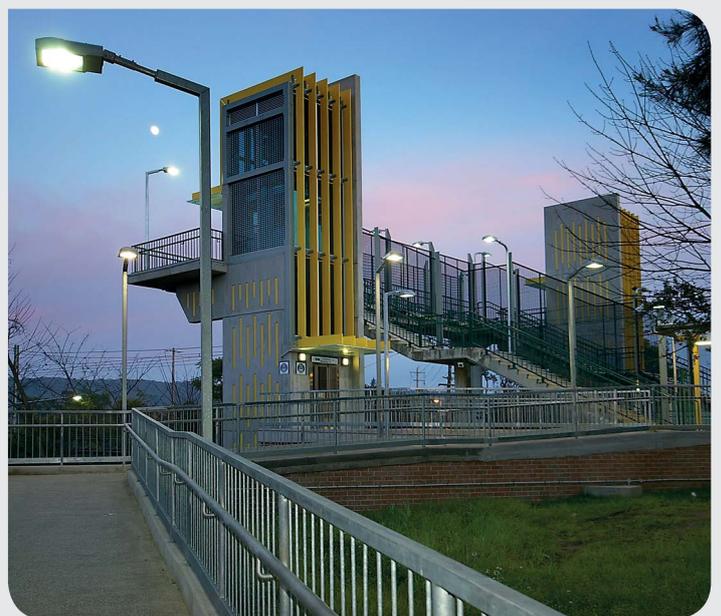


RailCorp

2014-15 Annual Report

Volume 1



Letter of submission

The Hon. Andrew Constance
Minister for Transport and Infrastructure
Parliament House
Macquarie Street
Sydney NSW 2000

Dear Minister

It is my pleasure to provide for your information and presentation to Parliament the *RailCorp Annual Report* for the year to 30 June 2015.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Howard Collins', with a horizontal line underneath it.

Howard Collins OBE
Acting Chief Executive
RailCorp
31 October 2015

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Chief Executive's Foreword



RailCorp's operating functions moved to Sydney Trains and NSW Trains when these organisations commenced operations on 1 July 2013.

In 2014-15 RailCorp fully transitioned to its principal role of owner of major rail and rail property assets in New South Wales. RailCorp's area of responsibility extends to Newcastle in the north, Bowenfels in the west, Macarthur in the southwest and Bomaderry (Nowra) in the south.

During 2014-15, Transport Cleaning Services, a RailCorp subsidiary, was wound up, with full responsibility for train and station cleaning transferring to Sydney Trains and NSW Trains.

In addition, the process of reforming the delivery of transport services is continuing with the Government approving in-principle the reorganisation of RailCorp into a new Transport Asset Holding Entity in future years.

A handwritten signature in black ink, appearing to read 'Howard Collins', with a long horizontal line underneath it.

Howard Collins OBE

A/Chief Executive

RailCorp

About RailCorp

From 1 January 2004 to 30 June 2013, Rail Corporation New South Wales (RailCorp) provided metropolitan passenger rail services via CityRail and long distance services via CountryLink. RailCorp also owned and maintained the metropolitan rail network and provided access to freight operators in the metropolitan area.

RailCorp's functions have changed with Sydney Trains and NSW Trains commencing operations from 1 July 2013. RailCorp owns the rail network, stations, the majority of property and certain rolling stock and but does not operate rail services.

RailCorp's responsibilities include:

- managing non-operational real property assets
- land owner responsibility for all real property assets including land acquisitions, remediation and disposal
- managing access to the rail network by third-party rail operators
- managing the contract with Airport Link Company (ALC) for the operation of the Airport Link Stations
- maintaining land information
- leasing premises within railway stations and other locations.

Howard Collins is the A/Chief Executive of RailCorp and Gary Pedersen is the Chief Financial Officer. Howard Collins and Gary Pedersen are the respective Chief Executive and Director Finance and Corporate Services at Sydney Trains. Sydney Trains remunerates them for both of their roles.

In addition, the Government has given approval in-principle for the reorganisation of RailCorp into a new Transport Asset Holding Entity (TAHE) over the next few years. RailCorp funding will be provided by an equity injection from 2015-16. TAHE will procure and sell assets and over time the assets will be managed on a portfolio basis, generating greater efficiencies and synergies.

Financial Performance Summary

For the 2014-15 year, RailCorp received \$197.6 million (2013-14 \$380.7 million) in income, while total expenses of \$1,209.3 million (2013-14 \$1,296.3 million) were incurred in operations, depreciation and financing costs.

Depreciation and amortisation of \$901.3 million (2013-14 \$815.6 million) was the largest component of expense, reflective of the transition of operator functions from RailCorp to Sydney Trains from 1 July 2013.

The resulting deficit from operations, before government support, was \$1,011.7 million (2013-14 \$915.6 million).

Whilst RailCorp did not require direct Government contributions for its day-to-day operations, \$46.5 million (2013-14: \$100.7 million) was provided by Government to fund defined benefits superannuation and redundancy payments in the year. The resulting deficit from operations before capital contributions was \$965.2 million (2013-14 \$814.8 million).

NSW Government capital contributions totalled \$2,196 million for the year (2013-14 \$2,283.1 million). These contributions took two forms: Capital Grants (cash funding) totalling \$301.5 million (2013-14 \$401.9 million), third party contribution \$7.9 million (2013-14 \$0.0 million) and Capital Grants (non-cash) of \$1,886.6 million (2013-14 \$1,881.3 million), being assets under construction delivered by Transport for NSW (TfNSW).

Capital Grants (cash) were utilised for projects delivered mainly by Sydney Trains, including capitalised maintenance. Asset grants to RailCorp included new rail network assets under construction such as on the Northern Sydney Freight Corridor and South West Rail Link.

After recognising this as income for the year, RailCorp recorded a surplus from continuing operations of \$1,230.7 million (2013-14 \$1,468.3 million).

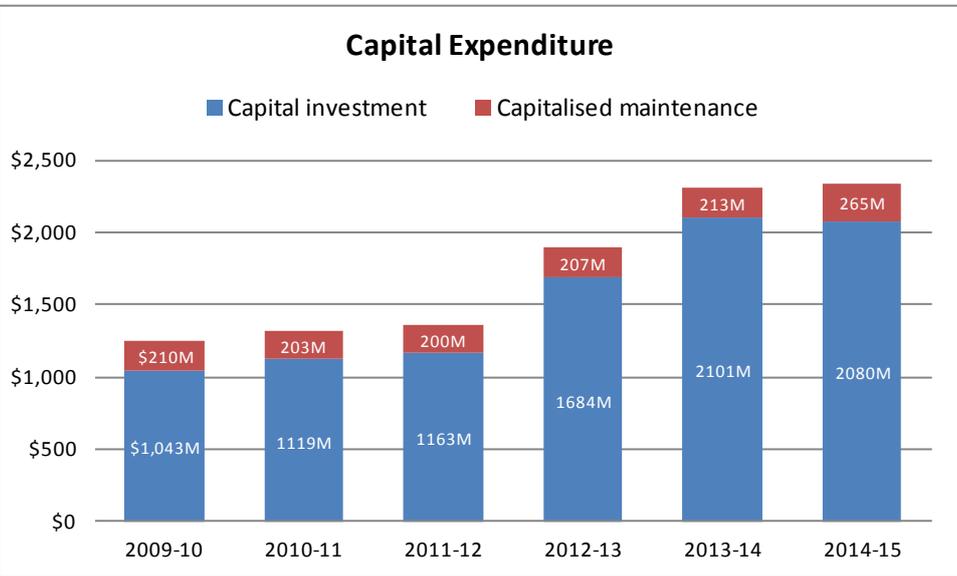
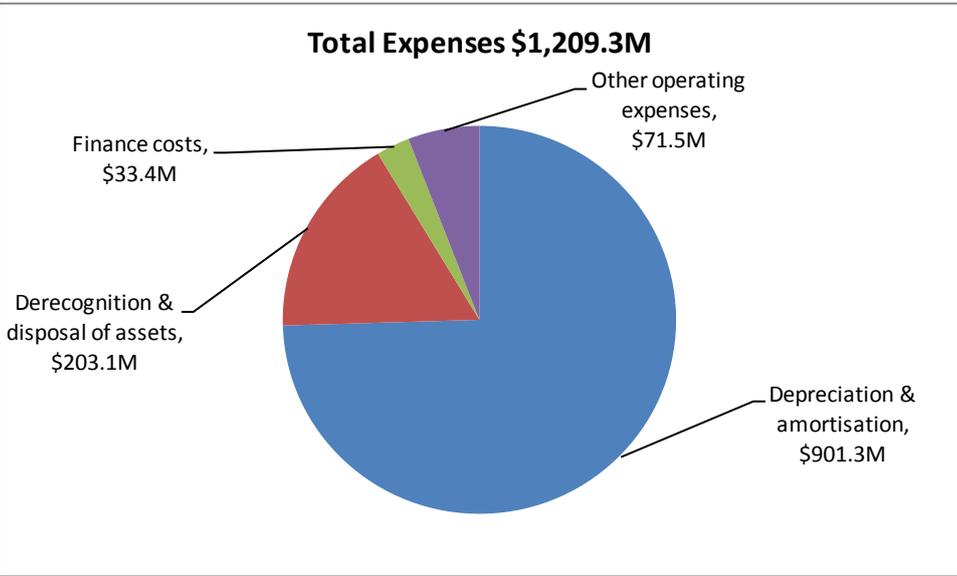
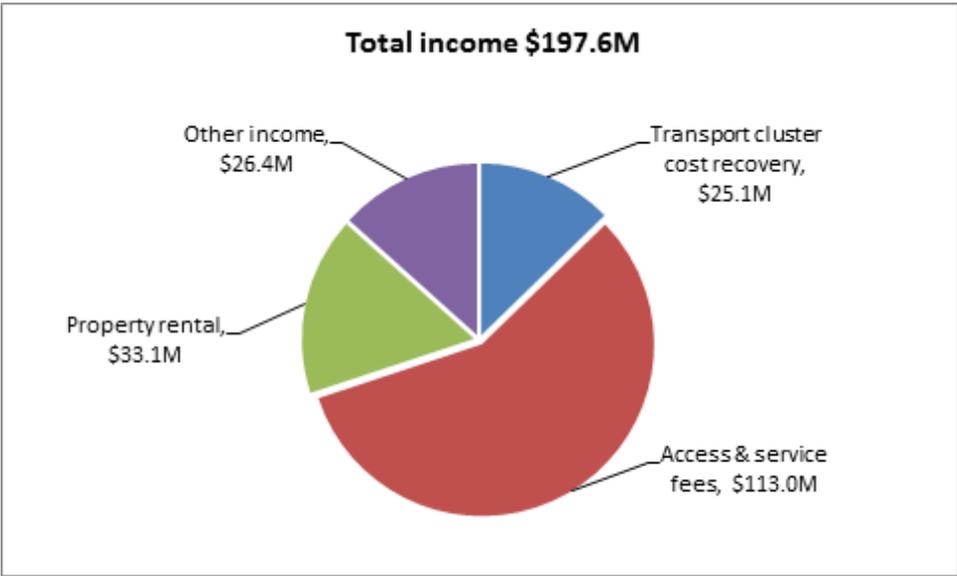
Other comprehensive income for the year, including revaluation of property, plant and equipment, totalled \$1,046.7 million [2013-14 \$42.7 million]. The Total Comprehensive Income for the period was therefore a surplus of \$2,277.5 million [2013-14 \$1,511.0 million].

Performance against Budget

Income from operating activities in 2014-15 was \$29.3 million better than budget. This was largely a result of access revenue for freight and private passenger operations on the RailCorp network, charges for finance costs and RailCorp staff seconded to, or otherwise performing chargeable work for, other transport agencies including Sydney Trains.

Operating costs of RailCorp were better than budget for the year.

The operating budget targets for the 2015-16 year continues the focus on asset ownership functions and opportunities for increased external revenue opportunities.



Capital Investment

Capital expenditure was \$2,080 million in 2014-15. A further \$265 million of major periodic maintenance was capitalised for a total capital expenditure of \$2,345 million being a \$32 million increase over 2013-14.

Major capital projects delivered by TfNSW for RailCorp totalled \$1,887 million. Sydney Trains delivered a further \$447 million in works, including capitalised maintenance, with NSW Trains completing a further \$11 million of work in the year.

2014-15 Capital Investment, by program	\$ million
North West Rail Link	753.8
Northern Sydney Freight Corridor	304.7
South West Rail Link	108.0
Power Supply	103.4
Digital Train Radio	74.1
Transport Access Program	213.1
Automatic Train Protection Tranche 1	45.0
Wynyard Walk	78.2
Wynyard Station Upgrade	27.9
Stations Refresh Program	74.1
Lidcombe Granville Corridor Upgrade	79.5
Fixing The Trains Investments	40.4
Internal Emergency Door Release	19.2
Mechanised Track Patrol	3.4
Other capital works	155.0
Capital Expenditure	2,079.8
Capital Maintenance	265.5
Total RailCorp Capital Investment	2,345.3

Appendices

Appendix 1: Changes in Acts and subordinate legislation

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Appendix 1: Changes in Acts and subordinate legislation

Electricity Network Assets (Authorised Transactions) Act 2015

Date of Commencement: 4 June 2015

This Act authorises and enables the Government to undertake a long-term lease of 49 per cent of the electricity networks, introducing private investment and management into TransGrid, Ausgrid and Endeavour. Electricity network assets comprise the assets, rights and liabilities of an electricity network state corporation, and associated electricity network land which is defined to include a range of lands including Rail Corporation New South Wales (RailCorp) and TfNSW lands.

Electricity Supply (General) Regulation 2014

Date of Commencement: 1 September 2014

The object of this Regulation is to remake, with certain omissions, the *Electricity Supply (General) Regulation 2001*. This Regulation contains provisions relating to matters such as customer consultative groups, distributor service standards, which are enforceable under the *National Energy Retail Rules*, an energy ombudsman scheme, exemptions from provisions of the *Electricity Supply Act 1995* for certain distribution network service providers and for certain supply arrangements.

Electricity Supply (Safety and Network Management) Regulation 2014

Date of Commencement: 1 September 2014

The *Electricity Supply (Safety and Network Management) Regulation 2014* replaced under staged repeal the *Electricity Supply (Safety and Network Management) Regulation 2008*, and is made under the *Electricity Supply Act 1995*. It stipulates that network operators must take all reasonable steps to ensure the safety of design, construction, commissioning, operation and decommissioning of electricity distribution and transmission systems. The Regulation provides for the creation of safety management systems to assist network operators to comply with those requirements, and establishes the content of safety management systems.

Protection of the Environment Legislation Amendment Act 2014

Date of Commencement: 1 January 2015

Included in this Act are amendments to the *Contaminated Land Management Act 1997*, *Protection of the Environment Operations Act 1997* and *Radiation Control Act 1990* to increase certain penalties for offences and strengthen and align the enforcement provisions of those Acts. Under the *Contaminated Land Management Act 1997*, a corporation may be fined up to \$1,000,000 if it is responsible for contamination, and after being served with a contaminated land management order, it fails to comply with any direction or other requirement specified by the order. The Act also now contains provisions for restorative justice activities to be entered into by parties to an undertaking given to the Environment Protection Authority.

Protection of the Environment Operations (Waste) Regulation 2014

Date of Commencement: 1 November 2014

The object of this Regulation is to repeal and remake, with alterations, the *Protection of the Environment Operations (Waste) Regulation 2005*, and includes many amendments including the following matters:

- (a) the prescribing of certain substances as being within the definition of waste in the Protection of the *Environment Operations Act 1997* (the Act),
- (b) the calculation of contributions (waste contributions) payable by occupiers of waste facilities licensed under the Act and related matters,
- (c) the records to be kept by occupiers of waste facilities licensed under the Act,
- (e) requirements imposed on consignors, transporters and receivers of waste that are aimed at tracking specified types of waste that are transported within NSW or interstate,
- (f) other requirements relating to the transportation of waste, including requirements for consignors and transporters of waste to report to the Environment Protection Authority) on transportation interstate of waste generated in metropolitan areas, the transportation of asbestos waste, requirements relating to the management of asbestos waste, and
- (g) EPA exemptions from the Act and Regulations, and EPA approvals relating to the classification of waste containing immobilised contaminants.

Statute Law (Miscellaneous Provisions) Act (No 2) 2014

Date of Commencement: 8 January 2015

Among the numerous repeals and amendments carried out by this Act, the *Electricity Supply Act 1995* was amended to include RailCorp into the definition of a 'distribution system' regarding the transmission of electricity along the rail network electricity system.

Additionally, section 70 of the *Transport Administration Act 1988* was amended to remove a limitation on the kinds of fines and penalties that RailCorp and its subsidiaries may retain. In particular, the fines and penalties now need not relate to railway offences (as they did formerly) and extend to fines and penalties for all offences dealt with by Transport Officers of RailCorp or its subsidiaries (who deal with offences on all modes of public transport). The amendment also removes a reference to a repealed Act.

Appendix 2: Government Information (Public Access) Act 2009 - GIPA

Review of proactive release program - Clause 7(a)

RailCorp's functions have changed with Sydney Trains and NSW Trains commencing operation from 1 July 2013. RailCorp continues operating the holding and property management company for major rail and rail property assets in the Sydney Metropolitan Rail Area, which is the rail network extending to Newcastle in the north, Bowenfels in the west, Macarthur in the southwest and Bomaderry (Nowra) in the south.

Under section 7 of the *Government Information (Public Access) Act 2009* (GIPA Act), agencies must review their programs for the release of government information to identify the kinds of information that can be made publicly available. This review must be undertaken at least once every 12 months.

The information that RailCorp makes available on its website includes the following details:

- Access to RailCorp information
- Access to the rail network
- Contracts and procurement
- Heritage and conservation register
- Publications
- Railway electricity rights
- Safety performance
- Training

During 2014-15 applications for access to information held by RailCorp were managed by Sydney Trains and statistical information about access applications is aggregated with Sydney Trains' statistics in Appendix 2 of Sydney Trains' Annual Report.

Appendix 3: Privacy and Personal Information Protection Act, 1998

Privacy Management Plan

Clause 6 of the *Annual Reports (Department) Regulation 2010* requires NSW Government Agencies to provide a statement of the action taken by the Department in complying with the requirements of the *Privacy and Personal Information Protection Act 1998* (PIIP Act) and provide statistical details of any review carried out under Part 5 of the PIIP Act.

RailCorp does not collect personal or health information about customers or employees.

Privacy Reviews

During 2014-15 RailCorp did not receive any applications for reviews of conduct relating to the use, access or release of personal information.

Appendix 4: Public Interest Disclosures Act 1994

RailCorp did not receive any Public Interest Disclosures (PID) during 2014-15.

Appendix 5: Digital Information Security Policy Compliance Annual Attestation Statement

I, Howard Collins, am of the opinion that RailCorp had an Information Security Management System in place during the financial year being reported on consistent with the Core Requirements set out in the Digital Information Security Policy for the NSW Public Sector.

I, Howard Collins, am of the opinion that the security controls in place to mitigate identified risks to the digital information and digital information systems at RailCorp are adequate for the foreseeable future.

I, Howard Collins, am of the opinion that all Public Sector Agencies, or part thereof, under the control of RailCorp with a risk profile sufficient to warrant an independent Information Security Management System have developed an Information Security Management System in accordance with the Core Requirements of the Digital Information Security Policy for the NSW Public Sector, except for the requirement to implement an information classification and labelling scheme. Implementation, as required by the Policy, is in progress.

I, Howard Collins, am of the opinion that, where necessary in accordance with the Digital Information Security Policy for the NSW Public Sector, certified compliance with AS/NZS ISO/IEC 27001 Information technology - Security techniques - Information security management systems - Requirements had been maintained by all or part of RailCorp and all or part of any Public Sector Agencies under its control.



Howard Collins OBE
Acting Chief Executive
RailCorp

Appendix 6: Internal Audit and Risk Management Disclosure

I, Howard Collins am of the opinion that RailCorp has internal audit and risk management processes in operation that are, in all material aspects, compliant with the core requirements set in in treasury Circular NSW TC 09/08 *Internal Audit and Risk Management Policy*.

I, Howard Collins am of the opinion that the Audit and Risk Committee for RailCorp is constituted and operates in accordance with the independence and governance requirements of treasury Circular NSW TC 09/08. The Chair and Members of the Audit and Risk Committee are:

- Independent Chair, E.Crouch, 1 July 2014 - 30 September 2015
- Independent member 1, G. Fletcher, 1 July 2014 - 30 September 2015
- Independent member 2, B. Blood, 1 July 2014 - 30 September 2015

These processes provide a level of assurance that enables the senior management of RailCorp to understand, manage and satisfactorily control risk exposures.

As required by the policy, I have submitted an Attestation Statement outlining compliance with the policy to Treasury on behalf of the Treasurer.



Howard Collins OBE

Acting Chief Executive

RailCorp

Appendix 7: Insurance Management

RailCorp has a comprehensive tailored insurance program managed by Sydney Trains as part of its risk management strategy. The insurance program is reviewed annually in consultation with its appointed insurance brokers to protect against insurable risks. These risks could affect:

- its operations
- its legal liabilities to third parties
- existing assets and those under construction

RailCorp transfers insurable risks by purchasing insurance through the commercial insurance market with established and financially stable insurers.

Appendix 8: Major Works in Progress

RailCorp has a wide range of works completed and in progress as at 30 June 2015 including the following:

	Cost to date (\$ million)	Forecast Completion (year)
Sydney Metro North West	1,921 * ¹	2019
Northern Sydney Freight Corridor	775	2016
Digital Train Radio	297	2016
Wynyard Walk	214	2016
Traction Supply Upgrade (Waratah A-Sets)	486	2015
Lidcombe to Granville Corridor Upgrade	299	2017
Automatic Train Protection – Tranche 1	181	-
Wynyard Station Upgrade	32	2017
Tangara Rolling Stock Refurbishment - Phase 1	56	2018

*¹ Cost to date excludes land acquired and held by Transport for NSW.

The construction works are undertaken by Transport for NSW on behalf of RailCorp except for the Tangara Rolling Stock Refurbishment project which is undertaken by Sydney Trains.

Appendix 9: Land Disposals

In the year ended 30 June 2015, RailCorp had no proceeds from land disposals in excess of \$5 million.

Appendix 10: Payment of Accounts

Outstanding invoices by age at the end of each quarter

Quarter	Current (i.e. within due date)	Less than 30 days overdue	Between 30 and 60 days overdue	Between 60 and 90 days overdue	More than 90 days overdue
	\$M	\$M	\$M	\$M	\$M
Sep-14	0.2	0.2	0.0	0.0	0.0
Dec-14	0.4	0.0	0.0	0.0	0.0
Mar-15	1.4	0.0	0.0	0.1	0.0
Jun-15	0.5	0.0	0.0	0.0	0.0
Small Business Suppliers					
Sep-14	0.0	0.0	0.0	0.0	0.0
Dec-14	0.0	0.0	0.0	0.0	0.0
Mar-15	0.0	0.0	0.0	0.0	0.0
Jun-15	0.0	0.0	0.0	0.0	0.0

Accounts paid on time within each quarter

Measure	Sep-14	Dec-14	Mar-15	Jun-15
Number of accounts due for payment	452	455	348	331
Number of accounts paid on time	322	322	270	266
Actual % accounts paid on time	71.2%	70.8%	77.6%	80.4%
\$ amount of accounts due for payment	\$140.1M	\$337.5M	\$273.1M	\$ 505.6M
\$ amount of accounts paid on time	\$138.6M	\$218.3M	\$272.5M	\$504.8M
Actual % accounts paid on time (based on \$)	98.9%	64.7%	99.8%	99.8%
Number of payments for interest	0.0	0.0	0.0	0.0
Interest paid on overdue accounts	\$0.0	\$0.0	\$0.0	\$0.0
Small Business Suppliers				
Number of accounts due for payment	1	0.0	1	2
Number of accounts paid on time	0.0	0.0	1	2
Actual % accounts paid on time	0.0%	0.0%	100%	100%
\$ amount of accounts due for payment	\$605	\$0.0	\$7,574	\$12,418
\$ amount of accounts paid on time	\$0.0	\$0.0	\$7,574	\$12,418
Actual % accounts paid on time (based on \$)	0.0%	0.0%	100%	100%
Number of payments for interest	0.0	0.0	0.0	0.0
Interest paid on overdue accounts	\$0.0	\$0.0	\$0.0	\$0.0

Appendix 11: Investment Management Performance

In the year ended 30 June 2015, RailCorp invested surplus funds with Westpac Banking Corporation and NSW Treasury Corporation 11am call deposits. The interest earned was 3.27 per cent on the funds invested. During the same period, the benchmark NSW Treasury Corporation Hour Glass Investment Facility was 2.73 per cent.

Appendix 12: Liability Management Performance

In the year ended 30 June 2015, RailCorp's cost of funds was 3.15 per cent against the benchmark of 4.14 per cent. The benchmark debt portfolio comprised an equal weighting of short and long-term debt instruments. RailCorp's debt portfolio was heavily weighted in low yielding short-term debt in this financial year resulting in lower cost of funds.

Appendix 13: Payment to Consultants

RailCorp made no payments to consultants during 2014-15.

Appendix 14: Response to Matters Raised by the Auditor-General

Last year, the Auditor-General raised the Capital Structure Review as a significant audit matter in the Statutory Audit Report. In particular, the Auditor-General noted that the capital structure for the rail entities has not yet been finalised and the interim arrangements create an uncertainty for the rail agencies as well as the need to demonstrate they are going concerns.

In response:

- The capital structure review was finalised in June 2015.
- The Minister approved the transfer of equity by way of a receivable from RailCorp to Sydney Trains and NSW Trains via vesting orders on 19 June 2015.
- The equity transfer was subsequently cash backed by July 2015 which resulted in an improved working capital position for the operating entities.

Sydney Trains on behalf of RailCorp

477 Pitt St, Sydney NSW 200

PO Box K349, Haymarket NSW 1238

TransportNSW.info or call 131 500 (24 hours, 7 days a week)

Executive Reception Hours Monday to Friday 8.30 am to 5.30 pm

This annual report was produced wholly by RailCorp. There were no external production costs and the annual report is available in electronic format only.

This annual report can be accessed on the Transport for NSW website **transport.nsw.gov.au**

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