



Rail Corporation New South Wales

Annual Report 2006-2007



RailCorp

31 October 2007

The Hon. Morris Iemma, MP

Premier, Minister for Citizenship,
Governor Macquarie Tower, Level 40,
1 Farrer Place, Sydney NSW 2000.

The Hon. John Watkins, MP

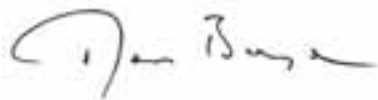
Deputy Premier, Minister for Transport,
Minister for Finance, Level 30,
1 Farrer Place, Sydney NSW 2000.

Dear Premier and Deputy Premier,

We have pleasure in submitting, for your information and presentation to Parliament, the Rail Corporation New South Wales Annual Report for the period 1 July 2006 to 30 June 2007.

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



ROSS BUNYON AM

Chairman



VINCE GRAHAM

Chief Executive Officer

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CHAIRMAN'S MESSAGE

Our performance to date

Since RailCorp's formation three years ago, our focus has been on continuous improvement across all areas of the Corporation. We have paid particular attention to providing an environment of safe operations to protect the public and our employees and to continuously improve both service reliability and customer service.

We have introduced new safety management systems with emphasis on risk management and improving the organisation's safety culture. In bringing about these changes, we have moved RailCorp to a culture where safety is integral to all aspects of the organisation's operations. In part and as a direct result of this safety reform, on-time running was impacted.

A new timetable was successfully introduced in 2005 and 2006 (Eastern Suburbs and Illawarra Line). The new timetable supported the increasing culture of safety and reflected more realistic and safer train running times.

Following the introduction of the new timetable, RailCorp continued to improve the performance of on time running and reliability and our achievements include:

- Increase in on time running from a low point of 57 per cent pre-September 2005 to 92 per cent during 2006;
- Increase in patronage. For 2006-07 patronage has increased by 3 per cent compared to the previous year meaning 136,000 more people each week are using the network; and

- Increase in customer satisfaction: the 2006 Independent Transport Safety and Reliability Regulator survey showed a 26 per cent increase in customer satisfaction compared to the 2005 survey.

We're now witnessing the largest volume of work since the rail system expanded under Bradfield in the 1920s!

While better trains, better stations and a better network is welcome news for our customers, delivering this huge program of work with minimum disruption poses an exciting challenge for RailCorp.

RailCorp generated \$825.4 million income from operating activities during 2006-07, an increase of \$54 million or 7 per cent on the prior year. Total operating expenditure at \$2.39 billion represented an increase of \$73.7 million or 3 per cent on the prior year. Government contributions to the operation of the rail network totalled \$1.48 billion in the year with further contributions to the record capital investment program totalling \$554.4 million. The proportion of the operating cost of the railway met by the travelling public through fares has continued to decline and was 23.8 per cent in 2006-07.

Major capital programs are underway to improve network capacity and reliability and purchase new and replacement Rollingstock essential to grow capacity and improve customer service.

The RailCorp Board and Management placed a strong emphasis during 2006 in relation to the development and subsequent approval of the Private Public Partnership for the building and maintenance of 626 new CityRail carriages, the largest single order of Rollingstock ever undertaken in Australia.





The project includes \$2 billion to build the trains and a new Auburn maintenance facility. RailCorp will pay for the trains and maintenance by making payments during the 35 year life of the contract.

Future Challenges

Our purpose is to achieve a safe, high performing, sustainable and financially viable rail passenger service with the result of increasing peak hour journeys on public transport.

RailCorp's key challenges over the next five years consistent with running a safe reliable service are:

- Aligning our organisation and culture to achieve an improvement in customer service delivery;
- Providing network and train capacity to meet growing demand;
- Achieving necessary improvements in productivity and efficiency to operate successfully within the funding promised by Government;
- Delivering multiple complex large infrastructure projects on time and within budget against a background of skill shortage in the rail and construction industries; and
- Continuing to improve passenger security and reduce incidence of crime on the rail network.

RailCorp's operations provide significant economic and social benefit to the community. We will continue to work closely with Government and the Independent Pricing and Regulatory Tribunal

Keeping customers in the loop is a key element of good customer service and it definitely pays off. In a period of continuous change communication is vital.

(IPART) to implement ongoing efficiencies and pricing strategies to strike an appropriate balance of funding between our customers and the taxpayer.

Finally I would like to thank the RailCorp executive team and employees of RailCorp for their contribution to the achievement of our goals and objectives for a better outcome for our customers, staff and shareholders.

ROSS BUNYON AM

Chairman



CHIEF EXECUTIVE OFFICER'S FOREWORD

In Sydney, half a million people use the rail network each weekday. We provide a safe, reliable, sustainable alternative to private motor vehicles. With forecasts predicting that the combined population of Sydney and the Central Coast could climb by another 900,000 to reach five million in the next 15 years, a key priority for RailCorp and the NSW State Plan is to increase the number of people using public transport.

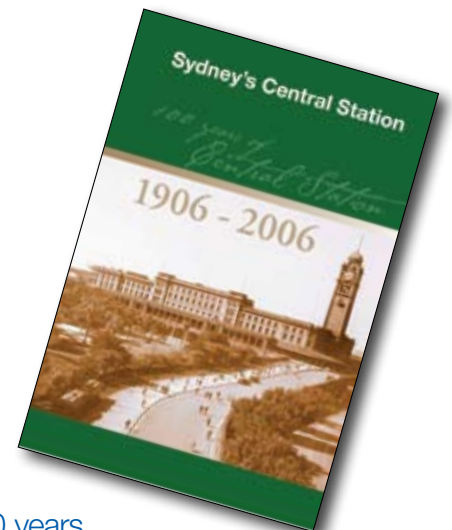
To deliver the expansion in network capacity and capability required to meet the additional demand RailCorp is undertaking record investments in its infrastructure. This includes the \$1.8 billion Rail Clearways Plan and the Epping Chatswood Rail Link (ECRL). RailCorp has also contracted at a net present value of \$3.6 billion to acquire more than 600 modern air-conditioned rail carriages that will replace all non air-conditioned carriages and provide for future growth.

As part of the NSW Government's investment in rail services, CityRail will be introducing new carriages to the network. The first of the new Outer Suburban Cars (Oscars) were introduced into service in December 2006. All 122 of the new cars are anticipated to be in service in the second half of 2008, representing a total investment of \$440 million. The Oscars are air-conditioned and have enhanced safety and passenger comfort features.

New Hunter rail cars are also being introduced, replacing the life-expired cars currently operating in the Hunter Valley. The first of seven two-car sets entered passenger service in November 2006, with the total investment standing at \$102 million when the final cars are introduced into service in the second half of 2007.

Investments in new technology, such as station upgrades to provide new lighting, hi-tech CCTV cameras and customer Help Points, are also vital for gathering intelligence and creating a safer environment for staff and customers. We are committed to making the rail network as safe and secure as possible and a further 44 Transit Officers will graduate during 2007-08.

Latest crime figures show that, since Transit Officers were introduced in 2002, the number of crimes



Celebrating 100 years
of Central Station

on rail property has decreased by 32.9 per cent. Furthermore, over the last year, complaints against Transit Officers via the CityRail Your Say Line have fallen by 25 per cent. These are encouraging figures that demonstrate the dedication and growing professionalism of our Transit Officers.

With a strong safety culture to build on, RailCorp has the opportunity to rise to the challenge of providing customers with the quality of service they deserve both in terms of the rollout of new Rollingstock that will improve reliability and comfort, and in terms of the way they are treated when they use our services.

While last year's Independent Transport Safety and Reliability Regulator survey revealed that customer satisfaction has increased and that we are reducing the number of complaints, we recognise that there are some areas of customer service where more progress is needed. Improving the quality and timeliness of passenger information on trains and stations is a priority.

In 2006-07 we remembered the former glory days of Sydney rail transport with the Centenary of Central Station over the weekend of 4 August 2006. These celebrations were a great success with an estimated 70,000 people joining in activities and marvelling at the generations of trains that have served Sydney over the years. It was an occasion that gave us an opportunity not only to showcase our grand station, but the excellent teamwork and customer service that our employees have to offer.

The old booking office, now restored to its former splendour, is the home of our Office of Rail Heritage, created as part of the Government's \$20 million commitment to a Sustainable Rail Heritage Strategy.

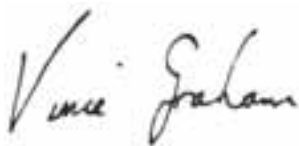
Travelling the CityRail network provides a clear demonstration of the massive investment now underway for our clearways program, new trains and major station upgrades.

The office will oversee the conservation and display of NSW rail heritage assets and forge links with regional rail precincts and special interest groups throughout the State.

Record levels of investment brings an obligation on all of us at RailCorp. If we are to take advantage of this new investment we must also invest in our staff training, our management development and our technical skills to provide the best possible standards of customer service.

To the dedicated RailCorp staff who deliver normal and special event services on a regular basis I thank you for your continued efforts. I would also like to give my thanks to the RailCorp Board and my executive colleagues for their continuous energy and advice.

In closing I would like to remember Richard Lumley, RailCorp's inaugural Chief Financial Officer who sadly passed away on 19th August, 2007. Richard was an integral part of our executive team and his immense contribution will be sorely missed by us all.



VINCE GRAHAM

Chief Executive Officer

SECTION 1

RAILCORP

AT A GLANCE

Who we are

Rail Corporation New South Wales (RailCorp) is a statutory State owned corporation that delivers public transport services in NSW and interstate passenger services. RailCorp operates under the *Transport Administration Act 1988* and the *State Owned Corporations Act 1989*.

2006-07 is RailCorp's third full financial year of operations.

Our legislated mandate is to deliver, maintain and provide safe and reliable passenger rail services throughout the Sydney metropolitan area and rural New South Wales.

Our Vision

To deliver safe, clean and reliable passenger services that are efficient, sustainable and to the satisfaction of our customers.

Our Values

Our staff and our organisation operate within a values framework that drives the behaviour of all employees in the workplace.

Our Values	Our Role
Safety	We will put safety first
Customer Service	We will work hard to provide quality customer service
Teamwork	We will work together
Integrity	We will establish a just culture and will be honest and ethical
Respect	We will treat our customers and each other with respect
Continuous Improvement	We will encourage and support each other to improve the quality and productivity of our work, our systems and our assets

The required behaviours and responsibilities of all RailCorp employees, contractors and consultants are outlined in the RailCorp Code of Conduct.





What we do

RailCorp provides metropolitan passenger rail services via CityRail and long distance services via CountryLink. RailCorp is responsible for the safe operation, crewing and maintenance of passenger trains and stations. We also own and maintain the metropolitan rail network and provide access to freight and passenger operators in the metropolitan area.

RailCorp employs approximately 13,800 employees in its two registered businesses being CityRail and CountryLink.

Some key facts about CityRail's operations

- 281 million passenger journeys in 2006-07
- 96 million tickets sold in 2006-07
- 900,000 passenger journeys on a typical weekday
- 53 per cent market share of journey to work trips in the CBD
- 3236 km of track
- 300 stations (plus 4 on the airport line)
- 1531 electric cars and 48 diesel cars
- 746 new carriages on order
- 2530 weekday passenger services and 1655 weekend services per day
- 18.7 km average journey length
- 28 minutes average weekday trip duration

Some key facts about CountryLink's operations

- 60 XPT carriages and 19 power cars
- 23 Xplorer carriages
- Operates 144 rail services each week
- Operates 560 Road Coach Services each week to a total of 363 destinations

Our Structure

RailCorp's responsibilities are reflected in three broad areas in our organisational structure:

Service Delivery

Responsibilities include security, station operations, cleaning service (internal trains and stations), passenger information, performance standards, CountryLink, train operations, train crewing and network control of train services.

Asset Management

Responsibilities include metropolitan infrastructure, Rollingstock (including private public partnership), engineering capability, standards and design.

Corporate

Responsibilities include Communications, Company Secretary and Corporate Counsel, Business Services, Property, Finance, Human Resources, Information and Communication Technology (ICT), Product Development, Safety and Environment, and Strategy, Performance and Access.

Our objective is to build on the success of last year and to continuously improve the safe delivery of train services. A concerted effort is needed to safely sustain and, in time, increase on our target of 92 per cent on-time running across all lines in the AM and PM peak.

PERFORMANCE SUMMARY

Service provision				
CityRail	03-04	04-05	05-06	06-07
Passenger journeys (millions)	273.3	270.3	273.7	281.3
Suburban trains on time (%)	71.6	67.1	88.7	92.3
Intercity trains on time (%)	77.6	72.4	89.6	91.2
Total CityRail trains on time	72.5	67.8	88.8	92.8
CountryLink				
Passenger journeys (millions)	1.9	1.77	1.74	1.61
Trains on time (%)	74.6	71.2	75.9	73.7

Finance				
	2004-05 (\$ Million)	2005-06 (\$ Million)	2006-07 (\$ Million)	
Passenger Services Income	520.1	526.5	568.3	
Other income	200.6	244.8	257.1	
Income from Operating Activities	720.7	771.3	825.4	
Total Expenses	2 341.5	2 317.2	2 390.9	
Deficit from operations before Government contributions	-1 620.8	-1 545.9	-1 565.5	
Government subsidies and concessions	1 218.6	1 317.2	1 482.4	
Deficit from operations before Capital Contribution	-402.2	-228.7	-83.1	
Government contributions for capital expenditure	422.5	471.9	554.4	
Surplus for the year	20.3	243.2	471.3	
Cost per passenger journey	\$8.61	\$8.41	\$8.45	
Revenue per passenger journey	\$1.91	\$1.91	\$2.01	

Aspect of CityRail service	% of customers with expectations met	
	2005 Annual ITSRR Survey	2006 Annual ITSRR Survey
	Frequency	52%
Punctuality	38%	64%
Journey time	69%	74%
Delays and cancellations	38%	59%

ORGANISATIONAL STRUCTURE



SECTION 2

OUR OPERATIONAL PERFORMANCE

DELIVERING SAFETY AND CUSTOMER SECURITY

Passenger, public and workplace safety

Safety is our priority

We are committed to providing a safe...

- **Railway**
Safe Rollingstock, infrastructure and systems for customers and the public
- **Workplace**
Safe systems, practices, equipment and facilities for employees and contractors
- **Culture**
Behaviours and attitudes that ensure that safety is always an objective

Our Safety Management System

The Safety Management System (SMS) aims to provide a consistent, simple and workable approach for reporting and monitoring safety matters. It also demonstrates that we conform to legislative safety requirements, namely the Rail Safety Acts, the Occupational Health & Safety Acts and their associated regulations.

In 2006-07, we developed and implemented our revised and simplified SMS. The system has been



IN 2006-07, OUR EFFORTS IN DELIVERING A SAFE ENVIRONMENT WERE RECOGNISED WITH FIVE AWARDS.

National Safety Council of Australia/Telstra National Safety Awards, October 2006

- Award for Excellence in Occupational Health & Safety
- Best Communication of a Safety Message to Employees, RailCorp Annual Safety Convention
- Customer Safety Award for our Pram Safety Project

WorkCover Awards, October 2006

- Safety Award, Inner West/Bankstown OH&S Committee

Australasian Railway Association (ARA) Awards, November 2006

- Safety Award, Pram Safety Project

These awards substantiate our considerable safety development efforts since RailCorp's establishment in 2004, and provide tangible evidence of continuous improvement in our safety culture.

This cultural change includes improved organisational awareness of safety issues, improved incident reporting and greater acceptance of personal responsibility for safety at work.

audited by both the Independent Transport Safety and Reliability Regulator (ITSRR) and WorkCover. It has significantly improved the way safety is delivered on the ground, adding protection for our employees, customers and the broader community.

During the year, we also finalised a comprehensive organisational safety risk register and specific workplace risk registers used in operational and capital project decision making.



In addition, our 'just culture' program promoted three duties for all employees: the duty to avoid causing harm, the duty to follow procedural rules, and the duty to produce an outcome. This program is increasing the number of safety-related incidents reported, providing us with a better understanding of risk events and near misses. This, in turn, makes our risk assessments and safety actions more robust.

During the year RailCorp managers contributed to the Council of Australian Governments' national Rail Safety Reform Program by assisting with the development of model legislation and guidelines and consulting around the draft NSW Rail Safety Bill (2007).

During the year, we based our organisational safety performance indicators on our Safety Strategic Plan, which identifies four high level performance outcomes. The measures for these outcomes are:

- All corporate, group and divisional plans incorporate safety plans and performance indicators consistent with the Safety Strategic Plan;
- Acceptance that the SMS provides for capacity and competence to deliver safety via accreditation;
- Favourable and consistently improving cultural attributes, acknowledging sharing of knowledge and communicating lessons learnt; and
- Progressive annual reduction in defined safety incidents, including lost time injuries and defined safety incidents.

The main objective is to encourage all staff to come forward with all safety issues and concerns so they can be effectively managed.

Our safety performance

Our safety performance indicates how well RailCorp understands our risk exposure and whether we make good risk-based decisions.

RailCorp measures safety performance in three main areas.

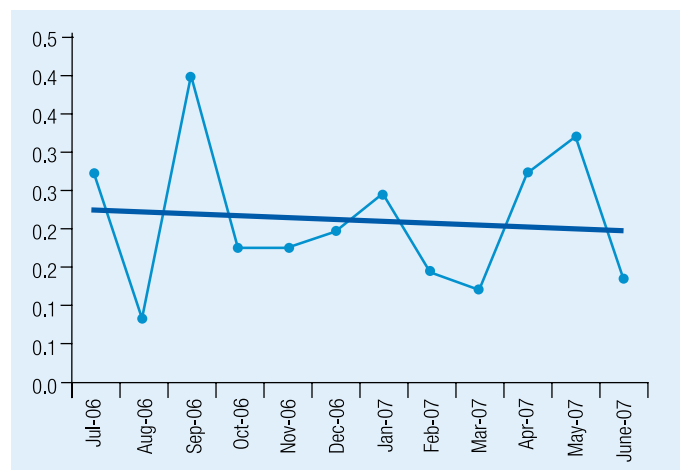
- **Passenger safety** – including passenger fatality measures.
- **Operational safety** – including measures of trespass, collisions and derailments, Signals Passed At Danger (SPADs), fires and explosions, track irregularities and on-train incidents.
- **Workforce safety** – including workplace injuries and Lost Time Injury Frequency Rate (LTIFR).

Defined Safety Incidents

Railcorp measures defined Safety Incidents, which are collectively normalised per million passenger journeys.

Safety Incidents per million Passenger Journeys

During the year, we changed the way we categorise incidents, so directly comparable statistics for 2005-06 are not available.

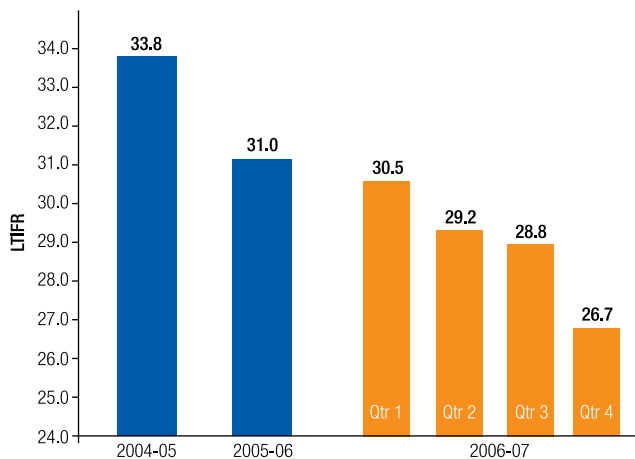


Lost Time Injury Frequency Rate (LTIFR)

The LTIFR is a useful tool to measure the safety level of the work environment. It helps us to reduce injuries and create a safer work place for our employees.

A lost time injury is defined as an employee injury that results in a fatality, permanent disability or time lost from work of one day/shift or more (*Australian Standard AS 1885.1-1990*). The standard also defines the frequency rate as 'the number of occurrences of injury...for each one million hours worked'.

LTIFR performance to June 2007



Note: LTIFR is calculated as Lost Time Injuries X 1,000,000/Hours Worked.

Our safety performance is reported publicly through our website at www.railcorp.info. Since January 2006, our safety statistics have been aligned with the *Occurrence Notification – Standard 1 (ON-S1)* developed by the National Rail Regulators' panel as the standard for reporting rail safety incidents.

During the year we produced our first annual safety report for the period January 2005 to 30 June 2006 – as required under the *Rail Safety Act (NSW) 2002*.

Some 11,480 RailCorp employees are classified as rail safety workers and are required to meet particular health standards under the National Transport Commission National Standard for Health Assessments. To meet these requirements, in 2006-07 we conducted 4,650 health assessments.

Other Rail Safety legislative programs include managing the risks associated with fatigue and drugs and alcohol.

In 2006-07, our Health & Wellbeing Program included health fairs, special health events, communication strategies and free influenza vaccination. As part of these:

- 941 staff undertook a voluntary health & lifestyle assessment at the Health Fairs;
- 25 per cent of staff participated in the annual Flu Vaccination Program; and
- 79 staff participated in the BRW Corporate Teams Triathlon and 260 staff and family members in the City to Surf.

We manage fatigue in accordance with the Fatigue Management Strategic Plan and Policy.

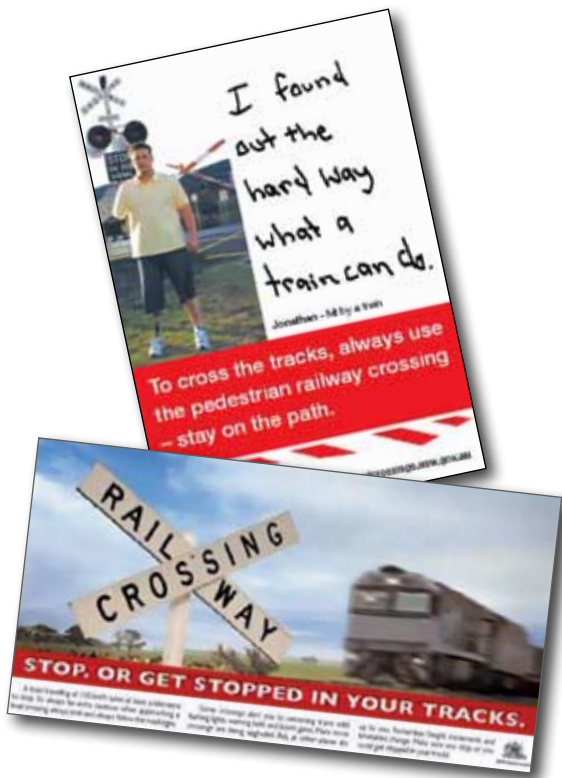
- 21,368 random alcohol tests
- New Drug and Alcohol Testing Officer training program
- Rehabilitation support provided for approximately 165 staff

Drug and alcohol testing regimes have been established for random, targeted and post-incident testing together with a rehabilitation program including specialist case management.

Safety Improvements

In 2006-07, we continued implementing lessons learnt from the accident at Waterfall, including acting on recommendations from the Special Commission of Inquiry. Of the 88 Waterfall Special Commission of Inquiry's recommendations that required action by RailCorp 81 were formally closed by ITSRR at the end of June 2007.

Some of the significant safety measures taken include health assessments for drivers and other safety-critical staff, enhanced emergency response, procedures and training, continued random drug and alcohol testing and the introduction of driver vigilance services and data loggers.



By year-end, RailCorp had resolved the system solutions for all Waterfall Recommendations relating to improved operational communications. This included a number of Train Radio Projects as well as train-to-train, guard, and crew incapacitation communications, and the projects outlined below.

Automatic Train Protection

Following the recommendations of the Glenbrook and Waterfall Inquiries, RailCorp comprehensively reviewed its Automatic Train Protection (ATP) systems, concluding that a system based on the European Train Control System technology best suits our requirements. These systems apply a train's brakes if a driver does not slow down sufficiently when approaching a red signal or lower speed limit area. To better understand the costs, benefits and issues relating to installation of an ATP system on the RailCorp network, during the year we began to trial the system.

In May 2007, contracts were awarded to three suppliers of European Train Control System technology. Each will install its track equipment on separate sections of the Blue Mountains line and install on-train equipment on a RailCorp V-set train.

If this ATP system is adopted, it will add an additional layer of protection to current safety mechanisms such as vigilance control, 'dead man's brakes', speed boards and black box data recorders.

The ATP trial will enable RailCorp to:

- Confirm the suitability of European Train Control Systems for the RailCorp network;
- Confirm the interoperability of the systems from the different suppliers; and
- Identify and test any technical or operational issues related to future implementation of a system on the RailCorp network.

Digital Train Radio System (DTRS)

During the year, RailCorp committed to replacing its life expired analogue train radio system with a next generation digital system offering greater functionality and interoperability with other systems in other States.

To this end, in 2006-07 RailCorp purchased the 1800MHz RF spectrum leases required to transmit a GSM-R system for the wider Sydney area. This has allowed field testing to enable RailCorp to more accurately estimate design requirements and potential capital outlays.

Vigilance Control

In 2006-07, 718 electric train cabs were fitted with a new vigilance control system. During the year, we also upgraded the vigilance light to improve its visibility and changed the alarm to differentiate it from other sounds in and around the cab. Crew feedback on these modifications has been very positive.

At 30 June 2007, our program to fit a shorter fixed-time task-linked vigilance control system to the electric fleet was progressing to program.

Digitised Voice Announcements

In 2006-07, we continued our Digitised Voice Announcements (DVA) – Traction Interlocking (TI) program to reduce the risk of passengers being caught and dragged along platforms by train doors. Under this program, clear pre-recorded DVAs warn that doors are about to close, while TI reduces the risk of passengers being dragged by disabling traction power if the train doors don't close.



A cross-section of Station Operations staff recently took part in a joint NSW Fire Brigade and RailCorp Emergency Response Unit exercise at the Fire Brigade's Alexandria training headquarters.

- Double Deck Suburban Cars: 454 cars were commissioned during 2006-07 (excluding 7x8 car C Sets) and all are now in service, the C Sets will be completed by mid-2008.
- Tangaras: Installation work to all cabs is now complete, with 312 cars commissioned and operating in service during 2006-07. The remaining cars are expected to be commissioned by the end of 2007.
- Intercity Cars (V Sets): In-service trials are currently underway on 3x6 car sets.

Additional Safety Measures

To further improve safety and provide more accurate passenger information, during 2006-07 we also:

- finalised a new train emergency egress policy to allow passenger initiated door release in certain circumstances. Implementation of the new policy will take place over the coming years;
- implemented simulator training for drivers and guards in emergency and 'out-of-course' situations; and
- extended the train location system in the Rail Management Centre to provide improved visibility of trains on the network.

Safety reporting

We report regularly to the Australian Transport Safety Bureau, Department of Energy Utilities and Sustainability, Department of Primary Industry, ITSRR, Office of Transport Safety Investigation, Queensland Transport and the Victorian Department of Infrastructure and WorkCover Authority.

Our safety performance is reported publicly through our website at www.railcorp.info. Since January 2006, our safety statistics have been aligned with the *Occurrence Notification – Standard 1 (ON-S1)* developed by the National Rail Regulators' panel as the standard for reporting rail safety incidents.

Asbestos and hazardous materials management

In 2006, Contractors inadvertently drilled into a fibre cement panel containing asbestos at one of RailCorp's suburban stations.

As result of this incident, 367 RailCorp stations and buildings were surveyed and 123 required remediation, all of which was completed during the year. Where asbestos is still in the building material it is safely contained and managed.

A program was subsequently undertaken to produce Hazardous Material Registers for all operational assets, including: stations, signal boxes, depots, maintenance centres and Rollingstock, by conducting hazardous material surveys of all such assets.

A six year program to remediate asbestos material from our stations and buildings is now underway.

Emergency preparedness

In 2006-07, we conducted eight internal emergency exercises plus nine joint RailCorp Emergency Services exercises with staff from agencies such as NSW Police, Ambulance and Fire Brigade. These exercises simulated a range of potential rail incidents including train derailments or collisions, level crossing accidents and chemical, explosive or biological threats or attacks.

To support our emergency response to train incidents in tunnels, during the year we rolled out over \$1 million of new train-to-track stairs. The stairs enable passengers to be taken off trains in rail tunnels at a rate of around 40 per minute. We also trained crew in evacuation techniques using the Bondi Junction sidings in the off peak periods.

During the year, we purchased one battery-operated Emergency Rail Trolley, as used in response to the London Underground bombings. The trolley will be used to transport rescue personnel and equipment rapidly to and from an incident site in the Sydney Underground. Five more trolleys have been ordered for delivery in early 2007-08.

We also planned an 'Exercise Over the Bridge', for action on 21 July 2007, to test the Emergency Rail Trolley in detrainning passengers in wheelchairs, and test the emergency walkway on the bridge as a viable route for detrainning passengers, including those with impaired mobility.

A secure environment

We have a comprehensive Rail Security System to promote a secure environment for our customers and staff, and protect assets and revenue streams vital for service delivery.

Rail Security System Key Elements

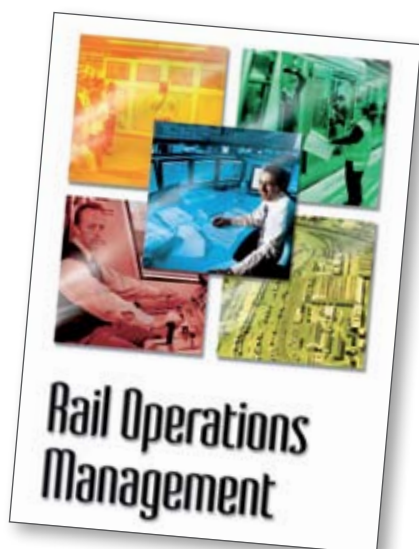
- A 24/7 rail security control centre, with communication links to transit officers and the police, to coordinate responses to security incidents
- 600 RailCorp transit officers providing security services
- Up to 300 Commuter Crime Unit Police deployed on the public transport network, including rail
- A network of 6400 CCTV cameras on stations and infrastructure, monitored remotely from 16 locations and the Rail Security Control Centre
- More than 700 customer help points, with at least one on every CityRail Station
- CCTV cameras and customer help points in all new rail cars including Hunter, Oscar and Millennium cars
- 280 new high resolution cameras at key city stations to enhance counter terrorism protection
- 7000 high intensity station platform lights.
- Physical security, guard and dog patrols in areas such as stabling locations and maintenance centres

Reducing crime

Our 2007 customer survey suggests personal security on trains and stations is a priority for our customers. Our 'Strategic Security Plan' provides a five-year strategic blueprint for improving our overall security arrangements. It also includes our current strategies for addressing the security of RailCorp customers and staff, the security of property, terrorism, fare compliance and trespass.

RailCorp manages the risks to personal security of customers and employees through 600 Transit Officers and by collaborating with the Commuter Crime Unit of the NSW Police. RailCorp also actively manages counter terrorism response within the broader National and State Counter Terrorism Plans.

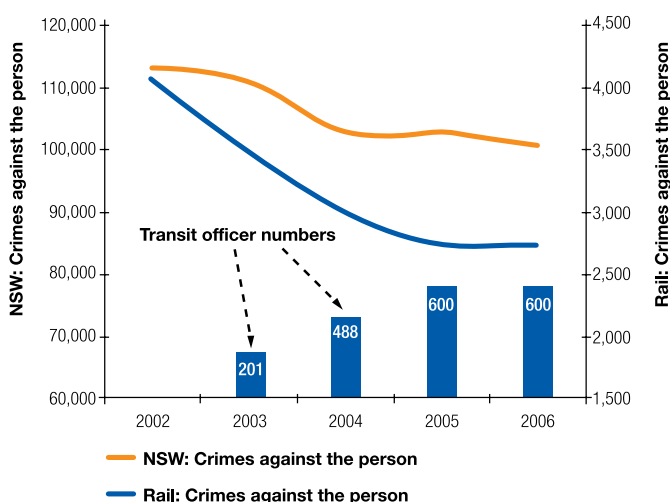
EVERY SAFE SECOND COUNTS 



During the year, vandalism and security incidents were the third highest category of incidents delaying peak period services on the CityRail network. In 2006-07, 17 per cent of peak train delays were caused by vandalism or security occurrences, compared to 13 per cent in 2005-06. This included graffiti, damage to trains and signalling equipment and suspicious packages on the network.

Despite this increase, according to the NSW Bureau of Crime Statistics and Research (BOCSAR), since we introduced Transit Officers in 2003, crime on the rail network has reduced by 32 per cent and is well below the general crime rate in NSW.

Figure: Crimes Against the person NSW vs Rail



Counter terrorism measures

Recent world events have highlighted the need to be prepared and alert to the risk of terrorism.

In response to this, at twelve of our busiest stations, we have installed more than 280 new high-resolution cameras to improve security and boost protection against terrorism. The new cameras produce clearer close-up images and are placed at key locations such as station entries, exits and barrier gates. This new technology will also increase our ability to respond to crimes on the network.

We have also introduced a range of counter-terrorism measures, designed to mitigate the risk of an attack on the network.

In 2006-07 we:

- Upgraded CCTV cameras at entry-exit barriers at Central, Kings Cross, Town Hall and Wynyard to enable the capture of identification quality images;
- Installed 12 LCD monitors at Central Station that display live CCTV images to increase awareness of CCTV surveillance;
- Commissioned over 100 cameras at the new Parramatta Transport Interchange and the Epping Chatswood Rail Link (ECRL);
- Upgraded the Help Point and CCTV footage retrieval software, with commissioning to commence in 2007-08; and
- Evaluated intelligent CCTV software products in an operational setting.

During the year, Transit Officers successfully used wireless CCTV equipment during targeted rail corridor operations, resulting in the arrest of graffiti vandals and the detection of trespassers. RailCorp commits to having at least 96 per cent of CCTV cameras operational at any given time.

Workplace violence

Workplace violence generally is a significant concern for RailCorp in relation to public facing staff. In 2006-07, our Workplace Violence Prevention Action Plan and program combined short, medium and long term strategies to manage the potential for violence, which is also specifically addressed in the Safety Management System.

Vandalism and graffiti

Grffiti and vandalism, such as seat and window damage, cost CityRail around \$15 million a year. Aside from the cost, vandalism also affects our reliability and the safety and comfort of our passengers. We try to remove graffiti on trains promptly with additional staff and increased weekend shifts. In addition, graffiti and vandalism occurs in the rail corridor and track side.



In May 2006, the Police Rail Vandalism Task Force was established to target vandalism and graffiti. As a result, around 220 offenders were arrested for more than 600 offences, including malicious damage, graffiti and trespass in the rail corridor.

Across the Sydney rail corridor artist April Keogh's decorative murals are a bright and colourful feature.

Trespass

Securing our rail corridors against trespass and vandalism is a continual challenge. In 2006-07, around \$7.7 million was spent on fencing the rail corridor and, at high-risk locations, installing anti-throw screens. Security fencing was also upgraded at a number of hot spots including Blacktown, St Marys, Doonside and Seven Hills.

IMPROVING CUSTOMER SATISFACTION

Customer service

Each weekday over 500,000 customers make 900,000 journeys on CityRail. Approximately 60 per cent of these journeys are to the Sydney Central Business District. Around 53 per cent of Sydney's Central Business District based workers use CityRail to travel to and from work.

RailCorp's service perspective goes beyond simply operating trains – it reflects a commitment to respond to customer needs.

For example, we recognise that service reliability improvements alone will not sustain customer satisfaction. With this in mind, we are striving to design, and where necessary redesign, services with input from customers to meet current and future customer needs in the most cost-effective ways. Thus, we are moving towards a new relationship with our customers based on an understanding of their needs and demonstrating our ability to respond.

These stakeholder consultations lead us to believe that customer satisfaction with CityRail's service will be driven by improving:

- Reliability, fleet air conditioning, reduced crowding, passenger information and personal security;
- The customer service culture within RailCorp through a multifaceted, integrated change program; and
- Our relationship with customers by adopting customer service standards, customer focused management and effective communications.

In both 2005 and 2006 the Independent Transport Safety and Reliability Regulator surveyed CityRail customers to measure whether we were meeting their expectations. The table below compares these surveys.

Table 1: Comparison of 2005 and 2006 ITSRR Surveys – Customer Expectations Met

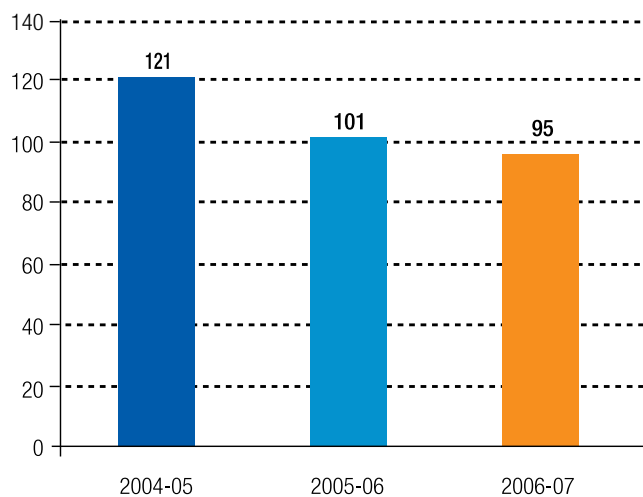
	2005	2006	Difference
Punctuality of trains	38%	64%	+26%
Quality of information about delays & cancellations	57%	69%	+12%
Station information on arrival & departure times	66%	78%	+12%
Frequency of trains	52 %	63%	+11%
Clarity of announcements on the platform	61%	64%	+3%
Removal of litter from the trains	80%	78%	-2%

Customer Feedback

RailCorp records and analyses customer complaints to better understand causes of customer dissatisfaction and to identify measures to reduce or eliminate the cause of complaints. As a result, over the past two financial years,

customer complaints reduced by 31 per cent. In 2006-07, the issues that dominated customer complaints related to: service reliability (16 per cent), service aspects including crowding and lack of air conditioning (15 per cent), CityRail personnel (14 per cent), passenger information (8 per cent), and train and station cleanliness (7 per cent). The figure below shows customer complaints per million passenger journeys over the past three financial years.

Figure: Complaint Rate per Million Passenger Journeys



Passenger information

RailCorp is committed to providing customers with relevant, timely and accurate information during all stages of their journey. In 2006-07, projects to improve delivery of information to passengers included:



- Installing new electronic indicators at 22 stations;
- Providing additional variable message screens at Bondi Junction, Edgecliff, Hornsby, Penrith, Westmead, St Marys and Seven Hills to notify passengers of track work and delays; and
- To replace platform and concourse indicator screens at Wynyard and Central with larger screens to improve readability.

We also trialled and established three new remote passenger information control rooms at Wynyard, Town Hall and Central. These are communication hubs, from where staff announce trains at designated platforms, welcome customers on to the concourse and deliver live updates on network running status.

Additionally, we introduced New Hunter and Outer Suburban (Oscar) Cars with on-board audio-visual information systems to provide customers with the right information at the right time.

CityRail Update

In August 2006, RailCorp launched a new newsletter 'CityRail Update', to inform our customers about CityRail's plans, projects and progress in their local areas. Each quarterly issue is divided into seven regionally based editions, containing news relevant to customers in different locations on our network.

Station Passenger Information Systems

The Station Passenger Information Systems (SPIS) provide electronic, flat screen indicators for customers and staff to access accurate and timely train running information. The current flat screen technology used is liquid crystal displays. The SPI application also controls Digitised Voice Announcements, ensuring customers receive audiovisual information in accordance with requirements of the *Disability Discrimination Act*.



After successfully piloting SPI indicators in 2005-06, the 2006-07 year saw the SPI systems commissioned at eight stations of the planned twelve stations on the Bankstown line and fifteen of the planned twenty one on the East Hills and Illawarra lines. The remaining stations on these lines will be brought online progressively by December 2007.

All these stations are controlled by new Line Information Control software, which enables a single operator in the controlling signal box to manually intervene to improve the train running information being automatically generated from the signalling control system and distributed to stations and customers. The software functionality will be improved in 2007-08, when we introduce multiple track and Customer Service Messages to deliver information during disruptions.

SPI systems were commissioned and installed when Chatswood, Berowra, Rhodes, and Epping stations were upgraded. In 2006-07, RailCorp also continued to expand the coverage of the Train Location System, which gives visibility of trains to station staff, enabling them to more accurately estimate arrival times. As a result, the system now covers most of the metropolitan area.

Public address systems

During the year, station staff and guard training included sessions on microphone techniques to help them make more effective announcements and provide better passenger information both on board trains and at stations. Customer compliments on graduates of this training in 2006-07 confirm the effectiveness of this approach.

As an added incentive, we instituted 'Golden Mic Awards' for frontline staff that provide clear, high quality and timely announcements at stations and on trains. Three awards are available each month, one for a station staff member, one for a network controller/Rail Management Centre staff member and one for a CityRail train crew member – resulting from compliments from customers and RailCorp staff.

RailCorp is committed to having at least 99 per cent of public address systems operational at any given time.

CityRail website

Our CityRail website – www.cityrail.info – provides access to information such as timetables, trackwork, special events, service disruption, ticketing information and our key performance indicators. In 2006-07, the website recorded more than 9 million visits, an increase of 35 per cent from the previous year. During the year, the average number of daily visitors to the website was 24,854.

Ticketing service initiatives

As well as maintaining an availability rate for our ticketing machines of more than 98.5 per cent, we worked on a number of additional ticketing initiatives in 2006-07, including:

- Upgrading EFTPOS equipment around the network to allow for more electronic ticket sales;
- Developed special ticketing arrangements for major events such as New Year's Eve, the 75th Anniversary Sydney Harbour Bridge Walk, the Royal Easter Show and the Defence Force Air Show;
- Introduced the Q Buster campaign, encouraging customers to 'top up' their weekly tickets;
- Introduced new products and ticketing arrangements for new stations; and
- Introduced 'Red Coat' Ambassadors to provide customer service and ticketing vending machines.

CountryLink reservation system

The new CountryLink Reservation System (CRS) was successfully completed in 2006-07, after a phased introduction that began in 2005. CRS offers a number of functional benefits, including the capacity for customers to 'self ticket' via the CountryLink website. The capability allows customers to book and pay for services using their credit card or by payment at a local post office.

We also trialled a new initiative to give travel agents online access to the new CRS agency booking facility.

Ongoing system enhancements during 2006-07 increased both products sold through the website and bookings made by the Paid@Post payment option. This option is available through more than 900 Australia Post offices for customers not wishing to pay over the Internet.

Internet bookings now represent more than 13 per cent of bookings, up 3 per cent over the previous year. Call centre bookings also increased their share to 9.5 per cent in 2006-07, 2.5 per cent higher than in 2005-06.

During the year, CountryLink also began to replace manual ticketing and point of sale equipment on board, appointing a supplier and trialling equipment. Project completion is scheduled for late in 2007.

Integrated ticketing

The Public Transport Ticketing Corporation (PTTC) is continuing to develop the integrated ticketing system (Tcard) for all modes of public transport in metropolitan Sydney. RailCorp has supported the projects for the PTTC field trial, which began in February 2007.

Keeping trains and stations clean

Feedback indicates that our customers want a clean and comfortable environment when they travel. With this in mind we aim to:

- clean all attended stations daily; and
- conduct cleaning inspections at unattended stations on a regular basis.

This year, we have:

- extended the use of roving cleaners to Gosford services;
- provided extra major cleaning services for stations; and
- trialled new escalator cleaning techniques at CBD stations.

Carriages are cleaned daily and given a detailed clean every 30 days, including the removal of graffiti and steam cleaning of upholstered seats and carpets. Trains with toilet facilities are regularly decanted.

Major CBD stations are cleaned every night by specialist contractors, who carry out a detailed washroom cleaning regime.

Reliability

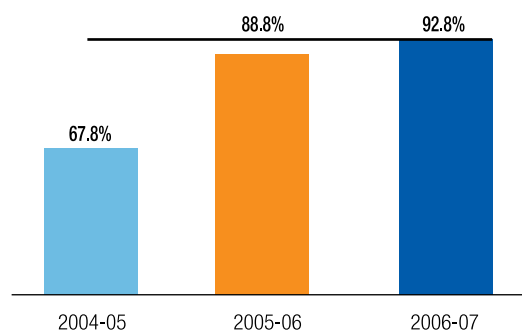
CityRail

A key indicator of service reliability, which is a priority issue for our customers, is the measuring of on-time

running (OTR). Our current performance targets are to operate 99 per cent of peak timetabled services and have at least 92 per cent of those peak services arrive within the on-time running benchmark.

Taking into account force majeure (that is, incidents over which CityRail and customers have no control), the 2006-07 results for overall peak on-time running improved to 92.8 per cent, compared to 88.8 per cent in 2005-06.

AM and PM peak on-time running Suburban and InterCity



We provide updated performance statistics including on time running peak, in the 'Our performance' section of the CityRail website, www.cityrail.info, within three working days.

CountryLink

CountryLink's OTR performance target is for 78 per cent of services to arrive within ten minutes of the scheduled arrival time.

CountryLink	2004-2005	2005-2006	2006-2007
	%	%	%
OTR to 10 minutes	71.2	75.9	73.7
OTR to 30 minutes	85.9	89.1	88.0

During the year, the reliability of CountryLink services was tested by a range of challenges such as:

- Speed restrictions imposed by the Australian Rail Track Corporation (ARTC) due to major trackwork and extreme heat conditions; and
- The increasing use of longer freight trains on interstate lines.

Our 2006-07 on-time performance was also tested by the following issues.

- Between January 2007 to April 2007 ARTC placed speed restrictions (due to track geometry issues) on the line between Werris Creek and Moree. This had a significant impact on the on-time performance of the North West for four months.
- Major re-sleeping by ARTC on the far North Coast since March 2007 (to August 2007), requiring large and long speed restrictions, has also had a high impact on some North Coast XPT services.
- Major flooding around the Hunter Valley in mid June 2007 significantly interrupted CountryLink's North Coast and North West services.

During the year, CountryLink worked closely with the ARTC to implement temporary timetables to minimise the customer service impact of these speed restrictions.

Improving Rollingstock reliability

In 2006-07, 28 per cent of incidents that delayed peak commuter services were in service train failures. To systematically improve fleet reliability, RailCorp deployed Six Sigma, a quality improvement methodology and set of techniques. A Rollingstock reliability improvement program has also been implemented to improve fleet reliability and reduce incidents that delay services.

2006-07 was the third year of an enhanced 'Component Change Out' plan for RailCorp's electric fleet. The year saw the target exceeded with 246 electric carriages undergoing 'Component Change Outs' against a plan of 230 carriages. The result was achieved with no further carriages out of service and provided 16 extra overhauled cars into service.

Closing the door on delays

Train doors open and close around 600,000 times a day and associated faults are a significant cause of delays. A door motor replacement program for our 939-strong fleet of Double Deck Suburban (DDS)



trains has positively impacted on-time running. From April 2005 to April 2006, 700 trains were delayed because of 200 separate door motor incidents. To overcome this problem, an eight-week door motor trial was held on Illawarra-East Hills line cars, generating impressive results and forced door motor maintenance figures improved 15 fold. As a result, \$13.3 million is being invested to install new motors on the entire DDS fleet. On-time running incidents as a result of door failure have improved significantly, with fewer delays caused by door motor failures. Door failures dropped by 34 per cent from July 2006 to May 2007.

Track maintenance

In 2006-07, we installed more than 105,000 new concrete sleepers and 43,000 new timber sleepers, reconstructing over 70 kms of track and resurfacing more than 703 kms. This has reduced delays in peak periods attributed to infrastructure problems from 42.3 per cent in 2004-05 to 24.7 per cent in 2006-07.

The key focus of track maintenance over recent years has been to improve the safety of the network. During the year, this paid off, with a steady improvement in the Average Track Condition Index



(TCI) from 45.5 in 2001 to 40.1 in June 2007 (lower TCI indicates improved track geometry). The improvement is being achieved through track-related programs where risk such as broken rails, vertical split head defects and track misalignments have been significantly reduced by re-railing and track reconstruction (concrete re-sleeper) activities.

Other maintenance programs have targeted incident prevention by developing specific programs to address those incident types and asset failures that have the greatest impact on services. Given the assets that have the greatest impact on reliability are Signalling and Electrical assets, this has meant targeting points failures, track circuit failures, speed restrictions, vandalism and trespassing and the impact of the elements (storms and extreme heat).

Improving the Track

High summer temperatures can cause track misalignments and delays to train services. Once the temperature increases beyond certain limits, train speed restrictions are imposed for safety reasons. In the early 1990s, high temperatures caused more than 45 track misalignments. Since then, the numbers have varied from year to year, depending on summer temperatures. Based on the average 2006-07 summer temperatures and historical data, 12 misalignments would have been predicted. However, due to replacing timber with concrete sleepers (with greater rigidity) and improvements in welding quality and track adjustment, only two small misalignments were reported during the year. Two thirds of the 1500km network now consists of concrete sleepers.



RailCorp further upgraded its train control systems to improve customer information. The Advanced Train Running Information Control System provides up-to-the-minute information on the current location of timetabled trains, ensuring more accurate passenger announcements. It automatically alerts area controllers if a train passes a signal at stop, and can change a train route when incidents occur minimising train delays and cancellations.

In November 2006, the line between Rhodes and Normanhurst was consolidated into the signalling control room at Strathfield, allowing old technology signal boxes to be retired from service. As well, the Indicating Automatic Signal Sections system was commissioned on the line between Gosford and Newcastle, improving visibility of train movements for that section of track in the Rail Management Centre.

In June 2007, construction of a new fibre optic cable route between Waterfall and Wollongong on the South Coast Line completed a very important link in the communications network. This \$5.5 million project provides increased capacity and bandwidth for improved CCTV surveillance and passenger information on that section of line.

Managing the impact on customers

Since RailCorp is making an unprecedented investment in upgrading the rail network, inevitably this work causes service disruptions.

We try to ensure that planned service interruptions cause minimal problems for our customers. To this end, during the year we scheduled timetable changes and line and station closures on weekends and holidays. We also communicated any planned changes to customers at least seven days in advance and provide buses as alternative transport for passengers.

We communicated these planned service disruptions through advertising, radio announcements, station posters, free email service, timetables, community language flyers, brochures and train and station announcements.

GROWING CAPACITY

Investing today for tomorrow

Untangling and expanding our services

RailCorp is in the midst of a massive expansion to meet future demand capacity requirements, including major investment in new trains and rail infrastructure.

Initiative	Service improvements for our customers	Cost for 2006-07
Passenger information projects	– Provide our customers with more up-to-date information about our services	\$7 million
Purchase new Rollingstock, including Oscars and Hunter Rail cars, and upgrades to the existing fleet	– More comfortable air conditioned trains – Trains released to boost service levels in the suburban area and at peak periods	\$245 million
Rail Clearways projects under construction for 2006-07	– Improved reliability and capacity through separating the network – Ability to provide more frequent services	\$176 million
Rail Corridor Infrastructure upgrades	– Less infrastructure failures so more reliable services	\$59 million
Easy access station upgrades	– Better and more accessible station facilities for new and existing customers	\$48 million
New signalling and train control systems	– Safer and more reliable services	\$33 million
Continuing re-signalling the Illawarra Line between Oatley and Cronulla	– Safer and more reliable services for customers in the southern suburbs of Sydney	\$16 million
Reliability and safety upgrades to Rollingstock	– Safer trains and less delays due to faults of breakdowns	\$26 million

Clearways

The Rail Clearways Plan is a \$1.8 billion initiative to improve reliability and capacity on CityRail's suburban network. To 30 June 2007, over \$300 million has been spent on this major program, which includes 15 key projects to separate the network's 14 metropolitan rail routes into five mainly independent routes by 2011. The work, being undertaken by Transport Infrastructure Development Corporation (TIDC), includes building additional track, platforms, turnbacks and train crossing loops. This work will help remove bottlenecks and junctions, reduce congestion and delays and means that an incident on one part of the network will have less impact on other services.

During the financial year 2006-07 spend was \$175.9 million.

During the year, we completed building an additional platform at Berowra station. This platform will improve reliability on the Central Coast, Newcastle and North Shore Services by providing a passing lane, making it possible for the Central Coast and Newcastle services to stop at Berowra without impacting the terminating suburban services.

Clearways projects underway in 2006-07 included:

- **Macdonaldtown Stabling** – providing a train stabling yard for eight trains in close proximity to the Sydney CBD, allowing trains to be cleaned internally and prepared for their next service.
- **Cronulla Duplication** – constructing a second track along sections of the Cronulla Line, Sutherland to Gymea; and Caringbah to Cronulla. The works will also include bridge and station

changes at Sutherland, Kirrawee, Woollooware and Cronulla.

- **Hornsby Platform and Stabling facility** – constructing a new section of track and a new platform on the western side of the rail corridor as well as new train stabling facilities
- **Revesby Turnback** – constructing a new turnback and platform at Revesby station
- **Homebush and Lidcombe Turnbacks** – constructing new turnbacks and associated side platforms at Homebush and Lidcombe stations.

Improving facilities on our trains

Our investment in capacity growth is not confined to rail infrastructure. In 2006-07, we also renewed and upgraded the RailCorp fleet.

RailCorp took delivery of the first set of Hunter Rail Cars and Outer Suburban Cars (Oscars) in late 2006, and both train types entered service before Christmas. As at the end of June 2007, five new air conditioned four-car Oscars were available for service on the South Coast Line. The remaining Oscars, currently in production, will be in service on the network by the end of 2008.

Oscars have 432 seats per four-car set. Carriage facilities include air conditioning, CCTV cameras, on-board passenger information displays, seating with graffiti and fire-resistant covering and accessible toilets.

There are now six two-car Hunter Rail Cars operating in passenger service in the Hunter Valley, allowing us to retire the last of the 620-720 class rail cars from passenger service.



In December 2006, a contract was signed with Reliance Rail (a consortium including train manufacturer EDI Downer, ABN Amro, Hitachi and AMP) to build and maintain 626 new air conditioned carriages for the CityRail network.

The PPP contract is the largest single order of Rollingstock ever in Australia and includes constructing a new maintenance facility at Auburn. RailCorp payments will be linked to car availability and reliability over the 35 year life of the contract.

The new trains will have air conditioning, internal and external CCTV cameras, internal passenger information screens, traction interlocking, wheelchair spaces, vandal-resistant design and upgraded crashworthiness standards.

For CountryLink passengers, the year included a major \$42.8 million refurbishment of our XPT fleet of 60 trailer carriages and 19 power cars (built between 1981 and 1993). The project involves upgrading seats, carpets, toilets, air conditioning, buffet equipment, luggage and sleeper carriages and improving accessibility.

Meanwhile, a five year, multi-million dollar overhaul program is planned for 2007-08 to extend the life and improve the reliability of the XPT engines.

Upgrading our stations

RailCorp is improving accessibility of our stations by providing lifts, better lighting, family accessible toilets and tactile tiles. This is to comply with relevant legislation and to make rail transport more accessible. In 2006-07 \$47.7 million was spent, completing the Easy Access station upgrades at: Lakemba, Meadowbank, Bulli, Helensburgh, North Wollongong, Mortdale and Merrylands.

Over the next four years to 2011, Easy Access facilities costing approximately \$127 million will commence construction at Picton, St James, Martin Place, Broadmeadow, Newtown, Central, Burwood, Emu Plains, Windsor, Sydenham and Lindfield.

Easy Access is also being provided to stations as part of other major projects such as Clearways, and the Epping to Chatswood Rail Link. The new aerial concourse at Epping Station was opened in April 2007.

Major work also commenced on upgrading North Sydney Station to provide Easy Access facilities and match future capacity requirements. When completed, the station will feature reduced crowding, easier access for disabled and mobility-impaired passengers and a more comfortable work environment for station staff.

The Town Hall Station Redevelopment project continued, removing most shopping outlets to free up space and reduce passenger and pedestrian congestion at station entry points. Town Hall is Sydney's second busiest station. With patronage forecast to continue to increase each year, managing congestion will be an ongoing challenge for RailCorp.

During the year, enhanced safety and security measures were introduced on the new-look concourse, with more free space in the unpaid concourse area, more ticket barriers to improve access, new slim-line, easier-to-read, Station Passenger Information screens (SPIs) and re-positioned CCTV cameras.

Corridors Upgrade

During the year, maintenance and capital works for the metropolitan rail network were at a record high. Further investment is planned over the next five years for track reconstruction, concrete re-sleepering, resignalling, overhead wiring rebuilds and bridge renewals.

RailCorp defines 'steady state' maintenance as the replacement rates for assets being consistent with the wear rate. We aim to achieve steady state maintenance expenditure levels while delivering major capital projects over the next five years.

Power Supply Upgrade

This project aims to upgrade the existing traction power supply system to meet the power demands of our trains to 2016. This is particularly important because greater power is required by our increasing numbers of air conditioned carriages. Phase 1 of this project completed in May 2007 allowed for the power

supply for Millennium trains up to 2008. Future phase requirements are being currently developed.

Capacity and demand

Patronage

Patronage increased by 3 per cent in 2006-07, driven by strong CBD employment, rising petrol prices and improving CityRail service reliability. Growth was particularly strong on the Illawarra, Main North, West and North Shore lines.

Extra trains and extra services

In 2006-07, the first five trains (four car sets) of RailCorp's new outer suburban carriages (Oscars) were introduced into service. Progressively introducing these services for commuters from the South Coast, Central Coast and Lower Blue Mountains will enable us to release the existing outer suburban Tangara cars for suburban use.

To further accommodate passenger growth, in December 2006, we signed a PPP contract for 626 new rail carriages to be delivered by the end of 2013, which will increase our peak capacity by around 14,000 seats.

In February 2007, we also started the Cronulla Line duplication project as part of the Rail Clearways Plan. When completed, this will enable two additional peak services from Cronulla.

New Epping Chatswood Rail Link Timetable

During the year, we started developing a new timetable to integrate the new Epping Chatswood Rail Link into the rail network, enabling regular Hornsby to Central services to travel over the new railway between Epping and Chatswood. This will free up network capacity between Strathfield and Central by allowing extra train services in peak periods between western Sydney, the CBD and the lower north shore. The draft timetable will be exhibited for public comment and consultation in 2007-08.



IMPROVING EFFICIENCY

Capable, positive and performance driven staff

During the year, we implemented a series of development programs and initiatives to improve organisational and staff capability.

Culture change

Our 'Just Culture' Program was introduced in August 2005 to create an environment of best work practice and leadership behaviour where risks and system improvements are actively sought out. Just Culture establishes three simple duties for all employees:

- The duty to produce an outcome;
- The duty to follow a procedural rule; and
- The duty to avoid causing harm.

In 2006-07, approximately 700 front line and senior managers attended the 'Just Culture Program'. After completing the program, and for up to 120 days, one-to-one coaching is provided, integrating the 'Just Culture' methodology with managing people and incidents.

During the year, the 'Program' was reviewed and re-designed and new content developed to better meet the needs of each RailCorp business group, with customised content and new case studies.

Our Graduate and Intern Programs

Our Graduate and Intern Programs fill future capability and knowledge gaps by attracting high quality graduates and developing their technical and leadership capabilities. During 2006-07, 11 engineering and 6 business graduates took up positions within RailCorp, bringing the total number of graduates on the program to 68.

At 30 June 2007, RailCorp also had 31 interns employed in a range of engineering and business roles across the organisation. During the year, we closely aligned the intern recruitment process to the graduate recruitment process to ensure interns have the capabilities to successfully compete for future RailCorp graduate positions.

Management Development

In 2006-07, 2,390 Team Leaders and Middle Managers attended a range of skills development courses including: Frontline and Middle Management Foundation Programs, Manage People and Performance, Time Management, Leading Change, Negotiation and Influence, Conflict Resolution and Mentoring in the Workplace.

Workforce planning, staff attraction and retention

In response to a tight labour market and skills shortages in key areas such as engineering, during the year our staff attraction and retention projects included:

- **Targeted booklets** – Used to showcase our staff and occupational groups. The first booklet features Aboriginal and Torres Strait Islander employees and will be followed by a series of others including both occupational groups and young people under 30.
- **Retention and Attraction of RailCorp Engineers Project** – In 2006-07, we conducted qualitative research and collected a strong base of information identifying the precise number of engineering roles in RailCorp, the current number of engineers performing these roles and RailCorp's future engineering requirements.
- **Engineering Cadetship Report** – This report examined the costs, benefits and industry best practices in developing an engineering cadetship program to attract university students to this critical skill area.
- **Apprentice DVDs** – This awareness raising and marketing tool for schools, TAFE and universities showcases career opportunities in the rail trades. It was produced in May 2007 and distributed via the RailCorp website.

- **Women Engineers Project** – In 2006-07, we held the inaugural RailCorp Women Engineers Knowledge Forum and initiated the Women in RailCorp Engineering Network. A shared website containing articles and surveys was also created as a networking and support tool for women engineers.

Recruitment

In 2006-07, targeted marketing enabled us to attract a large field of quality applicants for apprentice recruitments. Where in previous years we had insufficient candidates to fill the required positions, in 2006-07 suitable candidates outnumbered available positions, enabling unsuccessful apprentice applicants to be offered the option of accepting other positions within the organisation.

As a result, in 2006-07, RailCorp recruited 92 apprentices with 54 taking up electrical trade training and the remaining 38 taking up Rail Traction, Fitter Mechanics, Telecommunications, Vehicle Body Building and Plant Mechanics. This brought the total number of apprentices employed by RailCorp to 270 at 30 June 2007.

These new first year apprentices were placed on a 'Job Ready' Program for the first 16 weeks, providing them with pre-requisite basic skills, before entering the workplace.

Leading and managing diversity

In 2006-07, we established five Diversity Networks for:

- Women;
- Aboriginal and Torres Strait Islander people;
- People from culturally and linguistically diverse backgrounds;
- People with a disability; and
- People with carers' responsibilities.

RailCorp uses these networks to facilitate communication with employees from diverse backgrounds and to respond equitably to the diverse needs of our employees.

The Diversity Networks implemented initiatives during the year to engage employees and customers in celebrations for Harmony Day and NAIDOC Week.

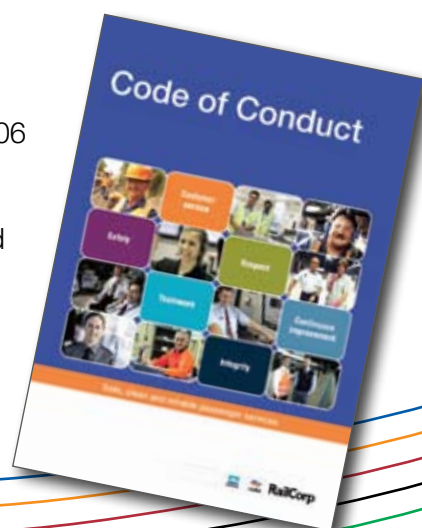
The Women's Network convened a Women's Forum in March 2007 to celebrate International Women's Day. The Forum was opened by the CEO and included senior RailCorp women talking about their career paths, information about financial planning and women's health, and a workshop providing tips on dealing with inappropriate workplace behaviour. Participants also discussed work-life balance issues, with their feedback used to inform future HR procedures and program development. The Forum was so popular that a further two Forums were conducted, allowing over 200 female employees to participate.

During the year, we established an 'Equity and Diversity Steering Committee' comprising representatives from each Diversity Network and the operational Groups. The Steering Committee advises the CEO on potential barriers to equity and strategies to overcome these barriers.

We also implemented a partnership with TAFE to pilot a pre-employment program for Aboriginal and Torres Strait Islander people. This program recognises that Aboriginal and Torres Strait Islander people are likely to have educational, economic and social disadvantages, and therefore assists them in gaining the knowledge, skills and confidence to compete for customer service assistant positions through the usual recruitment process. Job offers to successful candidates of this program will be made in 2007-08.

Anti-bullying and harassment

In response to our 2005-06 staff survey, during the year we developed the following anti-bullying and harassment strategies.



- Face to face briefings on the RailCorp Code of Conduct. By the end of June, 97 per cent of all staff had been briefed.
- A case study in our 2007 'Just Culture Workshops' focusing specifically on harassment. Workshop participants are asked to work through a scenario and determine what action they as managers would take if faced with a similar situation in their workplace. Approximately 250 frontline managers attended this training in the first half of 2007.
- An 'Anti-Bullying and Harassment Steering Committee', comprising RailCorp's Chief Executive Officer with external representatives. The Committee oversees improvements to our complaints handling, monitors our general climate in relation to bullying and harassment and recommends improvements.
- A series of consultations with women in RailCorp to better understand their experience of working in RailCorp and to address their issues around bullying, harassment and discrimination.
- The RailCorp Women's Network developed and ran three Women's Forums, including a two hour interactive session on dealing with inappropriate workplace behaviour. Incorporated case studies focusing on responses to bullying, harassment and discrimination in modules within the RailCorp Management Development Framework, ready for delivery in 2007-08.
- Designed 120 workshops for all 2,500 Train Crewing employees to be delivered from July 2007. The workshops will highlight the roles and responsibilities of staff to eliminate bullying and harassing behaviours in the workplace. Work has begun developing similar workshops for 2007-08 rollout for operational staff.

In 2006-07, we also piloted a new corporate induction program, including briefings on employee rights and responsibilities regarding equity, diversity, bullying and harassment. All new employees will attend this program, which starts in the second half of 2007.

In addition, we modified the curriculum for leadership, management and supervisory training to address diversity management and anti bullying and harassment issues.

Employee Assistance Programs (EAP)

Through free, confidential and professional assistance, the EAP helps staff and family members resolve personal matters in a comfortable, neutral and confidential manner. In 2006-07, 4 per cent of employees used the program.

In January 2007 RailCorp launched a new 'EAP' contract and provider. This included a new Manager Assistance Program, an advisory service for managers and team leaders to assist with handling difficult or complex work situations. In addition, RailCorp launched a new Post-Incident Support Program for employees exposed to a serious incident in the workplace.

Industrial relations

In 2006-07, RailCorp lost no working hours as a result of industrial action.

The majority of RailCorp's employees are covered under the provisions of the Rail Corporation New South Wales, Rail Infrastructure Corporation and State Rail Authority of New South Wales Enterprise Agreement 2005.



Approximately 11,000 RailCorp employees are members of one of the following Unions

- Association of Professional Engineers, Scientists and Managers, Australia
- Australian Municipal, Administrative, Clerical and Services Union
- Australian Rail, Tram & Bus Industry Union
- Australian Workers' Union
- Automotive, Food, Metals, Engineering, Printing and Kindred Industries Union
- Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia
- Construction, Forestry, Mining and Energy Union

Work progressed throughout 2006-07 to address disparities in rates of pay and conditions of employment that arose when former State Rail Authority and Rail Infrastructure Corporation employees were vested to RailCorp. This was in accordance with undertakings given to the Australian Industrial Relations Commission in certifying the 2005 Enterprise Agreement.

Financial performance

Funding to operate all RailCorp services comes from three areas: the NSW Government, our farebox, and other revenue sources such as property rentals, penalty notices, access fees, interest income, and sales of maintenance and other services and products.

Approximately 25 per cent of the cost of running RailCorp comes from the travelling public and over 60 per cent 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 our 'Statement of Corporate Intent and the Rail Performance Agreement'.

For the year ending 30 June 2007, RailCorp generated \$825.4 million income from operating activities, while expending \$2.391 billion operating the business, recording a deficit from operations

before Government support of \$1.566 billion.

Government contributions towards the day to day operations of the Corporation was \$1.482 billion giving a deficit from operating of \$83.1 million for the year. Government contributions towards the 'RailCorp Capital Investment Program' totalled \$554.4 million and after treating this as income for the year RailCorp recorded a surplus of \$471.3 million, an increase of \$228.1 million on the previous year.

Total income at \$825.4 million was up \$54.1 million or 7 per cent on the prior year. Included in this, income from passengers was up by \$41.8 million or 7.9 per cent reflecting the strong growth in CityRail patronage (up by 3 per cent) and the IPART approved fare increases from 2 July 2006.

Total operating expenditure for the year was \$2.391 billion, an increase of \$73.7 million or 3.2 per cent on the prior year. Payroll costs increased in the year driven by:

- Increases in rates of pay under the organisation's enterprise bargaining agreement,
- The transfer of staff from Rail Infrastructure Corporation Rail Infrastructure Corporations and State Rail Authority as part of the ongoing industry restructure. The latter increase was offset by a similar reduction in the costs of charges by RIC and SRA for services provided to RailCorp.

RailCorp also benefited from the strong performance of financial markets in the year leading to a net gain in 2006-07 in RailCorp's defined benefit superannuation scheme.

Total Government contributions at \$2.037 billion increased by \$247.8 million in support of operations and a record Capital Investment Program, as RailCorp invested heavily in projects to drive improved services and increased capacity in the network.

Benchmarking

During 2006-07, in line with industry best practice we benchmarked our performance with other domestic and overseas organisations to help drive efficiency improvements. This benchmarking will help us to:

- Identify areas of relative organisational strength and weakness;
- Establish a best practice framework for expenditure, resource utilisation and service levels; and
- Compare our performance against peer organisations.

The benchmarking process will help us to identify those areas of the business that have the capacity to be more efficient and how those efficiencies can be realised. It will also expose the organisation to new ideas and innovative work practices.

Procurement Transformation

During 2006-07, we commenced a project to transform our procurement and supply operations, looking at our procurement delivery model, processes and technology and plans to implement changes that will improve performance in this business critical area. It is our vision to build a best-in-class strategic procurement and supply capability that identifies, sources and realises real value through procurement.

This project is designed to transform the way we transact with our suppliers to become more straightforward, standardised and automated. We will be able to measure and report more effectively on how we perform as a customer, how we interact with the supply market and how we achieve best value for money from our commercial arrangements.

The implementation of this project will commence in 2007-08, with full rollout towards the end of 2008.

Business Finance Improvement

In late 2005-06, the Board approved the formation of the 'Business Finance Improvement Initiative' to optimise the performance of the finance function following the merger of the two entities RIC and SRA.

During 2006-07, we established the program office and appropriate governance structure to manage this initiative and began five projects. By year end, the Procurement Transformation project was the furthest advanced, with the new design ready for implementation in 2008-09. Significant benefits have been identified from this project, which will be delivered to RailCorp over the next two years. Four other projects focusing on financial and management reporting, asset management and revenue management were initiated during the latter half of 2006-07. Re-design of these activities will occur during 2007-08 with implementation to commence soon after. These too are expected to provide significant benefits to RailCorp by optimising financial management. A further two projects focusing on payroll processing and general accounting and reporting are commencing in early 2007-08.





Effective Investments

RailCorp's Capital investment expenditure in 2006-07 was \$764.3 million an increase of 65 per cent over 2005-06. The table below shows the top 6 capital programs and other program expenditure for 2006-07.

Program	\$m
Clearways	175.9
Outer Suburban Cars	150.7
Rollingstock PPP	67.3
Easy Access Station Upgrade	47.7
Traction Supply Upgrade	36.2
North Sydney Station Upgrade	22.8
Other capital program	263.7
Total Capital Expenditure	764.3

- The award of the PPP contract has involved RailCorp in undertaking significant work in defining some of the on-board technology, integration requirements and protocols needed to communicate with the train. Five separate projects have been commenced in relation to the PPP.

Providing a strong technology platform

During 2006-07 we commenced the implementation of the ICT Strategic Plan, with the following achievements:

- Outsourcing ICT services, including Help Desk, Desktop Support, Server Management and Data Centre Management, to establish a standardised, robust and secure computing environment.
- Certification to *ISO/IEC 27001 Information Security Standard* in May 2007. Certification covers RailCorp's standard computing facilities including core servers, network infrastructure and associated business continuity and disaster recovery plans.
- Implementing an Enterprise Content Management System (ECM) to capture, classify, store, publish and archive RailCorp's vast information assets. By integrating discrete information stores, the ECM will provide a single view of all operational data ensuring appropriate management of business critical information and more efficient retention and disposal of information records.

Investments in new technology, such as station upgrades to provide new lighting, hi-tech CCTV cameras and customer Help Points, are also vital for gathering intelligence and creating a safer environment for staff and customers. We are committed to making the rail network as safe and secure as possible and a further 44 Transit Officers will graduate from Petersham College to maintain our 600-strong force in the new year.



SECTION 3

ENVIRONMENT, SOCIAL AND CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Rail Corporation New South Wales ('RailCorp') is a statutory State owned corporation constituted under the *Transport Administration Act 1988* and the *State Owned Corporations Act 1989*.

The principal objectives of RailCorp are:

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

The other objectives of RailCorp are:

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

The two Voting Shareholders representing the NSW Government are the Premier, the Hon. M Iemma, MP and the Deputy Premier, the Hon. J Watkins, MP. Prior to 8 June 2007 the second share was held by the Minister for Finance, the Hon. JJ Della Bosca, MLC.

The Portfolio Minister is the Hon. J Watkins MP, Minister for Transport.

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 to be 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 document 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.

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 CEO is not entitled to any additional remuneration for being an Executive Director.

The Board, following the concurrence of 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 Chairman or Secretary.

Directors' accountabilities

Part 4 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; and
- Deliver an Annual Report, including audited financials, within four months of the end of the financial year.

The RailCorp Board - Profile

Ross Bunyon, AM, BComm (UNSW), CIE Aust **Chairman, Member of the Audit & Risk Board Committee and Human Resource & Remuneration Board Committee**

Mr Bunyon was appointed as Non-Executive Director and Chairman on 19 December 2003 to 1 January 2009. He is Chairman of Eraring Energy, Chairman of Turner & Townsend Ltd and Chairman of ICS Global Ltd. He is a former Chairman of the Rail Infrastructure Corporation, former Chairman of the State Rail Authority of NSW, former Chairman and Director of Pacific Power and subsidiary companies, former Chairman of the Electricity Supply Association of Australia, and a former Chairman 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

Chair of the Audit & Risk Board Committee

Mr Butler was appointed a Non-Executive Director on 19 December 2003 to 1 January 2007. He has been re-appointed by the Voting Shareholders until 30 June 2008. He is Chairman 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 of NSW and a former independent Chairman 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, Water Ecoscience Pty Ltd and a Member of NSW Treasury Functions Advisory Committee and the NSW Investment Advisory Committee.

Liza Carver, BEc, LLB, LLM

Chair of the Human Resource & Remuneration Board Committee

Ms Carver was appointed a Non-Executive Director on 19 December 2003 to 1 January 2007 and did not seek reappointment. She is a Commissioner of the Australian Energy Market Commission. She is a former Non-Executive Director of the Rail Infrastructure Corporation, a former Non-Executive Director of State Rail Authority of NSW and a former Non-Executive Director of Rail Access Corporation. She is a partner in the law firm Gilbert & Tobin and formerly an Associate Commissioner with the Australian Competition and Consumer Commission, a member of the NSW Independent Pricing and Regulatory Tribunal, and a member of the NSW Premier's Council for Women between 1995 and 1999, a member of the Australian Industry Banking Ombudsman, 1989 – 1994 and a member, Reserve Bank, Australian Payment Systems Council, 1988 – 1991.

Vince Graham, BE(Civil), Grad Dip Mgmt, FAICD
Chief Executive Officer

Mr Graham was appointed Chief Executive Officer on 19 December 2003 and is a Director. He is 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 of NSW until 30 June 2007. Mr Graham was previously Coordinator 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 over thirty years' experience in the rail industry.

Gordon Messiter, BSc(Tech), MEngSc
Chair of the Safety & Environment Board Committee, Member of the Human Resource & Remuneration Board Committee

Mr Messiter was appointed a Non-Executive Director on 3 April 2006. 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 Randwick City Council from 1996 to 2004. Mr Messiter is a professional engineer with a first degree in electrical engineering and a master's degree in transportation and traffic engineering.

Bob Plain
Member of the Safety & Environment Board Committee

Mr Plain was appointed a Non-Executive Director on 19 December 2003 to 1 January 2007. He has been re-appointed by the Voting Shareholders until 30 June 2008. He is a former Non-Executive Director of the Rail Infrastructure Corporation and the State Rail Authority of NSW. He has over 40 years of railway experience. Mr Plain held a number of union positions, including the National President of the Rail Tram & Bus Union and is a former member of the Labor Council Executive.

The Hon. Barrie Unsworth
Member of the Safety & Environment Board Committee and the Audit & Risk Board Committee

Mr Unsworth was appointed a Non-Executive Director on 21 December 2005 to 21 December 2008. He is Chairman of the Advisory Council of the Ambulance Service of New South Wales and Chairman of the Board of the State Transit Authority, and a former Minister for Transport, Minister for Health, Minister for State Development and Premier of New South Wales.



Meetings of the Board

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.

Board Member	Board Meetings		Audit & Risk Board Committee Meetings		Human Resource & Remuneration Board Committee Meetings		Safety & 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	-	-	-	-
Liza Carver	7	4	-	-	2	0	-	-
Vince Graham	13	12	-	*	-	*	-	*
Gordon Messiter	13	13	-	-	4	4	4	4
Bob Plain	13	13	-	-	-	-	4	3
Hon. Barrie Unsworth	13	13	5	5	-	-	4	4

* The CEO, Vince Graham attends Board Committee meetings by invitation.

Board Committees

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 reviewed during the last year.

The Audit & Risk Board Committee assists the Board to discharge its oversight and corporate governance responsibilities relating to:

- Financial reporting practices, including accounting policies
- Financial management
- Business policies and practices
- Business ethics and corruption prevention policies and practices
- Risk management and internal controls
- Compliance with laws, regulations, standards, and best practice guidelines
- Providing a forum for communication between the Board, senior management and both the

internal and external auditors.

- Fostering an ethical culture throughout the organisation
- Monitoring and reviewing the independence, integrity and objectivity of the internal audit function.

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

The Safety & Environment Board Committee supports the Board in discharging its responsibilities for the safety of the rail network in NSW and of the passengers, employees, contractors and 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 at RailCorp.
- Monitor and review the effectiveness of safety and environment policies, systems and programs, which are designed to meet

legislative responsibilities.

- Promote a proactive safety and environment culture at RailCorp.
- Monitor and review the performance of key programs that identify and manage safety and environment risks across operations.
- Monitor and review key issues arising from the RailCorp Board.
- Provide advice to the RailCorp Board on key safety and environment issues.
- Monitor and review performance through reporting relating to environmental management and the safety of infrastructure, train operations and OHS.
- Receive assurance that issues arising from relevant safety and environment audit and investigation reports are being actioned.
- Take into account safety and environment objectives relating to RailCorp as it sees fit.

The Chief Executive Officer and the Group General Manager Safety & Environment have a standing invitation to attend meetings, but are not members of the Committee.

The Human Resource & Remuneration Board Committee supports the Board in discharging its responsibilities in relation to:

- Contractual, performance and remuneration arrangements for the Chief Executive Officer and senior management.
- The maintenance and growth of the Corporation's workforce capability necessary to support the Corporate objectives.
- The promotion of an efficient and effective workforce.
- Staff wellbeing and sound corporate culture.
- Industrial Relations outcomes that support Corporate objectives.
- Succession planning.

The Chief Executive Officer and the Group General Manager Human Resources have a standing invitation to attend meetings but are not members of the Committee.

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.

Risk Management

RailCorp's risk management policy aims to achieve best practice by ensuring that risks are managed systematically and consistently enterprise-wide. We apply risk management through our Safety Management System (SMS) and Environmental and Business Risk Management frameworks.

Modelled on the Australian Standard, these follow national and international best practice and are applied across RailCorp's different groups and levels to ensure consistent and effective management of all risks. We take a proactive approach to identifying risks, assessing them and implementing controls to protect the public and our customers, contractors, staff and assets from them.

The Safety Risk Management System provides a process to assess and profile safety risk exposures associated with our operations and to manage risks to a level as low as reasonably practicable (ALARP).

This principle revolves around:

- An upper level above which risk is intolerable;
- A lower level below which the risk is broadly acceptable without further qualification, as it is very small; and
- A region in between the two levels above which risk is tolerable providing it has been reduced to a level which is ALARP.

Similarly, the Business and Environmental Risk Management frameworks are aimed at assessing non-safety and environmental risks consistent with the safety approach. Recognising the risk and reward trade off that can exist in the business context, the Business Risk Management framework adopts the concept of ALARP as opposed to its strict principles.

Risk Register

We consolidate risks into organisation-wide risk registers which can contain both reactive/historical and predictive data. The registers' purposes are to:

- Identify RailCorp wide hazards and their associated risk levels;
- Identify priority areas requiring additional risk control measures in line with the ALARP principle;
- Enable long term tracking of changes in overall risk levels;
- Provide a risk based audit trail; and
- Provide a consolidated base for newly identified hazards.

The organisation-wide risk registers are supported by project and worksite risk registers and task-based risk assessments.

Insurance Activities

RailCorp maintained a comprehensive insurance program commensurate with its risks and commercial arrangements.

As part of its renewal strategy, presentations were made to both local and overseas based property and liability insurers on RailCorps approach.

No major insurance claims were received or made during the reporting financial year.

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 internal controls 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 focussed 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 were investigated. Where appropriate, final investigation reports were referred to senior management for information and/or action and disciplinary investigations were referred to the Disciplinary Review Panel for determination.

All reported matters of possible corrupt conduct were reported to the Independent Commission Against Corruption under section 11 of the Act, to comply with statutory reporting requirements. Matters involving criminal conduct were referred to the NSW Police for investigation and potential prosecution.

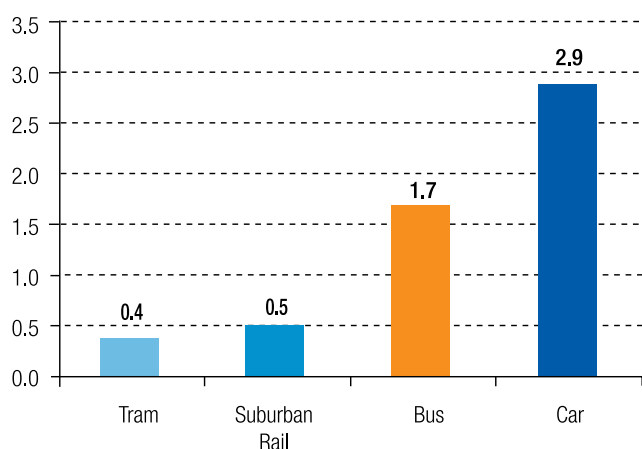
RailCorp provided ethics advice, conducted ethics awareness activities and implemented or reinforced initiatives to help build a corruption resistant organisation. Advice was provided on issues such as contracting, gifts and benefits, conflicts of interest, secondary employment and sponsorship etc. Newsletter articles were developed and seminars for new staff were conducted as part of their induction or for existing staff in response to identified needs.

Content on ethical conduct was developed and loaded onto the RailCorp Intranet to provide up to date information in an accessible manner.

ENVIRONMENT

We are committed to improving RailCorp's environmental performance and reduce our impact on the environment as we develop rail as a sustainable form of transport for the future. Rail transport has a range of environmental benefits because of the lower level of external costs associated with rail use. These costs include greenhouse gas emissions (with flow on benefits for climate change) noise and air pollution, road damage, accidents and congestion.

Energy use per passenger kilometre



* Source: Exhibit 48, National Passenger Transport Agenda 2006, Australasian Railway Association

Our environmental management system

We use an Environmental Management System (EMS) to implement our environmental policy and focus our efforts on tackling our most significant environmental risks and issues.

As part of the EMS, in 2006-07 Environmental Management Plans (EMPs) were implemented across the organisation to identify and manage workplace environmental risks, and protect and enhance environmentally sensitive areas. RailCorp has also developed an 'Environmental Impact Assessment' framework to provide a systematic means to identify and manage environmental impacts associated with our project activities.

Energy and greenhouse

In November 2006, we became a member of the Australian Government's Greenhouse Challenge Plus Program. The program commits us to measuring and monitoring our greenhouse emissions and endeavouring to continually reduce our greenhouse footprint.

The majority of RailCorp's greenhouse gas emissions result from electricity used for the traction of our electric trains and the diesel used to power our diesel rail fleet. Other areas that use significant amounts of energy include: railway infrastructure, stations and train maintenance centres.

We have a number of initiatives underway to improve our energy efficiency, including:

- Progressively replacing standard globes with energy efficient LEDs in our railway signals;
- Increasing the percentage of lighter, more fuel efficient LPG vehicles in our road fleet and trialling fuel efficient hybrid road vehicles;
- Trialling new highly energy efficient LED solid state lighting tubes for potential application in trains;
- Installing 42 photovoltaic tiles as part of the Werrington Station upgrade; and
- Promoting the environmental benefits of rail transport to increase patronage.

Noise management

The NSW Rail Noise Strategy will develop a strategic framework for managing rail noise long-term. We are leading the development of a Rail Noise Management Manual, which will provide practical measures encompassing design, operations, construction and maintenance for managing rail noise and vibration. A key component of the manual is a Rail Noise Abatement Program to ensure the most rail-noise affected NSW areas are appropriately assessed and prioritised clearly. Equity and cost effectiveness is also part of the ongoing assessment.

During the year, this strategy was supported by ongoing activities to limit rail noise for our community including:

- Better monitoring and managing rail roughness, including ongoing research and trialling of a new rail corrugation analysis trolley;
- Regular rail grinding to improve rail surface condition and profile, reducing noise;
- Installation – top of rail friction modifiers to mitigate wheel squeal on problem curves;
- Procuring an angle of attack monitoring system enabling workshops to identify misaligned axles which contribute to wheel squeal;
- Using wheel impact load detector technology to identify and manage noisy wheel defects; and
- Using new PA systems at stations to reduce announcement noise spillage to RailCorp's neighbours.

Summary of WRAPP progress 2007

Fluorescent tubes disposal	Mercury recovery program underway at electric, diesel and maintenance depots
Computer equipment	Priority given to equipment that follows RoHS European standard which restricts the use of six hazardous materials to limit hazardous waste production
Photocopiers, printers	Gradual replacement with duplex and multifunctional copiers and printers, reducing total amount of equipment purchased
Toner cartridge recycling	Preparations in place to move to one collection agency, Planet Ark, to control toner cartridge recycling and establish uniform protocol; cartridges from stations already collected by Planet Ark.
Paper	Over 65% of paper purchased contained recycled content material.
Paper and cardboard	Five-fold increase in paper recycling achieved in South/Southern Highlands recycling since engaging paper recycling services mid-2005, reducing amount of paper and saving costs; cardboard being recycled at some larger stations.
Construction, demolition	RailCorp continues to recycle construction, demolition and maintenance waste where possible, in the past year the following approximate quantities were recycled: 1850 tonnes of concrete 4500 tonnes of timber 2300 tonnes of steel and 63 tonnes of non-ferrous metals.

Waste Reduction and Purchasing Policy (WRAPP) report

RailCorp follows the principles of NSW Waste Reduction and Purchasing Policy (WRAPP). This is RailCorp's first WRAPP report for a complete two-year period, tracking our waste management performance.

Water management

In 2006-07, we implemented a number of water conservation measures including the formation of the Water Management Strategy Group. The Group provides a focal point for water management across the organisation and reviews the program of various RailCorp water management initiatives. During the year, these included:

- Water restrictions;
- Water Savings Action Plan at Central Station;
- Rainwater and stormwater harvesting; and
- Every Drop Counts to reduce potable water consumption

Biodiversity Management

We are currently involved in recovery plans for threatened species of flora and fauna: the Downy Wattle – *Acacia pubescens*; and the Green and Golden Bell frog.

Under the *Threatened Species Conservation Act 1995*, RailCorp has a responsibility to maintain and encourage growth of the Downy Wattle. In 2006-07, we monitored each of the sites and reviewed all associated management tasks including undertaking secondary bush regeneration at eight priority sites in the south region and confirming that bush regeneration, signage and fencing is in place at Rosehill.

We are also helping to protect two key populations of the endangered Green and Golden Bell Frog by altering our rail corridor maintenance activities in the Port Kembla and Greenacre areas, where these populations are found.

As part of RailCorp's EMS, during the year we developed a vegetation management handbook to provide guidance on the way vegetation should be managed on RailCorp land. The objective is to minimise long term maintenance effects on the vegetation by creating a stable vegetation community to protect sensitive and threatened vegetation and enhance the visual amenity of RailCorp land.

Contamination management

As part of RailCorp's EMS, a Contamination Management System procedure exists to provide a consistent approach to contamination management.

In 2006-07, around \$1.4 million was spent on contamination management projects to facilitate commercial lease negotiations, rail-related development and the divestment of surplus railway land.

During 2006-07 RailCorp assisted the residual State Rail Authority to divest surplus land assets. This in turn generated significant revenue which has been utilised to establish the Office of Rail Heritage program which is now part of RailCorp's operation.

Our most significant achievements were remediation works at a residential property in Waverton and former industrial land in Leichhardt. Completing these removed Significant Risk of Harm notifications for each site, ensuring we comply with legislative requirements and benefit local communities.

SOCIAL RESPONSIBILITY

Improving Access to Our Services

RailCorp is progressively improving the accessibility of stations, trains, coaches and information for all passengers.

Stations and surrounds

During the year, improvements in access paths and safe boarding at CityRail stations included:

- Making all new stations and interchanges accessible;
- Making 96 CityRail stations independently wheelchair accessible, catering for approximately 67 per cent of CityRail passengers;
- Making an additional 61 stations (20 per cent) wheelchair accessible with the help of a friend or carer;
- Completing eight station access upgrades, with a further ten stations under construction and nine stations in design;
- Making portable boarding ramps available at 100 per cent of CityRail platforms. Ramps are carried on-board Endeavours to the Southern Highlands, South Coast and all Hunter and CountryLink services;
- Making 93 per cent of CountryLink stations wheelchair accessible via level access or ramps; and

- Spending \$13 million over four years to 2006-07 to improve the safety and accessibility of level crossings.

Trains

All metropolitan and outer suburban CityRail services are wheelchair accessible and 50 per cent of non-metropolitan services are accessible with the deployment of boarding ramps. During the year, initiatives to further improve the accessibility of the CityRail fleet included:

- Putting 141 accessible Millennium train carriages in suburban service
- Progressively introducing new accessible rail carriages;
- 5 of the 30 outer-suburban double-deck cars with accessible toilets are now in service
- 6 of the 12 single deck cars with accessible toilets to replace the 620-720 class Hunter Valley cars are in service
- A PPP contract for 626 double-deck suburban cars
- A program to colour contrast the outside of suburban carriage doors, which was approximately 70 per cent complete by year end.

RailCorp also consulted with peak disability organisations and independent access consultants to maximise the accessibility of all new rail cars. As a result, access features on new cars will include; designated wheelchair spaces and priority seating; flexible access options for the elderly and passengers with disabilities, small children and luggage, audio and visual internal destination information, highly visible safety features, such as hand and 'grabrails', and accessible help points for wheelchair boarding and emergencies. Accessible toilets are included in the new Hunter and outer-suburban cars.

In addition, CountryLink rail services have allocated wheelchair spaces for mobility aids up to 70cm wide by 130cm long, priority seating for passengers with disabilities and accessible toilets. Attendants provide assistance to access services and facilities where wheelchair access is limited and all services carry a portable boarding ramp. All CountryLink rural coach services are also wheelchair accessible.



Accessibility Communications

During the year, an 'Accessing CityRail' brochure was available at major stations and details the accessible features of CityRail stations. Information about the levels of access at stations was also available in the Station Facilities section of the CityRail website, where the ability for customers to make accessible trip plans will be available in 2007-08.

All four websites that provide information about RailCorp services and facilities are being upgraded to meet web accessibility requirements. Additionally, hearing-impaired customers can obtain information about rail services using the Transport Infoline's tele-typewriter service (TTY).

Passenger information

- During the year, accessible audio and visual passenger information was provided on all new stations and trains. Passenger destination information is progressively being upgraded on existing CityRail stations. All CityRail passengers have access to audio announcements by Digital Voice Announcements or Public Address (PA). 58 per cent of passengers have access to electronic visual displays and 39 per cent to manual visual displays. Moreover, 81 per cent of CityRail booking offices have hearing induction loops.
- Installation of integrated audio and electronic visual passenger information is largely complete on the Bankstown, East Hills and Illawarra lines, with the Northern and North Shore lines scheduled for completion in 2008.

Complaints and feedback

Access to centralised complaint management is available by phone, website, email and post.

CityRail services, information - register service, equipment, complaints and feedback via:

Phone: Transport Infoline (131 500)

Email: feedback@railcorp.nsw.gov.au

Websites: www.131500.com.au or www.cityrail.info (contacts)

Post: RailCorp Customer Relations

CityRail website www.cityrail.info to register feedback electronically on website accessibility.

CountryLink service complaints:

Phone 131500 or post to CountryLink Customer Relations Unit.

Website: www.countrylink.info

Email: customers@CountryLink.nsw.gov.au

TTY service (1800 637 500) to register complaints and feedback on CityRail and CountryLink services

Employment and training

During the year, 3.21 per cent (444) employees were recorded as having a disability. Of those, 1.16 per cent (161) employees required adjustments at work to accommodate their disabilities.

Community consultation

During the year, we continued our ongoing liaison and consultation with peak disability organisations and independent access consultants on key disability issues and projects including:

- Designing new stations;
- Major station and transport interchanges upgrades;
- New train design and development; and
- Significant operational changes.



Disability Action Plan

RailCorp's strategies, actions and targets for accessible rail services are documented in the NSW transport portfolio's Accessible Transport Action Plan. The current version of the plan (Dec 2005) is publicly available through a link from the CityRail website www.cityrail.info and also via the Ministry of Transport and Human Rights Commission sites. The plan will be updated towards the end of 2007 after consultation with peak disability organisations.

Community Relations

Improving safety on pedestrian level crossings

RailCorp funds a safety improvement program for pedestrian level crossings on the CityRail network. In 2006-07, two major upgrade projects were commissioned at Dundas and Telopea stations. In addition, eight minor projects were commissioned at Quakers Hill, Schofields, Riverstone, Vineyard, Mulgrave, East Richmond, Medlow Bath and Faulconbridge stations.

Youth Safety Outreach Program

February 2007 marked the second anniversary of the commencement of the CityRail Youth Safety Outreach Program. The Program is the 'brain child' of RailCorp employee Jonathon Beninca.

Jonathan visits schools and community groups to speak about his personal experience and loss after being struck by a train while trespassing. The program educates young people about the consequences of risk taking around rail lines and trains. He also talks about the impact that injuries and deaths have on train drivers and staff involved in the aftermath of an accident like his.



This Outreach Program has received positive feedback from students and parents and is widely supported by educators and representatives from community youth groups.

Operation Travel Well

In response to security analysis that indicated a likely increase in anti-social behaviour over the Christmas period, in December 2006 we launched Operation Travel Well. This involved deploying Transit Officer patrols across the network to reassure customers and staff and provide a deterrent to anti-social behaviour.

The resulting 20 per cent increase in train patrols and 13 per cent increase in station patrols led to 27 per cent more penalty notices being issued for behavioural offences.

In December, Transit Officers and police made a total of 170 arrests for a number of more serious offences, 46 per cent relating to vandalism and trespass and 43 per cent for anti-social behaviour and violence against people.

Operation Travel Well will again run between December 2007 and January 2008.

Commuter Consultative Groups

RailCorp is committed to consultation and communications with rail users and local communities. It meets representatives of the NSW Commuter Council on a monthly basis to receive feedback on issues of concern to the community and to present information on initiatives to improve performance.

Topics discussed at Commuter Council meetings in 2006-07 included major engineering works, track possessions, Oscar trains, the PPP project for suburban Rollingstock, CountryLink ticketing, cleaning and train presentation, pram safety, the Easy Access program, Tcard, fare increases, the Golden Mic awards for good announcements on trains and at stations, the 'Every Safe Second Counts' initiative, major transport events including



rail timetable for Sydney Harbour Bridge 75th anniversary celebrations, commuter charter, customer service initiatives at CityRail stations and the metropolitan rail expansion program.

RailCorp staff in regional areas attended meetings of commuter and community groups to discuss local issues on a regular basis.

School Liaison

RailCorp partners with educational institutions to raise awareness and develop children's desire for innovation and technology to support the uptake of subjects in the mathematical sciences. In 2006-07, RailCorp developed a cross agency partnership with the NSW Department of Education on various strategies to raise the awareness of engineering and trade career opportunities with rail, as well as promoting RailCorp as an employer of choice.

In 2007-08, RailCorp will commence a structured series of RailCorp Career Industry Talks where graduate engineers and apprentices visit schools to raise awareness about the Rail Industry as a career option. This will be complemented with a Reverse Interviewing Scheme, where students visit RailCorp to interview staff and then present their findings back to their fellow students.

Central Station's 100th Birthday

Centenary celebrations for the historic Central Station in August 2006 were a great success, with an estimated 70,000 people joining in activities. Celebrations included guided tours of the station, an exhibition of the station's history, steam train and rail motor shuttle rides, as well as an exhibition of the next generation of Rollingstock for the CityRail network.

A highlight of the celebration was the opening of the former booking office to be used as the Office of Rail Heritage. The Deputy Premier and Minister for Transport John Watkins marked the anniversary with a pledge to invest \$20 million over the next five years as part of the Government's commitment to a Sustainable Rail Heritage Strategy.

Defence Force Air Show

During six months of planning RailCorp worked closely with the Royal Australian Air Force (RAAF)

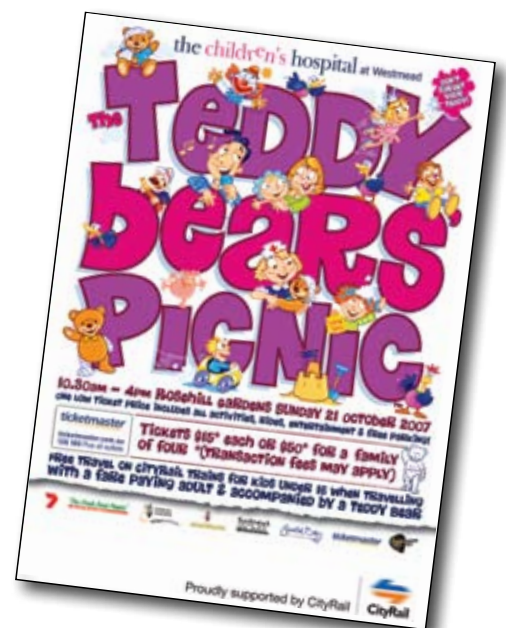
events team to implement a special train plan that included 22 trains shuttling passengers to the show on both Saturday and Sunday mornings. The integrated rail and entry ticket, which RailCorp coordinated and marketed on behalf of the RAAF, was highly successful.

Sydney Harbour Bridge 75th anniversary – 18 March 2007

RailCorp's train planners put together a unique timetable to support Sydney's 75th anniversary of the Harbour Bridge celebrations. As a result, by 9pm on the day, CityRail had transported around 156,000 passengers to Milsons Point and North Sydney. RailCorp provided extra transit officers and station staff to communicate information both on the train and at stations to passengers.

Teddy Bears Picnic

As part of our long standing relationship with the Children's Hospital at Westmead, in 2006-07, we proudly supported both the Bandaged Bear Day Appeal and the Teddy Bear's Picnic.



SECTION 4

FINANCIAL REPORT 2006-2007

RAIL CORPORATION NEW SOUTH WALES

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**INDEPENDENT
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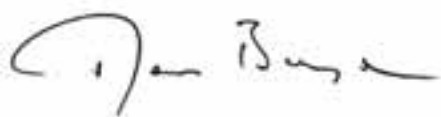


STATEMENT BY DIRECTORS IN RELATION TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

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:

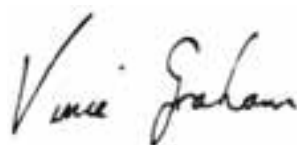
- (a) In our opinion, the accompanying financial report, read in conjunction with the notes thereto, exhibits a true and fair view of the financial position of RailCorp as at 30 June 2007 and of its financial performance for the year ended 30 June 2007.
- (b) The financial report has been prepared in 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.



Ross Bunyon
Chairman

26 September 2007



Vince Graham
Chief Executive Officer

26 September 2007

(Start of Audited Financial Report)

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2006-07 \$000	2005-06 \$000
Income			
Passenger services		568 257	526 501
Interest		21 749	15 819
Rental income		33 012	30 759
Access fees		34 343	32 312
Construction contract revenue		54 691	49 738
Sale of Rail Products		12 160	13 930
Fines and penalties		10 494	11 846
Sale of Quarry Products		10 050	10 854
Recoveries for interstate services		9 013	12 666
Other revenue		70 878	59 813
Cross-border lease participation fee		-	6 217
Operating lease contingent rents		759	835
Income from Operating Activities		825 406	771 290
Expenses			
Contract and general expenses	4.3	807 937	889 176
Payroll costs and other employee benefits	4.1, 4.2	1 001 253	829 470
Depreciation and amortisation	9.2, 10.2	445 606	458 491
Operating lease non-contingent rents (including rail access fees)		98 717	92 396
Operating lease contingent rents		4 140	4 878
Workers' compensation	14.4, 14.5	14 530	25 682
Loss on asset disposals and write off of retired assets		18 728	17 139
Total expenses		2 390 911	2 317 232
Deficit from operations before Government Contributions		(1 565 505)	(1 545 942)
Government subsidies	2.7	1 280 499	1 114 815
Government concessions	2.7	200 770	200 112
Other Government operating subsidies	3	1 155	2 296
Deficit from Operations before Capital Contributions		(83 081)	(228 719)
Government contributions for capital expenditure	3	554 429	471 874
Surplus for the year		471 348	243 155

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

BALANCE SHEET AS AT 30 JUNE 2007

	Note	30.6.2007 \$000	30.6.2006 \$000
Current assets			
Cash and cash equivalents	5.1	375 828	335 985
Receivables	6.1	122 088	103 276
Derivative financial instruments	20.1	759	2 178
Security deposits		35	187
Inventories	7	37 554	27 301
Assets held for sale	8	5 647	-
Total current assets		541 911	468 927
Non-current assets			
Inventories	7	19 121	19 754
Property, plant and equipment	9	12 502 457	11 908 451
Intangible assets	10	70 402	57 299
Other	11	179 288	92 734
Total non-current assets		12 771 268	12 078 238
Total assets		13 313 179	12 547 165
Current liabilities			
Payables	12	423 339	392 221
Borrowings	13.1	10 128	5 785
Derivative financial instruments	20.1	1 164	75
Provisions	14	381 858	306 896
Total current liabilities		816 489	704 977
Non-current liabilities			
Payables	12	58 224	60 265
Borrowings	13.1	5 789	10 311
Provisions	14	71 418	53 931
Total non-current liabilities		135 431	124 507
Total liabilities		951 920	829 484
Net assets		12 361 259	11 717 681
Equity			
Contributed equity	15	11 706 214	11 531 476
Reserves	16	(2 543)	(35)
Retained earnings	17	657 588	186 240
Total equity		12 361 259	11 717 681

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007

	Note	2006-07 \$000	2005-06 \$000
Total equity at the beginning of the financial year		11 717 681	11 301 423
Decrease in Hedging Reserve	16	(2 508)	(35)
Adjustments arising from introducing new standards	17	-	2 138
Net (deficit) / income recognised directly in equity		(2 508)	2 103
Surplus for the year	17	471 348	243 155
Total recognised income and expense for the year		468 840	245 258
Transactions with equity holders in their capacity as equity holders:			
Net assets contributed by the Government	15.3	174 738	171 000
Total equity at end of the financial year		12 361 259	11 717 681

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2006-07 \$000	2005-06 \$000
Cash flows from operating activities			
Cash received			
Passenger services		568 257	526 501
Other receipts from customers and others		375 923	388 710
Government reimbursements for services		1 481 269	1 314 927
Government contributions received		1 155	2 296
Interest received		21 749	15 819
Total cash received		2 448 353	2 248 253
Cash used			
Payments to suppliers, employees and others		(2 122 552)	(2 121 705)
Interest paid		(1 092)	(812)
Total cash used		(2 123 644)	(2 122 517)
Net cash from operating activities	5.2	324 709	125 736
Cash flows from investing activities			
Cash received			
Capital grants		556 600	466 517
Property, plant and equipment and intangible assets disposals		29 670	37 747
Investments redeemed		152	300
Total cash received		586 422	504 564
Cash used			
Property, plant and equipment and intangible assets acquisitions		(918 355)	(568 891)
Total cash used		(918 355)	(568 891)
Net cash used in investing activities		(331 933)	(64 327)
Net (decrease) / increase in cash and cash equivalents		(7 224)	61 409
Cash and cash equivalents at the beginning of the year		335 985	274 576
Cash received as a result of rail industry restructuring	15.3	47 067	-
Cash and cash equivalents at the end of the year	2.9	375 828	335 985

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. The report will not be amended and reissued as it has been audited.

RailCorp commenced operations on 1 January 2004 and various assets, rights and liabilities of Rail Infrastructure Corporation (RIC) and the State Rail Authority of NSW (SRA) were transferred to it progressively during 2003-04, 2004-05, 2005-06 and 2006-07. The transactions and cash flows for 2006-07 and the assets, liabilities and equity items at 30 June 2007 are, therefore, not directly comparable with those of the previous years.

See note 15.

Note 2 Summary of accounting policies

2.1 Bases of accounting

This is a general purpose financial report prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), 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 assets and liabilities are measured at fair value. See notes 2.3(ii), 2.13(ii), and 2.18.

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 2007) has allocated funds by the Government to support RailCorp in delivering services, offering fare concessions and undertaking capital works during the ensuing year.

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

Note 2 Summary of accounting policies (continued)

2.2 Adoption of new and revised Accounting Standards

In the current year, RailCorp has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the annual reporting period beginning on 1 July 2006. 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 2007:

AASB Amendment	Affected Standard(s)	Application date of Standard*
New Standard	AASB 7 Financial Instruments: Disclosures	Beginning on or after 1 January 2007
AASB 2005 -10	Amendments to Australian Accounting Standards – Consequential amendments to other accounting standards resulting from the issue of AASB 7	Beginning on or after 1 January 2007
AASB 101	Presentation of Financial Statements – Revised Standard	Beginning on or after 1 January 2007
AASB 2006 -3 and AASB 1045	Amendments to Australian Accounting Standard AASB 1045 (Land Under Roads)	31 December 2006
AASB 2007-2 and Interpretation 12	Amendments to various Australian Accounting Standards arising from AASB Interpretation 12 (Service Concession Arrangements)	28 February 2007 1 January 2008
AASB Interpretation 129	Service Concession Arrangements: Disclosure	Beginning on or after 1 January 2008
AASB 2007-3 and AASB 8	Amendments to various Australian accounting standards arising from AASB 8 (Operating Segments)	1 January 2009
AASB 2007 - 4	Amendments to various Australian accounting standards arising from ED 151 and other various standards	1 July 2007
AASB 2007-5 and AASB102	Amendments to Australian accounting standards AASB 102 – Inventories held for distribution by Not-for-Profit Entities	1 July 2007
AASB 2007-6 and AASB123	Amendments to various Australian accounting standards arising from AASB 123 (Borrowing Costs)	1 January 2009
AASB Interpretation 4	Determining whether an Arrangement contains a lease	Beginning on or after 1 January 2008
AASB Interpretation 10	Interim Financial Reporting and Impairment	Beginning on or after 1 November 2006

*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, foreign currency option 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 on the following basis:

- A borrowing is valued at the quoted offer price or the risk-adjusted market price of the instrument.
- A forward foreign exchange contract, foreign currency option contract, or commodity swap contract is valued at the amount quoted by a bank or the NSW Treasury Corporation to realise

the contract (if it is favourable) or to settle it (if it is unfavourable).

(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 purchases of distillate inventories.

Forward foreign exchange contracts and foreign currency option contracts are used to hedge against currency risk on firm commitments for the purchase of equipment from overseas suppliers. All such commitments over \$100 000 are hedged in this manner. 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.

Commodity swap contracts are used to hedge against commodity price risk on forecast purchases of distillate inventories from domestic suppliers. All such purchases are hedged in this manner. These contracts are treated as financial instruments because, despite their requiring physical delivery of distillate, they are intended to be settled other than by physical delivery in accordance with general market practice. 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, foreign currency option contracts or 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. The portion of the gain or loss on the ineffective portion of the hedging instrument is recognised immediately in the income statement.

(iv) Hedge accounting (continued)

Hedge accounting is used only if 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 continuing 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 2007).

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 lease (access agreement). 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. In most cases RailCorp retains legal title to the leased property.

Note 2 Summary of accounting policies (continued)

(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 2.15 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.

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 9.3.

(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.

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 to reimburse 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 has been amended for 2006-07 in order to include subtotals for the result from operations before Government Contributions and the result from operations before Capital Contributions. That presentation has been adopted as it is a more 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 2006-07 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.

Note 2 Summary of accounting policies (continued)

2.10 Receivables

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.

A receivable is measured initially at fair value and subsequently at amortised cost, less any allowance for doubtful debts. A trade receivable is usually due for settlement within thirty days of invoicing.

If there is objective evidence at year end that a receivable may not be collectable, its carrying amount is reduced by means of an allowance for doubtful debts and the resulting loss is recognised in the income statement. Receivables are monitored during the year and bad debts are written off against the allowance when they are determined to be irrecoverable. Any other loss or gain arising when a receivable is derecognised is also recognised in the income statement.

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 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 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 lease 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.

Note 2 Summary of accounting policies (continued)

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

	Years
Stations and buildings	15 – 200
Track	42 – 63
Turnouts	15 – 40
Sidings	15 – 20
Bridges and tunnels	100
Electrical overhead wiring and structures	15 – 52
Substations	40 – 50
Signalling equipment	25 – 33
Fences	10 – 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.

2.14 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.

2.15 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 has an option, exercisable in 2030, to 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 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 2007.

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.

2.16 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.

2.17 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 a straight-line 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.

Note 2 Summary of accounting policies (continued)

2.18 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.

2.19 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.

2.20 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.

Note 3 Capital and other Government contributions and subsidies

	Note	2006-07 \$000	2005-06 \$000
Government contributions for capital expenditure			
Funding for capital works		552 896	466 517
Transfer of assets from Government entities		1 533	5 357
Total Government contributions for capital expenditure		554 429	471 874
Other Government operating subsidies			
Operating subsidies from NSW Government			
Training schemes		366	955
Operating subsidies from Commonwealth Government			
Training schemes		789	1 341
Total other Government operating subsidies		1 155	2 296

Note 4 Expenses

	Note	2006-07 \$000	2005-06 \$000
4.1 Defined benefit superannuation plan expense (within other employee benefits expense)			
Current service cost		28 791	22 898
Interest cost		73 553	51 833
Expected return on plan assets		(103 888)	(65 629)
Actuarial gains and losses		(102 372)	(98 992)
Pending repayment to the Crown		25 402	25 402
Effect of the asset ceiling limit		56 617	-
Total defined benefit superannuation (income) / expense		(21 897)	(64 488)

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

Contributions to First State Super and other schemes		46 003	41 141
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4.3 Contract and general expenses

The following items are included within contract and general expenses in the income statement:

	Note	2006-07 \$000	2005-06 \$000
Subcontractors		219 276	193 123
Materials		137 613	141 372
External maintenance costs		121 334	108 879
Plant and equipment hire		63 539	65 492
Bulk electricity		43 855	43 081
Security costs		23 284	22 760
Traction fuel costs		22 312	15 616
Land tax and related charges provision	14.13	23 820	-
Insurance costs		18 155	21 117
Telecommunications expenses		15 519	15 585
Charges from RIC and SRA (See note (a) below)		12 998	131 384
Computer expenses		12 644	12 230
Advertising & Marketing		6 330	6 620
Land and buildings remediation		11 161	4 120
Consultants (See note (b) below)		3 042	1 970
Finance costs		3 632	2 324
Audit fees for auditing		611	610
Audit fees for other services		95	-
Bad debts		139	298
Commercial compensation – Airport Line Company Ltd		-	31 733
Non executive Board Members Emoluments		434	421
Doubtful debts		(393)	621
Other		68 537	69 820
Total Contract and General Expenses		807 937	889 176

Note 4 Expenses (continued)

4.3 Contract and general expenses (continued)

Note

(a) Transfers of staff from RIC and SRA to RailCorp reduced charges from those entities and resulted in higher payroll costs in RailCorp.

(b) A further amount of \$2.635m for consultants was charged to capital works in 2006-07.

4.4 Maintenance expenses

Included in total expenses are maintenance expenses consisting of:

	2006-07 \$000	2005-06 \$000
Labour	240 773	235 366
Contracted and non labour expenditure	442 138	395 085
	682 911	630 451

In addition to the above a further \$180.9 million of major periodic maintenance was capitalised during the year ended 30 June 2007 (2005-06: \$130.8 million).

Note 5 Cash and cash equivalents

	Note	30.06.2007 \$000	30.06.2006 \$000
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5.1 Cash and cash equivalents

Cash at bank		9 134	1 952
Cash in hand and in transit		6 307	5 655
Cash deposits with NSW Treasury Corporation (TCorp)		360 387	328 378
Total cash and cash equivalents		375 828	335 985

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

Surplus for the year		471 348	243 155
Cash capital grants		(556 600)	(466 517)
Non-cash capital grants		(1 533)	(5 357)
Loss on asset disposals and write off of retired assets		18 728	17 139
Airport Line lease premium		(6 528)	(1 181)
Prepaid lease rental		(2 033)	(1 716)
Capital WIP expensed		2 368	-
Depreciation and amortisation		445 606	458 491
Doubtful debts expense		(254)	920
Amortisation of borrowings premium		(180)	(173)
Finance costs		2 461	1 360
Net movements in assets and liabilities applicable to operating activities:			
(Increase)/decrease in receivables		(13 688)	15 521
(Increase)/decrease in inventories		(9 620)	(5 014)
(Increase)/decrease in other assets		(80 026)	(68 839)
Increase/(decrease) in payables & provisions		54 660	(62 053)
Net cash from operating activities		324 709	125 736

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:

	30.06.07 \$000 Credit Facilities	30.06.07 \$000 Unused	30.06.06 \$000 Credit Facilities	30.06.06 \$000 Unused
Tape negotiation authority	70 000	70 000	70 000	70 000
Purchasing Card	19 542	-	17 196	-
Bank guarantee – TCorp	54 228	-	30 472	-
Bank guarantee – Westpac	-	-	59 000	59 000
Loan facilities – TCorp	234 917	219 000	16 096	16 096
Come and Go facility - TCorp	80 000	80 000	80 000	80 000
Total unused credit limits	458 687	369 000	272 764	225 096

5.4 Non-cash investing activities

During 2006-07 the Minister for Transport transferred assets and liabilities from Rail Infrastructure Corporation and State Rail Authority to RailCorp, and Transport Infrastructure Development Corporation also transferred assets to RailCorp. The net transfer represents a non-cash contribution of \$127.671m [2005-06: \$171.0m] by the Government.

See note 15.3.

Note 6 Receivables

6.1 Analysis of receivables

	Note	30.6.2007 \$000	30.6.2006 \$000
Current receivables			
Trade and other debtors		119 126	99 833
Prepayments		4 583	5 722
		123 709	105 555
Less allowance for doubtful debts		1 621	2 279
Total receivables		122 088	103 276

6.2 Minimum lease rentals receivable under non-cancellable operating leases

Not later than 1 year	22 339	26 058
Later than 1 year and not later than 5 years	44 121	56 739
Later than 5 years	135 853	148 424
Total non-cancellable lease rentals receivable	202 313	231 221

Note 7 Inventories

	Note	30.6.2007 \$000	30.6.2006 \$000
Current inventories			
Materials and supplies, at cost		36 057	26 013
Work in progress		1 497	1 288
Total current inventories		37 554	27 301
Non-current inventories			
Materials and supplies, at cost		19 045	19 655
Materials and supplies, at net realisable value		76	99
Total non-current inventories		19 121	19 754
Total inventories		56 675	47 055

Note 8 Assets held for sale

Various properties vested from the State Rail Authority to RailCorp in June 2007 have been identified as land for future sales to fund the sustainable heritage management strategy and are valued at \$18.981 million of which \$5.647 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

	Note	30.6.2007 \$000	30.6.2006 \$000
Land			
Gross amount		3 043 338	2 916 144
Buildings			
Gross amount		2 392 457	2 364 853
Less accumulated depreciation		94 913	66 409
Total buildings		2 297 544	2 298 444
Rollingstock			
Gross amount		3 122 576	2 935 094
Less accumulated depreciation		639 648	448 902
Total Rollingstock		2 482 928	2 486 192
Plant and machinery			
Gross amount		332 920	332 754
Less accumulated depreciation		137 947	104 008
Total plant and machinery		194 973	228 746

Note 9 Property, plant and equipment (continued)

9.1 Classes (continued)

	Note	30.6.2007 \$000	30.6.2006 \$000
Trackwork and infrastructure			
Gross amount		4 003 787	3 696 590
Less accumulated depreciation		601 740	431 235
Total trackwork and infrastructure		3 402 047	3 265 355
Capital works in progress			
Trackwork and infrastructure work in progress		581 346	307 131
Other work in progress		500 281	406 439
Total capital works in progress		1 081 627	713 570
Total property, plant and equipment *		12 502 457	11 908 451

* Includes quarry assets of \$9.630 m (2006: \$9.552 m).

9.2 Asset class movements

	Land \$000	Buildings \$000	Rollingstock \$000	Plant and machinery \$000	Trackwork & infrastructure \$000	Capital works in progress \$000	Total \$000
2006-07							
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 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
2005-06							
Carrying amount at start of year	2 876 974	2 075 831	2 644 185	244 107	3 112 204	572 849	11 526 150
Additions	1 959	61 113	25 334	38 061	321 324	142 141	589 932
Disposals/write-offs	(277)	(551)	(1 064)	(2 166)	(12 498)	(2 502)	(19 058)
Transfers from TIDC*	-	192 224	-	-	-	-	192 224
Transfers from RIC* or StateRail	34 788	(2 610)	(25)	(1 108)	32 824	(6)	63 863
Depreciation expense	-	(27 946)	(182 238)	(46 625)	(188 904)	-	(445 713)
Other movements	2 700	383	-	(3 523)	405	1 088	1 053
Carrying amount at end of year	2 916 144	2 298 444	2 486 192	228 746	3 265 355	713 570	11 908 451

* TIDC (Transport Infrastructure Development Corporation)

* RIC (Rail Infrastructure Corporation)

9.3 Rollingstock leasing arrangements

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

Note 10 Intangible assets

10.1 Class

	Note	30.6.2007 \$000	30.6.2006 \$000
Software			
Gross carrying amount		92 933	65 950
Less accumulated amortisation		40 451	23 907
Net carrying amount of software		52 482	42 043
Software works in progress		17 920	15 256
Total intangible assets		70 402	57 299

10.2 Movements during the year

	Software \$000	Works in progress \$000	Total \$000
2006-07			
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
2005-06			
Carrying amount at start of year	33 870	23 420	57 290
Additions	23 839	(8 164)	15 675
Disposals/write-offs	(2 753)	-	(2 753)
Amortisation expense	(12 778)	-	(12 778)
Other movements	(135)	-	(135)
Carrying amount at end of year	42 043	15 256	57 299

Note 11 Other assets

	Note	30.6.2007 \$000	30.6.2006 \$000
Earned portion of right to receive Airport Line stations	2.15	19 459	12 931
Net superannuation asset	14.2	159 829	79 803
Total other assets		179 288	92 734

Note 12 Payables

Current payables

Trade payables		56 229	55 334
Capital works accruals		128 512	101 577
Accrued salaries and wages		52 296	45 540
Other payables and accruals		184 679	188 054
Deferred revenue – long term leases of land		1 623	1 716
Total current payables		423 339	392 221

Non-current payables

Accrued salaries and wages oncosts		1 177	1 277
Deferred revenue – long term leases of land		57 047	58 988
Total non-current payables		58 224	60 265
Total payables		481 563	452 486

Note 13 Borrowings

13.1 Maturity profile

Not later than 1 year		10 128	5 785
Later than 1 year and not later than 2 years		-	10 311
Later than 2 years and not later than 5 years		-	-
Later than 5 years		5 789	-
Total borrowings		15 917	16 096

13.2 Fair value of borrowings at year end

Current borrowings		10 359	5 843
Non-current borrowings		5 801	10 560
Fair value of total borrowings		16 160	16 403

Note 14 Provisions

14.1 Provisions

	Note	30.6.2007 \$000	30.6.2006 \$000
Current provisions			
Annual leave (see note (a) below)		106 037	92 629
Long service leave (see note (a) below)	14.3	179 226	172 216
Pay in lieu of certain holidays worked (see note (a) below).		12 428	12 042
Total current employee benefits		297 691	276 887
Workers' compensation	14.5	14 867	6 277
Public liability claims	14.6	8 639	899
Legal claims	14.7	4 995	1 016
Airport Line asset replacement	14.8	16 490	16 490
Land and buildings remediation	14.10	11 620	4 120
Ballast disposal	14.11	3 329	1 207
Restoration of leased premises	14.12	407	-
Land tax and related charges	14.13	23 820	-
Total current provisions		381 858	306 896
Non-current provisions			
Superannuation	14.2	-	1 675
Long service leave (see note (a) below)	14.3	13 278	11 978
Total non-current employee benefits		13 278	13 653
Workers' compensation	14.5	53 372	35 438
Public liability claims	14.6	216	437
Quarry restoration	14.9	4 552	4 403
Total non current provisions		71 418	53 931

Note 14.1 Provisions (continued)

	Note	30.6.2007 \$000	30.6.2006 \$000
Total provisions			
Superannuation	14.2	-	1 675
Annual leave		106 037	92 629
Long service leave	14.3	192 504	184 194
Pay in lieu of certain holidays worked		12 428	12 042
Total employee benefits		310 969	290 540
Workers' compensation	14.5	68 239	41 715
Public liability claims	14.6	8 855	1 336
Legal claims	14.7	4 995	1 016
Airport Line asset replacement	14.8	16 490	16 490
Quarry restoration	14.9	4 552	4 403
Land and buildings remediation	14.10	11 620	4 120
Ballast disposal	14.11	3 329	1 207
Restoration of leased premises	14.12	407	-
Land tax and related charges	14.13	23 820	-
Total provisions		453 276	360 827

(a) In accordance with AIFRS 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	17 617	174 887	192 504
Annual Leave	78 716	27 321	106 037
Pay in lieu of certain holidays worked	12 428	-	12 428
	108 761	202 208	310 969

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 30.6.2007 \$000	SANCSS 30.6.2007 \$000	SSS 30.6.2007 \$000	Total \$000
30.6.2007				
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)
30.6.2006				
Underfunded schemes				
Present value of defined benefit obligations	-	-	16 590	16 590
Fair value of plan assets (investment reserve)	-	-	(14 915)	(14 915)
Net liability recognised in balance sheet	-	-	1 675	1 675
Overfunded schemes				
Present value of defined benefit obligations	1 156 538	108 147	-	1 264 685
Fair value of plan assets (investment reserve)	(1 209 477)	(135 011)	-	(1 344 488)
Net asset recognised in balance sheet	(52 939)	(26 864)	-	(79 803)
Aggregate liability/(asset) for all schemes	(52 939)	(26 864)	1 675	(78 128)
Future Service Liability (see Note (a) below)	(119 569)	(56 992)	(1 503)	(178 064)
Surplus in excess of recovery available from schemes	-	-	-	-

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 Superannuation (continued)

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 30.6.2007 \$000	SANCSS 30.6.2007 \$000	SSS 30.6.2007 \$000
2007			
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

	SASS 30.6.2006 \$000	SANCSS 30.6.2006 \$000	SSS 30.6.2006 \$000
2006			
Present value of defined benefit obligations at the beginning of the year	812 571	79 321	8 527
Current service cost	18 189	4 545	164
Interest cost	47 361	3 970	503
Contributions by fund participants	10 136	-	122
Actuarial (gains)/losses	108 397	(7 650)	5 052
Benefits paid	159 884	27 961	2 222
Present value of defined benefit obligations at the end of the year	1 156 538	108 147	16 590

14.2.4 Reconciliation of the fair value of fund assets

	SASS 30.6.2007 \$000	SANCSS 30.6.2007 \$000	SSS 30.6.2007 \$000
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2007

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	-	-	-
Fair value of Fund assets at end of the year	1 407 869	160 480	18 530

	SASS 30.6.2006 \$000	SANCSS 30.6.2006 \$000	SSS 30.6.2006 \$000
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2006

Fair value of Fund assets at beginning of the year	781 582	90 285	7 839
Expected return on fund assets	58 214	6 813	602
Actuarial gains/(losses)	192 215	8 805	3 771
Employer contributions	27 847	6 148	358
Contributions by Fund participants	10 136	-	122
Benefits paid	159 884	27 961	2 223
Pending repayment to the Crown	(20 401)	(5 001)	-
Settlements	-	-	-
Business combinations	-	-	-
Exchange rate changes	-	-	-
Fair value of Fund assets at end of the year	1 209 477	135 011	14 915

14.2 Superannuation (continued)

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

	SASS 30.6.2007 \$000	SANCSS 30.6.2007 \$000	SSS 30.6.2007 \$000
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2007

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)
Sub Total	(168 322)	(47 315)	(809)
Unrecognised past service cost	-	-	-
Unrecognised gain/(loss)	-	-	-
Adjustment for limitation on net asset	43 602	12 741	274
Net Liability/(Asset) recognised in balance sheet at end of year	(124 720)	(34 574)	(535)

	SASS 30.6.2006 \$000	SANCSS 30.6.2006 \$000	SSS 30.6.2006 \$000
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2006

Present value of funded defined benefit obligations at end of year	1 156 538	108 147	16 590
Fair value of fund assets at end of year	(1 209 477)	(135 011)	(14 915)
Sub Total	(52 939)	(26 864)	1 675
Unrecognised past service cost	-	-	-
Unrecognised gain/(loss)	-	-	-
Adjustment for limitation on net asset	-	-	-
Net Liability/(Asset) recognised in balance sheet at end of year	(52 939)	(26 864)	1 675

14.2.6 Expense recognised in the Income Statement

	SASS	SANCSS	SSS
	30.6.2007	30.6.2007	30.6.2007
	\$000	\$000	\$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)

	SASS	SANCSS	SSS
	30.6.2006	30.6.2006	30.6.2006
	\$000	\$000	\$000

2006

Components Recognised in Income Statement

Current service cost	18 189	4 545	164
Interest cost	47 361	3 970	502
Expected return on Fund assets (net expenses)	(58 214)	(6 813)	(602)
Actuarial losses/(gains) recognised in year	(83 817)	(16 455)	1 280
Pending repayment to the Crown	20 401	5 001	-
Expense/(income) recognised	(56 080)	(9 752)	1 344

14.2 Superannuation (continued)

14.2.7 Amounts recognised in the statement of changes in equity

	SASS 30.6.2007 \$000	SANCSS 30.6.2007 \$000	SSS 30.6.2007 \$000
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2007

Actuarial (gains)/losses	-	-	-
Adjustment for limit on net assets	-	-	-
Cumulative amount of actuarial (gain)/losses	-	-	-

	SASS 30.6.2006 \$000	SANCSS 30.6.2006 \$000	SSS 30.6.2006 \$000
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2006

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:

	30.6.2007 %	30.6.2006 %
Australian equities	33.6	37.4
Overseas equities	26.5	27.9
Australian fixed interest securities	6.8	9.9
Overseas fixed interest securities	6.4	6.8
Property	10.1	8.6
Cash	9.8	5.0
Other	6.8	4.4

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.

	SASS 30.6.2007 \$000	SANCSS 30.6.2007 \$000	SSS 30.6.2007 \$000
Actual Return on Fund Assets 2007			
Actual return on Fund assets	176 489	19 908	2 175
	SASS 30.6.2006 \$000	SANCSS 30.6.2006 \$000	SSS 30.6.2006 \$000
2006			
Actual return on Fund assets	127 320	15 619	1 455

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

	30.6.2007	30.6.2006
Salary increase rate (excluding promotional increases)	4.0% pa. to June 2008; 3.5% pa thereafter	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	7.6% pa	7.6% pa
Expected rate of return on assets backing other liabilities	7.6% pa	7.6% pa
Discount rate	6.4% pa	5.9% pa

14.2 Superannuation (continued)

14.2.12 Demographic Assumptions

The demographic assumptions at 30 June 2007 and 30 June 2006 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.

2006 and 2007

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		
			Part 1	Part 3	Part 1	Part 3	Part 1	Part 3	

Males

30	4	8	-	-	280	395	150	-	2.90
40	6	10	-	-	150	285	150	-	1.80
50	11	30	-	-	112	172	150	-	0.00
60	30	-	1 400	950	-	-	150	-	0.00

Females

30	2	2	-	-	372	700	150	-	2.90
40	3	6	-	-	175	320	150	-	1.80
50	7	28	-	-	144	270	150	-	0.00
60	18	-	1 500	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.

2006 and 2007

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)	

Males

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

Females

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

14.2.12 Demographic Assumptions (continued)

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

2006 and 2007

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 2006-07) of SSS pensioners (separately for normal retirement/spouses and invalidity)

2006 and 2007

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 Pensioner Mortality Improvements – per annum assumed rates of mortality improvement for SSS pensioners.

2006 and 2007

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

14.2 Superannuation (continued)

14.2.13 Historical information:

	SASS 30.6.2007 \$000	SANCSS 30.6.2007 \$000	SSS 30.6.2007 \$000
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2007

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)

	SASS 30.6.2006 \$000	SANCSS 30.6.2006 \$000	SSS 30.6.2006 \$000
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2006

Present value of defined benefit obligation	1 156 538	108 147	16 590
Fair value of Fund assets	(1 209 477)	(135 011)	(14 915)
(Surplus)/Deficit in Fund	(52 939)	(26 864)	1 675
Experience adjustments – Fund liabilities	108 397	(7 650)	5 052
Experience adjustments – Fund assets	(192 215)	(8 806)	(3 771)

14.2.14 Expected contributions

	SASS 30.6.2007 \$000	SANCSS 30.6.2007 \$000	SSS 30.6.2007 \$000
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2007

Expected employer contributions	26 957	6 961	483
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	SASS 30.6.2006 \$000	SANCSS 30.6.2006 \$000	SSS 30.6.2006 \$000
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2006

Expected employer contributions	19 259	4 797	195
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14.2.15 Funding arrangements for employer contributions

a) Surplus/deficit

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

	SASS 30.6.2007 \$000	SANCSS 30.6.2007 \$000	SSS 30.6.2007 \$000
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2007

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)

	SASS 30.6.2006 \$000	SANCSS 30.6.2006 \$000	SSS 30.6.2006 \$000
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2006

Accrued benefits	1 104 003	101 673	14 034
Net market value of Fund assets	(1 209 477)	(135 011)	(14 915)
Net (surplus)/deficit	(105 474)	(33 338)	(881)

b) Contribution recommendations

	SASS multiple of member contributions	SANCSS % member salary	SSS multiple of member contributions
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2006 and 2007

Recommended contribution rates for the entity were:	1.90	2.50	1.60
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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	30 June 2006 and 30 June 2007
Expected rate of return on Fund assets backing current pension liabilities	7.7% pa
Expected rate of return on Fund assets backing other liabilities	7.0% pa
Expected salary increase rate	4.0% pa
Expected rate of CPI increase	2.5% pa

14.2 Superannuation (continued)

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 2007 by a consulting actuary, Mr G. Holley FIAA of Mercer Human Resource Consulting. The actuary assumed an interest rate of 6.0% (2006: 5.6%) per annum and a salary growth rate of 4% (2006: 4%) per annum.

14.4 Movements in provisions (other than employee benefit provisions)

2006-07	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
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

2005-06	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
Workers' Compensation	23 427	-	26 467	1 360	51 254	9 158	381	41 715
Public liability claims	500	-	1 161	-	1 661	325	-	1 336
Legal claims	1 016	-	-	-	1 016	-	-	1 016
Airport Line asset replacement	16 490	-	-	-	16 490	-	-	16 490
Quarry restoration	4 228	-	175	-	4 403	-	-	4 403
Land and buildings remediation	-	-	4 120	-	4 120	-	-	4 120
Ballast disposal	-	-	1 207	-	1 207	-	-	1 207

14.5 Workers' compensation

Workers' compensation insurance is in place to cover any claim exceeding \$1m and the workers' compensation provision is maintained for smaller claims, for which RailCorp is a licenced self-insurer.

The workers' compensation liability at year end was assessed by McMahon Actuarial Services using a "central" estimate and assuming an interest rate of 6.6% (2006: 5.9%) per annum and a future wage inflation rate of 4% (2006: 4%) per annum. A superimposed inflation rate of nil (2006: 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.

For 2006-07 there has been an overall reduction in the workers compensation expense. However, the liability has increased as a result of the transfer of the liability attaching to staff vested from SRA and RIC.

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

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.

14.10 Land and buildings remediation provision (continued)

During 2006-07 the program was extended to encompass other hazardous materials and operational buildings, other than railway stations, including signal boxes, depots and maintenance centres as well as Rollingstock.

This project has been extended to 30 June 2008 to manage more detailed audits of all prescribed assets, establish a Hotline, and provide incident management and health surveillance.

An additional amount of \$5 million has been provided for environmental remediation of contaminated land.

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 2007 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 leased premises to an agreed condition on lease termination.

14.13 Land tax and related charges provision

In accordance with section 40 of the *Transport Administration (General) Regulation 2005* 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 2007. 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 negotiated with Treasury.

Note 15 Contributed equity

15.1 Share capital

RailCorp is a statutory State owned corporation having a share capital of \$2. The Premier and the Deputy Premier, Minister for Finance are the voting shareholders as at 30 June 2007 and each holds a \$1 share.

15.2 Contributed equity

	Note	30.6.2007 \$000	30.6.2006 \$000
Contributed equity at start of year		11 531 476	11 360 476
Net assets contributed by Government	15.3	174 738	171 000
Contributed equity at end of year		11 706 214	11 531 476

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 or State Rail Authority to RailCorp during the year.

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.

	30.6.2007 \$000	30.6.2006 \$000
Assets transferred		
Cash and cash equivalents	47 067	-
Receivables	4 870	821
Inventories	-	1 612
Property, plant and equipment	162 301	256 087
Total assets	214 238	258 520
Liabilities transferred		
Payables	5 422	3 068
Provisions (current)	18 252	68 183
Provisions (non current)	15 826	-
Borrowings	-	16 269
Total liabilities	39 500	87 520
Net assets contributed	174 738	171 000

Note 16 Reserves

The Hedging Reserve recognises the cumulative gains or losses on hedging instruments used for existing cash flow hedges. The movements during the year were:

Balance at start of year	(35)	-
Net losses in cash flow hedges	(2 508)	(35)
Balance at end of year	(2 543)	(35)

Note 17 Retained earnings

Retained earnings / (Accumulated losses) at start of year	186 240	(59 053)
Surplus for the year	471 348	243 155
Increase in retained earnings from changes in accounting standards	-	2 138
Retained earnings at end of year	657 588	186 240

Note 18 Expenditure commitments

18.1 Expenditure commitments

	30.6.2007 \$000	30.6.2006 \$000
Operating leases		
Within 12 months	64 991	71 149
12 months or longer but not longer than 5 years	113 009	125 961
Longer than 5 years	-	12 014
Total operating leases	178 000	209 124
Property, plant and equipment (including intangible assets)		
Within 12 months	157 095	269 598
12 months or longer but not longer than 5 years	78 860	61 223
Total property, plant and equipment	235 955	330 821
Other (excluding inventories)		
Within 12 months	410 283	384 660
12 months or longer but not longer than 5 years	336 345	486 348
Longer than 5 years	41 460	31 020
Total other (excluding inventories)	788 088	902 028
Total		
Within 12 months	632 369	725 407
12 months or longer but not longer than 5 years	528 214	673 532
Longer than 5 years	41 460	43 034
Total expenditure commitments	1 202 043	1 441 973

The expenditure commitments include any associated Goods and Services Tax. Related input tax credits of \$109.276m (2006: \$131.088m) are expected to be recoverable from the Australian Taxation Office.

18.2 Minimum lease payments committed under non-cancellable operating leases

Not later than 1 year	61 566	61 036
Later than one year and not later than 5 years	107 685	114 774
Longer than 5 years	-	12 014
Total committed	169 251	187 824

Minimum lease payment commitments include any associated Goods and Services Tax. Related input tax credits of \$15.386m (2006: \$17.075m) 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 2007 the outstanding commitment due to be paid from the Capped Amount is \$65.392 million (2006: \$73.160 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 2007 because neither the Rollingstock 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 Rollingstock, together with two simulators. The 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.

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

	30.6.2007 \$000	30.6.2006 \$000
Within 12 months	-	-
12 months or longer but not longer than 5 years	116 527	-
Longer than 5 years	9 342 581	-
Total Rollingstock PPP contract	9 459 108	-

Note 19 Contingent liabilities and contingent assets

	Note	30.6.2007 \$000	30.6.2006 \$000
Contingent liabilities			
Infrastructure borrowings		442 674	1 429 000
Public liability claims		424	943
Total contingent liabilities		443 098	1 429 943
Contingent assets			
Infrastructure assets		1 940 595	2 228 419
Contractual and other recoveries		16 196	5 830
Total contingent assets		1 956 791	2 234 249

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 acquired from TIDC the completed Parramatta Transport Interchange in 2006 plus other operational assets and will acquire the balance of the Epping to Chatswood railway in 2008. The contingent assets are estimated to be \$1,940.595 million for the railway. The contingent liabilities (borrowings) for the railway are estimated to be \$442.674 million and are supported by a NSW Government guarantee. Projected borrowings are substantially lower as at 30 June 2007 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 2007) for land tax in relation to land that is owned & 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.

Note 20 Financial instruments

20.1 Derivative financial instruments

	30.6.2007 \$000	30.6.2006 \$000
Derivative assets		
Foreign currency forwards and options	-	233
Commodity swaps	759	1 945
Total derivative assets	759	2 178
Derivative liabilities		
Foreign currency forwards and options	1 002	74
Commodity swaps	162	1
Total derivative liabilities	1 164	75
Net derivative assets/(liabilities)	(405)	2 103

20.2 Credit risk

Receivables, forward foreign exchange contracts, foreign currency option contracts and commodity swap contracts are exposed to the risk of financial loss due to the other party to the contract failing to discharge a financial obligation thereunder.

The maximum credit risk exposure in relation to receivables is the carrying amount, less the allowance for doubtful debts, as set out in note 6.

The maximum credit risk in relation to forward foreign exchange contracts, foreign currency option contracts and commodity swap contracts is the fair value of the contracts as recognised in the balance sheet. See note 20.1.

20.3 Interest rate risk

Cash and floating borrowings are exposed to cash flow risk as their associated cash flows may fluctuate due to changes in market interest rates.

The maturity (or, if earlier, contractual repricing) dates and weighted average effective interest rates of financial instruments exposed to interest rate risk at year end are:

Timing of exposure	Average interest rate		Principal amount	
	2007 %	2006 %	30.6.2007 \$000	30.6.2006 \$000
Not later than 1 year				
Cash and cash equivalents	6.43	5.80	375 828	335 985
Borrowings*	6.01	5.89	10 128	5 785
			385 956	341 770
Later than 1 year and not later than 5 years				
Borrowings*	-	6.01	-	10 311
Later than 5 years				
Borrowings	6.41	-	5 789	-
Total principal exposed			391 745	352 081

* Borrowings are net of any unamortised discounts or premiums

Note 20 Financial instruments (continued)

20.4 Hedging of foreign currency risk

Overseas purchase orders for property, plant and equipment are exposed to fluctuations in foreign exchange rates. The currency risk on these firm commitments is hedged using forward foreign exchange contracts or foreign currency option contracts, timed to mature when the purchase orders are due for payment. The cash flows are expected to occur within twelve months. Details of outstanding contracts at year end are:

Maturity profiles	Weighted average exchange rate		Contract value	
	30.6.2007	30.6.2006	30.6.2007 A\$000	30.6.2006 A\$000
Contracts denominated in Euros				
Not later than 3 months	0.6015	0.6067	3 141	4 328
Later than 3 months and not later than 12 months	-	0.5993	-	251
Total hedged Euro contracts			3 141	4 579
Contracts denominated in US dollars				
Not later than 3 months	0.7509	0.7446	2 389	2 490
Later than 3 months and not later than 12 months	0.7910	0.7348	9 593	7 324
Total hedged US dollar contracts			11 982	9 814
Contracts denominated in Japanese yen				
Not later than 3 months	-	83.32	-	337
Total hedged Japanese yen contracts			-	337
Contracts denominated in pounds sterling-				
Not later than 3 months	0.3955	0.4039	146	185
Total hedged pounds sterling contracts			146	185
Total hedged purchases			15 269	14 915

At year end these forward and option contracts were a net liability of \$14.267m (2006: net assets of \$4.379m), not recognised in the balance sheet.

In the year ended 30 June 2007 the hedge accounting position was a net liability of \$1.002m, ie a liability of \$1.194m on initial recognition of the foreign currency forwards and options and a gain of \$0.192m from the increase in their fair value during the life of the portfolio.

Note 20 Financial instruments (continued)

20.5 Hedging of commodity price risk

Forecast distillate purchases under supply agreements are exposed to fluctuations in commodity prices. The commodity price risk on these highly probable forecast transactions is hedged using commodity swap contracts, timed to mature when the distillate is likely to be purchased. The cash flows are expected to occur within twelve months. Details of outstanding contracts at year end are:

Maturity profiles	Contract value	
	30.6.2007 \$000	30.6.2006 \$000
Not later than 1 year	13 388	17 354
Total commodity swap contracts	13 388	17 354

At year end these commodity swap contracts were net assets of \$8.615m (2006: \$16.025m), not recognised in the balance sheet.

In the year ending 30 June 2007 the hedge accounting position was a net asset of \$0.597m, ie an asset of \$3.332m on initial recognition and a loss of \$2.735m from the decrease in their fair value during the life of the portfolio.

20.6 Financial Risk Management Objectives and Policies

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 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.

Policy statement

The RailCorp Board has approved the Treasury Management Policy (which is summarised here) covering:

- Foreign currency risk
- Commodity risk
- Debt management and interest rate risk
- Credit risk
- Liquidity and Investment risk
- Operational Risk

Treasury instruments approved for the management of financial risk are in accordance with the *Public Authorities (Financial Arrangements) Act 1987* Section 5 for effecting financial adjustments.

RailCorp's Treasury unit implements these policies within the following framework: -

Foreign Exchange Risk

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 material foreign exchange exposures.

RailCorp has substantial dealings with overseas suppliers and is exposed to adverse movements in exchange rates. The currency risk must be managed and minimised through hedging strategies implemented by the RailCorp Treasury Unit.

Note 20 Financial instruments (continued)

20.6 Financial Risk Management Objectives and Policies (continued)

A purchase from a supplier may require payment in (or by reference to) a foreign currency. In this instruction, **foreign currency payment** means either:

- A direct payment in a foreign currency which is RailCorp Treasury's preferred option.
- A payment in Australian dollars, which is derived from (directly or implied) a foreign currency exchange rate or variation formula.

The Treasury unit is to be consulted for all contracts that have foreign currency content.

Where a project's foreign currency risk exposure exceeds an A\$150,000 aggregate, the contracts are to be reviewed in advance of signing by the Treasury unit to assess the treasury risk and formulate strategies to minimise the risk.

The Treasury unit will confirm a budget rate with project managers based on current spot prices and hedging strategies implemented.

Counterparty risk is minimised by conducting all foreign exchange transactions with eligible counterparties (defined below under Credit Risk).

Commodity Risk

Commodity price exposure for diesel fuel is managed through TCorp. The related foreign currency and commodity price exposures are hedged 100% on a rolling 12-month basis.

Debt Management and Interest Rate Risk

The debt portfolio is managed through a restructuring facility offered by TCorp. 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 points.

Credit Risk

Foreign exchange may only be transacted with an Eligible Counterparty, which is defined as follows:

- Maximum 50% total exposure in any one 'A' or better institution as rated by Standard and Poor's long term rating,
- Maximum 20% total exposure in any one less than 'A' institution as rated by Standard and Poor's long term rating.

Liquidity and Investment Risk

Current investment powers allow RailCorp to manage liquidity through TCorp's facilities 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 funding are managed through TCorp's "Come & Go Facility".

Operational Risk

Professionally qualified personnel staff Treasury Operations. Treasury systems, policies and procedures are in place to ensure risks are adequately managed.

All day-to-day transactional banking facilities and services are provisioned through the contracted bank, Westpac Banking Corporation.

Officers authorised to undertake the necessary transactions are contained in a Delegations Manual.

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 2007 is \$814,774 (2006: \$878,000).

(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 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and 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 Rail Corporation New South Wales as of 30 June 2007, and its financial performance and its 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*

The Responsibility of Directors 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 control 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 control 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 entity's internal control. 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 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 are not compromised in their role by the possibility of losing clients or income.

Peter Achterstraat
Auditor-General
26 September 2007
SYDNEY



SECTION 5

APPENDICES

RAIL CORPORATION NEW SOUTH WALES

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- Appendix 2 Board Code of Conduct**
- Appendix 3 Employee Code of Conduct**
- Appendix 4 Changes in Acts and Subordinate Legislation**
- Appendix 5 Freedom of Information**
- Appendix 6 Publications**
- Appendix 7 Overseas Travel**
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PEOPLE

- Appendix 9 Executive Performance and Remuneration**
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CORPORATE GOVERNANCE

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 the 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/contractors are fair and productive for all. 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 on 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 of 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, i.e. honest, fair and consistent.

What you can expect from us

We will:

- Comply with RailCorp and government policies/procedures
- Show fairness in our treatment of all individuals or organisations that supply goods or services 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 where 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 on contracting RailCorp employees to work for you.

Appendix 2 Board Code of Conduct

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 of 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 all 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 by 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 Employee Code of Conduct

The following is a summary of RailCorp's Code of Conduct. As such, it is to be used as a guide only.

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

1. Acceptable behaviour and responsibilities

- Behave ethically, honestly, safely, courteously and fairly.
- Act in the best interests of RailCorp and its customers.
- Work in a safe, healthy and efficient manner.
- Follow legislation, policies, procedures and job requirements.

2. Safety

At RailCorp we put safety first in everything we do.

3. Occupational health and safety

Promote a safe and healthy work environment. Smoking is not permitted in any RailCorp workplace.

4. Alcohol and drug free workplace

RailCorp maintains an alcohol and drug free workplace.

5. Sustainability and the environment

Environmental responsibility is encouraged.

6. 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.

7. 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 manner, and are to conform to procedural fairness.

8. Use of resources

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

9. Gifts, benefits or favours

You must not accept gifts, benefits or favours that are intended to, or may be seen to compromise the manner in which you carry out your RailCorp duties. Under certain circumstances, your manager may approve the acceptance of token gifts or benefits. You must immediately report any bribes or offers of substantial gifts, favours or benefits.

10. Use of information and Intellectual Property

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

11. Conflict of Interest

A conflict of interest exists where you could be influenced, or seen to be influenced, by a personal interest when carrying out your duties as a RailCorp employee.

12. Secondary employment and voluntary work

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

13. Public comment

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

14. 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, manager, other designated person, or an external body.

15. Employment after leaving RailCorp

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

16. Dealing with breaches of the Code

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

17. Applicable legislation

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

18. Policies and procedures

Updated versions are located on the RailCorp Intranet site.

19. Assistance

No employee is expected to deal with ethical dilemmas without help. In the first instance, go to your manager, supervisor or human resource manager. The Code also identifies other people who can provide information and assistance. There will always be someone to advise you.

Appendix 4 Changes in Acts and Subordinate Legislation July 2006 – June 2007

Transport Administration (General) Amendment (State Taxes) Regulation 2006.

Date of commencement 15 December 2006. This Regulation amends the *Transport Administration (General) Regulation 2005* to extend until 18 December 2007 the period for which RailCorp is not liable for certain State taxes and levies. This Regulation is made under the *Transport Administration Act 1988*.

Transport Administration Amendment (Travel Concession) Act 2006.

Date of commencement 28 September 2006. This Act amends the *Transport Administration Act 1988* (TAA) to enable regulations to prescribe classes of persons who are not entitled:

- (a) To subsidised travel under a scheme approved under the Principal Act for Government subsidised travel on passenger services, or
- (b) To be issued with a free travel pass or concessional travel pass under the *Transport Administration Act*.

Any such regulations have effect despite various approvals, directions and determinations under the TAA and despite the *Anti-Discrimination Act 1977*. The Act inserts transitional provisions in the TAA. They provide that, until the regulations otherwise provide, full fee paying overseas students are not entitled to be issued with certain kinds of concessional travel passes. The students concerned are those who have been permitted to enter Australia on a visa issued on the basis that while in Australia they will be enrolled as full-time students at a tertiary educational institution, paying the full cost of their tuition, and will have sufficient funds to meet their educational and living costs in Australia.

Rail Safety (General) Amendment (Miscellaneous) Regulation 2006.

Date of commencement 1 September 2006. This Regulation amends the *Rail Safety (General) Regulation 2003* by inserting Clause 60A 'Train communications Systems'. The purpose of the clause is to ensure that each train is fitted with a radio communications system and a back up system.

Transport Administration Amendment (Portfolio Minister) Act 2007.

Date of commencement 6 June 2007. The object of this Act is to remove provisions in the *Transport Administration Act 1988* that prohibit the portfolio Minister (the Minister for Transport) from being a voting shareholder of Rail Corporation New South Wales, Transport Infrastructure Development Corporation, Rail Infrastructure Corporation or Sydney Ferries Corporation.

Pesticides Regulation 1995.

Date of commencement 1 February 2007. The amendment to the Regulation requires that all public authorities and agencies notify the community in accordance with a Pesticide Use Notification Plan, when they use or allow the use of pesticides in outdoor public places owned or controlled by the agency. The objective of this amendment is to allow the public to make informed decisions regarding their exposure to pesticide in these areas.

Appendix 5 Freedom of Information

Section A Number of new FOI requests

FOI Requests	Personal	Other	Total
A1 New (including transferred in)	188	66	254
A2 Brought forward	21	17	38
A3 Total to be processed	209	83	292
A4 Completed	196	80	276
A5 Transferred out	0	0	0
A6 Withdrawn	2	2	4
A7 Total processed	198	82	280
A8 Unfinished (carried forward)	11	1	12

Section B What happened to completed requests?

Results of FOI Request	Personal	Other	Total
B1 Granted in full	132	50	182
B2 Granted in part	15	12	27
B3 Refused	49	18	67
B4 Deferred	0	0	0
B5 Completed	196	80	276

APPENDICES

Appendix 5 Freedom of Information (continued)

Section C Ministerial Certificates

	Personal	Other	Total
C1 Ministerial Certificates issued	0	0	0

Section D Formal Consultations

	Personal	Other	Total
D1 No of requests requiring formal consultation	0	2	2

Section E Amendments of personnel records

	Total
E1 Result of amendment - agreed	0
E2 Result of amendment - refused	0
E3 Total	0

Section F Notation of personal records

	Total
F1 No. of requests for notation	0

Section G FOI request granted in part or refused

Basis of disallowing or restricting access	Personal	Other	Total
G1 Section 19 (application incomplete, wrongly directed)	14	6	20
G2 Section 22 (Deposit not paid)	0	4	4
G3 Section 25 (1)(a1) Diversion of resources	0	0	0
G4 Section 25(1)(a) exempt	14	11	25
G5 Section 25 (1)(a) ,(b), (c), (d) (otherwise available)	1	0	1
G6 Section 28 (1)(b) (documents not held)	36	7	43
G7 Section 24 (2) - deemed refused, over 21 days	0	1	1
G8 Section 31 (4) (released to Medical Practitioner)	0	0	0
G9 Totals	65	29	94

Section H Costs and fees of requests processed

	Assessed Costs	FOI Fees Received
H1 All completed requests	\$2,130	\$4,680

Appendix 5 Freedom of Information (continued)

Section I Discounts allowed

Type of discount allowed	Personal	Other
I1 Public Interest	0	0
I2 Financial Hardship - Pensioner/Child	140	0
I3 Financial Hardship - Non profit	0	0
I4 Totals	140	0
I5 Significant correction of personal records	0	0

Section J Days to process

Elapsed Time	Personal	Other	Total
J1 0-21 days	97	39	136
J2 22-35 days	17	7	24
J3 Over 35 days	82	34	116
J4 Totals	196	80	276

Section K Processing Time

Processing hours	Personal	Other	Total
K1 0-10 hrs	157	42	199
K2 11-20 hrs	29	26	55
K3 21-40 hours	8	10	18
K4 Over 40 hours	2	2	4
K5 Totals	196	80	276

Section L Reviews and Appeals

L1 Number of internal reviews finalised	6
L2 Number of Ombudsman reviews finalised	2
L3 Number of ADT appeals finalised	0

Details of Internal Reviews

Basis of Internal Review	Personal		Other	
	Upheld	Varied	Upheld	Varied
Grounds upon which internal review requested				
L4 Access refused	4	0	0	1
L5 Deferred	0	0	0	0
L6 Exempt matter	1	0	1	3
L7 Unreasonable charges	0	0	0	0
L8 Charge unreasonable incurred	0	0	0	0
L9 Withdrawn	0	0	0	0
L10 Totals	5	0	1	4

Appendix 6 Publications

150 years of Great Northern Railway brochure
150 years of Great Northern Railway poster
150 years of Great Northern Railway tickets
150 years of Parramatta to Liverpool Line poster
50 years electrification of Blue Mountains Line four panel exhibition
50 years electrification of Blue Mountains Line poster
Central Coast 'Early Warning' Poster – advance warning about trackwork
Central Coast Long weekend Trackwork booklet
Central Coast Weekday Upgrade brochure
Central Coast Weekend Upgrade brochure
Central Station 100 Years Celebration poster
Central Station 100 Years panel exhibition
Central Station 100 Years visitor guide
Central Station Forecourt Upgrade poster
Central Station Western Forecourt Upgrade -operational posters
CityRail – Introducing CityRail's new Hunter trains brochure
CityRail – Introducing CityRail's new Oscar trains brochure
CityRail AFL - Swans vs Collingwood - promotional poster
CityRail Airport & East Hills Line timetable booklets
CityRail Airport & East Hills Line timetable posters
CityRail Anzac Day - operational posters
CityRail Bankstown Line timetable booklets
CityRail Bankstown Line timetable posters
CityRail Bathurst Promotional flyer
CityRail Bell-Mt Victoria trackwork customer brochure
CityRail Bell-Mt Victoria trackwork poster
CityRail Bell-Zig Zag trackwork customer brochure
CityRail Bell-Zig Zag trackwork poster
CityRail Berowra Station Clearways flyer
CityRail Big Day Out - operational posters
CityRail Blue Mountains by Train brochure
CityRail Blue Mountains Line timetable booklets
CityRail Blue Mountains Line timetable poster
CityRail Blue Mountains trackwork customer brochure
CityRail Blue Mountains trackwork poster
CityRail Burwood Station Easy Access poster
CityRail Campbelltown Fast Train Poster
CityRail Carlingford Line timetable booklets
CityRail Carlingford Line timetable poster
CityRail CBD Fare Evasion poster
CityRail Christmas 2006 Timetable brochure
CityRail Christmas 2006 Timetable poster
CityRail Circular Quay upgrades poster
CityRail Clever Shopping poster
CityRail Cumberland Line timetable flyer
CityRail Cumberland Line timetable poster
CityRail Customer Newsletter poster
CityRail DayTripper brochure
CityRail Dundas Refurbishment station poster
CityRail Eastern Suburbs & Illawarra Line timetable booklets
CityRail Eastern Suburbs & Illawarra Line timetable posters
CityRail Eastern Suburbs & Illawarra Line Trackwork poster
CityRail Eftpos transaction A4 poster
CityRail Faulconbridge Crossing Upgrade flyer
CityRail Flexi/Travel pass applications forms
CityRail Flu Prevention Station poster
CityRail Girl's Day Out race day - promotional poster
CityRail Good Thinking poster
CityRail Happy New Year poster A3
CityRail How to buy your Ticket brochure
CityRail Hunter Line timetable poster
CityRail Hunter Line timetable posters timetable booklets
CityRail Hunter line trackwork flyer
CityRail Hunter trackwork customer brochure
CityRail Hunter trackwork poster
CityRail Inner West Line timetable booklets
CityRail Inner West Line timetable posters
CityRail Morisset-Wyong trackwork customer brochure
CityRail Morisset-Wyong trackwork poster
CityRail Move Post Customer letter x 2 kinds
CityRail Mt Victoria-Lithgow trackwork customer brochure
CityRail Mt Victoria-Lithgow trackwork poster
CityRail Museum Station tunnel closure - operational posters
CityRail New Extra Services brochure
CityRail New Extra Services poster
CityRail New Fares poster update
CityRail New Year's Eve 2006 - customer brochure
CityRail New Year's Eve 2006 - promotional poster
CityRail Newcastle & Central Coast Line timetable booklets
CityRail Newcastle & Central Coast Line timetable posters
CityRail Newcastle & Central Coast Line Trackwork Station poster
CityRail Newcastle & Central Coast Trackwork booklet
CityRail Newcastle & Central Coast Trackwork booklet update
CityRail Newsletter Bankstown & Inner West x 3 editions
CityRail Newsletter CBD Edition x 3 editions
CityRail Newsletter City & Eastern Suburbs Edition x 3 editions
CityRail Newsletter Eastern & Southern Line x 3 editions
CityRail Newsletter Northern Edition x 3 editions
CityRail Newsletter South Western x 3 editions
CityRail Newsletter Southern Highlands x 3 editions
CityRail Newsletter Western Edition x 3 editions
CityRail Newsletter Western Line x 3 editions
CityRail NightRide Timetable poster
CityRail North Shore Line timetable booklets
CityRail North Shore Line timetable posters
CityRail North Shore trackwork customer brochure
CityRail North Shore trackwork poster
CityRail Northern Line timetable booklets
CityRail Northern Line timetable posters
CityRail NRL - State of Origin - operational posters
CityRail NRL - State of Origin - promotional poster
CityRail Olympic Park Fast Train poster
CityRail On Time Running Posters
CityRail Operation CBD trackwork customer brochure
CityRail Operation CBD trackwork poster
CityRail Pedestrian Railway Crossing brochure
CityRail Pedestrian Railway Crossing poster
CityRail Pram Safety baby bibs
CityRail Pram Safety brochure
CityRail Pram Safety complimentary mailing card
CityRail Pram Safety DVD
CityRail Premier's Christmas Gala Concerts - operational flyer
CityRail Premier's Christmas Gala Concerts - operational posters
CityRail Premier's Seniors Week Concerts - operational flyer
CityRail Premier's Seniors Week Concerts - operational posters
CityRail QBusters brochure
CityRail QBusters Escalator Mini Panels x 3 kinds
CityRail QBusters poster

Appendix 6 Publications (continued)

CityRail QBusters Station poster
CityRail Richmond Air Show brochure
CityRail Richmond Air Show poster
CityRail Season's Greetings mini poster
CityRail Sefton-Cabramatta trackwork customer brochure
CityRail Sefton-Cabramatta trackwork poster
CityRail Soccer international - Australia vs Uruguay - promotional poster
CityRail South Coast Line Poster reprint
CityRail South Coast Line timetable booklets
CityRail South Coast Line timetable posters
CityRail South Coast poster
CityRail South Coast Timetable booklet update
CityRail South Coast Trackwork booklet
CityRail South Coast Trackwork foreign language booklet
CityRail South Coast Trackwork July booklet
CityRail South Coast Trackwork poster update
CityRail South Line timetable booklets
CityRail South Line timetable posters
CityRail Southern Highlands Line timetable booklets
CityRail Southern Highlands Line timetable poster
CityRail Southern Highlands trackwork booklet
CityRail Southern Highlands trackwork customer brochure
CityRail Southern Highlands trackwork poster x 3 sizes
CityRail State of Origin Station posters
CityRail Station Maps update
CityRail Sutherland Footbridge Closure flyer
CityRail Sutherland-Heathcote trackwork customer brochure
CityRail Sutherland-Heathcote trackwork poster
CityRail Swans v Magpies Station poster
CityRail Sydney Royal Easter Show Line by Line Station posters x 15 kinds
CityRail Sydney Royal Easter Show Transport guide
CityRail Sydney Royal Easter Show TVM Station poster
CityRail Tourist Ticket Escalator Mini Panels x 5 kinds
CityRail Tourist Ticket flyer
CityRail Tourist Ticket poster
CityRail Trackwork 'Operation CBD Poster'
CityRail Trackwork Blue Mountains brochure
CityRail Trackwork Blue Mountains Line poster
CityRail Trackwork Operation CBD closure brochure
CityRail Trackwork Operation CBD closure poster
CityRail Travel Well poster
CityRail TravelPass brochure
CityRail TravelPass poster
CityRail Trespassing message - Crossing the Tracks generic letter
CityRail Trespassing message- Crossing the Tracks poster
CityRail Turrumurra Station Upgrade posters
CityRail U2 concerts - operational posters
CityRail Unattended Station Posters – 4 in one posters
CityRail Waterfall trackwork brochure
CityRail Waterfall Trackwork Station poster
CityRail Weekly black and white alternative transport posters
CityRail Weekly colour trackwork posters for each CityRail line
CityRail Weekly trackwork Summary posters
CityRail Welcome Stations poster
CityRail Welcome to City Rail brochure
CityRail Western Line timetable booklets
CityRail Western Line timetable posters
CityRail Wyee-Morisset trackwork customer brochure
CityRail Wyong Morisset trackwork customer brochures
CityRail Wyong Morisset trackwork poster
CityRail Wyong-Wyee trackwork customer brochure
CityRail Wyong-Wyee trackwork poster
CountryLink Backpacker flyer
CountryLink Backpacker On Board poster
CountryLink Backpacker Station poster
CountryLink Broadmeadow Trade Show flyer
CountryLink Coach Map
CountryLink Coach Timetable posters x 7 kinds
CountryLink Concession Travel poster
CountryLink East Coast Discovery Pass brochure
CountryLink Family Fare Deal A4 flyer
CountryLink Family Fare Deal poster
CountryLink Floriade Posters x 3 kinds
CountryLink Guarantee Connections poster
CountryLink Holiday Brochure x 3
CountryLink Safety Card
CountryLink Safety Convention flyer
CountryLink Southern Summer booklet
CountryLink Southern Summer poster x 3 kinds
CountryLink Southern Summer Timetable
CountryLink Ticket Wallets
CountryLink Timetable North West Region
CountryLink Timetable Northern Region
CountryLink Timetable Southern Region
CountryLink Timetable Western Region
CountryLink Travel Centre poster Parramatta
CountryLink Winter Saver flyer
CountryLink Holiday On Board Posters x 3 kinds
CountryLink Holiday Station Posters x 3 kinds
CountryLink inbound program flyer – agents
CountryLink monthly trackwork posters
CountryLink Network Map for Bus Stop A3 landscape
CountryLink New Holidays Promotional flyer
CountryLink New Service Baradine/Coonabarrabran flyer
CountryLink No more than 20kg poster
CountryLink North Coast Promotional flyer
CountryLink Parkes Elvis Festival flyer
CountryLink Parkes Elvis Festival leaflet
CountryLink Parkes Elvis Festival Station poster
CountryLink Pensioners brochure
CountryLink postcards – travel centre, generic & corporate versions
Harbour Bridge 75 Years Walk transport guide
Harbour Bridge 75 Years Walk transport guide poster
Nepean Bridge centenary poster
Pedestrian Level Crossing flyer
Pedestrian Level Crossing poster
RailCorp Aboriginal Recruitment Handbook – Join our Team
RailCorp Annual Report 2005-2006
RailCorp Apprenticeship DVD
RailCorp Apprenticeship poster
RailCorp Careers Expo Flyers x 3 kinds
RailCorp corporate Christmas card
RailCorp Graduate Career Fair flyers/brochures/posters
RailCorp Level Crossing Camelia poster
RailCorp NAIDOC A3 poster
RailCorp Transit Officer positions available flyer
Thirlmere Railway Museum Visitor Survey

APPENDICES

Appendix 7 Overseas Travel

Officer Name	Date	Destination	Purpose of Travel
Robert Lupton	25/06/2006 - 08/07/2006	Hong Kong, Japan, Korea and China	To visit multiple production facilities nominated by tenderers
David Kippist	25/06/2006 - 08/07/2006	Hong Kong, Japan, Korea and China	To visit multiple production facilities nominated by tenderers
Fred Paton	25/06/2006 - 08/07/2006	Hong Kong, Japan, Korea and China	To visit multiple production facilities nominated by tenderers
Ian Roxburgh	11/07/2006 - 23/07/2006	London and Zurich	To participate in the renewal of RailCorp's public liability and property insurances.
Robert Lupton	29/07/2006 - 07-08/2006	UK and Norway	To view current use of CCTV system and visit manufacturer of lockable reversible train seat.
Greg Bower	14/08/2006 - 28/08/2006	Netherlands, Austria, Switzerland, UK	Final acceptance testing for 12 metre milling machine and inspection of VAE turnout manufacturing operations.
Ruedi Wurzer	14/08/2006 - 28/08/2006	Netherlands, Austria, Switzerland, UK	Final acceptance testing for 12 metre milling machine and inspection of VAE turnout manufacturing operations.
Vince Graham	16/08/2006 - 25/08/2006	Hong Kong, Italy, Germany, France, Singapore	Review of Automatic Train Protection (ATP) systems, passenger information systems integration and customer service initiatives in Hong Kong and Europe.
Christopher Lees	06/09/2006 - 16/09/2006	Canada	Attend 9th International Level Crossing Safety and Trespass Prevention Symposium in Montreal and meetings with Transport Canada
Jacqueline Irwin	10/09/2006 - 14/09/2006	Canada	Attend 9th International Level Crossing Safety and Trespass Prevention Symposium in Montreal (RailCorp only paid conference costs)
Derek Williams	10/09/2006 - 22/09/2006	Canada and USA	Attend 9th International Level Crossing Safety and Trespass Prevention Symposium in Montreal and inspection of level crossing equipment in Connecticut, Philadelphia, Charlotte and Los Angeles.
Gary Seabury	09/09/2006 - 14/09/2006	Belgium	Attend European Rail Traffic Management System Summit
Mark Anderson	10/10/2006 - 24/10/2006	UK	Attend Australia Needs Skills Expo organised by DIMA in London, Manchester and Dublin. Also meet with recruitment agencies re future action. RailCorp only paid United Kingdom travel costs.
Vicki Coleman	24/10/2006 - 05/11/2006	Hong Kong, Singapore	Visit railway organisations and technology vendors re Automatic Train Protection Systems and associated computing systems.
Jayme Harrison	24/10/2006 - 05/11/2006	Hong Kong, Singapore	Visit railway organisations and technology vendors re Automatic Train Protection Systems and associated computing systems.
Nadine Clench	28/10/2006 - 12/11/2006	UK	Participate in Rail Australia's UK Road Show

Appendix 7 Overseas Travel (contintued)

Officer Name	Date	Destination	Purpose of Travel
Bruce Jackson	20/11/2006 - 10/12/2006	UK, Germany, China	Conducting due dilligence/ fact finding on GMS-R technology and Digital Train Radio System (DTRS) using GMS-R technology platform.
Rob Hackett	24/11/2006 - 07/12/2006	Hong Kong, UK	Recruitment of 5 specialist safety positions
Tony Eid	06/02/2007 - 09/03/2007	Hong Kong, Paris, Hamburg, London and New York	Part of RailCorp Benchmarking Exercise.
Rino Matarazzo	06/02/2007 - 09/03/2007	Hong Kong, Paris, Hamburg, London and New York	Part of RailCorp Benchmarking Exercise.
Dilip Goyal	21/03/07 - 24/03/07 and 01/04/07 to 04/04/07	India	Interviewing candidates for signalling project engineers in India
Barry Garnham	19/05/07 - 10/06/07	Helsinki, Great Britain and France	To attend the UITP (Union Internationale des Transports Publics) World Conference

Appendix 8 Heritage Management

The 100th Birthday Celebrations of the Central Station building in August 2006 was the occasion for the announcement of the Government's Sustainable Rail Heritage Management Strategy. The strategy provides for the conservation and display of NSW's rich railway heritage by applying an asset management approach to the care and maintenance of the NSW Government owned core rail heritage assets, to be implemented by RailCorp.

Around 70,000 people joined in the celebrations, viewing the 100th Birthday exhibition of historic Rollingstock and other heritage items, including the newly refurbished Booking Office, now known as Rail Heritage Central, on the Central Concourse.

RailCorp is administering the Strategy with the goal of achieving the State's inter-generational Heritage preservation objectives. Building on the commitment and contribution of volunteers who are active throughout the state, the plan is to consolidate, conserve and display NSW's rich railway heritage.

RailCorp's Heritage program has four key objectives:

- Maintaining the core rail heritage assets through a total asset management approach;

- Managing the core rail heritage assets through a network of competent third party custodians in the form of volunteer led rail heritage organisations;
- Facilitating the transfer of heritage conservation skills and development and
- Valuing and building on rail heritage volunteering.

Asset Management

The aim is for RailCorp to work collaboratively with a network of committed rail heritage custodians to develop local asset management plans, and to inform the finalisation of RailCorp's first five year heritage asset management plan. The next stage involves establishing asset management priorities through appropriate formal agreements.

A significant portion of the assets are stored in the former railway workshops at North and South Eveleigh. Railcorp is planning the removal of these assets to nominated custodians including the NSW Rail Transport Museum at Thirlmere.

The Centre at Thirlmere is to be upgraded to enable it to receive and provide secure storage for a significant proportion of these assets. This centre and its operators, the NSW Rail Transport Museum, have more than 30 years experience as guardian of some of NSW's most significant rail heritage items.

Appendix 8 Heritage Management (continued)

The removal of the items from Eveleigh will free up the land and property for vesting to the Redfern Waterloo Authority to meet the Government's objectives for urban renewal and community revitalisation at this significant city location.

The Thirlmere site will be developed to provide a premier visitor experience where members of the public can enjoy this State's rail heritage, including access to unprecedented opportunities to see and experience steam train operations, and NSW's most significant heritage carriages and steam locomotives.

The planned approach to the ongoing maintenance and overhaul of the core Rollingstock fleet was demonstrated during the year when a number of issues arose regarding the management and maintenance of Locomotive 3801. The conservation of 3801 was secured through the allocation of \$500,000 for repairs and general overhaul provided to the NSW Rail Transport Museum (RTM) in partnership with the Hunter Valley Training Company. \$600,000 was also provided to the Powerhouse Museum to complete restoration of Locomotive 3265.

Working with rail heritage custodians

The NSW RTM is one of the network of community-based organisations that have been performing the important role of rail heritage custodians across the state. RailCorp has been actively engaging with them, and this year introduced a program of regular forums to enable these organisations to come together and discuss matters of mutual interest.

Skills transfer

In partnership with the Churchill Trust, RailCorp established a Churchill Fellowship in Rail Heritage Conservation and Management as one means of facilitating the important intergenerational skills transfer needed to sustain the rail heritage industry in NSW.

RailCorp has also brought together a group of dedicated organisations from the rail heritage and training industries to review the current skills scarcity and develop strategies to ensure the retention of these skills for the future.

Valuing volunteers

During the year, RailCorp announced the establishment of Volunteer Awards aimed at celebrating and recognising the valuable contributions made by volunteer individuals and groups within the rail heritage industry. Nominations will be called for annually, with the inaugural Awards presented in July 2007.

PEOPLE

Appendix 9 Executive Performance and Remuneration

Position title	Officer	Total remuneration package	Performance review summary
Chief Executive Officer BE(Civil), Grad Dip Mgmt, FAICD	Vincent Graham	\$483 000	<ul style="list-style-type: none"> Maintained safe operations of the Network Improved customer satisfaction Improved service reliability Operated within allocated budget
Group General Manager, Service Delivery MBA B.Sc (Hons)	Rob Mason	\$405 000	<ul style="list-style-type: none"> Led the delivery of 92.8% on time running with overall network increase in patronage of 3.0% Introduced the Every Safe Second Counts campaign across the Northern, North Shore and Western lines Successfully delivered rail component of the 75th year celebrations of the Sydney Harbour Bridge Maintained improvements in Customer Satisfaction, improvements in passenger information and budgetary control Delivered customer safety improvement projects and reduced employee Lost Time Injuries by 15%
Group General Manager, Asset Management BE(Civil)(Hons), MEng(Mgmt)	Gary Seabury	\$379 000	<ul style="list-style-type: none"> Delivered \$1.3b of maintenance and construction activity Produced 7th consecutive year of improvement in track condition and reduction in track defects Led improvements, reducing the number of infrastructure incidents causing peak hour delays by 6.5% Commenced Automatic Train Protection pilot project. Established Digital Train Radio Strategy as agreed for model Australian metropolitan networks
Group General Manager Finance FCA, MAICD, MIMC	Richard Lumley	\$302 848	<ul style="list-style-type: none"> Led the finance function in RailCorp Achieved an unqualified Audit report for the year ended 30 June 2006 Established the Business Finance Improvement Project Proceeded on leave due to illness in October 2006
Group General Manager, Safety & Environment BSc, CMIOASH, MIRO	Clare Kitcher	\$301 000	<ul style="list-style-type: none"> Maintained a compliant Safety Management System Led RailCorp's transition implementation for the revised Safety Management System Developed the RailCorp Environmental Management System Led activity in relation to RailCorp's Rail Safety Accreditations and Environmental Licences Coordinated and monitored the organisation's response to the recommendations of the Waterfall Special Commission of Inquiry and other significant incidents

Appendix 9 Executive Performance and Remuneration (continued)

Position title	Officer	Total remuneration package	Performance review summary
Group General Manager, Product Development B.Sc(Econ)	Barry Garnham	\$286 000	<ul style="list-style-type: none"> Managed submission to IPART for future fare increases Led implementation of quarterly Customer Satisfaction Surveys Progressed development of the Rail Clearways and Metropolitan Rail Expansion Projects Developed & implemented fleet deployment plans for new Hunter and Oscar trains. Progressed advanced timetable planning for the Epping to Chatswood Rail Line introduction and World Youth Day events
Group General Manager, Human Resources & Industrial Relations BA(Hons), Grad.Dip. Ed, ASCM	Fran Simons	\$280 000	<ul style="list-style-type: none"> Led implementation and progressive enhancement of anti-bullying and harassment strategy Managed organisational capability development programs in workforce planning and management development Led successful implementation of new driver training program, and progressed risk based training needs analyses for critical rail safety roles Recruitment of 224 new Customer Service Attendants (CSAs) from July 06 – June 07 Progressed development of new classification structure and consolidated conditions document Led Drug & Alcohol services delivering 21,368 alcohol and 4,012 drug tests, and improved D&A rehabilitation program
Group General Manager, ICT Chief Information Officer B.Sc IT	Vicki Coleman	\$250 000	<ul style="list-style-type: none"> Successfully outsourced ICT operations to Fujitsu Australia Established preferred supplier panels across ICT disciplines Transition of the Station Passenger Information team to ICT and stabilisation and rollout of electronic indicators to 28 stations on the Bankstown, East Hills & Illawarra lines. Deployment of new software to control an entire line on the East Hills and Illawarra lines Implementation of an enterprise system to manage, track and report safety risks, hazards and incidents to underpin RailCorp's Safety Management System Developed an enterprise business intelligence strategy to enable improved analytics and KPI reporting
Group General Manager Communications & Marketing	Tim Lloyd-George	\$240 000	<ul style="list-style-type: none"> Managed RailCorp's external and internal communication programs Implemented CityRail Update commuter newsletters Provided communications support for every safe second counts and leadership briefing programs

Appendix 9 Executive Performance and Remuneration (continued)

Position title	Officer	Total remuneration package	Performance review summary
Group General Manager, Strategy Performance & Access B.Comm, M.Comm GDipAppFin (Sec Inst.)	Sharyn Gregory	\$230 000	<ul style="list-style-type: none"> Led the Strategy, Performance and Access functions Led the development and implementation of key strategic projects to drive performance improvement Coordinated the implementation of balanced scorecard and strategy mapping for the corporation Improved the performance reporting framework for the Corporation
Project Director Rollingstock Acquisition Strategy (until 31-03-07) BA LLB MBA C DipAF	Louise Hart	\$275 000	<ul style="list-style-type: none"> Led the evaluation of Final Committed Proposals for a Public Private Partnership covering the supply of 626 air-conditioned carriages, simulators for crew training and the construction of a maintenance facility at Auburn Secured necessary approvals from Board and Cabinet and concluded contracts with Reliance Rail Ensured publication of contracts and contracts summary in accordance with NSW Government policy
Deputy Project Director Rollingstock Acquisition Strategy	Frederick Paton	\$270 000	<ul style="list-style-type: none"> Managed technical tender and evaluation process integrated with financial and commercial assessments Managed tender and assessment for the technical adviser delivery phase role Achieved endorsement by Treasury of the \$3.65bn Financial Impact Statement Initiated RailCorp's operational readiness planning for new train service introduction
General Manager, Operations	Kevin Wright	\$265 000	<ul style="list-style-type: none"> Led network control functions to achieve 92.8% OTR Led network support train services for significant major events through the year Successfully developed & piloted the "Masters in Rail Operations Management" university course. Led amalgamation of progressive signalling function rationalisation
Contract Director	Arthur Truman	\$250 000	<ul style="list-style-type: none"> Established effective contract administration controls and procedures Contract and technical review administration Managed the achievement of RailCorp's contractual obligations Facilitated workshops to finalise Project Plans Established start-up of Halcrow's Technical Team in China
General Manager, Engineering Standards & Services	David Foldi	\$243 360	<ul style="list-style-type: none"> Delivered program of work within budget Delivered design and technical services for critical projects including the Epping Chatswood Rail Link Rail Clearways, Traction Supply Upgrade, Station Easy Access, Automatic Train Protection and the PPP Provided engineering standards, technical advice and support for RailCorp, including Annual Asset Integrity Reports for key asset classes

Appendix 9 Executive Performance and Remuneration (continued)

Position title	Officer	Total remuneration package	Performance review summary
General Manager, Engineering Standards & Services (continued)	David Foldi	\$243 360	<ul style="list-style-type: none"> • Represented RailCorp in key industry forums, including the Rail Industry Safety & Standard's Board and Rail Cooperative Research Centre
General Manager, Metropolitan Infrastructure	John Minchin	\$243 360	<ul style="list-style-type: none"> • Achieved an improvement in routine inspections being completed on time by 10% and within budget • Assisted TIDC with the delivery of all their Clearways projects particularly in reviewing configuration proposals and isolating various operational items of equipment to allow access • Reduced peak hour incidents caused by failed infrastructure, particularly signalling infrastructure failure
General Manager, Train Crewing	Ian Hill	\$243 360	<ul style="list-style-type: none"> • Led the reduction in Lost Time Injury Frequency Rate in Train Crewing Division by 15% • Introduced special Christmas training using the 3 days between Christmas and New Year, saving 1150 training days • Introduced standardised customer announcements on train to provide better passenger information • Led the development of new train preparation procedures for limited access sites • Developed and implemented enhanced training and drills for emergency evacuation from a train in a tunnel for drivers and guards • Continued implementation of improved train crew management structure
Corporate Counsel/ Company Secretary LLB	Irene Rusak	\$240 000	<ul style="list-style-type: none"> • Improved and maintained an effective framework for Corporate Governance • Provided ongoing support to the Board and its Committees in the role of Company Secretary • Provided strategic legal advice to RailCorp Board • Managed the provision of legal services to RailCorp • Oversighted the delivery of an effective internal audit function, including fraud and corruption prevention
Group General Manager, Corporate Services B.Ec, M.Comm FCPA (Aidan Hughes commenced as A/GGM Corporate Services on 22/1/2007)	Gary Pedersen	\$250 000	<ul style="list-style-type: none"> • Delivered a range of shared service functions for the Corporation • Implemented a series of cost efficiencies to reduce transaction processing costs • Implemented contracts for the total management of the Corporation's motor vehicle fleet and uniforms • Actively supported the Business Finance Improvement Program in Corporate Services and the Strategic Procurement Transformation Project

Appendix 9 Executive Performance and Remuneration (continued)

Position title	Officer package	Total remuneration	Performance review summary
A/Group General Manager Finance (from 22/1/2007)	Gary Pedersen	\$275 000	<ul style="list-style-type: none"> Managed budgeting and financial systems to bring the Corporation in on budget in 2006-07 Progressed the implementation of an enterprise wide Project Management methodology Led the implementation of a Business Finance Improvement Project Continued development of the Corporation's enterprise wide risk management system
Senior Project Manager	John Terrey	\$235 200	<ul style="list-style-type: none"> Established the Epping Chatswood Rail Line (ECRL) Integration and Readiness Process Establish a core specialist team to manage the integration and readiness of ECRL Instrumental in defining, establishing and managing the project interface with TIDC through the ECRL RailCorp-TIDC Commissioning Forum Established working parties involving RailCorp, TIDC and TIDC Contractors to facilitate controlled dialogue between specialists of the project stakeholders Led the establishment of safety and risk processes for acceptance of the ECRL infrastructure
Maintenance Facility & Enabling Works Director	Kimball Freeman	\$235 000	<ul style="list-style-type: none"> Managed technical evaluation Auburn maintenance facility tenders Managed delivery of RailCorp's Enabling Works projects Delivered RailCorp's obligation to provide the maintenance facility site to Reliance Rail Managed the technical review of Project Plans for the Auburn maintenance facility Managed maintenance facility system definition design technical reviews
Transition & Implementation Director	Matthew Hinchcliffe	\$235 000	<ul style="list-style-type: none"> Technical evaluation assessment of double deck proposals Developed draft transition implementation strategy for new train service introduction Led design consultation phase with train crew Planned increase in train crew staff numbers for service introduction Identified process management changes for the new PPP fleet
General Manager, Major Projects	Andrew Addinall	\$234 000	<ul style="list-style-type: none"> Managed the division with no LTIFR injuries or major safety incidents Successful delivery of \$162M of capital projects and \$47M of MPM for the year, for projects such as: Bridge Upgrading, Resignalling, Systems, Easy Access and Station Upgrading Programs Successful development of outstanding scope, budget and commercial issues for ATRC's South Sydney Freight Line Project

Appendix 9 Executive Performance and Remuneration (continued)

Position title	Officer package	Total remuneration	Performance review summary
General Manager, Renewals	Nigel Howlett	\$230 000	<ul style="list-style-type: none"> • Reduced lost time injuries by 30% in a Division of 1100 staff • Successfully managed the merger of the Commercial and Renewals Divisions • Delivered assigned MPM and Capital works within the budget of \$258m • Supported the Worksite Protection, Safety Check System, Graduate Program and Critical Resource projects • Provided safety change leadership through improved communication of lessons learnt in processes
General Manager, Station Operations	Anthony Eid	\$230 000	<ul style="list-style-type: none"> • Successful operational delivery of significant Special Events including Richmond Air Show and Bridgewalk (75th Anniversary of the Harbour Bridge) • Implementation of CBD station-based real time passenger information • Review of other Rail operators to identify best practice in Customer Service; Station Operations and Passenger Information • Introduction of cross functional OH&S Forums • Successful management of \$10m of Station Upgrade Programs to address safety risks and improve customer and staff amenities
General Manager, Emergency Preparedness	Ronald Creighton	\$225 790	<ul style="list-style-type: none"> • Led Incident Management and Emergency Response within RailCorp • Reviewed and revised RailCorp's Command and Control arrangements in line with State Emergency Services Incident Control System (ICS) • Managed the joint emergency exercise program • Provided expert advice to the Fire and Life Safety review project
General Manager, Finance (Acted GGM Finance 9/10/06 to 19/1/07)	Peter Crimp	\$225 000	<ul style="list-style-type: none"> • Managed the provision of timely and relevant financial information to both internal and external users • Co-ordinated the financial budgeting, forecasting and reporting processes • Contributed to the leadership of the Business Finance Improvement Program • Co-ordinated RailCorp's consent to the change in ownership of the Airport Link Company Pty Ltd
General Manager, Strategic Asset Management	Ruth Wallsgrove	\$225 000	<ul style="list-style-type: none"> • Established Lean Six Sigma team to focus on asset reliability improvements • Prepared a Whole of Rail Asset Management Plan to cover 98% of all RailCorp assets by value • Established resource schedules for critical resources including designers in parallel with the 5 year Possessions schedule • Trained 200 staff in Asset Management course

Appendix 9 Executive Performance and Remuneration (continued)

Position title	Officer	Total remuneration package	Performance review summary
Deputy Chief Health Officer	Armand Casolin	\$226 720	<ul style="list-style-type: none"> Implemented risk analysis of colour vision requirements of station staff positions and risk assessment of affected staff, resulting in return to normal duties for staff within acceptable risk limits Implemented screen-based colour vision practical test for Transit Officers Distributed to all employees a drug information card to assist employees' doctors to prescribe medication without occasioning occupational impairment Conducted annual audit of health services provider Completed study of the impact of the new national health assessment standard on train drivers' fitness for work
Track Works Manager	Bryant Croucher	\$216 346	<ul style="list-style-type: none"> Delivered track infrastructure MPM works program of \$185m to budget Reduced lost time injuries by 30% in a group of 380 staff Delivered 70km of new track infrastructure across the network Commenced the formation of an alliance framework to improve the capability of the rail industry to meet challenges in the future delivery of the MPM program Finalised contracts for the delivery of rail grinding and specialist labour for City Underground MPM works
A/General Manager Rollingstock	Joe Camilleri	\$247 301	<ul style="list-style-type: none"> Achieved significant Rollingstock reliability improvements through targeted system improvements including door failures reducing by 34% and brake system faults by 45% Achieved outstanding XPT fleet reliability figure of 1.35 million kms per failure against a target of 300,000 kms, significantly exceeding the reliability of any similar type of Rollingstock in the world Led the quality accreditation project for Rollingstock achieving qualification for the Hornsby Maintenance Facility Supported the establishment of the six sigma asset reliability project Led the transition of the Safety Management System in Rollingstock Division
GM, Strategic Procurement & Supply	Kevin McCaffety	\$215 000	<ul style="list-style-type: none"> Achieved all key performance indicators set for the role Developed a strategy and vision for the future of strategic procurement and supply, which is wholly aligned to the strategic vision and future of RailCorp Commenced implementation of a number of strategic procurement initiatives that will add significant value to RailCorp

Appendix 9 Executive Performance and Remuneration (continued)

Position title	Officer	Total remuneration package	Performance review summary
Deputy Group General Manager Asset Management	Peter Meyer	\$250 000	<ul style="list-style-type: none"> Established the infrastructure Asset Delivery organisational structure for delivery of the capital assets program Delivered \$40m additional infrastructure capital works on 2005-06 year result Achieved 4% underspend on budget (improved from 21.4% in 2005-06) Developed a Concept of Operations for future management of the Asset Delivery function Established a Portfolio Delivery Unit to co-ordinate and oversee the delivery of the Capital Assets Program Implemented improved reporting through the Capital Delivery Status Report and Executive Timetable Steering Committee Program Delivery Report
General Manager Finance & Administration	Christopher Payne	\$215 000	<ul style="list-style-type: none"> Provided support to Asset Management staff Finance & enabling the Group to perform within budget Managed the Asset Management Group's efficiencies and savings performance projects delivering budget savings Championed the completion of the current state review of the Finance Fixed Asset Management Improvement project Improved the quality of Asset Management financial information provided to internal and external stakeholders.

Executive Officers Profile

The total number of executive officer positions with remuneration equal to or exceeding Senior Executive Service Level 1 was 226 (6.6% increase on 05-06). Women held 33 (10.8% decrease on 05-06).

Chief Executive Officer remuneration contract

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

CEO Termination Benefit

As well as the payment of statutory entitlements and superannuation, the contract provides for the payment of one month's remuneration in the event that the contract is terminated. It also provides for an additional payment of eight months or less if date of termination is less than eight months prior to contract end date of 31 December 2008.

Determination for basis of Annual Report Disclosure

Total Remuneration Package is that applicable at the end of the reporting year.

Numbers of Officers: All staff at or above \$137 800 (equivalent of minimum Senior Executive Service Level 1).

Appendix 10 Human Resources

Actual & Estimated Staff Numbers by Level as at 30 June 2007

Salary Level	Total Staff	Staff Responded to EEO Survey*	Male	Female	People from Aboriginal or Torres Strait Islander Background	Racial, Ethnic, Ethno-Religious Minority Groups	People Whose First Language is not English	People with a Disability	People with a Disability Requiring Adjustment at Work
< \$33 910	155	23	148	7	0	40	7	0	0
\$33 910 to \$44 537	3,165	1,439	2,343	822	123	1,135	1,082	189	75
\$44 538 to \$49 781	2,589	1,124	2,100	489	88	779	700	212	94
\$49 782 to \$63 006	4,306	1,776	3,748	558	70	1,227	1,021	308	92
\$63 007 to \$81 478	1,849	980	1,544	305	26	515	438	145	62
\$81 479 to \$101 849	998	575	838	160	9	319	290	69	23
> \$101 849	743	491	654	89	5	174	150	29	3
Total	13,805	6,408	11,375	2,430	321	4,189	3,688	952	349

Actual & Estimated percentage of Total Staff by Level as at 30 June 2007

Salary Level	Total Staff	Staff Responded to EEO Survey*	Male	Female	People from Aboriginal or Torres Strait Islander Background	Racial, Ethnic, Ethno-Religious Minority Groups	People Whose First Language is not English	People with a Disability	People with a Disability Requiring Adjustment at Work
< \$33 910	155	15%	95%	5%	0	26%	4%	0	0
\$33 910 to \$44 537	3,165	45%	74%	26%	3.9%	36%	34%	6%	2.4%
\$44 538 to \$49 781	2,589	43%	81%	19%	3.4%	30%	27%	8%	3.6%
\$49 782 to \$63 006	4,306	41%	87%	13%	1.6%	28%	24%	7%	2.1%
\$63 007 to \$81 478	1,849	53%	84%	16%	1.4%	28%	24%	8%	3.4%
\$81 479 to \$101 849	998	58%	84%	16%	0.9%	32%	29%	7%	2.3%
> \$101 849	743	66%	88%	12%	0.7%	14%	20%	4%	0.4%
Total	13,805	46%	82%	18%	2.3%	30%	27%	7%	2.5%

APPENDICES

Appendix 10 Human Resources (continued)

Actual & Estimated Staff Numbers by Level as at 30 June 2006

Salary Level	Total Staff	Staff Responded to EEO Survey*	Male	Female	People from Aboriginal or Torres Strait Islander Background	Racial, Ethnic, Ethno-Religious Minority Groups	People Whose First Language is not English	People with a Disability	People with a Disability Requiring Adjustment at Work
< \$31 352	145	50	139	6	0	38	17	3	3
\$31 352 - \$41 177	3 078	1,438	2,308	770	124	1,092	1,015	182	88
\$41 178 - \$46 035	2 599	1,117	2,137	462	88	800	719	209	88
\$46 036 - \$58 253	4 226	1,821	3,716	510	67	1,184	982	325	97
\$58 254 - \$75 331	1 599	882	1,352	247	18	431	368	121	58
\$75 332 - \$94 165	918	552	785	133	7	296	264	62	20
> \$94 165	696	494	605	91	4	164	138	27	3
Total	13,261	6,354	11,042	2,219	308	4,005	3,503	929	357

Actual & Estimated percentage of Total Staff by Level as at 30 June 2006

Salary Level	Total Staff	Staff Responded to EEO Survey*	Male	Female	People from Aboriginal or Torres Strait Islander Background	Racial, Ethnic, Ethno-Religious Minority Groups	People Whose First Language is not English	People with a Disability	People with a Disability Requiring Adjustment at Work
< \$31 352	145	34%	96%	4%	0%	26%	12%	2%	2.0%
\$31 352 - \$41 177	3,078	47%	75%	25%	4.0%	35%	33%	6%	2.9%
\$41 178 - \$46 035	2,599	43%	82%	18%	3.4%	31%	28%	8%	3.4%
\$46 036 - \$58 253	4,226	43%	88%	12%	1.6%	28%	23%	8%	2.3%
\$58 254 - \$75 331	1,599	55%	85%	15%	1.1%	27%	23%	8%	3.6%
\$75 332 - \$94 165	918	60%	86%	14%	0.7%	32%	29%	7%	2.2%
> \$94 165	696	71%	87%	13%	0.6%	24%	20%	4%	0.4%
Total	13,261	48%	83%	17%	2.3%	30%	26%	7%	2.7%

Appendix 11 Equal Employment Opportunity

Trends in the Representation of EEO groups (see notes below)

EEO group	Benchmark or target	2004-05	2005-06	2006-07
Women	50%	14.6%	17%	18%
Aboriginal people and Torres Strait Islanders	2%	3.0%	2.3%	2.3%
People whose language first spoken as a child was not English	20%	23.8%	26%	27%
People with a disability	12%	7.5%	7%	7%
People with a disability requiring work-related adjustment	7%	2.4%	2.7%	2.5%

Notes:

The EEO data in the above table are estimates based on the responses received from:

- Employees who completed an EEO survey in 2006 and
- New employees who completed an EEO questionnaire on their appointment to RailCorp during 06-07.

Trends in the Distribution of EEO groups (see notes below)

EEO group	Benchmark or target	Distribution Index		
		2004-05	2005-06	2006-07
Women	100	88	91	91
Aboriginal people and Torres Strait Islanders	100	88	82	83
People whose language first spoken as a child was not English	100	98	95	95
People with a disability	100	98	100	100
People with a disability requiring work-related adjustment	100	100	95	97

Notes:

The Distribution Index is based and calculated on data collected through an EEO survey in 2006 and EEO questionnaires completed by new employees on their appointment to RailCorp during 06-07.

A Distribution index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 indicate that the EEO group tends to be more concentrated at lower levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be.

In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels.

The Distribution index is not calculated where EEO group or non-EEO group numbers are less than 20.

Appendix 11 Equal Employment Opportunity (continued)

Our priorities for 2007-08 include:

- Finalising and communicating the new RailCorp Equity and Diversity Management Plan for 2007-2010
- Rolling out anti-harassment training for:
 - 2500 Train Crewing employees
 - 600 managers in Presentation Services and Operations
 - 3000 non-managerial employees in Presentation Services and Operations
 - 270 apprentices
 - For managers to assist them better respond to grievances about bullying and harassment
- Implementing a pre-apprenticeship program for Aboriginal and Torres Strait Islander people interested in a career in Rail Traction
- Inviting all Aboriginal and Torres Strait Islander staff and their families to attend the launching of an Aboriginal design on two XPT trains to help celebrate the 50th anniversary of NAIDOC
- Publishing a new RailCorp Dignity and Respect in the Workplace HR Procedure and Grievance Resolution Procedure
- Launching a new Grievance Advisory Service to provide information and advice to employees and managers to assist in the appropriate and timely resolution of grievances. The Grievance Advisory Service will also monitor grievances.
- Implement a communication strategy to increase awareness about EEO (rights and responsibilities) and the benefits of diversity to the business.
- Conduct cross-cultural and disability awareness workshops.
- Implement a buddy system for Aboriginal employees recruited through the pre-employment program offered in 2007.

Disability plan (employee focus)

In 2006-07 RailCorp

- Established a Diversity Network for employees with a disability to facilitate communication and provide advice on RailCorp policies, procedures and programs.
- Joined the Australian Employers

Disability Network.

- Advertised Newcastle call centre jobs through disability employment agencies as well as mainstream media which resulted in 2 people with a disability gaining employment in the call centre.
- Participated as a member of the NSW Public Sector Disability Reference Group.

Initiatives planned for 2007-08 that specifically relate to employees with a disability include:

- Implementation of a recruitment campaign to increase the membership of the Disability Diversity Network.
- Conduct of disability awareness workshops for HR practitioners.
- Publishing information about disabilities and managers' guidelines on making reasonable adjustments.
- Publication of a new HR procedure describing the process that will be followed to redeploy employees who are assessed as unfit for their substantive position.

Appendix 12 Ethnic Affairs Priority Statement (EAPS)

RailCorp runs a mass transit operation and recognises that some of our customers do not speak English. For this reason we are committed to:

- Providing passenger information that is clear, accessible and has low levels of language dependent information. This includes system maps which are displayed at stations and in all train carriages, way finding signage using pictograms which meet international standards and easy to use ticketing machines. There is an ongoing program to maintain and upgrade these services.
- Providing passenger information in various community languages. In 2005-06 we developed and distributed brochures describing our services and continued to update the web site providing information on rail services. In addition, when timetable and other major changes occurred we placed advertisements and media releases in community newspapers and media outlets. Similarly, during trackwork when we bussed passengers publicity material relevant to the demographics of areas affected was published. These initiatives continued in 2006-07. Finally, our multi-cultural workforce assists us in serving our multi-cultural community.

Appendix 12 Ethnic Affairs Priority Statement (EAPS) (continued)

- Providing passenger audio-visual information that is clear, if language dependent. This includes ensuring that all new Rollingstock has digitised audio-visual communication systems for clear presentation of stopping patterns and ensuring that new passenger information systems at stations are clear and provide audio and visual messages. The introduction of new Rollingstock during 2006-07 and the replacement of a third of our fleet by 2010 will have a significant impact in terms of better passenger information delivered through new technology. In addition, train crew and station staff receive training to improve the clarity of their announcements where this is required.

During 2006-07 electronic indicators showing stopping patterns of trains were installed at 27 stations including stations on the Bankstown, East Hills and Illawarra lines used by passengers from ethnically diverse backgrounds.

- Raising awareness of our staff to issues of cultural diversity. Transit Officers standard operating procedures and training deals with cultural sensitivity. Station and Duty Managers receive training on matters such as EEO, diversity and anti-discrimination legislation. All RailCorp employees are required to treat each other and members of the public with respect under the Code of Conduct. These programs were rolled out during 2005-06 and continued into 2006-07 and 2007-08.

Initiatives to be implemented in 07-08:

- Strategy to reduce bullying and harassment in the workplace
- Delivery of cultural awareness training workshops for managers and staff to raise awareness to issues of cultural diversity
- Inclusion of diversity issues in Induction Program for all new employees

Appendix 13 Government Action Plan for Women

RailCorp is actively committed to developing and implementing strategies aimed at improving the

welfare of female employees.

In 2006-07 RailCorp:

- Established a Diversity Network for female employees to facilitate communication and provide advice on RailCorp policies, procedures and programs. The Network meets every second month and is provided with a budget for initiatives to engage other female employees; and
- Conducted three women's forums (an initiative of the Women's Network). Over 200 female employees from a cross section of occupations, grades and locations in RailCorp attended the program.

Initiatives planned for 2007-08 that specifically relate to women include:

- Targeting recruitment campaigns to attract women to apprenticeships and other positions at RailCorp
- Researching options to coordinate work opportunities for women on maternity leave
- Initiatives designed to improve networking and knowledge and skills for career development.

FINANCE

Appendix 14 Exemptions from the reporting provisions

The Treasurer has exempted RailCorp on the following matters otherwise required by Schedule 1 to the Annual Reports (Statutory Bodies) Regulation 2005:

- Performance in paying accounts, including action to improve payment performance; and
- Time for Payment of Accounts:
 - Reasons for late payments; and
 - Interest paid due to late payments.

Appendix 15 Funds Granted to non-government agencies

RailCorp paid the NSW Railway and Tramway Ex-services' Association the purpose of the grant being an annual contribution to the Association. The target group benefiting from the grant are ex railway employees. The amount of grant during 2006-07 was \$750.00.

APPENDICES

Appendix 16 Consultants

Consultant	Projects	Costs (\$)
Contracts of \$30 000 or more		
Engineering		
ARUP	Feasibility study of Town Hall Station redevelopment (part of RailCorp's Capital Works Program)	2 097 735
Management Services		
Ernst & Young	Workforce planning and management – Rostering – Feasibility Study (part of RailCorp's Capital Works Program)	400 000
MTR Corporation Hong Kong	Benchmarking of RailCorp operations with recommendations	204 797
McLachlan Lister Pty Ltd	Review to improve the delivery of capital projects	89 148
InterFleet Technology Pty Ltd	Review & provide a range of upgrade options for Tangara fleet	89 002
Ernst & Young	Property strategic advice and business case development	86 000
Glenn Maker	Review & recommend ticketing arrangements for the Epping-Chatswood Line	77 875
Booz Allen Hamilton (Aust)	3rd party access pricing study	74 434
InterFleet Technology Pty Ltd	Review & provide a range of upgrade options for InterCity fleet	54 375
Bull Head Services P/L	Identify the available commercial options for contact/catenary replacement and maintenance machinery	51 044
Deloitte	Options for the capital investment and maintenance of RailCorp's fleet	48 500
McLachlan Lister Pty Ltd	Review of strategic options for South Eveleigh site	38 660
Organisational Review		
Cap Gemini Aust Pty Ltd	Procure to Pay process improvements	986 000
Gibson Quai AAS Pty Ltd	Development of RailCorp telecommunication strategy	151 552
LEK Consulting Pty Ltd	Develop strategic marketing plan for CityRail	148 132
Booz Allen Hamilton (Aust)	Develop strategic plan and recommendations for structural alignment for the Infrastructure Control Centre	84 060
David Filippetto	Six Sigma consulting - methodology for eliminating defects	61 200
Deloitte	Review of Finance Function Organisation Arrangement for Business Improvement & related reporting initiatives	59 700
Deloitte	Review of procurement and contract management processes	58 750
Information Technology		
IBM Business Consulting Services	Review of RailCorp's workforce management practices and technology support (part of RailCorp's Capital Works Program)	117 871
Training		
Lloyd's Register Rail Limited	Training need analysis for train crewing	112 000
Australian Institute of Management	Positive Leadership Capability training development	91 551
Andrew Biro	Curriculum development for training	60 240
InterFleet Technology Pty Ltd	Conduct risk based training needs analysis	38 862

Appendix 16 Consultants (continued)

Consultant	Projects	Costs (\$)
Michael Ridley	Develop driver traineeship program	32 258
Sleigh Speakers & Trainers	Curriculum development for training	31 490
Total contracts of \$30 000 or more	(26 contracts)	5 345 236
Total contracts of \$30 000 or less	(16 contracts)	331 672
Total expenditure in 2006-07 (42 contracts)		5 676 908

Appendix 17 Land Values and Land Disposal

Land use	Value at 30 June 2007 \$000	Value at 30 June 2006 \$000
Land under Stations and Infrastructure including residential and occupied land	2 916 130	2 979 413
Strata (airspace) leased to tenants	15 173	10 020
Surplus Land	26 463	24 300
Total land owned or occupied - based on values adjusted by State Valuation Office indices	2 957 766	3 013 733

Note

The total value of land owned or occupied includes some land vested to RailCorp from the State Rail Authority during 2006-07.

During 2006-07, six property sales were completed, yielding gross proceeds of \$20 747 000.

Of the six properties sold, three were by private treaty including one sale to an adjoining landowner. Three properties were transferred to the Roads & Traffic Authority by way of compulsory acquisition.

All the properties were surplus to operational requirements and were sold to raise funds for RailCorp.

There was no family connection or business association between any property purchaser and the person responsible for approving the disposal of the property.

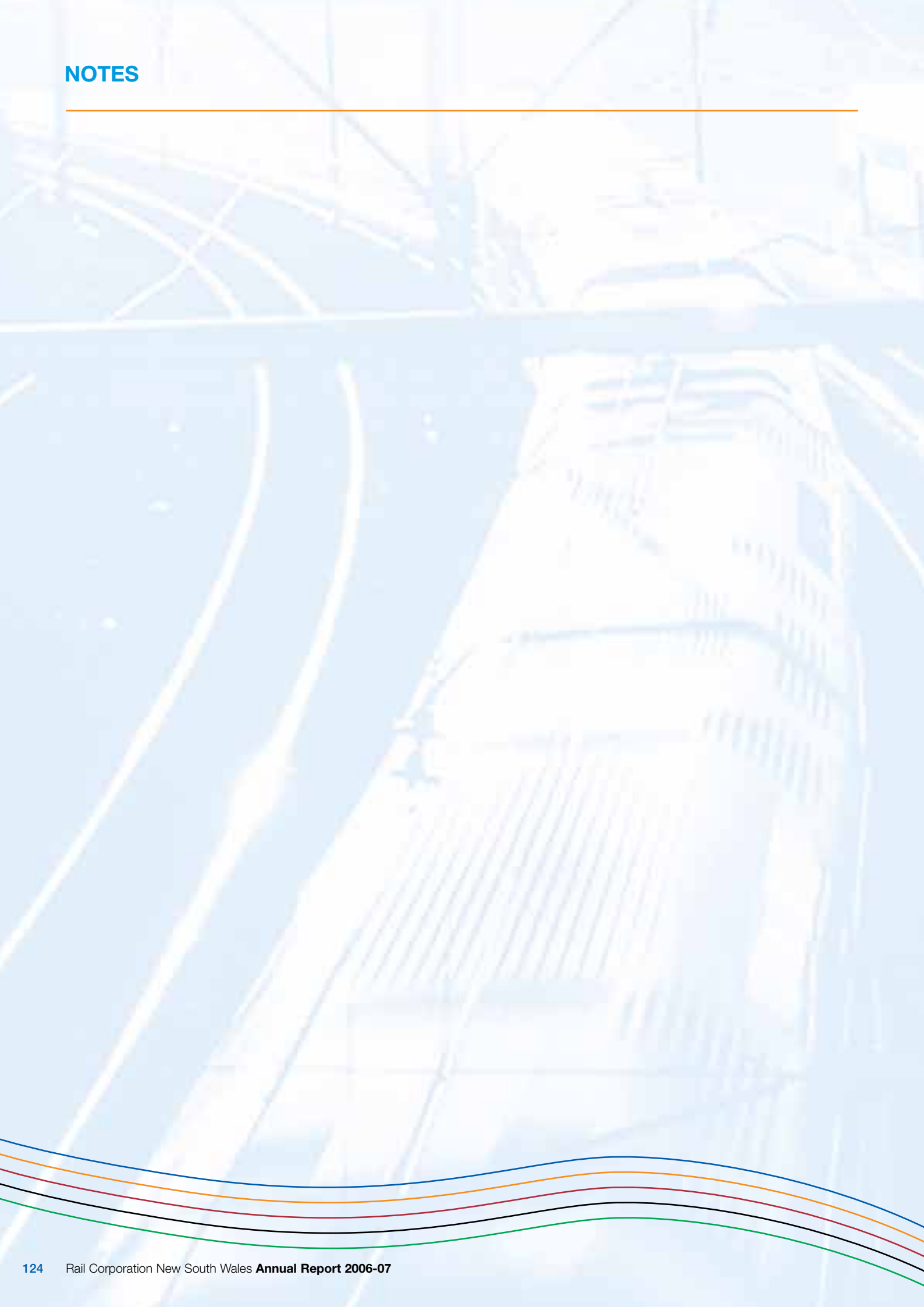
Applications for access to documents concerning the details of properties disposed of during the year may be made in accordance with the *Freedom of Information Act 1989*.

Appendix 18 Investment Management Performance

In the year ended 30 June 2007, RailCorp earned 6.41 per cent on surplus funds invested. During the same period the comparable Treasury Corporation 'hour glass' cash facility earned 6.41 per cent.

Appendix 19 Cost of producing this report

A total of 300 RailCorp Annual Reports were produced. The total cost was \$31 378 (excluding GST).







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