOME</b>	<b>56</b>
<b>NOTE 4 EXPENSES</b>	<b>57</b>
<b>NOTE 5 CASH AND CASH EQUIVALENTS</b>	<b>59</b>
<b>NOTE 6 TRADE AND OTHER RECEIVABLES</b>	<b>61</b>
<b>NOTE 7 INVENTORIES</b>	<b>62</b>
<b>NOTE 8 ASSETS HELD FOR SALE</b>	<b>63</b>
<b>NOTE 9 PROPERTY, PLANT AND EQUIPMENT</b>	<b>63</b>
<b>NOTE 10 INTANGIBLE ASSETS</b>	<b>66</b>
<b>NOTE 11 OTHER ASSETS</b>	<b>66</b>
<b>NOTE 12 TRADE AND OTHER PAYABLES</b>	<b>67</b>
<b>NOTE 13 BORROWINGS</b>	<b>67</b>
<b>NOTE 14 PROVISIONS</b>	<b>68</b>
<b>NOTE 15 CONTRIBUTED EQUITY</b>	<b>82</b>
<b>NOTE 16 RESERVES</b>	<b>83</b>
<b>NOTE 17 RETAINED EARNINGS</b>	<b>83</b>
<b>NOTE 18 EXPENDITURE COMMITMENTS</b>	<b>84</b>
<b>NOTE 19 CONTINGENT LIABILITIES AND CONTINGENT ASSETS</b>	<b>86</b>
<b>NOTE 20 FINANCIAL INSTRUMENTS</b>	<b>87</b>
<b>NOTE 21 JOINT VENTURE</b>	<b>93</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>94</b>

Pursuant to section 41C(1B) of the Public Finance and Audit Act 1983 and clause 11 of the Public Finance and Audit Regulation 2005 and in accordance with a resolution of the Board of RailCorp, we state that:

- (a) In our opinion, the accompanying financial report, read in conjunction with the notes thereto, exhibits a true and fair view of the financial position of RailCorp as at 30 June 2008 and of its financial performance for the year ended 30 June 2008.
- (b) The financial report has been prepared in accordance with the provisions of the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2005, the Australian Accounting Standards and Treasurer's directions.
- (c) We are not aware, as at the date of this statement, of any circumstances which would render any particulars included in the financial report to be misleading or inaccurate.

Signed in accordance with a resolution of the Board.



Kate McKenzie  
Chair

24 September 2008



Rob Mason  
Chief Executive Officer

24 September 2008



(Start of audited financial report)

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2007-08 \$000	2006-07 \$000
<b>Income</b>			
Passenger services revenue		<b>622 979</b>	568 257
Non passenger revenue	3.1	<b>265 786</b>	235 400
Interest		<b>20 221</b>	21 749
Income from operating activities		<b>908 986</b>	825 406
<b>Expenses</b>			
Operating expenses			
- Payroll costs and other employee benefits	4.1, 4.2, 14.5	<b>1 263 326</b>	1 015 783
- Other operating expenses	4.3	<b>1 055 288</b>	929 522
Depreciation and amortisation	9.2, 10.2	<b>465 484</b>	445 606
Total expenses		<b>2 784 098</b>	2 390 911
<b>Deficit from operations before Government Contributions</b>		<b>(1 875 112)</b>	(1 565 505)
Government subsidies	2.7	<b>1 285 157</b>	1 280 499
Government concessions	2.7	<b>210 744</b>	200 770
Other Government operating subsidies	3.2	<b>711</b>	1 155
<b>Deficit from operations before Capital Contributions</b>		<b>(378 500)</b>	(83 081)
Government contributions for capital expenditure	3.2	<b>572 770</b>	554 429
<b>Surplus for the year</b>		<b>194 270</b>	471 348

The income statement should be read in conjunction with the accompanying notes.

## BALANCE SHEET AS AT 30 JUNE 2008

	Note	30.6.2008 \$000	30.6.2007 \$000
<b>Current assets</b>			
Cash and cash equivalents	5.1	<b>313 876</b>	375 828
Trade and other receivables	6.1	<b>123 248</b>	122 088
Derivative financial instruments	20.1	<b>8 286</b>	759
Security deposits		<b>35</b>	35
Inventories	7	<b>33 889</b>	37 554
Assets held for sale	8	<b>4 724</b>	5 647
Total current assets		<b>484 058</b>	541 911
<b>Non-current assets</b>			
Inventories	7	<b>25 996</b>	19 121
Property, plant and equipment	9	<b>16 368 972</b>	12 502 457
Intangible assets	10	<b>102 497</b>	70 402
Other	11	<b>136 793</b>	179 288
Total non-current assets		<b>16 634 258</b>	12 771 268
<b>Total assets</b>		<b>17 118 316</b>	13 313 179
<b>Current liabilities</b>			
Trade and other payables	12	<b>502 340</b>	423 339
Borrowings	13.1	<b>-</b>	10 128
Derivative financial instruments	20.1	<b>1 598</b>	1 164
Provisions	14	<b>392 327</b>	381 858
Total current liabilities		<b>896 265</b>	816 489
<b>Non-current liabilities</b>			
Trade and other payables	12	<b>56 775</b>	58 224
Borrowings	13.1	<b>-</b>	5 789
Provisions	14	<b>113 866</b>	71 418
Total non-current liabilities		<b>170 641</b>	135 431
<b>Total liabilities</b>		<b>1 066 906</b>	951 920
<b>Net assets</b>		<b>16 051 410</b>	12 361 259
<b>Equity</b>			
Contributed equity	15	<b>11 721 564</b>	11 706 214
Reserves	16	<b>3 477 988</b>	(2 543)
Retained earnings	17	<b>851 858</b>	657 588
<b>Total equity</b>		<b>16 051 410</b>	12 361 259

The balance sheet should be read in conjunction with the accompanying notes.



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2008

44

	Note	2007-08 \$000	2006-07 \$000
<b>Total equity at the beginning of the financial year</b>		<b>12 361 259</b>	11 717 681
Increase/(Decrease) in Hedging Reserve	16	<b>7 093</b>	(2 508)
Increase in Asset Revaluation Reserve	16	<b>3 473 438</b>	-
<b>Net income / (deficit) recognised directly in equity</b>		<b>3 480 531</b>	(2 508)
Surplus for the year	17	<b>194 270</b>	471 348
<b>Total recognised income and expense for the year</b>		<b>3 674 801</b>	468 840
Transactions with equity holders in their capacity as equity holders			
Net assets contributed by the Government	15.3	<b>15 350</b>	174 738
<b>Total equity at end of the financial year</b>		<b>16 051 410</b>	12 361 259

The statement of changes in equity should be read in conjunction with the accompanying notes.

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

45

	Note	2007-08 \$000	2006-07 \$000
<b>Cash flows from operating activities</b>			
<i>Cash received</i>			
Passenger services		<b>622 979</b>	568 257
Other receipts from customers and others		<b>435 635</b>	375 923
Government subsidies and concessions		<b>1 495 901</b>	1 481 269
Other Government operating subsidies		<b>711</b>	1 155
Interest received		<b>20 221</b>	21 749
<b>Total cash received</b>		<b>2 575 447</b>	2 448 353
<i>Cash used</i>			
Payments to suppliers, employees and others		<b>(2 344 385)</b>	(2 122 552)
Interest paid		<b>(1 516)</b>	(1 092)
<b>Total cash used</b>		<b>(2 345 901)</b>	(2 123 644)
<b>Net cash from operating activities</b>	5.2	<b>229 546</b>	324 709
<b>Cash flows from investing activities</b>			
<i>Cash received</i>			
Capital grants		<b>572 770</b>	556 600
Property, plant and equipment and intangible assets disposals		<b>8 029</b>	29 670
Investments redeemed		-	152
<b>Total cash received</b>		<b>580 799</b>	586 422
<i>Cash used</i>			
Property, plant and equipment and intangible assets acquisitions		<b>(838 472)</b>	(918 355)
Milestone advances to a supplier		<b>(18 000)</b>	-
<b>Total cash used</b>		<b>(856 472)</b>	(918 355)
<b>Net cash used in investing activities</b>		<b>(275 673)</b>	(331 933)
<b>Cash flows from financing activities</b>			
<i>Cash Used</i>			
Repayment of borrowings		<b>(15 825)</b>	-
<b>Total cash used</b>		<b>(15 825)</b>	-
<b>Net cash used in financing activities</b>		<b>(15 825)</b>	-
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(61 952)</b>	(7 224)
Cash and cash equivalents at the beginning of the year		<b>375 828</b>	335 985
Cash received as a result of rail industry restructuring	15.3	-	47 067
<b>Cash and cash equivalents at the end of the year</b>	2.9	<b>313 876</b>	375 828

The cash flow statement should be read in conjunction with the accompanying notes.



**NOTE 1: REPORTING ENTITY AND FINANCIAL REPORT**

Rail Corporation New South Wales (RailCorp) is a statutory State owned corporation constituted under the Transport Administration Act 1988. It is domiciled in Australia and its principal office is at 18 Lee Street, Chippendale, NSW, 2008. 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.

The financial report was authorised for issue by the Board on the date on which the accompanying Statement by Directors was signed.

**NOTE 2: SUMMARY OF ACCOUNTING POLICIES**

**2.1 Bases of accounting**

This is a general purpose financial report prepared in accordance with Australian Accounting Standards, the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2005, and specific directions issued by the Treasurer.

Generally, the historical cost basis of accounting has been adopted and the financial report does 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 report, except for cash flow information.

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

The financial report has 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 (given assent in June 2008) 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 22.4% in 2007/08 ( 23.8% in 2006/07).

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

**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 2007. The adoption of these new and revised Standards and Interpretations has not resulted in any significant changes to RailCorp accounting policies.

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective and have not been adopted for the annual reporting period ending 30 June 2008:

AASB Amendment	Affected Standard(s)	Application date of Standard*
AASB 101	Presentation of Financial Statements (revised September 2007)	1 January 2009
AASB 123	Borrowing Costs (Revised)	1 January 2009
AASB 8 and AASB 2007-3	Operating Segments	1 January 2009
AASB 1049	Whole of Government and General Government Sector Financial Reporting	1 July 2008
AASB 1050	Administered Items	1 July 2008
AASB 1051	Land under Roads	1 July 2008
AASB 1052	Disaggregated Disclosures	1 July 2008
AASB 1004 (Revised)	Contributions	1 July 2008
AASB Interpretation 12	Service Concession Arrangements	1 January 2008
AASB Interpretation 13	Customer Loyalty Programmes	1 July 2008
AASB Interpretation 14	AASB 119 – The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008
AASB 2007-9	Amendments to Australian Accounting Standards arising from reviews of AAS 27, AAS 29 and AAS 31 and revised interpretations 1038 Contributions by Owners made to Wholly-Owned Public Sector Entities	1 July 2008
AASB 2008-2	Amendments to Australian Accounting Standards – puttable Financial Instruments and Obligations arising from Liquidation	1 January 2009

\*Application date is for the annual reporting periods beginning on or after the date shown in the above table.

When adopted, the impact of those standards on the Corporation's financial position, surplus or loss for the year, and cash flows, will not be material.

The requirements of AASB 1004 Contributions have been applied when accounting for contributions of assets (including grants). There are no differences in the recognition requirements between the new AASB 1004 and the previous AASB 1004. However, the new standard may be amended by proposals in Exposure Draft ED 125 Financial Reporting by Local Governments. If the ED 125 approach is applied, revenue and/or expense recognition will not occur until the related goods and services are supplied (where grants are in-substance agreements for the provision of goods and services) or until conditions are satisfied. ED 125 may therefore delay revenue recognition compared with AASB 1004, where grants are recognised when controlled. However, at this stage, the timing, applicability and impact of these amendments are uncertain.

**NOTE 2: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**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 balance sheet 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 13.2. 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 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.

**(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 balance sheet. Cash

flows are included in the Cash Flow Statement on a gross basis and the GST component of any cash flow that is recoverable from (or payable to) the ATO is classified as an operating cash flow.

**(iii) State Taxes**

In accordance with section 17E of the Transport Administration Act 1988, RailCorp holds an exemption for State taxes in relation to any matter or thing done by RailCorp in the exercising of its functions. Section 40 of the Transport Administration (General) Regulation 2005, operates to exempt RailCorp for State tax for land used primarily for railway purposes unless the land is subject to a lease or licence by RailCorp to another person (operational to 18 December 2008).

**2.5 Leases**

**(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 for a Rollingstock Public Private Partnership (PPP), which will incorporate a finance lease, whereby Reliance Rail will:

- Design, manufacture and commission a total of 626 carriages, together with two 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. They are treated as interest free advances pending satisfactory completion of the construction of carriages together with two simulators and a maintenance facility.

**(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 balance sheet 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 balance sheet 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.



**NOTE 2: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**2.5 Leases (continued)**

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.

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.

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.

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 Income Statement).

The presentation of the Income Statement includes subtotals for the result from operations before Government Contributions and the result from operations before Capital Contributions. That presentation has been adopted since 2006/07 as it is a more appropriate representation of the operating result with reference to RailCorp's sources of funding.

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

Interest revenue is recognised 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 managed funds.

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

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.

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.

**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 2007/08 no borrowing costs were incurred with respect to qualifying assets.

**2.9 Cash and cash equivalents**

Cash and cash equivalents includes cash 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.

See note 5.

**2.10 Trade and other receivables**

Trade receivables are measured initially at fair value and subsequently at amortised cost, less a provision for impairment. 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. They 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 Assets held for sale**

An asset is classified as held for sale, and measured at the lower of its carrying amount and fair value less costs to sell, if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such assets are presented separately from other assets in the balance sheet 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 (i) has a useful life materially different from that of the prime asset and therefore requires separate replacement during the life of the prime asset, (ii) is material enough to justify separate tracking, and (iii) 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

**NOTE 2: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

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

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 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 leases continues to be recognised as property, plant and equipment and to be classified according to the nature of the asset.

**(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.

An impairment loss is unlikely to arise on any item of property, plant and equipment because the carrying amount (usually depreciated replacement cost) is unlikely to ever exceed the recoverable amount.

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 credited directly to the Asset Revaluation Reserve for that

class and a net revaluation decrease is recognised in the income statement, except that to the extent it reverses a previous increase or decrease for the same class, it is debited to the Asset Revaluation Reserve or recognised in the income statement respectively.

**(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.

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
Stations 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	20 - 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 (i) can be measured reliably, (ii) exceeds the capitalisation threshold of \$5000 and (iii) 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.

An impairment loss is unlikely to arise on any intangible asset because the carrying amount (usually amortised cost) is unlikely to ever exceed the recoverable amount.

**(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.

**(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.



**NOTE 2: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**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 in 2030 take over the four stations.

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 2008.*

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 balance sheet 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 amortised cost.

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.

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.

**(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.

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 (ie 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 (or capitalised) for superannuation and long service leave is the net total of current service cost, interest cost, the expected return on any plan assets, and actuarial gains and losses. Actuarial gains or losses are recognised as income or expense in the year they occur.

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 notes 11 and 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.

NOTE 3: INCOME

3.1 Non Passenger revenue

	2007-08 \$000	2006-07 \$000
Rental income	33 310	33 012
Access fees	34 979	34 343
Construction contract revenue	75 499	54 691
Sale of rail products	15 892	12 160
Fines and penalties	9 231	10 494
Sale of quarry products	11 549	10 050
Recoveries for interstate services	10 021	9 013
Operating lease contingent rents	1 525	759
Advertising revenue	10 076	8 481
Other revenue*	63 704	62 397
	<b>265 786</b>	<b>235 400</b>

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

3.2 Capital and other Government contributions and subsidies

	2007-08 \$000	2006-07 \$000
<b>Government contributions for capital expenditure</b>		
Funding for capital expenditure	572 770	552 896
Transfer of assets from Government entities	-	1 533
<b>Total Government contributions for capital expenditure</b>	<b>572 770</b>	<b>554 429</b>
<b>Other Government operating subsidies</b>		
<b>Operating subsidies from NSW Government</b>		
Training schemes	438	366
<b>Operating subsidies from Commonwealth Government</b>		
Training schemes	273	789
<b>Total other Government operating subsidies</b>	<b>711</b>	<b>1 155</b>

NOTE 4: EXPENSES

4.1 Defined benefit superannuation plan expense  
(within other employee benefits expense)

	2007-08 \$000	2006-07 \$000
Current service cost	27 395	28 791
Interest cost	84 520	73 553
Expected return on plan assets	(122 425)	(103 888)
Actuarial losses / (gains)	181 762	(102 372)
Pending repayment to the Crown	-	25 402
Adjustment for repayment not made to the Crown	(25 402)	-
Effect of the asset ceiling limit	(56 617)	56 617
<b>Total defined benefit superannuation expense / (income)</b>	<b>89 233</b>	<b>(21 897)</b>

4.2 Defined contribution superannuation plan expense  
(within other employee benefits expense)

	2007-08 \$000	2006-07 \$000
Contributions to First State Super and other schemes	54 194	46 003



NOTE 4: EXPENSES (CONTINUED)

4.3 Other operating expenses

The following items are included within other operating expenses in the income statement:

Note	2007-08 \$000	2006-07 \$000
Subcontractors	238 100	219 276
Materials	161 139	137 613
External maintenance costs	140 419	121 334
Operating lease non-contingent rents (including rail access fees)	106 613	98 717
Operating lease contingent rents	7 373	4 140
Plant and equipment hire	67 830	63 539
Bulk electricity	51 073	43 855
Security costs	25 053	23 284
Traction fuel costs	22 475	22 312
Land tax and related charges provision	14.13 7 875	23 820
Loss on asset disposals and write off of retired assets	14 925	18 728
Insurance costs	18 305	18 155
Telecommunications expenses	14 679	15 519
Computer expenses	33 838	12 644
Advertising & Marketing	7 373	6 330
Land and buildings remediation	27 491	11 161
Consultants (See note (a) below)	13 810	3 042
Finance costs	5 651	3 632
Audit fees for auditing	678	611
Audit fees for other services	-	95
Bad debts	69	139
Non executive Board Members Emoluments	460	434
Impaired trade receivables	487	(684)
Other	89 572	81 826
<b>Total other operating expenses</b>	<b>1 055 288</b>	<b>929 522</b>

Note (a) A further amount of \$6.058 million for consultants was charged to capital expenditure in 2007/08 (2006/07: \$2.635 million).

4.4 Maintenance expenses

Included in total expenses are maintenance expenses consisting of:

	2007-08 \$000	2006-07 \$000
Labour	229 732	240 773
Contracted and non labour expenditure	504 168	442 138
	<b>733 900</b>	<b>682 911</b>

In addition to the above a further \$172.2 million of major periodic maintenance was capitalised during the year ended 30 June 2008 (2006/07: \$180.9 million).

NOTE 5: CASH AND CASH EQUIVALENTS

5.1 Cash and cash equivalents

	30.6.2008 \$000	30.6.2007 \$000
Cash at bank	6 272	9 134
Cash in hand and in transit	8 161	6 307
Cash deposits with NSW Treasury Corporation (TCorp)	299 443	360 387
<b>Total cash and cash equivalents</b>	<b>313 876</b>	<b>375 828</b>

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

	30.6.2008 \$000	30.6.2007 \$000
<b>Surplus for the year</b>	<b>194 270</b>	471 348
Cash capital grants	(572 770)	(556 600)
Non-cash capital grants	-	(1 533)
Loss on asset disposals and write off of retired assets	14 925	18 728
Airport line lease premium	(3 611)	(6 528)
Prepaid lease rental	(1 623)	(2 033)
Capital WIP expensed	5 362	2 368
Depreciation and amortisation	465 484	445 606
Impaired trade receivables expense	556	(254)
Amortisation of borrowings premium	(92)	(180)
Finance costs	4 503	2 461
<i>Net movements in assets and liabilities applicable to operating activities:</i>		
(Increase)/decrease in trade and other receivables	(1 716)	(13 688)
(Increase)/decrease in inventories	(3 210)	(9 620)
(Increase)/decrease in other assets	64 106	(80 026)
Increase/(decrease) in trade and other payables & provisions	63 362	54 660
<b>Net cash from operating activities</b>	<b>229 546</b>	<b>324 709</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2008

### NOTE 5: CASH AND CASH EQUIVALENTS (CONTINUED)

#### 5.3 Credit standby arrangements and loan facilities

The credit standby arrangements and unused amounts available on each are:

	30.06.08 Credit Facilities \$000	30.06.08 Unused \$000	30.06.07 Credit Facilities \$000	30.06.07 Unused \$000
Westpac Banking Corporation (WBC) – Tape negotiation authority	70 000	70 000	70 000	70 000
WBC - Purchasing Card	20 097	-	19 542	-
TCorp - Guarantee	54 228	-	54 228	-
TCorp - Borrowings	-	-	234 917	219 000
TCorp - Come and Go facility	80 000	80 000	80 000	80 000
<b>Total</b>	<b>224 325</b>	<b>150 000</b>	<b>458 687</b>	<b>369 000</b>

#### 5.4 Non-cash investing activities

During 2007/08 the Transport Infrastructure Development Corporation transferred assets to RailCorp (and from State Rail Authority in 2006/07). The net transfer represents a non-cash contribution of \$15.350 million [2006/07: \$127.67 million] by the Government.

See note 15.3

### NOTE 6: TRADE AND OTHER RECEIVABLES

#### 6.1 Analysis of trade and other receivables

	30.06.2008 \$000	30.06.2007 \$000
<b>Current trade and other receivables</b>		
Trade receivables	45 427	39 659
Other receivables	73 787	79 467
Less provision for impairment	2 157	1 621
	<b>117 057</b>	<b>117 505</b>
Prepayments	6 191	4 583
<b>Total trade and other receivables</b>	<b>123 248</b>	<b>122 088</b>

Movements in the provision for impairment were as follows

	30.06.2008 \$000	30.06.2007 \$000
Balance at beginning of year	1 621	2 279
Allowance recognised in income statement	487	(684)
GST Movement	49	26
<b>Balance as at end of year</b>	<b>2 157</b>	<b>1 621</b>

#### 6.2 Impaired trade and other receivables

As at 30 June 2008 current trade and other receivables with a nominal value, excluding GST, of \$1.988 million (2007 \$1.503 million) were impaired.

The ageing of the impaired trade and other receivables is as follows:

	30.06.2008 \$000	30.06.2007 \$000
1 to 3 months	4	10
3 to 6 Months	72	481
Over 6 months	1 912	1 012
<b>Balance at 30 June</b>	<b>1 988</b>	<b>1 503</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

### NOTE 6: TRADE AND OTHER RECEIVABLES (CONTINUED)

#### 6.3 Past due but not impaired receivables

As at 30 June 2008, trade receivables of \$25.796 million (2007 \$19.724 million) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	30.06.2008 \$000	30.06.2007 \$000
Up to 3 Months	10 232	8 856
3 to 6 Months	5 773	3 312
Over 6 months	9 791	7 556
	<b>25 796</b>	<b>19 724</b>

The other classes within trade and other receivables do not contain impaired assets and are not past due.

#### 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

	30.06.2008 \$000	30.06.2007 \$000
Not later than 1 year	21 639	22 339
Later than 1 year and not later than 5 years	43 624	44 121
Later than 5 years	131 463	135 853
<b>Total non-cancellable lease rentals receivable</b>	<b>196 726</b>	<b>202 313</b>

### NOTE 7: INVENTORIES

	30.06.2008 \$000	30.06.2007 \$000
<b>Current inventories</b>		
Materials and supplies, at cost	32 226	36 057
Work in progress	1 663	1 497
Total current inventories	33 889	37 554
<b>Non-current inventories</b>		
Materials and supplies, at cost	25 982	19 045
Materials and supplies, at net realisable value	14	76
Total non-current inventories	25 996	19 121
<b>Total inventories</b>	<b>59 885</b>	<b>56 675</b>

### NOTE 8: 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 at \$24.687 million of which \$4.724 million is disclosed as a current asset held for sale. The balance is included in the Balance Sheet as Property, Plant and Equipment.

### NOTE 9: PROPERTY, PLANT AND EQUIPMENT

#### 9.1 Classes

	30.6.2008 \$000	30.6.2007 \$000
<b>Land</b>		
Gross carrying amount	3 676 017	3 043 338
<b>Buildings</b>		
Gross carrying amount	4 543 556	2 392 457
Less accumulated depreciation	1 541 744	94 913
Total buildings	3 001 812	2 297 544
<b>Rollingstock</b>		
Gross carrying amount	3 402 171	3 122 576
Less accumulated depreciation	832 091	639 648
Total rollingstock	2 570 080	2 482 928
<b>Plant and machinery</b>		
Gross carrying amount	352 355	332 920
Less accumulated depreciation	164 491	137 947
Total plant and machinery	187 864	194 973
<b>Trackwork and infrastructure</b>		
Gross carrying amount	10 556 992	4 003 787
Less accumulated depreciation	4 784 347	601 740
Total trackwork and infrastructure	5 772 645	3 402 047
<b>Capital works in progress</b>		
Trackwork and infrastructure work in progress	862 041	581 346
Other work in progress	298 513	500 281
Total capital works in progress	1 160 554	1 081 627
<b>Total property, plant and equipment</b>	<b>16 368 972</b>	<b>12 502 457</b>

NOTE 9: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

9.2 Asset class movements

	Land	Buildings	Rollingstock	Plant and machinery	Trackwork & infrastructure	Capital works in progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>2007-08</b>							
<b>Carrying amount at start of year</b>	<b>3 043 338</b>	<b>2 297 544</b>	<b>2 482 928</b>	<b>194 973</b>	<b>3 402 047</b>	<b>1 081 627</b>	<b>12 502 457</b>
<b>Additions</b>	<b>644</b>	<b>123 699</b>	<b>280 772</b>	<b>37 021</b>	<b>334 140</b>	<b>72 927</b>	<b>849 203</b>
<b>Disposals/write-offs</b>	<b>(3 080)</b>	<b>(1 775)</b>	<b>(4)</b>	<b>(6 578)</b>	<b>(11 571)</b>	<b>-</b>	<b>(23 008)</b>
<b>Revaluations</b>	<b>634 192</b>	<b>609 983</b>	<b>-</b>	<b>-</b>	<b>2 229 263</b>	<b>-</b>	<b>3 473 438</b>
<b>Transfers from TIDC*</b>	<b>-</b>	<b>2 888</b>	<b>-</b>	<b>-</b>	<b>6 462</b>	<b>6 000</b>	<b>15 350</b>
<b>Transfers from RIC*</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Depreciation expense</b>	<b>-</b>	<b>(31 589)</b>	<b>(194 376)</b>	<b>(35 730)</b>	<b>(185 303)</b>	<b>-</b>	<b>(446 998)</b>
<b>Other movements</b>	<b>-</b>	<b>1 062</b>	<b>760</b>	<b>(1 822)</b>	<b>(2 393)</b>	<b>-</b>	<b>(2 393)</b>
<b>Classify (to)/from assets held for sale</b>	<b>923</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>923</b>
<b>Carrying amount at end of year</b>	<b>3 676 017</b>	<b>3 001 812</b>	<b>2 570 080</b>	<b>187 864</b>	<b>5 772 645</b>	<b>1 160 554</b>	<b>16 368 972</b>
<b>2006-07</b>							
Carrying amount at start of year	2 916 144	2 298 444	2 486 192	228 746	3 265 355	713 570	11 908 451
Additions	7 022	73 255	187 168	9 723	270 447	368 779	916 394
Disposals/write-offs	(12 001)	(17 733)	-	(5 360)	(10 589)	-	(45 683)
Transfers from TIDC*	-	74 900	-	-	24 175	-	99 075
Transfers from RIC* or StateRail	66 638	6 114	314	7	(9 847)	-	63 226
Depreciation expense	-	(30 158)	(190 746)	(35 699)	(173 416)	-	(430 019)
Other movements	71 182	(107 278)	-	(2 444)	35 922	(722)	(3 340)
Classify (to)/from assets held for sale	(5 647)	-	-	-	-	-	(5 647)
Carrying amount at end of year	3 043 338	2 297 544	2 482 928	194 973	3 402 047	1 081 627	12 502 457

\*TIDC (Transport Infrastructure Development Corporation)

\*RIC (Rail Infrastructure Corporation)

9.3 Revaluation of land, buildings, trackwork and infrastructure

Land, buildings and trackwork and infrastructure were revalued by independent valuers, in accordance with guidelines provided by the New South Wales 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. Land identified as available for sale was valued at market value as at 30 June 2008.

An increase in the value of this class of asset, totalling \$634.2 million was credited to the asset revaluation reserve.

(b) Buildings

Buildings were valued 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.
- Properties specifically identified as available for sale were valued at market price.

An increase in the value of this class of asset, totalling \$610.0 million was credited to the asset revaluation reserve.

(c) Trackwork and Infrastructure

Trackwork and Infrastructure was valued as at 30 June 2008 at depreciated replacement cost, ie 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.

The increase in the carrying value of trackwork and infrastructure largely reflects the impact of higher input prices (since assets were vested to RailCorp and on subsequent additions); improvement in asset condition; inclusion of higher design and indirect cost assumptions; as well as assumptions regarding the higher cost of construction due to restricted hours of operation.

An increase in the value of this class of asset, totalling \$2,229.3 million was credited to the asset revaluation reserve.

9.4 Rollingstock leasing arrangements

RailCorp is the lessee to leasing arrangements for some of its rolling stock. 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 Rolling Stock

Heritage rolling stock, which includes locomotives and carriages, was vested from the State Rail Authority to RailCorp on 30 June 2007 and is held for its historical significance. It is recorded at nominal value.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2008

### NOTE 10: INTANGIBLE ASSETS

#### 10.1 Class

	30.6.2008 \$000	30.6.2007 \$000
<b>SOFTWARE</b>		
Gross carrying amount	100 789	92 933
Less accumulated amortisation	58 912	40 451
Net carrying amount of software	41 877	52 482
<b>Software works in progress</b>	<b>60 620</b>	17 920
<b>Total intangible assets</b>	<b>102 497</b>	70 402

#### 10.2 Movements during the year

	Software \$000	Works in progress \$000	Total \$000
<b>2007-08</b>			
Carrying amount at start of year	52 482	17 920	70 402
Additions	5 490	42 700	48 190
Disposals/write-offs	(2)	-	(2)
Amortisation expense	(18 486)	-	(18 486)
Other movements	2 393	-	2 393
Carrying amount at end of year	41 877	60 620	102 497
<b>2006-07</b>			
Carrying amount at start of year	42 043	15 256	57 299
Additions	26 746	2 664	29 410
Disposals/write-offs	(2 715)	-	(2 715)
Amortisation expense	(15 587)	-	(15 587)
Other movements	1 995	-	1 995
Carrying amount at end of year	52 482	17 920	70 402

### NOTE 11: OTHER ASSETS

	Note	30.6.2008 \$000	30.6.2007 \$000
Earned portion of right to receive Airport Line stations	2.16	23 070	19 459
Net superannuation asset	14.2	95 723	159 829
Milestone payment advances	18.4	18 000	-
<b>Total other assets</b>		<b>136 793</b>	179 288

### NOTE 12: TRADE AND OTHER PAYABLES

#### 12.1 Trade and other payables

	30.6.2008 \$000	30.6.2007 \$000
<b>Current trade and other payables</b>		
Trade payables	55 597	56 229
Capital works accruals	192 739	128 512
Accrued salaries and wages	67 375	52 296
Other payables and accruals	185 006	184 679
Deferred revenue – long term leases of land	1 623	1 623
<b>Total current trade and other payables</b>	<b>502 340</b>	423 339
<b>Non-current trade and other payables</b>		
Accrued salaries and wages oncosts	1 351	1 177
Deferred revenue – long term leases of land	55 424	57 047
<b>Total non-current trade and other payables</b>	<b>56 775</b>	58 224
<b>Total trade and other payables</b>	<b>559 115</b>	481 563

#### 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

#### 13.1 Maturity profile

	30.6.2008 \$000	30.6.2007 \$000
Not later than 1 year	-	10 128
Later than 1 year and not later than 2 years	-	-
Later than 2 years and not later than 5 years	-	-
Later than 5 years	-	5 789
<b>Total borrowings</b>	<b>-</b>	15 917

#### 13.2 Fair value of borrowings at year end

	30.6.2008 \$000	30.6.2007 \$000
Current borrowings	-	10 359
Non-current borrowings	-	5 801
<b>Fair value of total borrowings</b>	<b>-</b>	16 160

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2008

### NOTE 14: PROVISIONS

#### 14.1 Provisions

	Note	30.6.2008 \$000	30.6.2007 \$000
<b>Current provisions</b>			
Annual leave (see note (a) below)		<b>116 766</b>	106 037
Long service leave (see note (a) below)	14.3	<b>181 491</b>	179 226
Pay in lieu of certain holidays worked (see note (a) below)		<b>13 309</b>	12 428
<b>Total current employee benefits</b>		<b>311 566</b>	297 691
Workers' compensation	14.5	<b>12 554</b>	14 867
Public liability claims	14.6	<b>4 255</b>	8 639
Legal claims	14.7	<b>4 269</b>	4 995
Airport Line asset replacement	14.8	<b>16 490</b>	16 490
Land and buildings remediation	14.10	<b>8 512</b>	11 620
Ballast disposal	14.11	<b>2 199</b>	3 329
Restoration of leased premises	14.12	<b>787</b>	407
Land tax and related charges	14.13	<b>31 695</b>	23 820
<b>Total current provisions</b>		<b>392 327</b>	381 858
<b>Non-current provisions</b>			
Superannuation	14.2	<b>1 616</b>	-
Long service leave (see note (a) below)	14.3	<b>15 242</b>	13 278
<b>Total non-current employee benefits</b>		<b>16 858</b>	13 278
Workers' compensation	14.5	<b>62 113</b>	53 372
Public liability claims	14.6	<b>1 056</b>	216
Quarry restoration	14.9	<b>4 830</b>	4 552
Land and buildings remediation	14.10	<b>29 009</b>	-
<b>Total non-current provisions</b>		<b>113 866</b>	71 418
<b>Total provisions</b>			
Superannuation	14.2	<b>1 616</b>	-
Annual leave		<b>116 766</b>	106 037
Long service leave	14.3	<b>196 733</b>	192 504
Pay in lieu of certain holidays worked		<b>13 309</b>	12 428
<b>Total employee benefits</b>		<b>328 424</b>	310 969
Workers' compensation	14.5	<b>74 667</b>	68 239
Public liability claims	14.6	<b>5 311</b>	8 855
Legal claims	14.7	<b>4 269</b>	4 995
Airport Line asset replacement	14.8	<b>16 490</b>	16 490
Quarry restoration	14.9	<b>4 830</b>	4 552
Land and buildings remediation	14.10	<b>37 521</b>	11 620
Ballast disposal	14.11	<b>2 199</b>	3 329
Restoration of leased premises	14.12	<b>787</b>	407
Land tax and related charges	14.13	<b>31 695</b>	23 820
<b>Total provisions</b>		<b>506 193</b>	453 276

(a) In accordance with Australian Accounting Standards all annual leave and unconditional long service leave is classified as a current liability in the Balance Sheet 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
Long Service Leave	<b>21 765</b>	<b>174 968</b>	<b>196 733</b>
Annual Leave	<b>99 055</b>	<b>17 711</b>	<b>116 766</b>
Pay in lieu of certain holidays worked	<b>13 309</b>	-	<b>13 309</b>
	<b>134 129</b>	<b>192 679</b>	<b>326 808</b>



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2008

### NOTE 14: PROVISIONS (CONTINUED)

#### 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:

	SASS \$000	SANCSS \$000	SSS \$000	Total \$000
<b>30.6.2008</b>				
<b>(Overfunded)/ underfunded schemes</b>				
Present value of defined benefit obligations	1 243 505	121 569	21 801	1 386 875
Fair value of plan assets (investment reserve)	(1 308 277)	(152 520)	(20 185)	(1 480 982)
Net asset	(64 772)	(30 951)	1 616	(94 107)
Future Service Liability (see Note (a) below)	(99 058)	(51 600)	(1 233)	(151 891)
Surplus in excess of recovery available from schemes	-	-	-	-
<b>Net (asset)/liability recognised in balance sheet</b>	<b>(64 772)</b>	<b>(30 951)</b>	<b>1 616</b>	<b>(94 107)</b>
<b>30.6.2007</b>				
Overfunded schemes				
Present value of defined benefit obligations	1 239 547	113 165	17 721	1 370 433
Fair value of plan assets (investment reserve)	(1 407 869)	(160 480)	(18 530)	(1 586 879)
Net asset	(168 322)	(47 315)	(809)	(216 446)
Future Service Liability (see Note (a) below)	(106 320)	(52 388)	(1 121)	(159 829)
Surplus in excess of recovery available from schemes	43 602	12 741	274	56 617
Net asset recognised in balance sheet	(124 720)	(34 574)	(535)	(159 829)

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.

##### 14.2.2 Accounting Policy

Actuarial gains and losses are recognised immediately in the Income Statement in the year in which they occur.

All the schemes are closed to new members.

##### 14.2.3 Reconciliation of the present value of the defined benefit obligation

	SASS \$000	SANCSS \$000	SSS \$000
<b>2008</b>			
Present value of defined benefit obligations at the beginning of the year	1 239 547	113 165	17 721
Current service cost	21 015	6 129	251
Interest cost	76 456	6 934	1 131
Contributions by fund participants	14 746	-	338
Actuarial (gains)/losses	(23 846)	2 203	1 698
Benefits paid	(84 413)	(6 862)	662
Present value of defined benefit obligations at the end of the year	1 243 505	121 569	21 801
<b>2007</b>			
Present value of defined benefit obligations at the beginning of the year	1 156 538	108 147	16 590
Current service cost	22 297	6 222	271
Interest cost	66 422	6 144	987
Contributions by fund participants	14 188	-	302
Actuarial (gains)/losses	11 038	(5 875)	(451)
Benefits paid	(30 936)	(1 473)	22
Present value of defined benefit obligations at the end of the year	1 239 547	113 165	17 721

NOTE 14: PROVISIONS (CONTINUED)

14.2 Superannuation (continued)

14.2.4 Reconciliation of the fair value of fund assets

	SASS \$000	SANCSS \$000	SSS \$000
<b>2008</b>			
Fair value of Fund assets at beginning of the year	1 407 869	160 480	18 530
Adjustment for repayment not made to the Crown	20 401	5 001	-
Expected return on fund assets	107 928	13 050	1 446
Actuarial gains/(losses)	(176 929)	(23 639)	(1 139)
Employer contributions	18 674	4 490	348
Contributions by Fund participants	14 747	-	338
Benefits paid	(84 413)	(6 862)	662
Settlements	-	-	-
Business combinations	-	-	-
Exchange rate changes	-	-	-
<b>Fair value of Fund assets at end of the year</b>	<b>1 308 277</b>	<b>152 520</b>	<b>20 185</b>
<b>2007</b>			
Fair value of Fund assets at beginning of the year	1 209 477	135 011	14 915
Expected return on fund assets	92 132	10 594	1 161
Actuarial gains/(losses)	96 152	9 314	1 618
Employer contributions	26 856	7 035	512
Contributions by Fund participants	14 188	-	302
Benefits paid	(30 936)	(1 474)	22
Settlements	-	-	-
Business combinations	-	-	-
Exchange rate changes	-	-	-
<b>Fair value of Fund assets at end of the year</b>	<b>1 407 869</b>	<b>160 480</b>	<b>18 530</b>

14.2.5 Reconciliation of the assets and liabilities recognised in the balance sheet

	SASS \$000	SANCSS \$000	SSS \$000
<b>2008</b>			
Present value of funded defined benefit obligations at end of year	1 243 505	121 569	21 801
Fair value of fund assets at end of year	(1 308 277)	(152 520)	(20 185)
<b>Sub Total</b>	<b>(64 772)</b>	<b>(30 951)</b>	<b>1 616</b>
Unrecognised past service cost	-	-	-
Unrecognised gain/(loss)	-	-	-
Adjustment for limitation on net asset	-	-	-
<b>Net Liability/(Asset) recognised in balance sheet at end of year</b>	<b>(64 772)</b>	<b>(30 951)</b>	<b>1 616</b>
<b>2007</b>			
Present value of funded defined benefit obligations at end of year	1 239 547	113 165	17 721
Fair value of fund assets at end of year	(1 407 869)	(160 480)	(18 530)
<b>Sub Total</b>	<b>(168 322)</b>	<b>(47 315)</b>	<b>(809)</b>
Unrecognised past service cost	-	-	-
Unrecognised gain/(loss)	-	-	-
Adjustment for limitation on net asset	43 602	12 741	274
<b>Net Liability/(Asset) recognised in balance sheet at end of year</b>	<b>(124 720)</b>	<b>(34 574)</b>	<b>(535)</b>

14.2.6 Expense recognised in the Income Statement

	SASS \$000	SANCSS \$000	SSS \$000
<b>2008</b>			
<b>Components Recognised in Income Statement</b>			
Current service cost	21 015	6 129	251
Interest cost	76 456	6 934	1 130
Expected return on Fund assets (net expenses)	(107 928)	(13 051)	(1 446)
Actuarial losses/(gains) recognised in year	153 083	25 842	2 837
Adjustment for repayment not made to the Crown	(20 401)	(5 001)	-
Movement in adjustment for limitation on net assets	(43 602)	(12 741)	(274)
Curtailment or settlement (gain)/loss	-	-	-
<b>Expense/(income) recognised</b>	<b>78 623</b>	<b>8 112</b>	<b>2 498</b>



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2008

### NOTE 14: PROVISIONS (CONTINUED)

#### 14.2 Superannuation (continued)

##### 14.2.6 Expense recognised in the Income Statement (Continued)

	SASS \$000	SANCCSS \$000	SSS \$000
2007			
Components Recognised in Income Statement			
Current service cost	22 297	6 223	271
Interest cost	66 423	6 144	986
Expected return on Fund assets (net expenses)	(92 133)	(10 594)	(1 161)
Actuarial losses/(gains) recognised in year	(85 115)	(15 189)	(2 068)
Pending repayment to the Crown	20 401	5 001	-
Movement in adjustment for limitation on net assets	43 602	12 741	274
Curtailment or settlement (gain)/loss	-	-	-
Expense/(income) recognised	(24 525)	4 326	(1 698)

##### 14.2.7 Amounts recognised in the statement of changes in equity

	SASS \$000	SANCCSS \$000	SSS \$000
<b>2008</b>			
Actuarial (gains)/losses	-	-	-
Adjustment for limit on net assets	-	-	-
Cumulative amount of actuarial (gain)/losses	-	-	-
2007			
Actuarial (gains)/losses	-	-	-
Adjustment for limit on net assets	-	-	-
Cumulative amount of actuarial (gain)/losses	-	-	-

##### 14.2.8 Fund assets

The percentage invested in each asset class at the Balance Sheet date:

	2008 %	2007 %
Australian equities	31.6	33.6
Overseas equities	25.4	26.5
Australian fixed interest securities	7.4	6.8
Overseas fixed interest securities	7.5	6.4
Property	11.0	10.1
Cash	6.1	9.8
Other	11.0	6.8

##### 14.2.9 Fair value of Fund assets

All Fund assets are invested by STC at arm's length through independent fund managers.

##### 14.2.10 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.

Actual Return on Fund Assets	SASS \$000	SANCCSS \$000	SSS \$000
<b>2008</b>			
Actual return on Fund assets	(90 303)	(10 588)	(1 155)
2007			
Actual return on Fund assets	176 489	19 908	2 175

##### 14.2.11 Valuation method and principal actuarial assumptions at the balance sheet 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

	2008	2007
Salary increase rate (excluding promotional increases)	3.5% pa	4.0% pa. to June 2008; 3.5% pa thereafter
Rate of CPI Increase	2.5% pa	2.5% pa
Expected rate of return on assets backing current pension liabilities	8.3% pa	7.6% pa
Expected rate of return on assets backing other liabilities	7.3% pa	7.6% pa
Discount rate	6.55% pa	6.4% pa

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2008

### NOTE 14: PROVISIONS (CONTINUED)

#### 14.2 Superannuation (continued)

##### 14.2.12 Demographic Assumptions

The demographic assumptions at 30 June 2008 and 30 June 2007 are those used in the 2006 triennial actuarial valuation. A selection of the most financially significant assumptions is shown below:

(i) SASS Contributors – the number of SASS contributors expected in any one year (out of 10,000 members), at the ages shown, to leave the fund as a result of death, disability, resignation, retirement and redundancy. Promotional salary increase rates are also shown.

##### 2007 and 2008

Age nearest birthday	Number of members expected in any one year, out of 10,000 members at the age shown, to leave the fund as a result of:					Additional promotional salary increase rate%
	Death	Total & Permanent Disability	Retirement	Resignation	Redundancy	
<b>Males</b>						
30	4	8	-	280	150	2.90
40	6	10	-	150	150	1.80
50	11	30	-	112	150	0.00
60	30	-	1,400	-	150	0.00
<b>Females</b>						
30	2	2	-	372	150	2.90
40	3	6	-	175	150	1.80
50	7	28	-	144	150	0.00
60	18	-	1,500	-	150	0.00

(ii) SSS Contributors – the number of SSS contributors expected in any one year (out of 10,000 members), at the ages shown, to leave the fund as a result of death, disability, resignation, retirement and preservation. Promotional salary increase rates are also shown.

##### 2007 and 2008

Age nearest birthday	Number of members expected in any one year, out of 10,000 members at the age shown, to leave the fund as a result of:					Additional promotional salary increase rate%
	Death	Ill-health Retirement	Retirement (R60 for females)	Cash Resignation (R60 for females)	Preservation (R60 for females)	
<b>Males</b>						
30	4	42	-	178	95	2.90
40	6	54	-	80	140	1.80
50	11	144	-	20	50	0.00
60	30	-	6,500	-	-	0.00
<b>Females</b>						
30	2	6	-	204	124	2.90
40	3	21	-	72	105	1.80
50	7	103	-	30	90	0.00
60	18	-	6,300	-	-	0.00

Note: Different assumptions apply to females who have elected to retire at age 55 (R55 members).

(iii) SSS Commutation – the proportion of SSS members assumed to commute their pension to a lump sum in any one year.

##### 2007 and 2008

Age Later of commencement or age 55	Proportion of pension commuted	
	Retirement .15	Breakdown .20
	Widow	Widower
55	.2500	.2500
65	.5380	.5800
75	.4825	.5160
85	.3928	.3728

(iv) SSS Pension Mortality – assumed mortality rates (in 2007/2008) of SSS pensioners (separately for normal retirement/spouses and invalidity)

##### 2007 and 2008

Age	Retirement Pensioners and Spouses and Widows		Invalidity Pensions	
	Males	Females	Males	Females
55	0.0025	0.0014	0.0081	0.0066
65	0.0070	0.0055	0.0112	0.0125
75	0.0194	0.0157	0.0505	0.0314
85	0.0945	0.0634	0.1134	0.1268

(v) SSS Pension Mortality Improvements – per annum assumed rates of mortality improvement for SSS pensioners

##### 2007 and 2008

Age	Improvement rates- (for years post 2006)	
	Males	Females
55	0.0152	0.0113
65	0.0101	0.0065
75	0.0087	0.0068
85	0.0052	0.0080



**NOTE 14: PROVISIONS (CONTINUED)**

**14.2 Superannuation (continued)**

**14.2.13 Historical information:**

	SASS \$000	SANCSS \$000	SSS \$000
<b>2008</b>			
Present value of defined benefit obligation	<b>1 243 505</b>	<b>121 569</b>	<b>21 801</b>
Fair value of Fund assets	<b>(1 308 277)</b>	<b>(152 520)</b>	<b>(20 185)</b>
(Surplus)/Deficit in Fund	<b>(64 772)</b>	<b>(30 951)</b>	<b>1 616</b>
Experience adjustments – Fund liabilities	<b>(23 846)</b>	<b>2 203</b>	<b>1 697</b>
Experience adjustments – Fund assets	<b>176 929</b>	<b>23 639</b>	<b>1 139</b>
<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)

**14.2.14 Expected contributions**

	SASS \$000	SANCSS \$000	SSS \$000
<b>2008</b>			
Expected employer contributions	<b>28 018</b>	<b>7 173</b>	<b>542</b>
<b>2007</b>			
Expected employer contributions	26 957	6 961	483

**14.2.15 Funding arrangements for employer contributions**

*a) Surplus/deficit*

The following is a summary of the financial position of the Fund:

	SASS \$000	SANCSS \$000	SSS \$000
<b>2008</b>			
Accrued benefits	<b>1 238 625</b>	<b>122 121</b>	<b>20 585</b>
Net market value of Fund assets	<b>(1 308 277)</b>	<b>(152 521)</b>	<b>(20 185)</b>
Net (surplus)/deficit	<b>(69 652)</b>	<b>(30 400)</b>	<b>400</b>
<b>2007</b>			
Accrued benefits	1 222 823	111 761	16 343
Net market value of Fund assets	(1 407 869)	(160 480)	(18 530)
Net (surplus)/deficit	(185 046)	(48 719)	(2 187)

*b) Contribution recommendations*

2007 and 2008	SASS multiple of member contributions	SANCSS % member salary	SSS multiple of member contributions
Recommended contribution rates for the entity were:	<b>1.90</b>	<b>2.50</b>	<b>1.60</b>

*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:

Weighted Average Assumptions	2008 and 2007
Expected rate of return on Fund assets backing current pension liabilities	<b>7.7% pa</b>
Expected rate of return on Fund assets backing other liabilities	<b>7.0% pa</b>
Expected salary increase rate	<b>4.0% pa</b>
Expected rate of CPI increase	<b>2.5% pa</b>

**14.2.16 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 in May 2008 by a consulting actuary, Mr G. Holley FIAA of Mercer Human Resource Consulting. The actuary assumed an interest rate of 6.5% (2007: 6.0%) per annum and a salary growth rate of 4% (2007: 4%) per annum.

NOTE 14: PROVISIONS (CONTINUED)

14.4 Movements in provisions (other than employee benefit provisions)

2008	Carrying amount at start of year \$000	Transfers from RIC & SRA \$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>68 239</b>	-	<b>24 228</b>	<b>4 503</b>	<b>96 970</b>	<b>14 490</b>	<b>7 813</b>	<b>74 667</b>
<b>Public liability claims</b>	<b>8 855</b>	-	<b>1 666</b>	-	<b>10 521</b>	<b>5 210</b>	-	<b>5 311</b>
<b>Legal claims</b>	<b>4 995</b>	-	<b>1 671</b>	-	<b>6 666</b>	<b>1 303</b>	<b>1 094</b>	<b>4 269</b>
<b>Airport Line asset replacement</b>	<b>16 490</b>	-	-	-	<b>16 490</b>	-	-	<b>16 490</b>
<b>Quarry restoration</b>	<b>4 552</b>	-	<b>278</b>	-	<b>4 830</b>	-	-	<b>4 830</b>
<b>Land and buildings remediation</b>	<b>11 620</b>	-	<b>27 492</b>	-	<b>39 112</b>	<b>1 591</b>	-	<b>37 521</b>
<b>Ballast disposal</b>	<b>3 329</b>	-	<b>2 848</b>	-	<b>6 177</b>	<b>1 943</b>	<b>2 035</b>	<b>2 199</b>
<b>Restoration of leased premises</b>	<b>407</b>	-	<b>787</b>	-	<b>1 194</b>	<b>407</b>	-	<b>787</b>
<b>Land tax and related charges</b>	<b>23 820</b>	-	<b>7 875</b>	-	<b>31 695</b>	-	-	<b>31 695</b>
<b>2007</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Workers' Compensation	41 715	19 328	22 507	2 461	86 011	9 795	7 977	68 239
Public liability claims	1 336	6 628	2 025	-	9 989	1 134	-	8 855
Legal claims	1 016	1 980	3 486	-	6 482	954	533	4 995
Airport Line asset replacement	16 490	-	-	-	16 490	-	-	16 490
Quarry restoration	4 403	-	149	-	4 552	-	-	4 552
Land and buildings remediation	4 120	-	11 161	-	15 281	3 661	-	11 620
Ballast disposal	1 207	-	4 137	-	5 344	2 015	-	3 329
Restoration of leased premises	-	-	407	-	407	-	-	407
Land tax and related charges	-	-	23 820	-	23 820	-	-	23 820

14.5 Workers' compensation

Workers' compensation insurance is in place to cover any claim exceeding \$1 million 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 using a "central" estimate and assuming an interest rate ranging from 6.3% to 7% over the next 10 years (2007: 6.6%) per annum and a future wage inflation rate ranging from 4.6% to 5% per annum over the next 10 years (2007: 4%).

A superimposed inflation rate of nil (2007: nil) has been allowed for asbestos related claims. The liabilities are inherently uncertain due to doubts over the existence and quantum of individual claims and due to time lags between reporting date and settlement date.

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.

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.

14.10 Land and buildings remediation provision

This provision is comprised of \$12.5 million for remediation of asbestos and \$25.0 million 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 has been extended beyond 30 June 2008 to manage more detailed audits of all prescribed assets, establish a Hotline, and provide incident management and health surveillance.

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 31 May 2008 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.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2008

### NOTE 14: PROVISIONS (CONTINUED)

#### 14.13 Land tax and related charges provision

In accordance with section 40 of the *Transport Administration (General) Regulation 2005* land tax and related state taxes are payable on land that is leased or licensed by RailCorp to another party or land that is not used primarily for railway purposes. RailCorp has established a provision in relation to the estimated liability for the period 1 January 2005 to 30 June 2008. The provision is based on the estimated liability relating to leased and licensed properties that are considered commercially viable to calculate land tax and related charges. An additional exemption is currently being sought from NSW Treasury.

### NOTE 15: CONTRIBUTED EQUITY

#### 15.1 Share capital

RailCorp is a statutory State owned corporation having a share capital of \$2. The Treasurer and the Deputy Premier were the voting shareholders as at 30 June 2008 each holding a \$1 share. Shares have yet to be reallocated following Ministerial changes in early September 2008.

#### 15.2 Contributed equity

	Note	30.6.2008 \$000	30.6.2007 \$000
Contributed equity at start of year		11 706 214	11 531 476
Net assets contributed by Government	15.3	15 350	174 738
<b>Contributed equity at end of year</b>		<b>11 721 564</b>	11 706 214

#### 15.3 Net assets contributed by the Government

As part of the restructuring of the NSW rail industry, the Minister for Transport ordered the transfer of assets and liabilities from Rail Infrastructure Corporation to RailCorp during previous years (and from State Rail Authority in 2006/07).

Certain assets being constructed for RailCorp by the Transport Infrastructure Development Corporation (TIDC), as part of the Epping/Chatswood Rail Link, have also 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.

	30.6.2008 \$000	30.6.2007 \$000
<b>Assets transferred</b>		
Cash and cash equivalents	-	47 067
Trade and other receivables	-	4 870
Property, plant and equipment	15 350	162 301
<b>Total assets</b>	<b>15 350</b>	214 238
<b>Liabilities transferred</b>		
Trade and other payables	-	5 422
Provisions (current)	-	18 252
Provisions (non current)	-	15 826
<b>Total liabilities</b>	<b>-</b>	39 500
<b>Net assets contributed</b>	<b>15 350</b>	174 738

### 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:

	30.6.2008 \$000	30.6.2007 \$000
<b>Hedging Reserve</b>		
Balance at start of year	(2 543)	(35)
Net gain / (loss) in forward foreign exchange contracts	(596)	(2 508)
Net gain / (loss) in commodity swaps	7 689	-
<b>Balance at end of year</b>	<b>4 550</b>	(2 543)
<b>Asset Revaluation Reserve</b>		
Balance at start of year	-	-
Increase as a result of revaluation	3 473 438	-
<b>Balance at end of year</b>	<b>3 473 438</b>	-
<b>Total reserves</b>	<b>3 477 988</b>	(2 543)

### NOTE 17: RETAINED EARNINGS

	30.6.2008 \$000	30.6.2007 \$000
Retained earnings at start of year	657 588	186 240
Surplus for the year	194 270	471 348
<b>Retained earnings at end of year</b>	<b>851 858</b>	657 588

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2008

### NOTE 18: EXPENDITURE COMMITMENTS

#### 18.1 Expenditure commitments

	30.6.2008 \$000	30.6.2007 \$000
<b>Operating leases</b>		
Within 12 months	90 304	64 991
12 months or longer but not longer than 5 years	134 712	113 009
Longer than 5 years	-	-
<b>Total operating leases</b>	<b>225 016</b>	<b>178 000</b>
<b>Property, plant and equipment (including intangible assets)</b>		
Within 12 months	82 556	157 095
12 months or longer but not longer than 5 years	75 248	78 860
<b>Total property, plant and equipment</b>	<b>157 804</b>	<b>235 955</b>
<b>Other (excluding inventories)</b>		
Within 12 months	435 676	410 283
12 months or longer but not longer than 5 years	250 115	336 345
Longer than 5 years	52 911	41 460
<b>Total other (excluding inventories)</b>	<b>738 702</b>	<b>788 088</b>
<b>Total</b>		
Within 12 months	608 536	632 369
12 months or longer but not longer than 5 years	460 075	528 214
Longer than 5 years	52 911	41 460
<b>Total expenditure commitments</b>	<b>1 121 522</b>	<b>1 202 043</b>

The expenditure commitments include any associated Goods and Services Tax. Related input tax credits of \$101.957 million (2007: \$109.276 million) are expected to be recoverable from the Australian Taxation Office.

#### 18.2 Minimum lease payments committed under non-cancellable operating leases

	30.6.2008 \$000	30.6.2007 \$000
Not later than 1 year	78 228	61 566
Later than one year and not later than 5 years	112 531	107 685
Longer than 5 years	-	-
<b>Total committed</b>	<b>190 759</b>	<b>169 251</b>

Minimum lease payment commitments include any associated Goods and Services Tax. Related input tax credits of \$17.342 million (2007: \$15.386 million) are expected to be recoverable from the Australian Taxation Office.

#### 18.3 Restated Stations Agreement

Claims made against RailCorp and State Rail Authority 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 2008 the outstanding commitment due to be paid from the Capped Amount is \$54.675 million (2007: \$65.392 million) the timing of which is contingent upon revenue earned and, therefore, cannot accurately be predicted.

#### 18.4 Rollingstock PPP contract commitments

RailCorp has signed an agreement for a Rollingstock Public Private Partnership which constitutes a finance lease (see Note 2.5(ii)). There is no finance lease liability as at 30 June 2008 because neither the rolling stock sets nor the maintenance facility have been capitalised at this date.

RailCorp will lease various plant and equipment under this finance lease with a current carrying amount of nil.

Reliance Rail, as the successful proponent of the Rollingstock PPP, will:

- Design, manufacture and deliver 78 sets of rolling stock, together with two simulators. The contractual delivery schedule is such that the first set achieves practical completion in April, 2010 and the last set in September 2013;
- Design and construct a maintenance facility at Auburn; 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 Standard Availability Unit Allowances (SAUs) made by RailCorp to Reliance Rail. The SAUs ramp up progressively as each set comes on line until the last set, at which point the SAU payments are inflated at CPI.

Overall, the total payments to be made by RailCorp to Reliance Rail, including financing costs, over the term of the project are estimated to be \$9,459 million in nominal dollars which, together with further ancillary RailCorp costs and retained risk, amount to a total project cost of \$3,650 million in Net Present Value as at 30 June 2006.

Milestone payments of \$18 million were made in 2007/08 to Reliance Rail conditional upon certain completion points being met during the initial phase of the contract term. Those payments are interest free advances pending delivery of the rolling stock upon which event those advances will be offset against the finance lease liability.

The commitment under this contract is as follows (excluding GST):

	30.6.2008 \$000	30.6.2007 \$000
Within 12 months	-	-
12 months or longer but not longer than 5 years	286 009	116 527
Longer than 5 years	9 173 099	9 342 581
<b>Total Rollingstock PPP contract</b>	<b>9 459 108</b>	<b>9 459 108</b>



**NOTE 19: CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

	30.6.2008 \$000	30.6.2007 \$000
<b>Contingent liabilities</b>		
Infrastructure borrowings	200 000	442 674
Contractual and public liability claims	4 839	424
<b>Total contingent liabilities</b>	<b>204 839</b>	443 098
<b>Contingent assets</b>		
Infrastructure assets	2 137 239	1 940 595
Contractual and other recoveries	11 638	16 196
<b>Total contingent assets</b>	<b>2 148 877</b>	1 956 791

Contingent liabilities and 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 not remote.

Contractual and other claims against RailCorp arise from contractual matters or from prosecutions. The existence or quantum of each claim is usually in dispute.

Contractual and other recoveries represent claims made by RailCorp against others in relation to contractual breaches or prosecutions in relation to other matters. The existence or quantum of each claim is usually in dispute.

The Minister for Transport vested the Parramatta Rail Link Project land, rights and contractual obligations in the Transport Infrastructure Development Corporation (TIDC) effective 1 January 2004. RailCorp will acquire the balance of the Epping to Chatswood railway in late 2008. The contingent assets are estimated to be \$2,137.2 million for the railway. The contingent liabilities (borrowings) for the railway are estimated to be \$200 million and are supported by a NSW Government guarantee. Projected borrowings are substantially lower as at 30 June 2008 due to Government repayment of TIDC borrowings for the Epping to Chatswood Railway.

In accordance with section 40 of the Transport Administration (General) Regulation 2005, RailCorp holds an exemption (until December 2008) for land tax in relation to land that is owned and operated primarily for railway purposes. This exemption does not apply to land subject to a lease or licence by RailCorp to another person. RailCorp is currently seeking a further exemption in relation to land owned or leased that is used for council, residential, small retail and railway purposes in the event that the wider exemption is not available an additional amount of land tax and related charges will be payable.

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 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 this Financial Report – Note 14.10 refers to a provision for land and buildings remediation where there is a legal or constructive obligation to undertake remediation.

**NOTE 20: FINANCIAL INSTRUMENTS**

**20.1 Financial Instruments**

RailCorp holds the following financial instruments:

	30.6.2008 \$000	30.6.2007 \$000
<b>Financial Assets</b>		
Cash and cash equivalents	313 876	375 828
Trade and other receivables	77 359	72 015
Derivative financial assets	8 286	759
	<b>399 521</b>	448 602
<b>Financial Liabilities</b>		
Trade and other payables	436 655	355 875
Borrowings	-	15 917
Derivative financial liabilities	1 598	1 164
	<b>438 253</b>	372 956

**20.2 Financial risks**

The operational activities of RailCorp expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including currency risk, interest rate risk and commodity price risk in respect of distillate purchases). A risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Corporation. RailCorp uses derivative financial instruments such as foreign exchange contracts to hedge risk 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 policies approved by the RailCorp Board. RailCorp's Treasury Management Policy establishes a prudential framework covering Board policies, best practice internal controls and reporting systems for the management of treasury risks within RailCorp's operation. The RailCorp Board annually approves RailCorp's Treasury Risk Policy. 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 primary objective of this policy is to achieve financial management of all financial risks in strict compliance with internal policies and guidelines within the broad framework of the NSW Government Treasury Management Policy.

The Treasury section identifies, evaluates and hedges financial risk in close cooperation with the Corporation's operating groups. Treasury instruments approved for the management of financial risk are in accordance with the *Public Authorities (Financial Arrangements) Act 1987*.

**20.3 Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market price. RailCorp's exposures to market risk are primarily through foreign exchange risk, interest rate risk and commodity price risks.

Undertaking of sensitivity analysis on market risk is based on a reasonably possible change in risk variables that has been determined after 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 on market risk is based on risk exposure in existence at the balance sheet date. The analysis is performed on the same basis for 2007. The analysis assumes that all other variables remain constant.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2008

### NOTE 20: FINANCIAL INSTRUMENTS (CONTINUED)

#### 20.3 Market risk (continued)

##### 20.3.1 Foreign exchange risk

RailCorp is exposed to foreign exchange risk arising from various 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 Board has approved the RailCorp Treasury Management Policy covering all elements of financial risk including Foreign Exchange Risk. The policy requires 100% hedging of all foreign exchange exposures. This is to ensure that the Corporation is not exposed to that risk.

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 minimise 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 Credit risk).

RailCorp's foreign currency contracts outstanding at year end were:

Maturity profiles	Weighted average exchange rate		Contract value	
	2008	2007	2008 A\$000	2007 A\$000
<b>Contracts denominated in Euros</b>				
Not later than 3 months	-	0.6015	-	3 141
Total hedged Euro contracts			-	3 141
<b>Contracts denominated in US dollars</b>				
Not later than 3 months	0.8505	0.7509	7 480	2 389
Later than 3 months and not later than 12 months	0.8873	0.7910	15 798	9 593
Total hedged US dollar contracts			23 278	11 982
<b>Contracts denominated in pounds sterling</b>				
Not later than 3 months	0.4329	0.3955	216	146
Total hedged pounds sterling contracts			216	146
<b>Total hedged purchases</b>			<b>23 494</b>	<b>15 269</b>

##### Foreign exchange risk sensitivity analysis

Based on the financial instruments held at 30 June 2008, had the Australian dollar weakened/ strengthened by 10% against currencies in which contracts are held, with all other variables held constant the impact on the Corporation would have been as follows: (The percentage used is determined based on the likelihood of movements against the Australian dollar affecting RailCorp).

Decrease of 10%	Profit Higher/(Lower)		Equity Higher/(Lower)	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Euros	-	-	-	(272)
US Dollar	-	-	(1 925)	(1 005)
Pounds sterling	-	-	(18)	(12)
Total	-	-	(1 943)	(1 289)

##### 20.3.1 Foreign exchange risk (continued)

Increase of 10%	Profit Higher/(Lower)		Equity Higher/(Lower)	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Euros	-	-	-	333
US Dollar	-	-	2 352	1 229
Pounds sterling	-	-	22	15
Total	-	-	2 374	1 577

RailCorp's policy of 100% hedging is expected to be effective and any gains or losses are reflected in equity.

##### 20.3.2 Commodity price risk

RailCorp is exposed to a range of commodity price risks - principally from distillate purchases.

Forecasted distillate purchases, under the supply agreements price mechanism, is reflective of movement in Singapore Gas Oil prices and AUD/USD exchange rates. RailCorp Board policy requires that 100% of all commodity exposure be hedged, on a rolling 12 month basis given the continuous nature of the distillate exposure. RailCorp hedges its distillate exposure by entering into commodity swap contracts. Details of outstanding contracts at year end are:

Maturity profiles	Contract value	
	2008 \$000	2007 \$000
Not later than 1 year	16 410	13 388
<b>Total commodity swap contracts</b>	<b>16 410</b>	<b>13 388</b>

##### Commodity price risk sensitivity analysis

Based on contracts in place at 30 June 2008, had the distillate price weakened/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 Profit		Impact on Equity	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Distillate	-10%	-	-	(2 409)	(1 379)
	+10%	-	-	2 409	1 379



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2008

### NOTE 20: FINANCIAL INSTRUMENTS (CONTINUED)

#### 20.3 Market risk (continued)

##### 20.3.3 Interest rate risk

Interest rate risk refers to the risk that the value of financial instruments or cash flow associated with the instruments will fluctuate due to changes in market interest rate. RailCorp's main interest rate risk relates primarily to borrowings and Hour Glass deposits on call with TCorp.

##### Investment

RailCorp invests in the TCorp Hour Glass Cash Facility. Funds are held for operational rather than trading purposes.

The fund is a unit trust investment facility, designated to meet the investment needs of NSW government agencies and businesses. NSW TCorp acts as trustee and manager of the facility.

The TCorp Hour Glass cash facility is designated at fair value through the profit and loss and, therefore, any changes in unit price impacts on profit and loss (rather than equity).

##### 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 has been established to measure the performance of the debt portfolio.

The Board has approved a fixed/floating ratio where no more than 70% of the portfolio 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 exposes RailCorp to cash flow risk. Borrowings issued at fixed rates expose RailCorp to fair value risk.

Exposure to interest rate risk at year end is set out below:

	Interest rate		Principal amount	
	2008	2007	2008	2007
	%	%	\$000	\$000
<b>Financial Assets</b>				
<b>Not later than 1 year</b>				
Cash on hand	-	-	8 161	6 307
Cash at bank	7.45	6.13	6 272	9 134
Deposits on Call-Hour Glass	7.92	6.55	299 443	360 387
<b>Total Financial Assets</b>			<b>313 876</b>	<b>375 828</b>
<b>Financial Liabilities</b>				
<b>Later than 1 to 5 years</b>				
Borrowings	-	6.01	-	10 128
<b>Later than 5 years</b>				
Borrowings	-	6.41	-	5 789
<b>Total principal exposed</b>			<b>313 876</b>	<b>391 745</b>

Borrowings are net of any unamortised discounts or premiums. Borrowings are recognised at fair value.

The TCorp Hour Glass cash facility is designated at fair value through profit or loss and, therefore, any changes in unit price impacts directly on profit rather than equity.

##### Interest rate sensitivity analysis

Exposure to interest rate risk arises primarily through RailCorp's interest bearing liabilities. A reasonable possible change of +/- 1% is used, consistent with current trends in interest rates. RailCorp's exposure to interest rate risk is set out below:

Index	Change in unit price	Impact on Profit 2008 \$000	Impact on Profit 2007 \$000	Impact on Equity 2008 \$000	Impact on Equity 2007 \$000
TCorp Hour Glass cash facility	-1%	(3 057)	(3 695)	-	-
	+1%	3 057	3 695	-	-

If interest rate had changed by 1% the TCorp Hour Glass cash facility would have moved by 1% and affected RailCorp's profit and loss.

Index	Change in unit price	Impact on Profit 2008 \$000	Impact on Profit 2007 \$000	Impact on Equity 2008 \$000	Impact on Equity 2007 \$000
Borrowings	-1%	-	(388)	-	-
	+1%	-	388	-	-

If interest rate had changed by 1% the market value of RailCorp's debt portfolio would have moved by 1% plus or minus in accordance with the weighted average modified duration for the portfolio. RailCorp had no outstanding borrowings at 30 June 2008.

#### 20.4 Credit risk

Credit risk arises when there is a possibility that debtors or a contracting entity will not complete their obligation, resulting in a financial loss 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 to minimise the potential for counter party default with the main method for accessing credit risk being the Standard and Poor's rating system.

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* requires RailCorp to transact all debt management and investment activities with TCorp which has a AAA credit rating from Standard and Poor's due to financial arrangements and obligations being guaranteed by the NSW Government.

##### Derivatives

In relation to foreign exchange contracts and commodity swap transactions RailCorp uses counter-parties with a Standard and Poor's long term credit rating of A or greater.

RailCorp 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.

**NOTE 20: FINANCIAL INSTRUMENTS (CONTINUED)**

**20.4 Credit risk (continued)**

*Investments*

RailCorp places funds on deposit with TCorp which has been rated as "AAA" by Standard and Poor's. The deposits at balance date were earning an average interest rate of 7.92 % (2007 : 6.55%) while over the year the weighted average interest rate was 6.82% (2007 : 6.41%) on a weighted average balance during the year of \$300million (2007 : \$341million).

**20.5 Liquidity risk**

Liquidity risk is the risk that RailCorp will be 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 balance with surplus funds being invested in the overnight cash market, term deposits up to six months maturity or the TCorp Hourglass Cash Facility, and bank accepted bills. 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.

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 principle cash flows.

**20.5 Liquidity risk (continued)**

	Less than 1 year \$000	Between 1 and 5 years \$000	Over 5 Years \$000
<b>30 June 2008</b>			
<b>Financial assets</b>			
Cash and cash equivalents	313 876	-	-
Trade and other receivables	77 359	-	-
	391 235	-	-
<b>Financial Liabilities</b>			
Trade and other Payables	(436 243)	(412)	-
<b>Derivatives</b>			
Forward Exchange Contracts	(23 494)	-	-
Commodity Swap Contracts	(16 410)	-	-
	(476 147)	(412)	-
<b>Net Maturity - Assets / (Liabilities)</b>	<b>(84 912)</b>	<b>(412)</b>	<b>-</b>
<b>30 June 2007</b>			
<b>Financial assets</b>			
Cash and cash equivalents	375 828	-	-
Trade and other receivables	72 015	-	-
	447 843	-	-
<b>Financial liabilities</b>			
Trade and other Payables	(355 516)	(359)	-
Borrowings	(10 128)	-	(5 789)
<b>Derivatives</b>			
Forward Exchange Contracts	(15 269)	-	-
Commodity Swap Contracts	(13 388)	-	-
	(394 301)	(359)	(5 789)
<b>Net Maturity - Assets / (Liabilities)</b>	<b>53 542</b>	<b>(359)</b>	<b>(5 789)</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 2008 is \$696,115. (2007: \$814,774).

**(End of audited financial report)**





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 report of Rail Corporation New South Wales (the Corporation), which comprises the balance sheet as at 30 June 2008, the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

**Auditor's Opinion**

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Corporation as at 30 June 2008, and its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005

My opinion should be read in conjunction with the rest of this report.

**Directors' Responsibility for the Financial Report**

The Directors are responsible for the preparation and fair presentation of the financial report 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 the financial report that is 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 report 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 report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Corporation's preparation and fair presentation of the financial report 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 the Corporation's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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 the Corporation,
- that it has carried out its activities effectively, efficiently and economically, or
- 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, and
- 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  
Deputy Auditor-General

24 September 2008  
SYDNEY



**RailCorp's services are a substantial part of New South Wales' economic activities.**



## CONTENTS

APPENDIX 1: STATEMENT OF BUSINESS ETHICS	99
APPENDIX 2: THE CODE OF CONDUCT FOR RAILCORP'S BOARD OF DIRECTORS	100
APPENDIX 3: THE CODE OF CONDUCT FOR RAILCORP'S EMPLOYEES	101
APPENDIX 4: CHANGES IN ACTS AND SUBORDINATE LEGISLATION	102
APPENDIX 5: FREEDOM OF INFORMATION (FOI)	104
APPENDIX 6: PUBLICATIONS	109
APPENDIX 7: OVERSEAS TRAVEL	112
APPENDIX 8: HERITAGE MANAGEMENT	114
APPENDIX 9: EXECUTIVE PERFORMANCE AND REMUNERATION	115
APPENDIX 10: EQUAL EMPLOYMENT OPPORTUNITY	128
APPENDIX 11: ETHNIC AFFAIRS PRIORITY STATEMENT	130
APPENDIX 12: GOVERNMENT ACTION PLAN FOR WOMEN	130
APPENDIX 13: EXEMPTIONS FROM THE REPORTING PROVISIONS	130
APPENDIX 14: FUNDS GRANTED TO NON-GOVERNMENT AGENCIES	130
APPENDIX 15: CONSULTANTS	131
APPENDIX 16: LAND VALUES AND LAND DISPOSALS	132
APPENDIX 17: INVESTMENT MANAGEMENT PERFORMANCE	132
APPENDIX 18: THE COST OF PRODUCING THIS REPORT	132
CONTACT DETAILS	133

## APPENDIX 1: STATEMENT OF BUSINESS ETHICS

### Chief executive officer's introduction

The NSW Government relies on the private sector to perform many tasks it once carried out. RailCorp dealings with the private sector include purchasing goods and services, joint ventures and contracting out of activities.

This statement explains the expected standards of business conduct between RailCorp and the private sector. The ethical standards described are not an added extra. They are integral to sound business practice.

RailCorp expects both its permanent and internal contract employees to behave ethically and comply with its Code of Conduct.

All individuals or organisations that deal with RailCorp must apply the standards of ethical behaviour described in this statement.

These standards comply with NSW Government guidelines for procurement, contracting and market testing.

This statement is designed to ensure that business relationships between RailCorp and private-sector service providers and contractors are fair and productive for everyone. The likely reward for maintaining ethical business dealings is public confidence and repeat business.

If you need more information about these guidelines or any ethical issue, please contact the RailCorp ethics information line, 1800 629 826.

### Why is compliance important?

By complying with this statement, you will be able to advance your business objectives in a fair and ethical manner. All suppliers of goods and services to RailCorp are required to comply with

this statement, so compliance will not disadvantage you in any way.

There may be consequences if you do not comply with RailCorp's ethical requirements. Demonstrated corrupt or unethical conduct could lead to:

- termination of contracts
- loss of future work
- loss of reputation
- investigation for corruption
- matters being referred for criminal investigation.

### Our key business principles

The principle of best value for money is at the core of all RailCorp's business relationships with private-sector suppliers of goods and services.

Best value for money does not automatically mean the lowest price. RailCorp will balance all relevant factors, including initial cost, whole-of-life costs, quality, reliability and timeliness to determine actual value for money.

Part of obtaining best value for money also involves ensuring all our business relationships are ethical, that is, honest, fair and consistent.

### What you can expect from us

We will:

- comply with RailCorp and government policies and procedures
- show fairness in our treatment of all individuals or organisations that supply goods or services to RailCorp, to encourage fair and open competition while seeking value for money
- try to minimise costs to suppliers participating in the procurement process
- protect commercial-in-confidence information
- deal honestly with suppliers and pay accounts on time

- always be accountable and act in the public interest
- avoid situations in which private interests conflict with public duty
- not solicit or accept financial or other benefits from a supplier for performing official duties
- respond to reasonable requests for advice and information without delay.

### What we ask of you

We require all private-sector providers of goods and services to:

- respect the conditions and requirements stated in documents supplied by RailCorp
- comply with any codes of tendering and practice that apply
- respect the obligation of RailCorp staff to comply with government procurement policies
- not act fraudulently or secretly
- prevent the unauthorised release of privileged or confidential information such as commercial-in confidence information
- not discuss RailCorp dealings with the media without first obtaining RailCorp approval
- respond to reasonable requests for advice and information
- not offer RailCorp employees or contract staff any financial or other inducements which may lead to, or be seen as leading to, an unfair advantage in dealings with RailCorp
- comply with RailCorp guidelines when contracting RailCorp employees to work for you.

## Some practical guidelines

### Entertainment

Suppliers should not pay for any form of entertainment for RailCorp employees. Likewise, RailCorp employees are generally not entitled to use government funds to pay for entertainment.

### Lunches etc.

RailCorp employees are expected to pay for all their own meals.

RailCorp discourages external parties from providing RailCorp employees with benefits such as social lunches.

Employee participation is permitted only if a clear underlying business purpose exists and the value and frequency of the functions is not excessive.

### Gifts

RailCorp discourages external parties from offering or giving gifts to RailCorp staff or its agencies, and there should be no expectation that any gifts will be provided.

### Travel and accommodation

RailCorp meets all business travel and accommodation costs for its employees. Any variation to this policy must first be agreed with RailCorp, not the individual employee affected, and approved by a senior employee. Public-liability and insurance requirements must also be considered.

### Confidentiality

Information that is marked confidential, or which a reasonable person would expect to be confidential, should be treated as such. The information could be in various formats such as hard-copy documents or electronically stored documents.

Contractors should not assume they have a claim to intellectual property unless their contract has been specifically negotiated to address the issue.

### Communication between parties

All communication should be clear and direct, with decisions explained if required and when appropriate.

All contracted and subcontracted employees are expected to comply with this statement. If you employ subcontractors in your work for RailCorp, you must make them aware of this statement and ensure they comply with it.

### Use of RailCorp equipment or resources

When suppliers to RailCorp are required and authorised to use RailCorp equipment or resources, the use must only be to conduct RailCorp work.

Such work must be carried out in an efficient, effective and economic manner.

### Contracting former RailCorp employees

Former public-sector employees who have taken voluntary redundancy are generally required to refund some or all of their severance payment, if it covers a period for which they are engaged as a contractor to RailCorp, whether directly or through a company.

Any organisation intending to use a current or former RailCorp employee for contract work with RailCorp should first discuss this with RailCorp.

This policy protects RailCorp, individuals and your organisation from any potential accusations of impropriety, using undue influence or conflict of interest.

### Who to contact for more information

Contact the corruption-prevention line:

- for advice about any related issues
- if you are concerned that a breach of the law or unethical conduct may have occurred. This could include fraud, corrupt conduct, maladministration or serious and substantial waste. Ph 1800 629 826.

## APPENDIX 2: THE CODE OF CONDUCT FOR RAILCORP'S BOARD OF DIRECTORS

1. A director must act honestly, in good faith and in the best interests of the company as a whole.
2. A director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
3. A director must use the powers of office for a proper purpose and in the best interests of the company as a whole.
4. A director must recognise that the primary responsibility is to the company's shareholders as a whole but should, where appropriate, have regard for the interests of all stakeholders in the company.
5. A director must not make improper use of information acquired as a director.
6. A director must not take improper advantage of the position of director.
7. A director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the company.
8. A director has an obligation to be independent in judgement and actions and to take all reasonable steps to be satisfied as to the soundness of decisions taken by the board.
9. Confidential information received by a director in the course of the exercise of directors' duties remains the property of the company from which it was obtained, and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by that company or the person from whom the information is provided or is required under law.

10. A director should not engage in conduct likely to bring discredit upon the company.

11. A director has an obligation, at all times, to comply with the spirit as well as the letter of the law and with the principles of this Code.

## APPENDIX 3: THE CODE OF CONDUCT FOR RAILCORP'S EMPLOYEES

Following is a summary of RailCorp's Code of Conduct for its employees. As such, it is to be used as a guide only.

The Code of Conduct is an outline of the minimum acceptable behaviour required of RailCorp employees, including permanent, temporary and casual staff; consultants; and contractors.

### Acceptable behaviour and responsibilities

RailCorp employees must:

- behave ethically, honestly, safely, courteously and fairly
- act in the best interests of RailCorp and its customers
- work safely, healthily and efficiently
- follow legislation, policies, procedures and job requirements.

### Safety

At RailCorp, we put safety first in everything we do.

### Occupational health and safety

RailCorp promotes a safe and healthy work environment.

Smoking is not permitted at any RailCorp workplace.

### An alcohol and drug-free workplace

RailCorp maintains a workplace free of alcohol and drugs.

### Sustainability and the environment

RailCorp promotes environmental responsibility.

### A discrimination, harassment and bullying-free workplace

You must not discriminate against, victimise, intimidate, harass or bully other staff members or members of the public.

### Fairness and equity

Issues are to be dealt with consistently, promptly, fairly and in accordance with procedures. They are to be dealt with in a non-discriminatory way and are to be procedurally fair.

### Use of resources

RailCorp property and equipment is for official purposes and should be managed efficiently and economically.

### Gifts, benefits or favours

You must not accept gifts, benefits or favours that are intended to, or that might be viewed as causing you to compromise, how you undertake your RailCorp duties. Under specific circumstances, your manager can approve acceptance of token gifts or benefits. You must immediately report any bribes or offers of substantial gifts, favours or benefits.

### Use of information and intellectual property

RailCorp information must be used for only its intended work-related purposes, not for personal benefit. Confidential information can be disclosed with official approval only.

### Conflict of interest

A conflict of interest exists when you could be influenced, or be viewed as being influenced, by a personal interest when undertaking your duties as a RailCorp employee.

### Secondary employment and voluntary work

You must obtain the written permission of your manager before undertaking secondary or voluntary work.

### Public comment

Only authorised employees are permitted to make public comment on behalf of RailCorp or to claim to represent RailCorp about any issues.

### Reporting corrupt conduct, maladministration or serious and substantial waste.

If you suspect or are aware of any corrupt conduct, maladministration or serious and substantial waste, you must report it to your supervisor, your manager, another designated person or an external body.

### Employment after leaving RailCorp

If you find another job outside RailCorp, you must maintain confidentiality about information gained during your employment with RailCorp. You must return all property and equipment and must pay any and all outstanding bills.

### Dealing with breaches of the code

If you believe that another employee has breached the Code of Conduct, you must report the breach to your manager. RailCorp will act fairly and objectively in responding to any report of a breach of the code.

### Applicable legislation

You are to be aware of, and comply with, the code and relevant legislation, policies, procedures and instructions.

### Policies and procedures

Updated versions are located on RailCorp's intranet site.



**Assistance**

No employee is expected to deal with ethical dilemmas without help. In the first instance, go to your manager, supervisor or human-resources manager. The code includes identification of other people who can provide information and assistance. There will always be someone to advise you.

**APPENDIX 4:  
CHANGES IN ACTS  
AND SUBORDINATE  
LEGISLATION**

**The Transport  
Administration  
Amendment (Portfolio  
Minister) Act 2007**

Date of commencement: 6 June 2007

The Act removes provisions in the Transport Administration Act 1988 whereby the portfolio minister (the Minister for Transport) is prohibited from being a voting shareholder of Rail Corporation New South Wales (RailCorp), the Transport Infrastructure Development Corporation, the Rail Infrastructure Corporation and Sydney Ferries.

The Transport Administration Act 1988 is amended by omitting sections 17A(1), 18L(1), 19P and 35M(1).

**The Transport  
Administration  
(General) Amendment  
(State Taxes)  
Regulation 2007**

Date of commencement:  
14 December 2007

This Regulation amends the Transport Administration (General) Regulation 2006 whereby the period for which RailCorp is not liable for certain state taxes and levies is extended to 18 December 2008. This regulation is made under the Transport Administration Act 1988.

**The State Environmental  
Planning Policy  
(Infrastructure) 2007**

Date of commencement:  
1 January 2008

This State Environmental Planning Policy (SEPP) was made under the Environmental Planning and Assessment Act 1979.

The main intention of the policy is to consolidate and clarify the permissibility of various types of public infrastructure and the 'environmental-impact assessment' process for infrastructure proposals. In many cases, public-infrastructure (for example rail, road, electricity supply and water) development will be permissible without development consent and will instead be subject to the assessment regimen set out in Part 5 of the Act. In addition, various types of infrastructure work (such as specific types of maintenance) will be 'exempt development', which means it will not require assessment or approval under the Act.

Among other things, the 'Infrastructure SEPP' includes provision for consultation with (or a requirement for concurrence from) public authorities for development proposals near public infrastructure for which the public authorities are responsible, and includes facilitation of redevelopment or disposal of surplus public land.

**The State Environmental  
Planning Policy No. 64 –  
Advertising and Signage  
(Amendment No. 2)**

Date of commencement:  
3 August 2007

This policy was made under the Environmental Planning and Assessment Act 1979.

The aims of the policy are:

1. to permit advertisements on road and railway corridors

2. to provide appropriate design and safety controls for advertisements on road and railway corridors.

Under the changes, control of advertising along transport corridors is intensified as essentially being an activity of state significance. Ministerial approval is required for advertising along rail corridors, by or for the RTA or RailCorp, and along specific road corridors.

**The Biofuel (Ethanol  
Content) Act 2007**

Date of commencement:  
1 October 2007

The purpose of this Act is to require a minimum of 2 percent ethanol content for total petrol sales in New South Wales. Primary wholesalers are required to ensure that the volume of ethanol they sell in the form of a petrol-ethanol blend is at least 2 percent of the volume of all petrol they sell. The Act applies to sales to a person in New South Wales and to delivery in New South Wales.

**The Crimes Amendment  
(Rock Throwing)  
Act 2008**

Date of commencement: 20 May 2008

This Act is an amendment of the Crimes Act 1900 in relation to throwing of rocks and other objects at vehicles and vessels and is for making consequential amendments to the Criminal Procedure Act 1986.

Schedule 1 is an amendment of the Crimes Act 1900 whereby a new offence of intentionally throwing an object at, or dropping an object on or towards, a vehicle or vessel on any road (or any road or related area), railway or navigable waters is provided for. It will not be necessary for the prosecution to provide that the accused was aware that his or her conduct caused risk to the safety of a person or that the object involved actually made contact with the vehicle or vessel. The new offence applies to

motor vehicles, trains, trams, bicycles and specific other road users. The maximum penalty for the new offence is five years' imprisonment.

Schedule 2 is an amendment of the Criminal Procedure Act 1986 whereby that the new offence is triable summarily, unless the prosecutor elects to have the matter prosecuted on indictment. Under the schedule, the maximum penalty for the offence when dealt with summarily is also provided for.

**The Workers'  
Compensation  
Amendment Act 2008**

Date of commencement: 20 May 2008

This Act is an amendment to the Workers' Compensation Act 1987 and has the following purposes:

1. To make more provision for workers' compensation insurance and other matters. The Act includes a new provision whereby employers' obligation to take out workers' compensation insurance is modified to exempt employers who pay wages below a threshold (initially \$7500) from the requirement to hold a workers' compensation policy. Another purpose of the Act is to align the period for which wage-related records must be kept parallel with the recordkeeping requirements of Victoria and the Australian Taxation Office
2. To guarantee that WorkCover has sufficient powers to obtain and manage securities from existing and former self-insurers in order to ensure ongoing claim liabilities, including for dust diseases
3. To provide for closure of the class of specialised insurers to new entrants.

**The Superannuation  
Legislation Amendment  
Act 2007**

Date of commencement: 4 July 2007

The two main purposes of this Act are to amend the Superannuation Act 1916, the State Authorities Superannuation Act 1987 and the State Authorities Non-contributory Superannuation Act 1987 in relation to payment of compulsory employee-superannuation contributions by way of salary-sacrifice arrangements and transfer of benefits to other superannuation schemes and to amend the Superannuation Administration Act 1996 in relation to provision of indemnities by the SAS Trustee Corporation The Act and also has other purposes.

**The Payroll Tax Act 2007**

Date of commencement: 1 July 2007

The objective of this Act is to repeal and re-enact the Pay-roll Tax Act 1971 ('the 1971 Act')

**The Anti-Discrimination  
Amendment (Equal  
Opportunity in Public  
Employment) Act 2007**

Date of commencement:  
7 December 2007

The purpose of this Act is to make provision for equal employment opportunity (EEO) in the public sector.

The objective of this Act is to amend the Anti-Discrimination Act 1977 in order to:

1. remove the requirement, under Part 9A of that Act, for agencies to report to the EEO director about EEO matters

2. change Part 9A's references to physically handicapped or physically impaired persons (who constitute a designated EEO target group) to references to persons who have a disability (which is the more appropriate term used elsewhere in the Act, especially in the provisions for dealing with discrimination on the ground of disability).

**The Industrial and Other  
Legislation Amendment  
(APEC Public Holiday)  
Act 2007**

Date of commencement: 4 July 2007

The main purpose of this Act is to amend specific Acts in order to clarify the way in which various references to public holidays are to be interpreted in relation to the public holiday appointed on 7 September 2007 in metropolitan Sydney to facilitate the holding of an APEC meeting on that day and for other purposes.

**APPENDIX 5: FREEDOM OF INFORMATION (FOI)**

The 'freedom of information' requests made in 2007-08 are itemised in tables A to L as follows.

**Table A: Number of new FOI requests**

FOI request	Personal	Other	Total
A1 New (including transferred in)	229	90	319
A2 Brought forward	33	11	44
A3 Total to be processed	262	101	363
A4 Completed	245	84	329
A5 Transferred out	1	0	1
A6 Withdrawn	6	8	14
A7 Total processed	252	92	344
A8 Unfinished (carried forward)	10	9	19

**Table B: What happened to completed requests**

Result of FOI request	Personal	Other	Total
B1 Granted in full	168	45	213
B2 Granted in part	15	15	30
B3 Refused	62	24	86
B4 Deferred	0	0	0
B5 Completed	245	84	329

**Table C: Ministerial certificates**

	Personal	Other	Total
C1 Ministerial Certificates issued	0	0	0

**Table D: Formal consultations**

	Personal	Other	Total
D1 Requests requiring formal consultation	0	8	8

**Table E: Amendments of personnel records**

	Personal	Other	Total
E1 Result of amendment: agreed	0	0	0
E2 Result of amendment: refused	0	0	0
E3 <b>Totals</b>	0	0	0

**Table F: Notation of personal records**

	Personal	Other	Total
F1 No. of requests for notation	0	0	0

**Table G: Requests granted in part or refused**

Basis of disallowing or restricting access	Personal	Other	Total
G1 Section 19 (application incomplete; wrongly directed)	2	1	3
G2 Section 22 (Deposit not paid)	0	3	3
G3 Section 25 (1)(a1) Diversion of resources	0	1	1
G4 Section 25(1)(a) exempt	11	16	27
G5 Section 25 (1)(a), (b), (c), (d) (otherwise available)	0	0	0
G6 Section 28(1)(b) (documents not held)	42	12	54
G7 Section 24(2): deemed refused; over 21 days	1	1	2
G8 Section 31(4) (released to medical practitioner)	1	0	1
G9 <b>Totals</b>	57	34	91

**Table H: Costs and fees of requests processed**

	Assessed costs	FOI fees received
H1 All completed requests	Not applicable	\$6450

**Table I: Discounts allowed**

Type of discount allowed	Personal	Other
I1 Public interest	0	0
I2 Financial hardship: pensioner or child	42	0
I3 Financial hardship: non-profit	19	6
I4 <b>Totals</b>	61	6
I5 Significant correction of personal records	0	0



**Table J: Days to process**

Elapsed time		Personal	Other	Total
J1	0–21 days	83	10	93
J2	22–35 days	36	14	50
J3	More than 35 days	126	52	178
J4	<b>Totals</b>	245	76	321

**Table K: Processing time**

Processing hours		Personal	Other	Total
K1	0–10 hours	83	10	93
K2	11–20 hours	36	14	50
K3	21–40 hours	80	30	110
K4	More than 40 hours	46	22	68
K5	<b>Totals</b>	245	76	321

**Table L: Reviews and appeals**

		Personal	Other	Total
L1	Internal reviews finalised	8	5	13
L2	Ombudsman reviews finalised	0	2	2
L3	ADT appeals finalised	0	0	0

Basis of internal review		Personal		Other	
Grounds on which internal review requested		Upheld	Varied	Upheld	Varied
L4	Access refused	1	7	5	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>Totals</b>	1	7	5	0

**Addendum to Appendix 5**

Exempt documents	Number of applications (REFUSED OR ACCESS GRANTED OR OTHERWISE AVAILABLE IN PART ONLY)		
	Personal	Other	Total
Why were the documents classified as exempt?			
<b>Restricted documents:</b>			
Cabinet documents (Clause 1)	0	0	0
Executive Council documents (Clause 2)	0	0	0
Documents affecting law enforcement and public safety (Clause 4)	2	5	7
Documents affecting counter terrorism measures (Clause 4A)	0	0	0
<b>Documents requiring consultation:</b>			
Documents affecting intergovernmental relations (Clause 5)	0	0	0
Documents affecting personal affairs (Clause 6)	9	9	18
Documents affecting business affairs (Clause 7)	2	4	6
Documents affecting the conduct of research (Clause 8)	0	1	1
<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

Addendum to Appendix 5 (continued)

Exempt documents	Number of applications (REFUSED OR ACCESS GRANTED OR OTHERWISE AVAILABLE IN PART ONLY)		
	Personal	Other	Total
<b>Documents otherwise exempt:</b>			
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)	2	2	4
Documents containing confidential material (Clause 13)	5	1	6
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)	1	0	1
Documents concerning operations of agencies (Clause 16)	10	6	16
Internal working documents (Clause 9)	9	11	20
Other exemptions (eg, Clauses 20, 22A & 26)	0	0	0
<b>Total applications including exempt documents</b>	<b>40</b>	<b>39</b>	<b>79</b>

**APPENDIX 6:  
PUBLICATIONS**

The publications that RailCorp produced in 2007-08 are listed as follows:

**CityRail**

- CityRail flyer for the Albury-Melbourne fare
- CityRail poster for the Blacktown Station map
- CityRail brochure for Blue Mountains ExplorerLink
- CityRail poster for Blue Mountains ExplorerLink
- CityRail poster for the "CBD fare compliance" operation
- CityRail poster for the Central-network map
- CityRail poster for the Central short platforms
- CityRail posters (six versions) for the Customer Courtesy Campaign ("Beasts")
- CityRail brochure for DayTripper
- CityRail FlexiPass & Travel Pass Application Form
- CityRail poster (three versions) for National Rail Safety Awareness Week
- CityRail poster for the network map
- CityRail poster for the new fares in November 2007
- CityRail poster for the Newcastle "late-night bus" trial
- CityRail poster for the NightRide map
- CityRail station poster for the "school-student courtesy" campaign
- CityRail school poster (four versions) for the "school-student courtesy" campaign
- CityRail brochure for the school-student Rail Pass
- CityRail poster for the Sidney Nolan exhibition
- CityRail map-flyer for navigating the suburban network
- CityRail station poster for tickets

- CityRail brochure for the Travel Pass
- CityRail poster for the Travel Pass
- CityRail poster for the progress of Turramurra Easy Access
- CityRail Update quarterly newsletter No. 4 (seven editions)
- CityRail Update quarterly newsletter No. 5 (seven editions)
- CityRail Update quarterly newsletter No. 6 (seven editions)
- CityRail brochure for "Welcome Aboard"
- CityRail poster for "Heat Smart"
- CityRail "Temptations by Train"
- CityRail poster (five versions) for the 14 Day RailPass trial
- CityRail brochure for the 14 Day RailPass trial
- CityRail poster for the launch of the 14 Day RailPass network
- CityRail brochure for the launch of the 14 Day RailPass network
- CityRail mini-timetable for the Hunter Line
- CityRail information brochure for the Werrington Station upgrade
- CityRail flyer for the Sutherland footbridge

**Timetables**

- CityRail timetable booklets for the Hunter Line
- CityRail timetable booklets for the Southern Highlands Line
- CityRail timetable booklets for the Blue Mountains Line
- CityRail timetable booklets for the Carlingford Line
- CityRail timetable booklets for the North Shore Line
- CityRail timetable booklets for the Western Line
- CityRail timetable posters for the Eastern Suburbs & Illawarra Line
- CityRail timetable posters for the Bankstown Line

- CityRail timetable posters for the Inner West and South lines
- CityRail timetable posters for the Cumberland Line
- CityRail timetable posters for the Airport & East Hills Line
- CityRail timetable posters for the North Shore Line
- CityRail timetable posters for the Western Line
- CityRail timetable posters for the Northern Line
- CityRail timetable posters for Carlingford
- CityRail timetable posters for Olympic Park
- CityRail timetable posters for the South Coast Line
- CityRail timetable posters for the Blue Mountains Line
- CityRail timetable posters for the Newcastle & Central Coast Line
- CityRail timetable posters for the Hunter Line
- CityRail timetable-information brochures for the Christmas holidays
- CityRail Christmas-timetable brochures for the Blue Mountains Line
- CityRail South Coast Line Christmas timetable brochures
- CityRail Christmas-timetable brochures for the Southern Highlands Line
- CityRail Christmas-timetable brochures for the Eastern Suburbs & Illawarra Line
- CityRail posters for "Merry Christmas"
- CityRail timetable posters for Christmas
- CityRail Christmas-timetable posters for the Hunter Line
- CityRail timetable-change posters for the new Quakers Hill service - Western Line
- CityRail timetable-change flyer for the new Quakers Hill service - Western Line
- CityRail "21 January 2008" timetable-change posters for the Western Line



CityRail "21 January 2008" timetable-change posters for the North Shore Line

CityRail "21 January 2008" timetable-change posters for the Newcastle & Central Coast Line

CityRail "5 April 2008" timetable-change posters for the Newcastle & Central Coast Line

CityRail "5 April 2008" timetable-change posters for the Hunter Line

CityRail "5 April 2008" timetable-change flyers for the Newcastle & Central Coast – Hunter Line

CityRail "21 April 2008" timetable-change posters for Marayong Station

CityRail summer-timetable posters for the Airport & East Hills Line

CityRail summer-timetable posters for the Bankstown – Inner West Line

CityRail timetable booklets for the Eastern Suburbs & Illawarra Line

CityRail timetable booklets for the Bankstown Line

CityRail timetable booklets for the Inner West Line

CityRail timetable flyer for the Cumberland Line

CityRail timetable booklets for the Airport & East Hills Line

CityRail timetable booklets for the South Line

CityRail timetable booklets for the Northern Line

CityRail timetable booklets for the South Coast Line

CityRail timetable booklets for the Newcastle & Central Coast Line

### Trackwork

CityRail "September 2007" trackwork posters for the Southern Highlands Line

CityRail "September 2007" trackwork brochures for the Southern Highlands Line

CityRail "October 2007" trackwork posters for Cronulla–Sutherland

CityRail "October 2007" trackwork brochures for Cronulla–Sutherland

CityRail "March 2008" trackwork posters for Cronulla–Sutherland

CityRail "March 2008" trackwork brochures for Cronulla–Sutherland

CityRail "June–July 2008" trackwork posters for Cronulla–Caringbah

CityRail "June–July 2008" trackwork brochures for Cronulla–Caringbah

CityRail "January 2008" trackwork posters for Campbelltown–Glenfield

CityRail "January 2008" "thankyou" posters for Campbelltown–Glenfield

CityRail "January 2008" trackwork brochures for Campbelltown–Glenfield

CityRail "December 2007" trackwork posters for the Christmas track upgrade

CityRail "December 2007" trackwork brochures for the Christmas track upgrade

CityRail "October 2007" trackwork posters for Blacktown–Westmead

CityRail "October 2007" trackwork brochures for Blacktown–Westmead

CityRail "October 2007" trackwork posters for Rosehill–Carlingford

CityRail "October 2007" trackwork brochures for Rosehill–Carlingford

CityRail "November 2007" trackwork posters for Lidcombe – Olympic Park

CityRail "June 2008" trackwork posters for Lidcombe – Olympic Park

CityRail "July 2007" trackwork posters for Heathcote–Waterfall

CityRail "July 2007" trackwork brochures for Heathcote–Waterfall

CityRail "July–August 2007" trackwork posters for Lithgow – Mount Victoria

CityRail "July–August 2007" trackwork brochures for Lithgow – Mount Victoria

CityRail "December 2007" trackwork posters for Edgewcombe–Wallerawang

CityRail "December 2007" trackwork brochures for Edgewcombe–Wallerawang

CityRail "May 2008" trackwork poster for Edgewcombe–Wallerawang

CityRail "May 2008" trackwork brochures for Edgewcombe–Wallerawang

CityRail "August–September 2007" trackwork posters for Gosford–Ronkana

CityRail "August–September 2007" trackwork brochures for Gosford–Ronkana

CityRail "November 2007" trackwork posters for Gosford–Ronkana

CityRail "November 2007" trackwork brochures for Gosford–Ronkana

CityRail "February 2008" trackwork posters for Gosford–Ronkana

CityRail "February 2008" trackwork brochures for Gosford–Ronkana

CityRail "June 2008" trackwork posters for Gosford–Ronkana

CityRail "June 2008" trackwork brochures for Gosford–Ronkana

CityRail "August 2007" trackwork posters for Operation CBD

CityRail "August 2007" trackwork brochures for Operation CBD

CityRail "November 2007" trackwork posters for Operation CBD

CityRail "November 2007" trackwork brochures for Operation CBD

### Events

CityRail station posters for the AAMI Golden Slipper

CityRail publication for APEC – Circular Quay

CityRail station posters for APEC – line by line

CityRail brochures APEC – transport information

CityRail station posters for Sydney FC versus LA Galaxy

CityRail brochures for Christmas transport information

CityRail station posters for Christmas 2007

CityRail station posters for the Premier's Christmas Gala

CityRail station posters for New Year's Eve 2007

CityRail brochures for New Year's Eve 2007 transport information

CityRail brochures for First Night 2008 transport information

CityRail station posters for First Night 2008

CityRail transport guide for the AFL Swans 2008 series

CityRail station posters for the Police concert

CityRail station posters for the Big Day Out

CityRail station posters for the Big Day Out – line by line

CityRail station posters for Australia Day 2008

CityRail brochures for the Easter Show transport information

CityRail staff pocket guides for the Easter Show

CityRail station posters for the Easter Show

CityRail station posters for the Seniors' Week concert

CityRail station posters for Anzac Day

CityRail station posters for the State of Origin 1 match

### CountryLink

CountryLink 2008 seasonal calendar

CountryLink newsletter for agents

CountryLink poster for the backpacker Rail Pass

CountryLink poster for the "Canberra Christmas shopper" campaign

CountryLink poster for the Dubbo Zoo packages

CountryLink brochure for the East Coast Discovery pass

CountryLink promotional flyer for the Family Fare

CountryLink special poster for the Family Fare

CountryLink poster for the fare increase

CountryLink flyer for Group Sales

CountryLink brochure for "Outback and Western New South Wales" holiday packages –CountryLink brochure for "Canberra and Southern New South Wales" holiday packages

CountryLink brochure for "Northern New South Wales" holiday packages

CountryLink brochure for Sydney holiday packages

CountryLink poster for Hornsby carriage placement

CountryLink flyer for the Inbound 2008–09 program

CountryLink flyer for the Indian Pacific

CountryLink flyer for the Leap Year fare

CountryLink poster for the Leap Year fare

CountryLink poster for luggage-office hours

CountryLink poster for the Melbourne promotional fare

CountryLink flyer for Melbourne–Albury

CountryLink flyer for Melbourne trackwork

CountryLink poster for "North Coast" holidays

CountryLink poster for "Outback" holidays

CountryLink brochure for refurbishment features

CountryLink flyer for school-groups sales

CountryLink flyer for student fares

CountryLink poster for "Summer in Sydney"

CountryLink booklet for the "Summer 2007–08" timetable

CountryLink poster for Sydney holidays

CountryLink flyer for Sydney Easter

CountryLink flyer for the Sydney retirement expo

CountryLink poster for the Sydney retirement expo

CountryLink flyer for the 2008 Tamworth Country Music Festival

CountryLink poster for "Travel Well"

CountryLink poster for the "Turner to Monet" exhibition

CountryLink flyer for the "Canberra Christmas shopper" campaign

CountryLink poster for the Mothers' Day fare

### RailCorp

RailCorp Annual Report 2006–07

RailCorp poster for apprenticeship recruitment in 2008

RailCorp apprenticeship booklet Your Career

RailCorp poster of evacuation maps

RailCorp poster for female apprentices

RailCorp poster for pedestrian level crossings

RailCorp flyer for the swing gates at pedestrian level crossings

RailCorp brochure for pedestrian level crossings

RailCorp performance and commitment 2006–07 (year in review)

RailCorp booklet "Engineer Your Career"

RailCorp booklet "Women in Rail"

On Track staff magazine (3 editions)

APPENDIX 7: OVERSEAS TRAVEL

112

**RailCorp officers' overseas travel in 2007-08**

Officer name	Date	Destination	Purpose of travel
Ian Roxburgh	13-22 July 2007	London and Switzerland	To present to companies as part of the renewal of RailCorp's public liability and property insurances
David Anderson	4-8 September 2007	Germany	To attend the 9th International Workshop on Rail Noise
Gordon Hudson	29 September – 13 October 2007	France, Austria and Germany	To undertake a complete specification and functional check of four Type 1 overhead-wiring (OHW) machines for road and rail maintenance
Dr Armand Casolin	6-14 October 2007	UK and Belgium	To attend the UIMC Congress and to train and update authorised health professionals
Arthur Truman	20-26 October 2007	China	To review management activities in China related to new rollingstock under the PPP contract
Anthony Lennon	26 November – 1 December 2007	London	To attend a London Underground Comet – Nova two-day conference and workshop about service regulation and dwell-time management
Arthur Truman	8-13 December 2007	China	To initiate formal and informal communications protocols among the interfacing PPP parties: RailCorp, Halcrow (the China team) and Downer EDI Rail
Ian Hill	12 February – 1 March 2008	France, Germany and the United Kingdom	To attend the UIC Driver Seminar, in Paris; to visit a driver-training facility using simulators, in Germany; and to attend Best Practice for Driver Management, in London
Ross Bunyon	29 March – 4 April 2008	China and Japan	To confirm contract commitments for the PPP rollingstock contract; to inspect the Beijing Metro train performance on the Beijing – Chang Chun Mainline manufactured by Changchun; and to inspect the Chang Chung Railway Company's (CRC) manufacturing facility in Chang Chun
Rob Mason	29 March – 4 April 2008	China and Japan	To confirm contract commitments for the PPP rolling stock contract; to inspection the Beijing Metro train performance on the Beijing – Chang Chun Mainline manufactured by Changchun; and to inspect the Chang Chung Railway Company's (CRC) manufacturing facility in Chang Chun

APPENDIX 7: OVERSEAS TRAVEL (CONTINUED)

113

Officer name	Date	Destination	Purpose of travel
Frederick Paton	29 March – 4 April 2008	China and Japan	To confirm contract commitments for the PPP rollingstock contract; to inspect the Beijing Metro train performance on the Beijing – Chang Chun Mainline manufactured by Changchun; and to inspect the Chang Chung Railway Company's (CRC) manufacturing facility in Chang Chun
Arthur Truman	23-28 February 2008	China	For the PPP rollingstock contract, to visit CRC's office and project manufacturing facilities for the sets; and to identify the interfacing parties, the scope of the works and the role of the Halcrow China Safety and Systems Compliance Auditing team
Gary Pedersen	9-11 April 2008	Brazil	To attend the annual Nova (Worldwide Association of Railroads) meeting
Arthur Truman	17-25 May 2008	China	For the PPP rollingstock contract, to attend the bi-monthly meeting between RailCorp, Reliance Rail, Downer EDI Rail, CRC and Halcrow; and to review and update formal and informal communications protocols between the interfacing parties
Cheryl Constable	18-26 May 2008	Sweden	To attend and participate in the Jeppesen Rail Conference
Terry Rowe	1-17 May 2008	United States	To witness acceptance testing of the 125 electronic gates as required under contract; and to certify payment of the agreed contract-milestone delivery
Ivan Kraitchev	1-17 May 2008	United States	To witness acceptance testing of the 125 electronic gates as required under contract; and to certify payment of the agreed contract-milestone delivery
Derek Williams	23-27 June 2008	France, the United Kingdom and Japan	To attend the 10th International Level Crossing and Trespass Symposium in France; review level crossing technology
Ann Combe	26-29 June 2008	Spain	To attend an international "public-transport marketing" course held by the International Association of Public Transport



**APPENDIX 8:  
HERITAGE MANAGEMENT**

RailCorp's Office of Rail Heritage (ORH) is in the process of implementing the second year of the five-year Sustainable Rail Heritage Asset Management Strategy, endorsed by the NSW Government. The strategy is building on the commitment and contribution of regionally based, volunteer-run rail-heritage groups as custodians of the state's valuable rail-heritage assets.

The ORH has the following four key objectives:

1. To maintain rail heritage assets by adopting an asset-management approach
2. To conserve and manage the state's core rail-heritage collection, working in partnership with rail-heritage custodians and strategic partners
3. To facilitate transfer of rail-heritage skills between generations
4. To enhance and support rail heritage volunteering activities

Overseeing of the ORH's progress in meeting these objectives is provided by way of regular meetings of the Heritage Advisory Committee, which includes the RailCorp-board chairperson and chief executive, the director of the Powerhouse Museum and the director of the ORH.

**Addressing asset management**

In 2007-08, the ORH continued to identify, assess and maintain the inventory of the state's rail-heritage collection, including fixed and movable assets. Also, the office began developing a new custody-management agreement between RailCorp and rail-heritage custodians. Significant industry consultation took place with custodian groups to ensure that the arrangements in relation to the legal agreement and asset management were appropriate

to each party's requirements, and the culmination was signing of a number of agreements towards the end of June.

Having determined the core rollingstock collection to be retained, ORH commenced a large-scale disposal of surplus heritage rollingstock by way of a public expression of interest process. In May, more than 130 items of surplus heritage rollingstock were offered through the process, whereby the assessment criteria were based on heritage and conservation grounds as opposed to monetary value.

Work continues on the upgrade of the Rail Heritage Centre in partnership with the NSW Rail Transport Museum site at Thirlmere to accommodate and display a significant proportion of the rail-heritage collection. The state's collection is also being made available to the public at 15 other locations around New South Wales by rail-heritage groups.

In accordance with obligations under the Heritage Act 1977 (NSW), RailCorp maintains a Heritage and Conservation Register of heritage assets under the corporation's control. RailCorp is undertaking a large-scale review and update of its register during 2008-09.

**Working with custodians and partners**

In 2007-08, the ORH hosted four industry forums at which a number of guest speakers provided useful tools and tips for rail-heritage custodians. The rail-heritage industry forums are an opportunity for custodians, partners and other stakeholders to come together and discuss matters of mutual benefit.

**Ensuring transfer of skills**

The inaugural Churchill Fellowship in Rail Heritage was awarded in 2007-08 to Ms Jennifer Edmonds of the Powerhouse Museum. Ms Edmonds intends to travel to North America, Europe and the United Kingdom to study techniques and methods

of steam-locomotive maintenance. When she returns, Ms Edmonds will prepare a comprehensive report that will include the findings of her study tour, and she will share the findings with rail-heritage groups. By the end of 2007-08, the ORH had commissioned work on a comprehensive skills-transfer strategy and had involved rail-heritage groups in the process.

**Enhancing and supporting volunteers**

During 2007-08, the ORH introduced the inaugural Rail Heritage Volunteer Awards. The awards are for recognising the contributions made by volunteers and individuals to the ongoing sustainability of the rail-heritage organisations caring for the state's rail heritage. The successful recipients were presented with an award and certificate of recognition at an event held in July 2007.

**APPENDIX 9: EXECUTIVE PERFORMANCE AND REMUNERATION**

Position title	Officer	Total remuneration package	Performance review summary
Chief Executive Officer	Rob Mason	\$405,000	<p>Acting CEO at TRP of \$480,000 as from 7 April 2008.</p> <p>Led the ongoing delivery of 93.4% on time running at the same time as a network increase in patronage of 5.2%.</p> <p>Led development of Customer Service Improvement Program.</p> <p>Introduced customer service initiatives on western line OTR; cleaning and ticketing.</p> <p>Maintained improvements in customer service, and budgetary control.</p> <p>Developed customer and staff safety improvements.</p> <p>Developed plans for implementation of APEC and WYD, A set and ECRL readiness.</p>
Group General Manager, Asset Management	Gary Seabury	\$379,000	<p>Delivered \$1.28b of maintenance and construction activity.</p> <p>Managed operating expenditure to \$4.4m under budget.</p> <p>Delivered a 13% reduction in lost time injury frequency rate across the Group.</p> <p>Delivered improvement in peak reliability with 118 (12%) fewer rollingstock and infrastructure failures causing peak delays.</p> <p>Delivered improvement in track condition and reduction in track defects including zero summer heat induced track misalignments.</p> <p>Validated Automatic Train Protection technology for Australia through successful completion of pilot trial.</p> <p>Led Digital Train Radio Strategy through to successful government approval.</p> <p>Managed development of the first 10 year Total Asset Management Plan to meet Treasury requirements.</p>

APPENDIX 9: EXECUTIVE PERFORMANCE AND REMUNERATION (CONTINUED)

Position title	Officer	Total remuneration package	Performance review summary
Group General Manager, Finance & Corporate Services	Gary Pedersen	\$302,000	<p>Achieved an unqualified Audit report for the year ended 30 June 2007.</p> <p>Managed budgeting and financial systems to bring the Corporation in better than operating budget in 2007-08.</p> <p>Continued the implementation of an enterprise wide Project Management methodology.</p> <p>Led the implementation of a Business Finance Improvement Program across the Corporation to redesign all financial policies, processes, and systems to best practice.</p> <p>Led the implementation of the Procurement Transformation Program to redesign procurement structure, systems and processes to best practice in procurement performance and compliance.</p> <p>Continued development of the Corporation's business risk management system including undertaking a review leading to the decision to move to Enterprise Risk Management.</p>
Group General Manager, Safety & Environment	Clare Kitcher	\$301,000	<p>Maintained a compliant Safety Management System.</p> <p>Led RailCorp's transition implementation for the revised Safety Management System.</p> <p>Developed the RailCorp Environmental Management System.</p> <p>Led activity in relation to RailCorp's Rail Safety Accreditations and Environmental licences.</p> <p>Coordinated and monitored the organisation's response to the recommendations of the Waterfall Special Commission of Inquiry and other significant incidents.</p>

Position title	Officer	Total remuneration package	Performance review summary
Group General Manager, Human Resources & Communications	Fran Simons	\$301,000	<p>Continued progressive enhancement of anti-bullying and harassment strategy, and culture change program, including training for over 4,500 staff.</p> <p>Implemented new Classification Structure.</p> <p>Led Drug and Alcohol services delivering 22,482 alcohol and 5,136 drug tests.</p> <p>Established Workplace Giving program.</p> <p>Commenced pilot RBTNA, Health Promotion program.</p> <p>Lead progressive development of RailCorp's competency assurance model.</p> <p>Managed RailCorp's external and internal communication programs, including weekly and quarterly customer communication.</p>
Project Director Rollingstock PPP	Frederick Paton	\$291,500	<p>Completed RailCorp's Transition and Implementation Strategy for the A Sets.</p> <p>Completed consultation process with internal and external stakeholders on the passenger saloon and crew cab.</p> <p>Established a technical review process for completion of Management Plans, System Definition Reviews and Passenger Saloon and Crew Cab Mock Up milestones.</p> <p>Established technical team in Changchun, China.</p>
Group General Manager, Product Development	Barry Garnham	\$286,000	<p>Achieved ISO 9001:2000 quality accreditation for the Product Development Group.</p> <p>Captured customer feedback through implementation of quarterly Customer Satisfaction Surveys.</p> <p>Progressed the development of the Rail Clearways and South West Rail Link Projects.</p> <p>Developed &amp; implemented fleet deployment plans for new Hunter and Oscar trains.</p> <p>Advanced timetable planning for the Epping to Chatswood Rail Line introduction and World Youth Day events.</p>



APPENDIX 9: EXECUTIVE PERFORMANCE AND REMUNERATION (CONTINUED)

118

Position title	Officer	Total remuneration package	Performance review summary
Project Director Rollingstock Acquisition Strategy	Louise Hart	\$286,000	Developed and secured Board approval of fleet strategy. Provided commercial advice and support to various projects including Digital Train Radio and Rollingstock PPP. Member of Gateway Review team for Victorian rail project.
Deputy Group General Manager, Service Delivery	Kevin Wright	\$278,250	Led network control functions to achieve 93.4% OTR. Led network support train services for significant major events through the year.
Deputy Group General Manager, Asset Management	Peter Meyer	\$263,750	Delivered infrastructure investment program (MPM & Capital) of \$212M in 07/08. Developed and commenced implementation of rail asset specific project management methodology. Resourced a Portfolio Delivery Unit to co-ordinate and oversee the delivery of the Capital Assets Program. Delivered key strategic projects such as the Easy Access Program, OSCAR and Hunter Rail Cars. Implemented improved reporting through the Capital Delivery Status Report and Executive Timetable Steering Committee Program Delivery Report. Achieved zero LTIFR for division.
Executive General Manager Commercial Services	Aidan Hughes	\$260,000	Delivered a range of shared services functions for the Corporation. Implemented efficiency improvements in the management of property services provided to the Corporation. Facilitated a program of works focusing on compliance activities. Consolidated operational procurement activities within the Commercial Services function. Actively supported the development and roll-out of the Business Finance Improvement Program.

119

Position title	Officer	Total remuneration package	Performance review summary
General Manager Rollingstock	Joe Camilleri	\$259,666	Delivered plan for reform of rollingstock maintenance. Developed and implemented the restructure of the Rollingstock Division to prepare for reform and introduction of the new PPP fleet. Achieved significant rollingstock reliability improvements through targeted system improvements on 06/07 results to include a reduction in double deck suburban door failures by 43% and brake system faults by 44%. Quality accreditation achieved in over 50% of the Rollingstock Division business units. Supported the ongoing implementation of six sigma asset reliability projects. Completed the effective transition of the Safety Management System in Rollingstock Division.
Contract Director	Arthur Truman	\$258,020	Facilitated completion of deliverables for Project Milestone Payments. Managed the achievement of RailCorp's performance obligations under the Project Contract. Managed the Halcrow Technical Advisory Services contracts and technical teams in Sydney and Changchun, China. Managed the administration of Project claims, variations, correspondence generated to date.
General Manager, Metropolitan Infrastructure	John Minchin	\$255,528	Continued improvement in monthly maintenance cycle times. Continued the implementation of the company's safety management system, including a safety roadshow to all staff in the division. Commenced leadership forums for the Group and Division, to improve the compliance culture. Effectively managed the \$170M routine maintenance budget. Commenced operational readiness of the ECRL, including additional staff and maintenance contracts. Supported and sponsored the six sigma reliability projects being undertaken. Commenced the review of the division, with a focus on improving centralised support and consistent process.

APPENDIX 9: EXECUTIVE PERFORMANCE AND REMUNERATION (CONTINUED)

Position title	Officer	Total remuneration package	Performance review summary
General Manager, Engineering Standards & Services	David Foldi	\$255,528	<p>Oversaw Division's program for successful implementation of RailCorp's new Safety Management System.</p> <p>Achieved an overall Lost Time Injury Frequency Rate of zero for the Division.</p> <p>Delivered the Division's program of work within time and budget.</p> <p>Supported Asset Management Group's Annual Works Program through the delivery of designs and technical services, including critical projects such as the Epping Chatswood Rail Link, Rail Clearways, Traction Supply Upgrade, and Rolling Stock PPP.</p> <p>Provided engineering standards, technical advice and support to RailCorp, including delivery of Annual Asset Integrity Reports for key asset classes.</p> <p>Partnered with industry to outsource 34% of the overall design program.</p> <p>Represented RailCorp in key industry forums, including the Rail Industry Safety &amp; Standard's Board and Rail Innovations Australia.</p>
Maintenance Facility & Enabling Works Director	Kimball Freeman	\$251,160	<p>Managed successful delivery of RailCorp Enabling Works for PPP Project.</p> <p>Managed technical design reviews for the Auburn Maintenance Facility.</p> <p>Managed technical review of Project Plans for the Maintenance Facility.</p> <p>Led the RailCorp team with oversight responsibility for delivery of the Maintenance Facility.</p> <p>Managed complex interfaces with other RailCorp business units assisting the Maintenance Facility delivery process.</p>

Position title	Officer	Total remuneration package	Performance review summary
Group General Manager, ICT Chief Information Officer	Vicki Coleman	\$250,000	<p>Developed the RailCorp Telecommunications Strategy 2008-2013.</p> <p>Implemented Phase 1 of a new Timetable Distribution System using a Business Rules Engine.</p> <p>Successful "proof of concept" for a new Precise Train Location System using satellite and inertial navigation technology.</p> <p>Retirement of 15 obsolete systems.</p> <p>Implemented infrastructure to accommodate RailCorp's disaster recovery requirements</p> <p>Implemented improvements to passenger information systems.</p> <p>Major upgrades to the CountryLink Reservation System, a new EFTPOS system on Xplorer &amp; XPT trains to enable improved customer service.</p> <p>Upgrade of CCTV recorders and software at over 300 stations for better image quality and reliability. Addition of over 500 cameras at tunnels and other key areas and for World Youth Day.</p>
Group General Manager, Strategy & Planning	Sharyn Gregory	\$230,000	<p>Led the Strategy, Performance and Access functions.</p> <p>Led the development and implementation of key strategic projects to drive performance improvement.</p> <p>Coordinated the implementation of balanced scorecard and strategy mapping for the Corporation.</p> <p>Maintained Access Arrangements with 16 third party operators.</p> <p>Represented RailCorp on the CRC for Rail Innovation.</p> <p>Facilitated RailCorp's involvement in Comet/Nova.</p> <p>Improved the performance reporting framework for the Corporation.</p>
General Manager, Train Crewing	Ian Hill	\$249,444	<p>Led the reduction in Lost Time Injury Frequency Rate in Train Crewing Division by 32%.</p> <p>Introduced new positions of Team Leaders into Train Crewing to better support crew.</p> <p>Achieved culture survey improvements in 11 areas.</p> <p>Continued improvements in standardised customer announcements and staff presentation.</p> <p>Introduced a new on-train competency assurance regime for preparation, operation and stabling of trains.</p>



APPENDIX 9: EXECUTIVE PERFORMANCE AND REMUNERATION (CONTINUED)

Position title	Officer	Total remuneration package	Performance review summary
Corporate Counsel/ Company Secretary	Irene Rusak	\$249,000	<p>Improved and maintained an effective framework for Corporate Governance.</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>Provided administration of the Internal Audit function reporting independently to the Audit and Risk Board Committee.</p>
General Manager Rail Heritage	Marianne Hammerton	\$248,768	<p>Made Office of Rail Heritage fully functional in terms of staffing and systems to deliver its first full year of activities, and achieving within business plan budget targets.</p> <p>Introduced new governance framework and asset management system for volunteer-run custodian groups caring for rail heritage assets.</p> <p>Implemented initiatives to recognise and support volunteer effort, including establishing dedicated Churchill Fellowships and the Rail Heritage Volunteer Awards.</p> <p>Finalised scope of core collection and progressed the disposal of surplus assets.</p> <p>Progressed the three site storage strategy, including advancing the Thirlmere upgrade to tender stage.</p> <p>Finalised administrative details of closure of StateRail Authority.</p>
General Manager Customer Service – North West	Damon Tudor	\$248,500	<p>Completed review of existing RailCorp stations gaps and development of improvement plan focused on customer, staff engagement and leadership.</p> <p>Led transition of Sector 3 to the new structure based on Customer focus, recruited new customer focused leadership team.</p> <p>Implemented “Everyday Essentials” program focused on key operational improvements to the customer experience over the next 3 years.</p> <p>Implemented quick win improvements into daily services including cleanliness, on-time running and ticketing.</p>

Position title	Officer	Total remuneration package	Performance review summary
General Manager, Renewals	Nigel Howlett	\$241,500	<p>Led a construction Division of 1100 staff in the successful delivery over 630 different MPM and Capital Projects to the value of \$242m.</p> <p>Delivered \$46.5m of External revenue to RailCorp.</p> <p>Maintained an LTIFR &lt; 10 for the Division.</p> <p>Successfully introduced the Trackworks Alliance with John Holland (the first Alliance contract undertaken by RailCorp).</p> <p>Managed the Worksite Protection project including the introduction of the Mandatory Minimum Warning Time for NAR work.</p> <p>Partnered with industry to effectively outsource 38% of the overall MPM construction program.</p>
General Manager, Station Operations	Anthony Eid	\$240,000	<p>Successfully delivered of 44 major events and 30 medium-minor events for 2007/2008, incorporating 1.9 million passenger journeys.</p> <p>Operational coordination across SDG for operational preparedness and successful implementation of APEC and World Youth Day.</p> <p>Procurement of lightweight boarding ramps - contract awarded to deliver 1050 ramps.</p> <p>Completed 40 capital projects across stations.</p> <p>Prepared operational transition plans in readiness for the Customer Services Sector structure.</p>
General Manager, Major Projects	Andrew Addinall	\$239,850	<p>Managed Major Projects Division without an LTIFR injury.</p> <p>Successfully managed the delivery of \$135M of capital projects and \$87M of other project works for the year.</p> <p>On time and budget completion of eight Easy Access Stations and eight Traction Power Supply Upgrade projects.</p> <p>Managed the implementation of RailCorp's project control system (IPR).</p>

APPENDIX 9: EXECUTIVE PERFORMANCE AND REMUNERATION (CONTINUED)

Position title	Officer	Total remuneration package	Performance review summary
General Manager, Finance	Peter Crimp	\$237,750	<p>Managed the provision of timely and relevant financial information to both internal and external users.</p> <p>Co-ordinated the financial budgeting, forecasting and reporting processes.</p> <p>Oversaw the revaluation of RailCorp fixed assets.</p> <p>Contributed to the leadership of the Business Finance Improvement Program.</p> <p>Co-ordinated RailCorp's relationship with the Airport Link Company Pty Ltd.</p>
Chief Health Officer	Armand Casolin	\$232,388	<p>Contributed to the successful trial of cardiac defibrillators at 4 CityRail stations as part of the St John Ambulance HeartStart program.</p> <p>Designed and implemented a practical hearing for around the track personnel consistent with National Standard requirements.</p> <p>Published a study of RailCorp Train Drivers entitled "The National Standard for Health Assessment of Rail Safety Workers: the first year" in the Medical Journal of Australia.</p> <p>Provided training to and managed a state-wide network of Authorised Health Professionals. In 07/08 54 new Authorised Health Professionals were trained and appointed. For those doctors previously appointed to perform rail safety health assessments, ten reaccreditation sessions were conducted in Sydney and a further 6 sessions were conducted regionally.</p> <p>Managed the transfer of employee medical files to new health service provider.</p>
General Manager, Emergency Preparedness	Ronald Creighton	\$231,435	<p>Managed and maintained Element 15 of SMS Incident Management and Emergency Response within RailCorp.</p> <p>Managed and maintained RailCorp's incident Command and Control procedures as set out in RailCorp's Incident Management Framework.</p> <p>Manage RailCorp's Emergency Response capabilities through the joint RailCorp/Emergency Services exercise program.</p> <p>Provided expert information and advice re on train Customer safety during emergency situations with regard to:</p> <ul style="list-style-type: none"> <li>- Passenger containment policy</li> <li>- Detrainment equipment</li> <li>- Fire dynamics simulation and fire growth testing</li> </ul>

Position title	Officer	Total remuneration package	Performance review summary
General Manager Customer Service - South	Arthur William Cowan	\$230,000	<p>Led transition of Sector 2 to the new structure based on Customer focus, recruited new customer focused leadership team.</p> <p>Implemented improvements into daily customer service including initiatives in ticketing, cleaning and on-time running.</p> <p>Reviewed customer services issues in the south of the network and implemented a range of initiatives and services to address customer service concerns.</p> <p>Managed the stations aspects of the A set readiness project.</p> <p>Conducted a review of stations staff training and associated activities and initiated improvements in Stations training.</p>
General Manager Communications & Control Systems	Dimitrios Modrouvanos	\$230,000	<p>Successfully completed the Automatic Train Protection Pilot Trial.</p> <p>Managed the government approval process for Digital Train Radio to a successful conclusion.</p> <p>Delivered first 10 year Total Asset Management Plan to meet Treasury requirements.</p> <p>Expanded Six Sigma Program to encompass Lean process improvement methodology.</p> <p>Established Masters of Asset Management course in conjunction with Wollongong University to improve asset management capability within RailCorp.</p> <p>Led the development of the Business Management System initiative within AMG to improve the ability of the Group to deliver outcomes.</p>

APPENDIX 9: EXECUTIVE PERFORMANCE AND REMUNERATION (CONTINUED)

Position title	Officer	Total remuneration package	Performance review summary
Track Works Manager	Bryant Croucher	\$225,755	<p>Delivered track infrastructure MPM works program of \$176m to budget.</p> <p>LTIFR reduced to 12 (16% below target) for 370 staff.</p> <p>Delivered the Track Work Services Alliance to schedule and established an Alliance relationship team.</p> <p>Delivered major plant upgrades to ballast cleaners, gantry cranes, implemented anti collision systems for on track plant, gantry derail avoidance system for work trains, prototype solar powered ballast wagon and the procurement of 2 new Ballast Regulators.</p> <p>Established a contract with ARTC for the delivery of Ballast Cleaning services in the Hunter Valley.</p> <p>Established contracts with ARTC for the supply of reusable rail from the MPM programs for use on ARTC's Main South line infrastructure enhancement programs.</p>
Program Director	Mark Harris	\$224,500	<p>Led co-ordination of TIDC on North Sydney Station Upgrade, Newcastle and Clearways programs.</p> <p>Led the development and review of key systems and procedures to enable third parties to carry out major works on the network.</p> <p>Led the development of revised Commercial Agreements between RailCorp and TIDC.</p> <p>Established the initial project team for Glenfield Junction.</p> <p>Supported the commission and integration of the Macdonaldtown Stabling project into the network.</p> <p>Led the transition of the RailCorp Safety Management System into NAI.</p>
General Manager Safety Risk	Robert Hackett	\$225,458	<p>Managed the provision of professional resources related to risk based 'system safety' (operational safety, project safety, engineering safety and human factors integration) and workplace safety functions.</p> <p>Provided system safety and safety assurance capability to high value capital projects.</p>

Position title	Officer	Total remuneration package	Performance review summary
General Manager Finance & Administration	Christopher Payne	\$224,375	<p>Achieved an improvement in financial cost information and systems required to successfully deliver \$1.28b of maintenance and construction activity.</p> <p>Provided decision support to Asset Management staff enabling the Group to perform within 0.5% of their operating budget.</p> <p>Led the detailed design of a new financial fixed asset management system.</p> <p>Improved the level of financial compliance, establishing a Field Review Team within AMG.</p> <p>Introduced a Team Level activity cost and budget system for Track Routine Maintenance in Infrastructure Division.</p>
General Manager ECRL	Ronnie Azzi	\$220,000	<p>Established the Epping Chatswood Rail Line (ECRL) Division to accept ECRL from TIDC and to integrate into the RailCorp network.</p> <p>Developed and commenced implementation of ECRL asset acceptance process.</p> <p>Redeveloped and commenced implementation of the ECRL Safety Assurance Process commensurate with international practice.</p> <p>Commenced the development and implementation of Operational Assurance process to enable seamless transition into existing network.</p> <p>Developed and implementing the Train Testing Program.</p> <p>Managed the integration and readiness of Chatswood Transport Interchange stage 2 and ECRL Energisation.</p> <p>Established and chaired forums (internal and external) to facilitate RailCorp preparedness for ECRL.</p>

**Executive Officers Profile**

The total number of executive officer positions with remuneration equal to or exceeding Senior Executive Service Level 1 was 239 (5.8% increase on 06/07). Women held 37 (12% increase on 06/07) of the positions.

**Chief Executive Officer remuneration contract**

Vince Graham was appointed on 19 December 2003 for a period until 31 December 2008. He resigned 6 April 2008. His remuneration at the time he left RailCorp was \$483,000 per annum and was determined by the Board and the Voting Shareholders. The decision on the remuneration amount was based on the complexity and magnitude of the organisation's operations and comparable State Owned Corporations Chief Executive Officer salaries.

CEO Termination Benefit – there was no termination benefit, other than statutory entitlements.



APPENDIX 10: EQUAL EMPLOYMENT OPPORTUNITY (EEO)

Trends in the representation of EEO groups

EEO group	Benchmark or target	2005	2006	2007	2008
Women	50%	14.6%	17%	18%	18%
Aboriginal people and Torres Strait Islanders	2%	3.0%	2.3%	2.3%	2.2%
People whose first language was not English	19%	23.8%	26%	27%	27%
People with a disability	12%	7.5%	7.0%	7.0%	7.0%
People with a disability requiring a work-related adjustment	7%	2.4%	2.7%	2.5%	2.2%

Trends in the distribution of EEO groups

EEO group	Benchmark or target	Distribution index			
		2005	2006	2007	2008
Women	100	88	91	91	94
Aboriginal people and Torres Strait Islanders	100	88	82	83	82
People whose first language was not English	100	98	95	95	96
People with a disability	100	98	100	100	100
People with a disability requiring a work-related adjustment	100	100	95	97	99

Notes to tables

Data about EEO groups (excluding women) are estimates based on responses received from employees who completed an EEO survey questionnaire. At the time of reporting, 48% of employees had completed an EEO questionnaire.

A distribution index of 100 is indicative 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 can be more than 100, which indicates that the EEO group is less concentrated at lower salary levels.

Number of employees by category

Category	2004/2005(#)	2005/2006	2006/2007	2007/2008
Train Operations	593	633	612	585
Train Crew	3,080	3,080	3,120	3,202
Station Staff	3,029	2,701	2,829	2,773
Presentations	559	573	578	592
Security	664	559	582	625
Asset Management				
- Trades	791	2,449	2,492	2,485
- Engineering	180	897	826	1,003
Other	1,289	2,374	2,800	2,828
<b>Totals</b>	<b># 10,185</b>	<b>13,266</b>	<b>13,839</b>	<b>14,093</b>

(#) Data does not include former RIC staff who had not been vested to RailCorp in 2004/2005

EEO achievements

RailCorp's key achievements in 2007-08 were:

- published an Equity and Diversity Management Plan for 2007-10, it developed in consultation with employees from EEO groups
- commenced implementing a communication strategy for improving awareness about EEO and the benefits of diversity for business, including distributing managers' kits comprising information sheets and other literature designed to assist managers to promote EEO at the workplace.
- piloted workshops for human-resources practitioners to enhance awareness of legal and policy obligations and strategies for overcoming barriers to employment equity for employees who have carer responsibilities, employees who have a disability, and employees from culturally and linguistically diverse backgrounds.
- delivered Aboriginal cross-cultural training to key managers and employees
- delivered anti-harassment training, to ensure that employees are aware of the standards of behaviour expected at a diverse workplace, to 2594 train-crewing non-managerial employees, 564 presentation-services and station-operations managers, 247 apprentices in asset management, 333 presentation-services non-managerial employees, and 16 managers of infrastructure and commercial renewals
- launched a new Dignity and Respect in the Workplace Procedure and a Grievance Resolution Procedure, and communicated them to all employees through a direct mailout to employees' home addresses

- established a Grievance Advisory Service for providing information and advice to employees and managers to aid appropriate and timely resolution of grievances
  - implemented a pre-apprenticeship program, in partnership with TAFE, to build confidence and skills in Aboriginal and Torres Strait Islander people and thereby maximise their chance of success in the usual merit-selection process for rail-traction apprentices. As a result of this program, four participants were appointed as rail-traction apprentices and one was appointed as a customer-service assistant
  - maintained the Equity and Diversity Steering Committee and five employee diversity networks, established in 2006, as a forum for consultation with employees from minority groups
  - conducted the following activities to celebrate diversity and to engage and inform employees and assist in building networks among employees from minority groups: to celebrate International Women's Day, a women's forum, attended by 200 female employees and addressed by guest speakers; a CALD ("Culturally and Linguistically Diverse") forum, attended by 88 employees and addressed by guest speakers; and Harmony Day celebrations. Also, RailCorp launched a specially commissioned Aboriginal design on two XPT trains to celebrate the 50th anniversary of NAIDOC
  - developed and distributed booklets for telling the stories of the career paths of women and young employees at RailCorp.
- The initiatives that RailCorp has planned for 2008-09 are to:
- continue to roll out anti-harassment training and a strategy for communicating information about equity and diversity
  - include EEO outcomes in corporate and business plans
  - introduce a new equity and diversity category in the Employee Excellence Awards
  - pilot a buddy program for recently recruited Aboriginal and Torres Strait Islander employees
  - develop equity and diversity guidelines to aid recruitment and selection of employees who have a disability and to assist in implementing workplace adjustments
  - participate in a pre-employment program – the Stepping into Law program – for people who have a disability
  - establish a network for female apprentices
  - implement initiatives for facilitating work-life balance
  - implement a traineeship program for people who have a disability
  - implement employee-engagement activities across RailCorp.
- In 2007-08, for the disability plan, in relation to employees, RailCorp:
- maintained a network for employees who have a disability, to facilitate communication and provide advice about RailCorp's human-resources policies, procedures and programs
  - developed and commenced implementing a pre-employment program for people who have a disability
  - piloted a disability-awareness workshop for human-resources practitioners.
- In 2008-09, RailCorp will:
- implement and review a pre-employment program for people who have a disability (the Stepping into Law program)
  - develop and implement a traineeship program for people who have a disability
  - recruit new members to the employee Disability Network and train the employees.

**APPENDIX 11:  
ETHNIC AFFAIRS  
PRIORITY STATEMENT**

RailCorp is committed to the principles and values of cultural harmony for its customers and staff.

In 2007–08, as in previous years, RailCorp implemented training initiatives in order to raise awareness of cultural issues, including:

- a transit-officer training program to help ensure that trainee transit officers can recognise and deal with issues related to cultural sensitivity within the customer-service environment
- a suburban-guards training program in which the focus is on how to deal with customers who have special needs and in which social-justice principles are promoted.

Furthermore, in 2007–08:

- train-crewing and presentation-services staff received training aimed at promoting dignity and respect at the workplace
- station and duty managers received training aimed at fostering greater awareness of the obligations associated with leading a diverse workplace, especially in relation to harassment and discrimination and being committed to creating a just culture
- as in previous years, all new staff members participated in RailCorp’s induction program that, among other topics, includes content related to EEO, anti-discrimination and issues associated with equity and diversity.

**APPENDIX 12:  
GOVERNMENT ACTION  
PLAN FOR WOMEN**

RailCorp has continued to build on its commitment to improving the welfare of its female employees. In 2007–08, the corporation:

- hosted a seminar for senior women in the New South Wales public sector. The speakers included Elizabeth Broderick, the Sex Discrimination Commissioner and Commissioner for Age Discrimination, and Jan Potapof, General Manager, Human Resources, RailCorp. The theme for the seminar was “changing workplace culture to encourage women to participate”. The seminar was attended by 91 senior women from across the public sector, 38 of them from RailCorp
- conducted a women’s forum to celebrate International Women’s Day. The forum was attended by 200 female employees
- maintained a women’s network to advise the chief executive officer about the development and implementation of human-resources policies and programs affecting existing and potential female staff members
- conducted anti-harassment workshops in key operational work areas to educate and motivate managers to take the lead in reducing incidences of discrimination and harassment and educate and motivate staff in creating and promoting workplaces free of discrimination, harassment and bullying.

Initiatives that RailCorp has planned for 2008–09 that are related specifically to women are:

- establishment of a network for female apprentices
- development and piloting of workshops about job-seeking skills for female employees seeking promotion to management roles
- implementation of initiatives designed to assist RailCorp to attract and retain women in its workforce (the ARROW project).

**APPENDIX 13:  
EXEMPTIONS FROM THE  
REPORTING PROVISIONS**

The Treasurer has exempted RailCorp in relation to the following two matters that are otherwise required to be reported under Schedule 1 to the Annual Reports (Statutory Bodies) Regulation 2005

1. Performance in paying accounts, including action to improve payment performance
2. Time for payment of accounts (reasons for late payments, and interest paid due to late payments).

**APPENDIX 14:  
FUNDS GRANTED TO  
NON-GOVERNMENT  
AGENCIES**

RailCorp paid the NSW Railway and Tramway Ex-services Association a grant of \$750 during 2007–08 being an annual contribution to the Association. The target group benefiting from the grant are ex-railway employees. The same amount was paid in 2006–07.

**APPENDIX 15: CONSULTANTS**

Consultant	Project	Cost (\$)
<b>Management services</b>		
MTR Corporation	Assessment of RailCorp property development opportunities (Part of Capital expenditure)	135,000
Bovis Lend Lease	Undertaking of a feasibility study for suitability of RailCorp sites for future multi-site accommodation sites in metropolitan areas	112,500
<b>Organisational review</b>		
Boston Consulting Group	Conducting the Customer Service Improvement Program	8,545,150
Accenture	Procurement transformation to establish an improved RailCorp procurement function (Part of Capital expenditure)	6,029,760
KPMG	Development of a design for fixed asset management and management of financial performance and costs, within the BFI program	1,626,926
Capgemini	Development of a design for fare-box and non-fare box processes, within the BFI program	914,538
Capgemini	Undertaking of improvements to the procure-to-pay process, development of a framework for benefit realisation, and a payroll-project initiative, within the BFI program	601,758
Ernst & Young	Development of a design for the “time capture to pay” process, within the BFI program	616,013
Ernst & Young	Development of a design for general accounting and reporting, within the BFI program	295,535
Ernst & Young	Development of a design for the financial policy framework, within the BFI program	83,999
Fellows Medlock & Associates	Development of a competency framework and performance standard based on the needs of the Rollingstock Division	105,200
Gibson Quai – AAS Pty Ltd	Development of a strategy for RailCorp telecommunications	61,568
<b>Training</b>		
Lloyd’s Register Rail Ltd	Undertaking of a training needs analysis for train-crewing staff members	352,948
Human Engineering	Development of training for positive leadership capability	115,260
Harris Smith & Associates	Development of training for RailCorp management leadership	61,565
<b>Total of contracts of \$30,000 or more (15 Contracts)</b>		<b>19,657,720</b>
<b>Total of contracts of \$30,000 or less (11 Contracts)</b>		<b>210,174</b>
<b>Total expenditure in 2007–08 (26 Contracts)</b>		<b>19,867,894</b>



APPENDIX 16: LAND VALUES AND LAND DISPOSALS

Land use	Value at 30 June 2008 (\$000)	Value at 30 June 2007 (\$000)
Land under stations and infrastructure, including residential and occupied land	3,631,844	2,916,130
Strata (airspace) leased to tenants	24,210	15,173
Surplus land	24,687	26,463
Total land owned or occupied – based on valuation	3,680,741	2,957,766

During 2007–08, two property sales were completed that yielded gross proceeds of \$1,688,600, including GST. Of the properties sold, one was by way of private treaty and one property was transferred to the Roads & Traffic Authority by way of compulsory acquisition. Both the properties were surplus to operational requirements and were sold in order to raise funds for RailCorp and the RailCorp rail-heritage program. Five lots located on the corner of Freame Street and The Kingsway, Wentworthville were transferred to Holroyd City Council, at no cost, for future commuter parking. There was no family connection or business association between any property purchaser and the person responsible for approving the property disposal. Applications for access to documents about the detail of properties disposed of during the year can be made in accordance with the *Freedom of Information Act* 1989.

APPENDIX 17: INVESTMENT MANAGEMENT PERFORMANCE

In the year ended 30 June 2008, RailCorp earned 6.82% on funds invested. During the same period, the comparable Treasury Corporation "hour glass" facility earned 6.82%.

APPENDIX 18: THE COST OF PRODUCING THIS REPORT

The cost of producing this report was \$38,500 (ex GST).

Rail Corporation New South Wales  
18 Lee St, Chippendale, NSW 2008, Australia  
P O Box K 349, Haymarket, NSW 1238, Australia  
Phone + (61 2) 8202 2000, facsimile + (61 2) 8202 2111  
www.railcorp.info

Published October 2008

Designed by Neon Creative, Pyrmont, Sydney;  
printed by Geon, Dee Why, Sydney

Copyright – Rail Corporation New South Wales 2008  
ISSN – 1835-2928





**RailCorp**