



### **Annual Report**

**NSW Trains** 

2017-18 • Volume 1



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### **Letter to Minister**

The Hon. Andrew Constance MP Minister for Transport and Infrastructure

Parliament House Macquarie Street, Sydney NSW 2000

Dear Minister,

I am pleased to submit for presentation to Parliament the Annual Report for NSW Trains for the financial year ended 30 June 2018.

The Annual Report has been prepared in accordance with the *Annual Reports* (Statutory Bodies) Act 1984 and the Annual Reports (Statutory Bodies) Regulation 2015.

Yours sincerely

**Howard Collins OBE** 

Acting Chief Executive

NSW Trains

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## Overview







### Report from the Acting Chief Executive

Welcome to the NSW Trains 2017-18 Annual Report.

This was my first full year as Acting Chief Executive of NSW Trains and over the year our hard working employees have completed a range of initiatives to improve the travel experience of our customers. I thank them for their continued commitment.

NSW Trains has been working hard to improve punctuality of its trains during the year. I am pleased to say that this was successful with morning peak intercity and 24 hour intercity punctuality exceeding the target. Regional train service performance also achieved the target although improvement is needed on some regional lines.

To support NSW Trains' commitment to improving transport opportunities to rural communities, five potential trial coach services were identified. After a round of community engagement, the first three coach services providing cross regional transport options from Tamworth were trialled. This is a great win for regional communities with several more trials planned to start in the next financial year.

The Elvis Festival was bigger and better this year with the Elvis Express, the addition of the Blue Suede Express and two new coach services to the event. This demonstrates our commitment to supporting economic growth in regional centres around the state and providing flexible transport options to connect both urban and regional communities to key events in regional NSW.

For the first time NSW Trains also partnered with organisers of the Broken Heel Festival celebrating Australia's iconic movie Priscilla Queen of the Desert. A special train, the 'Silver City Stiletto', was organised to take drag queens and drag fans to Broken Hill for the event.

Significant work has been completed during the year to ready NSW Trains for the delivery of the New Intercity Fleet next year. Customers, communities, local businesses, local and state government representatives and other relevant train user representative organisations have been engaged to ensure the new train provides the best possible experience for customers.

Planning for the arrival of the new trains has been ongoing during the year. NSW Trains has been in consultation with unions and staff on the possible changes this new train will bring to our operations.

Work to replace the entire NSW regional fleet commenced with a Request for Proposal started in December 2017. The new fleet will improve the safety, comfort and reliability of regional train services and is expected to be delivered in the early 2020s.

**Howard Collins OBE** 

Acting Chief Executive NSW Trains

# About NSW Trains





### **About NSW Trains**

NSW Trains began operations on 1 July 2013 as the State's first multi-modal organisation dedicated to intercity and regional customers, operating as NSW TrainLink.

NSW Trains was established under the Transport Administration (General) Amendment (Sydney Trains and NSW Trains) Regulation 2012 to deliver safe and reliable passenger services in NSW in an efficient, effective and financially responsible manner.

Our train and coach network reaches as far as Broken Hill and Bourke in the west, Eden and Melbourne in the south, and Brisbane in the north. Intercity train services operate between Sydney and the Hunter, Central Coast, Blue Mountains, Southern Highlands and the South Coast.

NSW Trains' annual cost base is more than \$800 million which funds the operating costs for train crew, station staff and business support functions. It also supports the maintenance of the assets it uses. Our annual capital expenditure is approximately \$5.5 million.

### Our purpose

To connect people and communities throughout NSW.

### **Our partners**

NSW Trains partners with Transport for NSW, Sydney Trains, Australian Rail Track Corporation, John Holland, Queensland Rail and V/Line in the delivery of our train services and 15 coach operators to deliver timetabled coach services state wide.

## 3077 weekly intercity train services 713 weekly Regional train and coach services 356 kilometres travelled by Regional customers on average 385 destinations reached by NSW TrainLink train and coach services 5892 kilometre network using ARTC, V/Line, Queensland Rail and Sydney Metropolitan networks

### More than 46 million customer journeys annually

- 1.7 million journeys on Regional trains and coaches
- 44.7 million intercity train journeys

### **Values**

In all our workplaces, NSW Trains is focused on creating an environment where our employees are recognised, supported and included. The shared values of Transport for NSW set the expectation for how we work together to deliver better outcomes for the people of NSW.



### **Customer focus**

We place the customer at the centre of everything we do



### Safety

We prioritise safety of our people and our customers



### Collaboration

We value each other and create better outcomes by working together



### Solutions

We deliver sustainable and innovative solutions to NSW's transport needs



### Integrity

We take responsibility and communicate openly.

### **Customer First Principles**

Our Customer First Principles outline the behaviours that we need to demonstrate to achieve these values and serve our customers.



### Presence

We know 'being there' for our customers makes a difference



### **Own the Solution**

We find and deliver flexible solutions for our customers



### One team

We value each other and actively work together



### In the know

We listen and share our knowledge with our customers



### **Choose safety**

We take actions so everyone gets where they are going safely.

### **Business priorities**

NSW Trains helps to deliver integrated transport solutions and improved transport outcomes for the community and economy of NSW. We take guidance from the priorities of the NSW Government and Transport for NSW – ensuring the customer is at the centre of everything

At NSW Trains, we have a set of business priorities to guide our delivery of services everyday and help us achieve our purpose 'to connect people and communities throughout NSW'.

This Annual Report is structured by our four business priorities of:

- · be safe and secure
- · create great customer experiences
- build connections
- spend smarter.



NSW Trains links all activity to our business priorities. We monitor the incremental delivery of our priorities through business plans and Key Performance Indicators (KPIs). NSW Trains is required to report on specific KPIs as part of the Rail Services Contract with Transport for NSW.



Woy Woy Station

### **Performance summary**

Performance against our business plans and the KPIs in the Rail Services Contract is reported on a monthly basis.

Following is our annual performance against these KPIs.

Business priority	Key performance indicator	Results FY 14-15	Results FY 15-16	Results FY 16-17	Results FY 17-18	Target
Be safe and	Customer injuries <sup>4</sup>	-	-	-	0.59	0.42
secure	Employee injuries (LTIFR) <sup>5</sup>	29.01	27.26	18.27	28.04	<18.87
Create great customer experience	Customer satisfaction % at least partly satisfied – overall <sup>1</sup>	85%	88%	87%	86%	>82%
	Punctuality (Intercity services) - % peak services on time <sup>2</sup>	87.9%	89.4%	88.8%	90%	>92%
	Punctuality (Regional services) - % all services on time	77.3%	78.6%	74.8%	78%	>78%
	Punctuality (booked coach services) - % all services on time	97.8%	96.1%	95.5%	93.3%	>90%
	Patronage growth (Intercity)	-2.4%	11.3%	6.3%	1.2%	>0.5%
	Patronage growth (Regional)	-3.6%	-0.2%	-4.0%	-1.4%	>0.5%
	Trains cleanliness   7 point scale (1-7)³	-	5.1	5.7	5.9	>5.9
	Stations cleanliness   7 point scale (1-7) <sup>3</sup>	-	5.9	6	6.1	>6

Business priority	Key performance indicator	Results FY 14-15	Results FY 15-16	Results FY 16-17	Results FY 17-18	Target
Build connections	Employee sick leave - ave mthly days per employee	0.89	0.90	0.88	0.84	<0.75
	Employee overtime - overtime hours as % normal hours	7.0%	6.9%	6.2%	6.9%	<7.5%
	Equal opportunity - % women in workforce	24%	24%	24.8%	25.1%	>20%
	Headcount - direct employees	2037	2085	2124	2090	<2138
Spend smarter	Net Op Cost / revenue car KM	\$8.69	\$8.49	\$8.76	\$8.60	N/A
	Net Op Cost / passenger journey	\$21.43	\$18.96	\$18.43	\$17.38	N/A
	Booked services Load factor – Revenue KM as % of seat km <sup>6</sup>	46%	52%	51.9%	47.6%	46%

<sup>1.</sup> The percentage of customers partly satisfied to very satisfied with the overall service as per the Customer Satisfaction Survey (CSS) undertaken by TfNSW.

- 2. The percentage of timetabled peak services arriving on time without skipping stops or being cancelled.
- 3. Cleanliness scores moved to a 7 point scale in 14-15.
- 4. The measure for customer injuries changed in 17-18 to a number per 100,00 vs a target of 0.42. Previous data is not comparable.
- 5. The number of lost time injuries that occurred over a period of time per number of employee hours worked in that same period including trauma injuries.
- 6. Revenue.

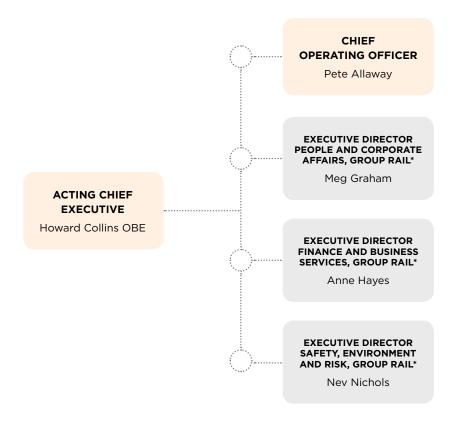
### Note:

Additional productivity information has been included in response to the Auditor-General's Report to Parliament, identifying productivity in the public sector which was tabled in July 2015.

For this purpose cost is calculated as 'Net Operating Cost' which is total expenses excluding capital related costs, depreciation and amortisation, inter-entity cost recovery and items not part of normal operating costs. Prior period figures have been restated on the same basis.

Performance against these indicators has been improving in real terms through cost effective growth in patronage and services.

### **Our Executive Team**



<sup>\*</sup> A new group structure was introduced to ensure the corporate functions across NSW Trains and Sydney Trains are efficiently supported - avoiding duplication across the two agencies. Group Rail provides support services for financial, safety and human resources functions.

### **Our Leadership Team**

DIRECTOR, NETWORK SERVICES Dale Merrick DIRECTOR, SERVICE DEVELOPMENT AND SUPPORT Samantha Hudson DIRECTOR, REGION NORTH AND CENTRAL **Bradley Dixon** DIRECTOR, REGION **SOUTH AND WEST Candice Heine** DIRECTOR, **TRANSFORMATION** Tanya Johnstone CHIEF **OPERATING OFFICER** Pete Allaway **DIRECTOR, BUSINESS AND** PERFORMANCE Fred Dangar DIRECTOR, PEOPLE AND CHANGE Julie-Anne Tooth ACTING DIRECTOR, SAFETY, ENVIRONMENT, **QUALITY AND RISK** Hani Barham DIRECTOR, FINANCE Alex Andreopoulos HEAD OF COMMUNICATIONS Jenny Symes

# Be safe and secure





### **Our performance**

The safety and security of our customers and staff on stations and on-board trains and coaches is a key priority for NSW Trains.

In 2017-18, NSW Trains worked with our partners to raise awareness of safe behaviour around stations and on trains and coaches

We also continued to focus on using technology such as personal safety cameras and CCTV to improve the security of our network. We worked closely with the Police Transport Command to help prevent criminal offences and reassure customers that our network is safe.

We introduced a new version of our incident reporting system to improve the quality of reporting and help the investigation of safety incidents.

### **Employee safety**

The key indicator for employee safety is the Lost Time Injury Frequency Rate (LTIFR), a measure of the number of injuries resulting in lost time per million hours worked. NSW Trains' LTIFR (physical and psychological) increased by 30 per cent on the prior year. The increase is due to a change in the way LTIFR is calculated based on the number of hours worked and improved data capture in our upgraded incident reporting system.

	2016- 2017	2017- 2018	Change
LTIFR - physical	12.22	15.49	27%
LTIFR - psychological	9.72	12.93	33%
LTIFR - total	21.94	28.42	30%

### **Physical injuries**

There was no significant change in the number of physical injuries compared to last year. There were 103 physical injuries in 2017-18 and 46 per cent of those resulted in lost time injuries (LTIs). These injuries were mostly sustained by train guards and station staff at Central and Hamilton Stations and Newcastle Interchange where we have significant numbers of employees.

### **Psychological injuries**

Psychological injuries include a range of cognitive, emotional and behaviour symptoms and may include disorders such as depression, anxiety or post-traumatic stress disorder. There were 150 psychological injuries in 2017-18 which is line with the number reported in the previous year. These injuries were due to exposure to traumatic events or near miss incidents in the rail corridor and 26 per cent resulted in LTIs.

Given the number and impact of these incidents on our staff, NSW Trains continued to make this an area of focus for 2017-18 with the adoption of a Critical Incident Support Procedure (CISP) across the business.

CISP is a set of four practical initiatives designed to reduce exposure to potentially traumatic events and provide the necessary time and intervention to aid recovery and get back to normal life. Initiatives included:

- · onsite support during a critical incident
- · Critical Incident Support leave provision
- Peer Support Volunteer (PSV) program
- return to work buddy.

The PSV Program was completed, with 39 volunteers attending a two-day training course. In a survey, volunteers felt they were equipped with the necessary skills post training and were likely to continue volunteering. The survey also identified three key areas of improvement including the need to include harassment support in the training, increased management support and increased visibility of PSVs in the corporate area.

### Health and wellbeing

NSW Trains' Wellbeing Program aims to provide a holistic and inclusive approach which looks after employees' physical and mental health, focussing on prevention and integrating wellbeing into daily routine.

The Wellbeing Program undertook initiatives and events aligned to the four pillars of healthy body, healthy mind, healthy eating and financial fitness. These activities were run organisation-wide and locally within the regions and at Central.

This year the key opportunities to promote and enhance our employee health and wellbeing have included:

- participation in Rail R U OK? Day
- introduction of a Trauma Management program to support employees involved in an incident which includes access to specialist psychological care and access to five days critical incident leave

- introduction of a Peer Support Volunteer (PSV) program – an initiative that allows any employee to confidentially reach out and obtain support from a colleague in relation to a traumatic event or critical incident
- release of a Domestic and Family Violence Procedure to provide leave and support to employees affected by domestic and family violence
- SleepFit an online advice program to enable our employees to learn strategies to assist them in getting good quality sleep
- Executive Health Checks
- · flu vaccinations
- the Dial a Dietitian program which provides tailored advice on nutrition, diet and weight management
- a 'Fitness Passport' that provides for affordable gym membership
- Employee Health Fairs
- mental health awareness sessions facilitated by The Black Dog Institute and Beyond Blue.



The R U OK? XPT travelled around the network to promote the need to start R U OK conversations.

### **Customer safety**

There were 147 customer injuries reported during the year which was an eight per cent increase on the previous year. The majority were the result of slips, trips and falls when customers were boarding or alighting a train. The 83 injuries as a result of slips, trips and falls was a 13 per cent increase on the prior year.

A new Customer Injury Procedure and our upgraded reporting system is helping us better understand why customers are being injured, and develop strategies to reduce injuries.

In 2017-18, the focus was on education through engagement with customers at events such as Rail Safety Week which aims to improve awareness of rail safety. Customers were encouraged to 'mind the gap' with information about the gap between the train and the platform and the differential height between the train carriage floor and the platform. Eighteen stations, based on patronage the number of incidents and the size of the gap, were targeted during Rail Safety Week.

Risk reviews were conducted at these stations so that the risks associated with falling between the gap and the platform could be minimised as far as is reasonably practicable.



Customer Service Attendant Megan Sargent from Tahmoor Station communicated the rail safety message to customers.

### Trespass

There were 2482 trespass incidents reported in 2017-18 which is in-line with last year. Clifton School Parade Level Crossing in Clifton, Scarborough and Wellington reported the highest number of individuals who entered railway premises illegally. In addition to the risk to those individuals, the impact on our staff can be traumatic if there is near miss or a person is hit by a train.

This year we focused on several major initiatives to address trespass in the rail corridor including:

- ongoing announcements at stations to warn the community about the dangers of trespass
- working with third parties to reduce the risk of trespass. For example, we worked with Sydney Trains and Wollongong City Council to raise awareness of trespass and reviewed options to minimise trespassing at Coalcliff, Scarborough and the Clifton School Parade Level Crossing areas
- temporary installation of RealGuard monitoring technology to capture trespass frequency and obtain more accurate statistics
- increased Police Transport Command patrols
- community awareness programs at known trespass locations
- worked with network managers to improve fences around Wellington and Clifton stations.

### Rail safety

Signals passed at danger (SPADs) continued to trend upwards during the reporting period. There were 39 SPADs in 2017-18, which is 15 per cent higher than the previous year.

The recorded incidence of 'Other Operational Safety Breaches' including 'Fail to Stop' and 'Overshoot' remained consistent with the previous reporting period.

A number of initiatives to address rail safety were taken during the year including:

- reinstatement of the Operational Excellence Working Group to address operational safety breaches
- the Fatigue Risk Management Plan was finalised and submitted to the Office of the National Rail Safety Regulator (ONRSR)
- staff roster reviews were conducted against fatigue risk management parameters
- staff overnight accommodation around the network was reviewed to understand conditions that could relate to or contribute to fatigue
- participation in the Sydney Trains SPAD Working Group and the Australasian SPAD Working Group to develop strategies to minimise the risk of SPADs.

There were no train derailments or collisions in 2017-18.

### Case study:

### Automatic Train Protection

Automatic Train Protection (ATP) is being installed on trains and tracks to boost safety across the electrified network. The ATP system monitors train speed and will alert the driver if the train has exceeded the permitted speed. It will also automatically apply the emergency brake if necessary.

ATP testing was conducted throughout June 2018, with six drivers and three guards from NSW Trains carrying out the tests.

The first stage of the ATP System implementation (Newcastle Interchange to Cockle Creek) is planned for March 2019.

### **Anti-social behaviour**

The incidence of anti-social behaviour was consistent throughout the year, with a monthly average of around 158 reported incidents. This is slightly higher than the last reporting period which recorded around 150 incidents each month.

Hamilton, Central, Wyong, and Gosford had the most reported incidents of anti-social behaviour at stations. The Brisbane and Melbourne overnight XPT services recorded the most incidents on trains.

During the reporting period, NSW Trains has undertaken a number of initiatives to address anti-social behaviour at stations and on trains including:

- control assurance reviews (CARs) of anti-social behaviour on regional trains and stations around the North and Central region
- a Hazard Violence profile for Hamilton Station which is exposed to a significantly higher incidence of anti-social behaviour than other stations
- new 3G/4G Personal Safety Cameras to replace the older 2G devices for improved coverage
- an Anti-Social Behaviour Index (ASBI) as a predictive measure to provide a correlation between anti-social behaviour and criminal offences
- introduction of the Authorised Officer (AO)
   Program with 250 employees trained to
   become Accredited Authorised Officers. The
   officers may give direction to a person to
   leave a train, station or not to enter a train
- regional police operations across the network, and work with the Police Transport Command so they have a better understanding of the impact that anti-social behaviour has on customers and employees
- risk reviews to ensure the risks associated with anti-social behaviour are being minimised as far as is reasonably practicable.

### **Risk management**

NSW Trains understands the need for systematic, effective management of risk in a challenging operating environment.

Key business risks, their causes, consequences and controls are documented in the Corporate Risk Register. This register is maintained by the Chief Operating Officer and is regularly reviewed by the Acting Chief Executive and NSW Trains Directors at Management Committee meetings.

There is independent oversight of the Corporate Risk Register and risk management activities by the Audit and Risk Committee.

The Safety Risk Register (SRR), an integral part of the organisation's rail safety accreditation, continues to evolve and mature as new hazards, causes and controls are added and reviewed in light of operational events, risk assessments and investigation findings.

The content of the SRR is assured through several levels of co-ordinated activity:

- formal periodic risk reviews in which a group of subject matter experts from across the business confirms the causes, consequences and controls for each risk, and identifies further actions to minimise the risk so far as is reasonably practicable
- updates in response to investigation findings following significant incidents or, on occasion, previously unseen minor incidents
- revisions where Safety, Environment, Quality and Risk professionals become aware of gaps in descriptions of causes, consequences or controls, or where descriptions must be updated in response to changes, e.g. new procedures, processes or technology
- control owners who are required to ensure their controls are in place and are working effectively. This is done at a local level where managers, delegated by control owners and supported by Safety, Environment, Quality and Risk professionals, review their controls on an ongoing basis to provide the required assurance to control owners. There is independent oversight of the SRR and associated Safety Management System processes in the form of an annual audit by the Office of the National Rail Safety Regulator.



### Create great customer experiences





### SW Trains

### Our performance

At NSW Trains, the customer is at the centre of everything we do and we are committed to connecting communities by delivering excellent customer service everyday.

This year we improved our overall patronage and reported better customer satisfaction on many of our measures.

Our focus remains on creating a better experience for our customers and we look forward to welcoming two new train fleets in the coming years to deliver a safer, more reliable and comfortable journey.

### **Patronage**

Overall patronage increased by 8.9 per cent on last year's reported figure to 46.4 million.

Regional patronage decreased by 1.4 per cent to 1.7 million, an improvement over last year's decline which was 3.6 per cent.

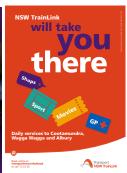
Intercity patronage increased by 9 per cent to 44.7 million In 2017-18.

Overall revenue increased by 6.5 per cent to \$123.9 million in 2017-18.

Regional revenue increased by 5.4 per cent to \$45.3 million with growth in Canberra and Melbourne services. Intercity revenue increased by 7.1 per cent to \$78.6 million in 2017-18.

This year, NSW Trains ran two tranches of an advertising campaign targeting residents in the Wagga Wagga, Cootamundra, and Albury areas to build awareness of the NSW TrainLink brand and promote the daily train services as an alternative to driving for local travel. The results were pleasing with an 8.6 per cent revenue spike and a 30 per cent increased likelihood of using NSW TrainLink services in the next 12 months.





An advertising campaign promoted NSW TrainLink services to residents of Wagga Wagga, Cootamundra and Albury to encourage people away from driving.

### **Customer sentiment**

NSW Trains continues to score around 86 per cent for overall satisfaction for our services, with the strongest improvement in cleanliness, customer service and ticketing scores. It has lost ground in comfort scores due to poor punctuality, crowding and inadequate airconditioning on some services.

Overall satisfaction for Intercity services declined to 86 per cent, this was driven by a decline in comfort, timeliness and convenience scores.

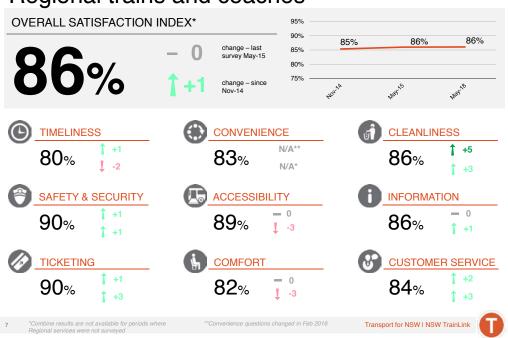
Regional trains and regional coaches maintained strong scores for customer satisfaction in 2018, with 97 per cent and 96 per cent respectively. The strongest improvements were in customer service for regional trains, and convenience for regional coaches. Opportunities exist in ticketing and information to maintain and drive better customer satisfaction.

Customers were more engaged with NSW Trains during the year with 12,415 phone calls and emails to the 131 500 feedback line, up seven per cent from last year including a record 1077 compliments.

- compliments increased by seven per cent, from 2.3 per 100,000 passengers in 2016-17 to 2.5 per 100,000 passengers in 2017-18
- complaints decreased by 10 per cent, from 18.4 per 100,000 passengers in 2016-17 to 16.7 per 100,000 passengers in 2017-18
- Twitter followers increased by 17 per cent, from 17,920 in 2016-17 to 21,047 in 2017-18.

### **Customer satisfaction**

### Summary dashboard – Intercity trains, Regional trains and coaches



### **Intercity Trains**



### **Regional Trains**



### Regional Coaches



### **Punctuality Intercity (peak)**

Intercity combined (AM and PM) peak hour punctuality, for those services arriving and departing Central, was 90 per cent for the 2017–18 year. While this is below the target of 92 per cent, it is an improvement over the previous reporting period which recorded 88.8 per cent punctuality.

The AM peak punctuality result exceeded target with 92.8 per cent although the PM peak performance was below target at 87 per cent. While this performance is below expectation it is up on the previous year's PM peak performance of 84.9 per cent.

The PM peak performance was affected by incidents across the network but the most significant impact was due to infrastructure issues on the Australian Rail Track Corporation's managed Southern Highlands line during the first half of the year. The Southern Highlands line peak performance was 64.5 per cent for the year.

Another major impact on Intercity punctuality was the breakdown of freight trains during the day which can disrupt the afternoon peak.

The overnight period provides an opportunity to 'reset' the system and typically enables better punctuality in the morning peak. The afternoon peak is more likely to be impacted by flow on effects of delays on the rail network during the day.

NSW Trains continues to partner with all stakeholders to focus on improving peak performance.

Peak Punctuality -Sydney Business Centre by Region 1 July 2017 - 30 June 2018

Region	Service Line	Punctuality
Central & West	West (Diesel)	86.0%
	West (Electric)	89.4%
	Total	89.1%
North	(Electric)	88.2%
	Total	88.2%
South	South Coast (Electric)	94.7%
	Southern Highlands (Diesel)	84.6%
	Total	94.2%
Grand Tota	il	90.0%

### **Punctuality Intercity (24 hour period)**

The NSW Trains 24 hour intercity punctuality result was above the target of 92 per cent with a result of 92.6 per cent. Excellent punctuality results on the Hunter Valley and South Coast lines were the main drivers for this good customer outcome.

### Intercity 24 hrs Punctuality 1 July 2017 - 30 June 2018

Region	Service Line	Punctuality
Central & West	West (Diesel)	91.8%
	West (Electric)	90.7%
	Total	90.8%
North	Hunter Valley (Diesel)	93.0%
	North (Electric)	90.6%
	Total	91.6%
South	South Coast (Diesel)	95.3%
	South Coast (Electric)	95.0%
	Southern Highlands (Diesel)	91.4%
	Total	94.2%
Grand Tota	nl	92.6%

### **Regional punctuality**

Regional performance met the 78 per cent punctuality target for the year. This is above the previous year's punctuality performance of 74.8 per cent.

Copper wire theft in the Australian Rail Track Corporation network continued to affect NSW Trains services as did other rail infrastructure issues and incidents involving privately operated freight trains. While these issues were often beyond our control, NSW Trains works closely with all Network Operators to minimise the impact on customers.

Regional services on the South and West lines returned good results with the Melbourne, Brisbane and services to the North West being the focus for improvement opportunities into the next financial year.

### Regional Punctuality 1 July 2017 - 30 June 2018

Region	Service Line	Punctuality
North	Armidale	70.7%
	Brisbane	68.0%
	Casino	76.4%
	Grafton	90.1%
	Moree	71.5%
	Total	75.4%
South	Canberra	87.7%
	Griffith	89.8%
	Melbourne	65.2%
	Total	78.9%
West	Broken Hill	91.5%
	Dubbo	87.1%
	Total	87.7%
Grand Tot	al	78.3%

### JSW Train

### **Customer experience**

### **Ticketing**

The 2017-18 reporting period was the second full year NSW Trains intercity customers have been using the Opal ticketing system, with a one per cent increase in satisfaction (May 2018 v May 2017) reported.

Our focus during the reporting period was to improve the ticketing experience for regional booked seat customers with several enhancements including:

- integration of the booking engine into the transportnsw.info website, with improved website functionality. Bookings via the website grew 3.7 per cent to 35.2 per cent of all transactions continuing a steady trend away from traditional face-to-face and over the phone sales
- transition of an in-house contact centre operation to Service NSW who are expert in data security and assisting customer's transition to digital channels. The Service NSW contact centre is performing well with the average call time reducing
- development of a real time passenger manifest app to replace paper passenger manifests for crew on regional trains. The app was piloted in Grafton, and enables staff to have up-to-date visibility of customer bookings, file notes about their needs on board and visibility of available seat inventory for sale en route. Once the pilot is completed the app will be rolled out to all on board crew and coach operators
- work to provide full access to 60 NSW
   TrainLink agents to make it easier and quicker for them to book travel for customers online, rather than through the phone support team.





Customers were encouraged to book their regional tickets online to take advantage of significant discounts.

### **Access to information**

NSW Trains finalised the roll out of over 1800 smart phones to front line staff during the reporting period. A range of apps provided on the phones enable front line staff to stay connected to vital information and be on the front foot with trip planning, Opal information and alternate journeys plans for customers.

### Case study: Mobile devices

Morisset Station is used by many international tourists travelling to visit the hospital which is famous for its many resident kangaroos. David Zvicer, a NSW Trains Duty Manager, noticed that some of these travellers were stepping over the yellow line on the station platform, placing

them in the danger zone. Using the translate app on his mobile device, David provided visiting tourists with 'stand behind the yellow line' announcements in Cantonese. David was honoured for his initiative winning the 2017 Transport Award for Safety.



David Zvicer and Rodd Staples, Secretary Transport for NSW

### **Quiet carriages**

NSW Trains' longer distance intercity customers value quiet carriages and ask that we do more to support the concept. This year, NSW Trains invested in a suite of decals and a campaign to remind people of the quiet carriage protocol.

The campaign focussed on acceptable and reasonable behaviours when using quiet carriages on intercity services to improve the customer experience. The campaign aimed to address disruptive customer behaviour and supplement current station and carriage signage to enable better understanding of the quiet carriage protocol and locations.







### **Onboard café**

The March 2018 regional onboard café menu has been the most popular to date with increased breakfast sales of 30 per cent. The introduction of two new menu items, which proved to

be extremely popular, led to the improved breakfast sales. NSW Trains is committed to continuing to source fresh produce from regional NSW with our menu showcasing beef from Griffith, pork from Casino, chicken from Tamworth and lamb from the Riverina. Seventy five per cent of all onboard café food and beverage items are sourced from NSW.

NSW Trains completed a range of initiatives during the year to improve the onboard café experience including:

- better management of all EFTPOS and point of sale incidents which has reduced service outages by almost half
- food safety training targeting station staff and dry store coverage
- new menu design concept with an events calendar, staff profile and executive message released and well received
- a focus on regional produce and food products on our annual summer and winter menus.



Dubbo Station

### Station refresh

Preparation, scoping and alignment activities continued during the year in anticipation of a new program of station refresh works with expected delivery in 2018–19 for a number of NSW Trains stations across the network. The program includes improvements to station security and lighting, deep cleaning, repainting, upgrading toilet facilities, bird proofing, landscaping and removal of redundant equipment.

### Cleanliness

The cleanliness of our trains and stations is important to both our customers and NSW Trains. During 2017–18, the following initiatives were undertaken to provide customers with cleaner trains and stations:

- Five hundred and eighteen carriages and 135 Intercity and Regional stations received a deep clean as part of the ongoing Deep Cleaning Program. Trains pre-service and the majority of stations are now consistently exceeding the target score. Regional stations are now scheduled into our 2018-19 program after a successful experience with ad hoc cleaning requests during 2017-18.
- In-transit cleaning occurs across the Blue Mountains, South Coast, and Central Coast lines. In-transit cleaning on the South Coast Line was extended to include North Wollongong which was a hotspot for on-board rubbish.

 The successful implementation of an on-call plumber at Central Station has been extended to cover weekends resulting in a significant improvement of more than 27 per cent availability of toilets in service.

The Customer Experience Management Program continues to go from strength to strength measuring our performance with live data. Real time alerts are sent out on any cleanliness issues, allowing speedy resolution by staff. Station managers have direct access to daily performance results for all areas which are used to identify stations and specific train services where additional attention is required.

### **Smart Stations**

The Smart Stations Program (seven individual projects) will provide NSW Trains intercity and regional customers with a consistent, safe, secure, clean and modern station environment with up-to-date, real time information.

The Smart Stations program successfully completed the installation of static customer information boards at 27 regional stations. Posters were customised for each station with handy information including train and coach timetables as well as local community information to support people arriving at the station. More Smart Stations projects will be completed over the next financial year.

### **Newcastle Interchange**

The Newcastle Interchange is the new major public transport hub serving the Newcastle area. New developments and economic growth nearby will create a new CBD.

The Interchange was opened on 15 October 2017 to service heavy rail trains operating to the Hunter, Central Coast and Sydney as well as catering for the future light rail and bus/coach hub.

### More trains, more services

The 26 November 2017 timetable was successfully implemented incorporating the inaugural Newcastle and Blue Mountains Express Services to and from Sydney. These services were the result of years of listening to customers from Newcastle, Central Coast and the Blue Mountains. They have proven to be a good start for future customer service offerings by NSW Trains.

### **Sydney Metro integration**

This new standalone railway will provide public transport for commuters in Sydney's Northwest with 31 metro stations and a new generation of world-class fast, safe and reliable trains. NSW Trains' engagement in Central Station Metro Works started in late 2017, increasing in March 2018 when the contract to build the new Sydney Metro underground platforms and the landmark Central walk was awarded to Laing O'Rourke.

New Metro platforms will be built under platforms 13, 14 and 15 at Central Station. A new underground concourse will also be built to better connect the eastern side of the station to trains, buses, light rail and the new Metro platforms. Both of these concurrent projects will affect the way our customers use the station during the building phase.

As a key stakeholder, NSW Trains' engagement was maintained through extensive and proactive involvement in various workshops, the design review process, site assessments, project working groups, project control groups, station working group, wayfinding design and configuration change boards amongst others. During this time the consideration and safety of our customers has been paramount.

### **New fleets**

### **New Intercity Fleet**

The introduction of the New Intercity Fleet (NIF) presents an exciting opportunity for the people of New South Wales and NSW Trains.

The new double deck trains will give long distance customers a more comfortable travelling experience. The trains will be safe, comfortable, and accessible and provide an appealing environment for customers during longer journeys with a range of features not currently available on our existing intercity fleet.

It has been two years since the rolling stock contract was awarded to RailConnect for the design, manufacture and maintenance of the new intercity fleet. It is very important to NSW Trains to ensure that our customers and other key stakeholders have a voice when it comes to the design of the train.

To achieve this, RailConnect and Transport for NSW have undertaken numerous workshops, briefings and forums with customers, communities, local businesses and local and state government representatives. Other relevant train user representative organisations such as the Accessible Transport Advisory Committee have been involved in engagements designed to ensure the NIF train meets its Disability Standards for Accessible Public Transport requirements.

The NSW Trains NIF Operational Readiness Project team has been analysing and planning for the arrival of the new train and the changes it will bring. NSW Trains has been in consultation with the Rail Tram and Bus Union to discuss the possible changes associated with each of the three train crewing modes that the train will be capable of.

The Office of the National Rail Safety Regulator (ONRSR) will play an important role in granting NSW Trains a variation to its operating accreditation. A series of briefings to ONRSR occurred this year and will continue during the process of determining the proposed crewing model.

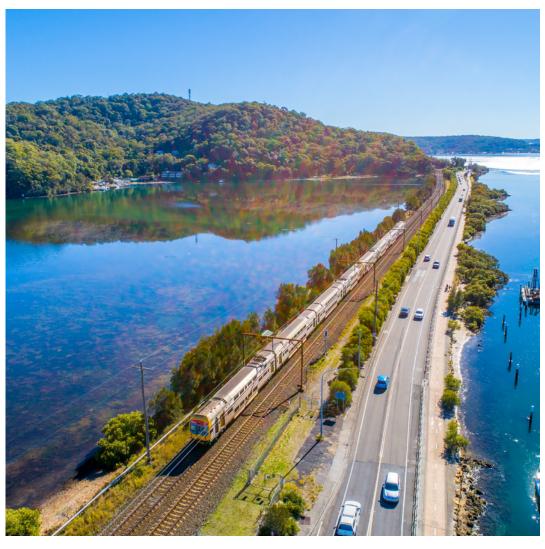
### **Regional Rail Project**

During the year, the Government announced it would replace the entire NSW regional train fleet, including 60 XPT carriages and 19 power cars and more than 50 XPLORER and Endeavour passenger cars. The new fleet of modern trains will improve the safety, comfort and reliability of regional train services.

In addition to new trains, an important aspect of the new project will be a tangible injection of regional jobs and infrastructure with the new maintenance facility to be built at Dubbo in the state's west.

Following an extensive Expression of Interest process, three applicants were shortlisted to participate in the tender process, with a Request for Proposal process started in December 2017.

NSW Trains, as part of the Regional Rail Project team, is evaluating submissions with Transport for NSW and is well on track to award a contract by early 2019. The new fleet will enable NSW Trains, as the chosen operator, to offer a greatly enhanced service for our customers with the new fleet joining station upgrades and improved channel technologies to deliver a modern and accessible travel experience.



Customers travelling on the Central Coast and Newcastle line will benefit from the New Intercity Fleet.

### **New services**

### **Trial coach services**

NSW Trains has been working with Transport for NSW to develop trial coach services in line with its Future Transport strategy. A key part of the trials is responding to the desire of our customers to not only be connected to Sydney and other capital cities, but also for communities to be brought closer together through convenient transport links to other regional centres.

After identifying five potential trials, NSW Trains ran engagement programs in local communities to understand if there was a demand for the services and when and how often they should operate.

Between December 2017 and April 2018, NSW Trains engaged with communities about trial coach services between:

- Tamworth and Dubbo
- · Tamworth to Port Macquarie
- Tamworth to Newcastle (coach and rail)
- Wagga Wagga and Albury
- Goulburn and Canberra
- Goulburn and Sydney (coach and rail)

These services would establish new direct transport links or provide more choice to customers in addition to existing train services.

The engagement activities included discussions with local groups and organisations, community engagement sessions at local community centres, or stalls at shopping centres, markets or existing local events. Community members could provide input into the process via a community survey whether or not they were able to attend the engagement sessions in person.

Following this process there was a staged introduction of the trials, starting with the services to and from Tamworth that began on Monday 12 March.

This was followed by the start of ticket sales on 25 June for trial services between Wagga Wagga and Albury, via a number of smaller centres, that were due to begin on Monday 16 July.

Plans were also being prepared to start trials between Goulburn and Canberra and Goulburn and Sydney during the next reporting period.

During the trials, which operate for approximately six months, we continue to seek feedback from customers on board the services and from the wider community via a survey halfway through the trial. This feedback will help establish potential improvements to the trials to make them appeal to more people and identify whether there is demand for the services to be operated permanently.

NSW Trains will consider a range of factors including patronage, the broader economic benefit to communities, as well as social improvement (education and medical) in considering the ongoing viability of the services.

### 40km rule

Due to complex legislative and contractual arrangements, NSW Trains could not provide regular timetabled bus services between two destinations that were less than 40 kilometres apart.

In mid-2016, Transport for NSW started new contractual arrangements with operators for rural and regional bus services under which Transport for NSW bears the risk. This change of contracting and funding model provided an opportunity to review the NSW Trains coach network to provide better coach services to customers.

A pilot to allow travel between Bega and Bemboka (approximately 37 kilometres) where the 40 kilometre rule was removed was run. The pilot was well received locally and provided a service between communities where transport options were previously limited. The trial found there was no significant impact to travel times at no cost to the community to implement. As a result, the decision was made to scrap the 40 kilometre restriction rule across the state.

Under the new rules, if a seat is available, NSW Trains customers can now book coach services to travel to nearby towns under a distance of 40 kilometres from their boarding point where they were previously unable to do so.

# Build connections





### SW Trains

### Our performance

As a regional transport provider, it's critical that we increase trust and relevance in the community, while improving how we engage with employees who live in the communities we serve.

This year we worked to establish engagement with our communities and customers as part of our everyday business.

We improved the diversity of our workforce with more women in leadership positions and more employees who identify as Aboriginal.

### **Communities**

Engaging with our communities is increasingly becoming central to the way we plan and operate our services. By better understanding the needs of our communities we can make more informed decisions.

During 2017-18, we worked to develop closer links with our communities, using our 'Guide to Engagement' as a basis for positive two-way communication. Our aim is to take every opportunity to listen to our communities and develop lasting and cooperative relationships that benefit our customers into the future.

Our community engagement ranges from regular discussions with representative groups and organisations designed to develop a better mutual understanding, to specific engagement programs involving the wider community designed to help us plan and deliver new services.



Community consultation on the proposed coach trials was held at Tamworth.

### **Event trains**

Recognising the role major events play in the economic sustainability of regional communities, NSW Trains supported two key festivals with special event trains.

### 2018 Elvis Express

It was a ground breaking year for NSW Trains and the Parkes Elvis Festival, with a partnership between NSW Trains and Lachlan Valley Railway, a heritage train operator.

Customers were able to make their way to Parkes on either the NSW TrainLink Elvis Express or Lachlan Valley Railway's Blue Suede Express for their annual pilgrimage to the festival. This year's festival celebrated 50 years since the King's legendary 1968 comeback.

For the first time, Elvis Express coach services operated from Canberra and Tamworth to the Festival demonstrating NSW Trains' commitment to regional communities and events.

Prior to the departure of the Elvis Express and the Blue Suede Express, customers at Central Station and festival goers were treated to Elvis tribute artists performing on stage.

The Elvis Festival gets bigger and better every year and provides a huge boost to tourism and related industries in Parkes and surrounding regional areas over the four days.

### **Silver City Stiletto**

For the first time, NSW Trains partnered with organisers of the annual Broken Heel Festival to celebrate the iconic movie Priscilla Queen of the Desert. A special train, the 'Silver City Stiletto', left Central Station on Thursday 7 September to take fans to Broken Hill for the event.

As well as entertainment at Central before the train departed, well-known drag queen Maude Boat was on board for the trip, helping festival goers get into the mood on the journey to Broken Heel.

The Silver City Stiletto provided a boost for the local economy and tourism with all the Festival goers on board.



NSW Trains employees, Kylie Young, Ash Telford and Chanai Kelleher brought Elvis back to Platform 1.



Maude Boat on her way to the 'Broken Heel' festival. Photo courtesy of Destination NSW.

### **Community partners**

NSW Trains regularly works with community partners to help provide services or improve the lives of community members.

This year there were two significant community partnerships which showcased our approach.

### **Homeless hub**

More than 250,000 customers travel through Central Station every day and every evening around 80 rough sleepers are bunking down on the Grand Concourse, while more than 100 ride the trains. Customers complained that they felt unsafe with the high number of homeless people at the station, while homeless people were only seeking a safe, dry place to sleep with facilities such as washrooms.

To manage this, NSW Trains instigated a partnership with Sydney Trains, Family and Community Services, Police Transport Command - Central, Salvation Army, Vinnies, Wagec, Neami, City of Sydney Council and St

Vincent's Hospital, called the 'Central Station Outreach'. The intent was to get rough sleepers back into to their home, or into temporary accommodation which in turn would improve perceptions of safety at the station and on trains and improve our cleanliness.

NSW Trains took a strong leadership role in project managing and identifying and engaging the key partners mentioned above. NSW Trains trained staff to approach rough sleepers, to build trust and then refer them to a community service hub.

Family and Community Services hosted the community service hub at Central Station, with the groups mentioned above, to help rough sleepers with medical care and accommodation.

This initiative extended into regional centres with outreach activity also in Hamilton and Bomaderry.

In March, NSW Trains received a Transport for NSW cluster award in the Customer Focus category for this project.

### **Trauma Teddies**

Across Australia, thousands of Trauma Teddies are distributed each year to help reduce the suffering of people, mostly children, affected by fire, floods or other disasters. These teddies are lovingly hand-crafted by Red Cross members and volunteers all over the country, including members of the Gunnedah Community.

For many years, volunteers at Gunnedah travelled to Sydney on NSW Trains train services to deliver the handmade teddies to the Red Cross Regional Office. However, recently one of the volunteers contacted Gunnedah Station asking if NSW Trains could transport the teddies as the volunteers were getting too old to make the journey to Sydney.

Customer Attendant, Karen Neader, arranged for the teddies to travel alone on the XPLORER train and be met at Central Station by a member of the Red Cross who collected them from the train.





Werris Creek Driver Mat Stennett escorted the Trauma Teddies to Sydney.

### **Employees**

### **Engagement**

NSW Trains measures employee engagement through annual participation in the NSW Public Service Commission's People Matter Employee Survey (PMES). The survey gathers employee feedback on leadership, communication, career and development, access to workplace tools and services and other key drivers of employee engagement. Action plans are developed each year based on the results of this survey.

A focus on driving participation increased the NSW Trains' response from 33.8 per cent in 2017 to 67.8 per cent in 2018.

Actions undertaken in the past year aimed at building engagement included running 'In the Know' rostered communication sessions every six months, developing and supporting leaders to be able to share our strategy and business plan. As a result, our priorities and performance were shared with all NSW Trains team members.

NSW Trains also celebrated a number of events with employees to focus them on key issues such as safety, well-being and diversity. Along with Rail R U Ok? Day and Rail Safety Week, we celebrated International Women's Day which is a key event on the NSW Trains calendar. This year, staff from across the state attended a session hosted by the Secretary of Transport for NSW and featuring Christine Nixon, the former Chief Commissioner of Victoria Police as guest speaker, with a focus on how the cluster can become more gender inclusive. NSW Trains also joined the Transport Cluster in celebrating NAIDOC Week in July.

Employee sick leave – average monthly days per employee	0.84
Employee OT (unscheduled) - overtime hours as % normal hours	6.86%
Equal opportunity - % women in workforce	25.12%
Headcount – direct employees	2090

### **Diversity and inclusion**

NSW Trains is aligned to Transport for NSW's focus areas of increasing both women in senior leadership roles and Aboriginal representation. Our strong focus on hiring, developing and retaining women in leadership positions in this financial year has seen representation of women in senior roles increase from 29 per cent to 33.8 per cent.

NSW Trains has actively partnered with Aboriginal employment agencies to increase the number of Aboriginal candidates applying for roles. During the year, we partnered with the Sydney Trains Aboriginal Employment Unit and Transport for NSW Recruitment Team to hold Aboriginal Careers Open Days in both Southern and Northern NSW, targeting recruitment from Aboriginal communities. In this financial year, representation of Aboriginal employees increased from 1.61 per cent in July 2017 to 1.87 per cent. This represents an additional five employees within NSW Trains who identify as Aboriginal.

NSW Trains has further supported the diversity of our workforce through actively participating with Transport for NSW in the Sydney Gay and Lesbian Mardi Gras and being involved in Diwali, the annual Hindu Festival of Lights.

This financial year saw the beginning of work to consolidate diversity and inclusion plans across NSW Trains and Sydney Trains. This enables a combined effort to leverage the best of approaches across Transport and apply improvements more efficiently to our employees. An example of this is the work underway with our leadership teams on managing unconscious bias and fostering a consciously inclusive mindset.

### Case study:

### **NAIDOC** Week

The theme for the 2017 NAIDOC week was *Our Languages Matter*. The theme acknowledged the unique and essential role that Indigenous languages play in cultural identity, linking people to their land and water and in transmission of Aboriginal and Torres Strait Islander history, spirituality and rites, through story and song.

Celebrations were particularly special as 2017 marked the 25 year anniversary of the Mabo Case (Terra Nullius) and the 50 year anniversary of the Australian referendum that gave Aboriginal and Torres Strait Islanders the right to vote in Australia.

For NSW Trains, NAIDOC Week is an opportunity to celebrate the diversity of our workforce and the contribution Aboriginal employees make to the success and culture of the organisation.

The event is aligned with NSW Trains' strategic business objectives of building

connections with our staff and our communities as well as the Transport-wide diversity objectives.

A key part of the event provided a link with regional communities through message sticks. A message stick is a form of communication traditionally used by Indigenous Australians, passed between different clans and language groups to transmit messages.

Four message sticks formed part of the ceremony on the Grand Concourse at Central Station, and were presented to four of our Indigenous employees. These employees escorted the sticks to Dubbo, Wollongong, Albury, Wagga Wagga, Canberra, Gosford, Broadmeadow and Coffs Harbour, collecting signatures on the way. Local events were held at the stations on the arrival of the message sticks, with the community and customers taking part.



Message sticks were carried across the NSW Trains network by our Aboriginal employees.

## Spend Smarter





### SW Trains

### Our performance

In every decision at NSW Trains, our aim is to deliver value for the community and taxpayers of NSW. In 2017-18, we improved our operating costs per kilometre and per passenger journey through cost effective growth in both services and patronage.

As a result, NSW Trains continued to improve its cost recovery from fares and reduce its operating deficit for 2017-18. Our full financial performance is reported in Volume Two of this report.

We are committed to maintaining downward pressure on costs. In order to create greater efficiency and reduce duplication of the support function of Finance, Human Resources and Safety, a cross-agency, 'Group Rail', function has been implemented.

Following are some other initiatives which are helping us to reduce operating costs.

### **Contact Centre transition**

In April 2018, NSW Trains finalised the transition of the NSW TrainLink Contact Centre function to Service NSW. Service NSW was established with the vision of creating a one-stop shop for individuals and businesses to conduct their transactions with Government. NSW Trains joins a number of other government agencies supported by Service NSW through its network of service centres and call centres.

This project formed part of the Transport for NSW Customer Channel Transformation Program (CCTP). Along with the consolidation of the NSW TrainLink website into **transport.info** the CCTP program continues to invest in technologies to deliver an improved customer experience and maximise operational efficiencies through the consolidation of customer channels and systems.

### **Diesel supply contract**

NSW Trains requires a secure supply of competitively priced diesel fuel to support the provision of train services across NSW.

At the expiry of the previous arrangements, which were through the Department of Finance Services and Innovation, NSW Trains assumed the leadership for a new diesel fuel supply and worked with the State Transit Authority to conduct a single tender process to meet the combined demand of 60 million litres of diesel fuel annually. The new contract commenced on 1 August 2017 and is for three years with two one-year extension options for NSW Trains. The State Transit Authority's contract is up to 30 July 2018 with four one-year extension options. It is estimated that this will save both organisations an average of 2.3 per cent of their combined fuel costs.

### **Managed print services**

We installed 203 new printer/copier/scanner machines across 119 locations completing the deployment in April 2018. Costs under the new contract are currently half that anticipated due to new print features which led to a reduction in printing volume and waste associated with accidental or unwanted printing. NSW Trains is also working with Transport for NSW to rationalise the current independent Managed Print Services contracts across the cluster into a single contract which will reduce printing expenditure further.

Smarter spending on print infrastructure along with ongoing work to implement digital efficiencies by eliminating paper workflows will continue to drive down printing costs.



### Appendices





### NSW Trains

### Finance and asset management

### **Overseas travel**

### International travel (itemised): July 2017 - June 2018

Agency	Officer Name and position	Date	Destination	Purpose	Customer outcome
NSW Trains	Andrew Pedley Manager Business Performance NSW Trains	26–30 September 2017	Denmark	Attend Phase Two Meeting of the International Mainline Rail Benchmarking Group	The purpose of the travel was to inform the operating model of the New Intercity Fleet and to benchmark NSW Trains to improve our customer satisfaction. This included exchanges of ideas and practices of how to make improvements to customer information, comfort, safety and security.
NSW Trains	Fred Dangar Director Business Strategy and Performance	19-24 March 2018	Netherlands	Attend International Mainline Rail Benchmarking Group meeting	The purpose of the travel was to better understand the management of train capacity and rollingstock maintenance to increase fleet utilisation to improve services to meet customer demand and increase customer satisfaction.

### **Grants to non-government community organisations**

In relation to the reporting requirement in Premier's Memorandum 1991–34, NSW Trains did not grant any funds to non-government community organisations during the year.

### Consultants

Consultants are reported in accordance with the requirement in Premier's Memorandum 2001-07.

Consultant	Project	Costs (\$)
Contracts of \$50,000 or more		
Total contracts of \$50,000 or more		-
Total contracts of less than \$50,000		-
Total expenditure in 2017-18		0

### **Payment of accounts**

In accordance with the requirements of the *Annual Reports (Statutory Bodies) Regulation 2010,* performance in paying trade creditors' accounts during the year is reported below.

### **Payment of Accounts (GST Included)**

Quarter	Current (i.e. within due date) \$M	Less than 30 days overdue \$M	Between 30 and 60 days overdue \$M	Between 60 and 90 days overdue \$M	More than 90 days overdue \$M
Suppliers					
Sep-17	3.1	1.9	0.0	0.0	0.0
Dec-17	2.6	1.9	0.0	0.0	0.0
Mar-18	2.9	1.1	0.0	0.0	0.0
Jun-18	5.7	0.0	0.0	0.0	0.0
Small busine	ess suppliers				
Sep-17	0.0	0.0	0.0	0.0	0.0
Dec-17	0.0	0.0	0.0	0.0	0.0
Mar-18	0.0	0.0	0.0	0.0	0.0
Jun-18	0.0	0.0	0.0	0.0	0.0

### Accounts paid on time within each quarter

Measure	Sept-17	Dec-17	Mar-18	Jun-18
Suppliers				
Number of accounts due for payment	1,860	2,757	2,933	2,751
Number of accounts paid on time	1,858	2,751	2,877	2,751
Actual % accounts paid on time	99.89%	99.78%	98.09%	100.00%
\$ amount of accounts due for payment	\$24,059,206	\$30,772,047	\$28,558,477	\$26,068,857
\$ amount of accounts paid on time	\$24,056,629	\$30,771,086	\$28,362,197	\$26,068,857
Actual % accounts paid on time (based on \$)	100.00%	100.00%	99.31%	100.00%
Number of payments for interest	0	0	0	0
Interest paid on overdue accounts	\$0	\$0	\$0	\$0
Small business suppliers				
Number of accounts due for payment	28	7	0	0
Number of accounts paid on time	28	7	0	0

Measure	Sept-17	Dec-17	Mar-18	Jun-18
Actual % accounts paid on time	100.00%	100.00%	0.00%	0.00%
\$ amount of accounts due for payment	\$512,680	\$641,335	\$-	\$-
\$ amount of accounts paid on time	\$512,680	\$641,335	\$-	\$-
Actual % accounts paid on time (based on \$)	100.00%	100.00%	0.00%	0.00%
Number of payments for interest	0	0	0	0
Interest paid on overdue accounts	\$0	\$0	\$0	\$0

### Internal audit and risk management and policy attestation

### TPP15-03 internal audit and risk management statement for the 2017-2018 financial year for NSW Trains

I, Howard Collins, am of the opinion that NSW Trains has internal audit and risk management processes in operation that are, in all material respects, compliant with the eight (8) core requirements set out in the Internal Audit and Risk Management Policy for the NSW Public Sector, specifically:

1.1	The agency head is ultimately responsible and accountable for risk management in the agency	Compliant
1.2	A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009	Compliant
Intern	al audit function	
2.1	An Internal audit function has been established and maintained	Compliant
2.2	The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing	Compliant
2.3	The agency has an Internal Audit Charter that is consistent with the content of the 'model charter'	Compliant
Audit	and Risk Committee	
3.1	An independent Audit and Risk Committee with appropriate expertise has been established	Compliant
3.2	The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations	Compliant
3.3	The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'	Compliant

### **Membership**

The chair and members of the Audit and Risk Committee are:

Position	Name	Start term date	Finish term date
Independent Chair	Peter Mayers	6 Nov 13	4 Nov 18
Independent Member 1	David Antaw	6 Nov 13	30 Jun 20
Independent Member 2	Shirley Liew	11 Nov 13	30 Jun 20



Acting Chief Executive NSW Trains 18 October 2018

### Risk management and insurance activities

NSW Trains has a comprehensive tailored insurance program in place as part of its risk management strategy.

The insurance program is to be reviewed annually to protect against insurable risks. These risks could affect:

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

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

### **Land disposal**

NSW Trains holds no land assets and has made no land disposals in the past year.

### **Disclosure of controlled entities**

NSW Trains had nil controlled entities during the past financial year.

### **Disclosure of subsidiaries**

NSW Trains had nil subsidiaries during the past financial year.

### Investment management performance

NSW Trains holds nil investments with TCorp.

### Liability management performance

NSW Trains is not required to report on liability management performance in accordance with Treasury Circular 09/07.

### SW Trains

### **Capital works**

NSW Trains total capital investment in FY18 was \$8.1 million which included various capital projects including:

- · Tell Us Mobility Reporting
- Safety and Environment Management (FPe)
- Regional CCTV, Mobile Public Announcements and Information Boards
- · Train Borne Monitoring

### Response to matters raised by the Auditor-General

No significant matters were raised by the Auditor-General in the Statutory Audit Report for the year ended 30 June 2018.

### People

### **Human resources**

### Industrial relations legislation, awards and agreements

NSW Trains, together with Sydney Trains, finalised negotiations with unions to agree to a new Enterprise Agreement which was approved by the Fair Work Commission on 24 April 2018.

The Terms and conditions of employment of NSW Trains' employees are also governed by:

- · Executive contracts
- Fair Work Act 2009 (Cth)
- Rail Industry Award 2010

### Exceptional movements in wages, salaries or allowances

Following the approval of the NSW Trains' Enterprise Agreement (EA) on 24 April 2018, employees received a pay increase of three per cent effective from that date. In addition, EA covered employees received a \$1000 one-off payment, effective 1 May 2018. Employees were provided the opportunity to salary sacrifice this lump sum amount into their superannuation fund.

### **Human resources policies and practices**

In the past year, a number of human resources initiatives, policies and procedures have been implemented to support NSW Trains' management and employees, including:

- Authorised Officer training assisting our employees in managing incidences of anti-social behaviour
- · Safety Essentials training
- Leadership development programs
- Technical competency based programs
- · Customer relationship training
- Providing support after trauma workshops
- Coping with trauma workshops
- Peer Support Volunteer program
- Domestic and Family Violence and the Workplace Leadership training
- · Leave and attendance

### Headcount as at 30 June 2017

Directorate	Headcount
Business Strategy & Performance	8
Network Services	87
North & Central Region	1158
Service Development & Support	32
South & West Region	660
Engineering & Safety Environment Quality & Risk	20
Finance & Corporate Services	52
People & Change	13
Transformation	49
COO Office	2
Outplacement	9
Grand total	2090

### Senior executives - table

Senior Service officers accounted for six per cent of the total employee related expenditure (4.6 per cent in 2015–16).

### **NSW Trains - Senior Executive Bands 1-3**

Pay scale group	Female	Male	Total	Average rem
Band 1	7	10	17	\$247,368
Band 2	0	1	1	\$438,308
Total	7	11	18	\$257,976

### **Agreements with Multicultural NSW**

There were no agreements required.

### **Workforce diversity**

Workforce diversity group	Benchmark/ target	2014	2015	2016	2017	2018
Women	50% by 2025**	23.8%	24.1%	24%	25.3%	25.10%
Women in senior positions	39.1% by June 2018*	19.1%	21.3%	20.4%	29.0%	33.8%
Aboriginal people and Torres Strait Islanders	1.77% by June 2018*	1.4%	1.5%	1.5%	1.7%	1.87%
Staff members whose first language is not English	19%**	3.9%	4.6%	6.3%	4.5%	2.63%
People with a disability	N/A	2.7%	2.6%	2.6%	2.4%	2.54%
People with a disability requiring work-related adjustment	1.5%**	1.3%	1.2%	1.2%	1.1%	0.33%

<sup>\*</sup> Transport Cluster assigned to align with wider public service targets set by the Premier

<sup>\*\*</sup> Transport for NSW Diversity and Inclusion Plan target (2014–2019)

### Trends in distribution of workforce diversity groups

Workforce diversity group	Benchmark/ target	2016	2017	2018
Women	100	90	91	92
Aboriginal people and Torres Strait Islanders	100	81	86	90
Staff members whose first language is not English	100	103	102	108
People with a disability	100	95	93	99
People with a disability requiring work-related adjustment	100	95	89	N/A

Note 1: A Distribution Index score of 100 indicates that the distribution of members of the Workforce Diversity group across salary bands is equivalent to that of the rest of the workforce. A score less than 100 means that members of the Workforce Diversity group tend to be more concentrated at lower salary bands than is the case for other staff. The more pronounced this tendency is, the lower the score will be. In some cases, the index may be more than 100, indicating that members of the Workforce Diversity group tend to be more concentrated at higher salary bands than is the case for other staff.

Note 2: The Distribution Index is not calculated when the number of employees in the Workforce Diversity group is less than 20 or when the number of other employees is less than 20.

### Multicultural policies and services program

Under the *Multicultural NSW Act 2000,*Transport for NSW is required to deliver and report against current policies and services which address the NSW's Multicultural Planning Framework.

The Transport for NSW multicultural plan outlines how it will respond to the NSW Government's multicultural objectives, and incorporate multicultural principles into Transport for NSW processes and systems.

The multicultural plan was reviewed by the Transport cluster steering committee. The multicultural plan implementation continued to be prioritised across the Transport cluster. NSW Trains used the plan to ensure its operations reflect the multicultural nature of its staff and the community in which it operates. NSW Trains' staff is reflective of the communities it serves, with more than one third from racial, ethnic or ethno-religious minority groups resident in New South Wales. NSW Trains has monitored and met scorecard targets regarding employees identifying as Aboriginal.

NSW Trains continued to participate in numerous multicultural events, including holistic cultural events such as Harmony Day, as well as specific cultural events; Diwali, International Women's Day, the Eid Festival and NAIDOC Week. Participation in these activities came from all levels of NSW Trains. The NSW Trains' Chief Operating Officer and the leadership team attend and speak at many of the supported multicultural events.

In meeting our commitment to developing our multicultural credentials, in 2017-18 NSW Trains commenced a partnership with the Sydney Trains Aboriginal Employment Unit. The Aboriginal Employment Unit builds pathways into frontline roles for Aboriginal and Torres Strait Islander people. It aims to increase representation in our workforce of Aboriginal and Torres Strait Islander people.

### Legal

### **Government information and disclosures**

Acts and subordinate legislation administered by the Minister for Transport and Infrastructure:

### **Minister for Transport and Infrastructure**

Air Navigation Act 1938

Air Transport Act 1964

• Air Transport Regulation 2016

Broken Hill to South Australian Border Railway Agreement Act 1968

City of Sydney Act 1988

• (Part 4A and Schedule 2, jointly with the Minister for Roads, Maritime and Freight (remainder, the Minister for Local Government)) (Part 4A and Schedule 2, jointly with the Minister for Roads, Maritime and Freight (remainder, the Minister for Local Government))

Civil Aviation (Carriers' Liability) Act 1967

National Rail Corporation (Agreement) Act 1991

Parking Space Levy Act 2009

• Parking Space Levy Regulation 2009

Passenger Transport Act 1990

- Passenger Transport Regulation 2007 [to 31.08.2017]
- Passenger Transport (General) Regulation 2017 [from 01.09.2017]

Passenger Transport Act 2014

• Passenger Transport Regulation 2014

Point to Point Transport (Taxis and Hire Vehicles) Act 2016 (No 34)

- Point to Point Transport (Taxis and Hire Vehicles) Regulation 2016 renamed the Point to Point Transport (Taxis and Hire Vehicles) (Industry Adjustment) Regulation 2016 on 01.11.2017
- Point to Point Transport (Taxis and Hire Vehicles) Regulation 2017 [from 01.11.2017 except Sch 3 which commenced 01.02.2018]

Rail Safety (Adoption of National Law) Act 2012

• Rail Safety (Adoption of National Law) Regulation 2012

Rail Safety National Law (NSW) (South Australian Act adopted for NSW by the above adoption Act)

 Rail Safety National Law National Regulations 2012 (South Australian Regulations adopted for NSW by the Rail Safety National Law)

Railway Construction (Maldon to Port Kembla) Act 1983

Transport Administration Act 1988

(The Act except the parts administered by the Minister for Roads, Maritime and Freight being the Act except Part 4A, Divisions 1 to 3, so far as it relates to Roads and Maritime Services, Part 6, and so much of the Act as relates to Roads and Maritime Services)

- Transport Administration (General) Regulation 2013
   (provisions relating to the parts of the Act administered by the Minister for Transport and Infrastructure)
- Transport Administration (Staff) Regulation 2012
   (provisions relating to the parts of the Act administered by the Minister for Transport and Infrastructure)

### NSW Trains

### New Acts and amendments to Acts in the portfolio of the Minister for Transport and Infrastructure

(Acts assented to or commencing during 2017-18)

### **Minister for Transport and Infrastructure**

Rail Safety National Law (South Australia) (Miscellaneous No 3) Amendment Act 2017 (South Australian Act No 14 of 2017)

(Commenced on 01.07.2017)

Statute Law (Miscellaneous Provisions) Act 2017 (2017 No 22)

Commenced on 01.07.2017 or 07.07.2017 (varies by amendment provision)

Transport Administration Amendment (Transport Entities) Act 2017 (2017 No 12)

Commencement Proclamation 2017 No 330 - Schedule 1 commenced 01.07.2017

Transport Administration Amendment (Automated Vehicle Trials and Innovation) Act 2017 (2017 No 41)

(Commenced on assent 14.08.2017)

Point to Point Transport (Taxis and Hire Vehicles) Act 2016 (Act 2016 No 34)

See section 2(2) for provisions commenced on assent (28.06.2016)

Part 10 commenced 08.07.2016

Commencement Proclamation 2017 No 577 - Parts 2 - 8 and Schedules 1, 2 (other than clause 1), 5 (other than Schedule 5[25]), 6 and 7 commenced 01.11.2017

Commencement Proclamation 2018 No 14 - Remaining uncommenced provisions commenced 01.02.2018

Statute Law (Miscellaneous Provisions) Act 2018 (2018 No 25) (Amendments to Acts - Sch 5.28)

(Commenced on 9.06.2018 - Assent 15.06.2018; commencement 14 days after assent)

Road Transport Legislation Amendment (Road Safety) Act 2018 (Act 2018 No 15)

(To commence on 01.07.2018)

Transport Administration Amendment (Sydney Metro) Act 2018 (2018 No 18)

Commencement Proclamation 2018 No 275 - to commence 01.07.2018

### New subordinate legislation and amendments to subordinate legislation in the portfolio of the Minister for Transport and Infrastructure

(Amending Acts, subordinate legislation made or commenced during 2017-18)

### **Minister for Transport and Infrastructure**

Rail Safety National Law National Regulations (Fees and Returns) Variation Regulations 2017 (2017 No 257) (South Australian Regulations)

(Commenced on 01.07.2017)

Rail Safety National Law National Regulations (Miscellaneous) Variation Regulations 2017 (2017 No 258) (South Australian Regulations)

(Commencement linked to the commencement of the Rail Safety National Law (South Australia) (Miscellaneous No 3) Amendment Act 2017 (South Australian Act) - Commenced on 01.07.2017)

### **Minister for Transport and Infrastructure**

Rail Safety National Law National Regulations (Queensland Fatigue Provisions) Variation Regulations 2017 (2017 No 259) (South Australian Regulations)

(By section 2, commencement was linked to the coming into operation of the *Rail Safety National Law (Queensland) Act 2017* (Qld.) The Queensland Act commenced 'at the end of 30.06.2017')

Transport Administration Amendment (Senior Executive Transitional Arrangements) Regulation 2017 (2017 No 291)

(Commenced on 01.07.2017)

Transport Administration (General) Amendment Regulation 2017 (2017 No 331)

(Commenced on 01.07.2017)

Point to Point Transport (Taxis and Hire Vehicles) Regulation 2017 (2017 No 424)

(Commencement linked to commencement of provisions in the principal Act see clause 2; and Regulation historical notes)

Passenger Transport (General) Regulation 2017 (2017 No 473)

(Commenced on 01.09.2017)

Passenger Transport (General) Amendment (Authorised Officers) Regulation 2017 (2017 No 717)

(Commenced on 15.12.2017)

Statute Law (Miscellaneous Provisions) Act (No 2) 2017 (2017 No 63)

(Sch. 4.32 - Commenced on 14.01.2018)

Point to Point Transport (Taxis and Hire Vehicles) (Industry Adjustment) Amendment Regulation 2017 (2017 No 698)

(Commenced on 14.12.2017)

Point to Point Transport (Taxis and Hire Vehicles) Amendment (Passenger Service Levy) Regulation 2018 (2018 No 61)

(Commenced on 23.02.2017)

Smoke-free Environment Amendment Act 2018 (2018 No 13) (assent 18.04.2018)

(Commencement Proclamation 2018 No 243 - to commence 01.07.2018)

Passenger Transport Amendment (Fares Orders) Regulation 2018 (2018 No 248)

(Commenced on 08.06.2018)

Statute Law (Miscellaneous Provisions) Act 2018 (2018 No 25) (Amendments to Regulations - Sch 5.29 & 5.30)

(Commenced on 29.06.2018 - Assent 15.06.2018; commencement 14 days after assent)

Rail Safety National Law National Regulations (Fees) Variation Regulations 2018 (2018 No 267) (South Australian Regulations)

(To commence on 01.07.2018)

Transport Administration (General) Amendment (Sydney Metro) Regulation 2018 (2018 No 284)

(To commence on 01.07.2018)

Driving Instructors Amendment (Fees) Regulation 2018 (2018 No 318)

(To commence on 01.07.2018)

### SW Trains

### **Exemptions**

NSW Trains neither sought nor received any reporting exemptions under the Annual Reporting provision of the *Annual Reports (Statutory Bodies) Regulation 2010.* 

### Digital information security policy attestation

I, Howard Collins, am of the opinion that NSW TrainLink had an Information Security Management System (ISMS) in place in the IT Group Rail Division during the FY2017-18 financial year. The ISMS is consistent with the Core Requirements set out in the NSW Government Digital Information Security Policy.

Controls are in place to mitigate identified risks to the digital information and digital information systems of NSW TrainLink:

- A. There is no agency under the control of NSW TrainLink which is required to develop an independent ISMS in accordance with the NSW Government Digital Information Security Policy.
- B. Risks to the digital information and digital information system of NSW TrainLink have been assessed in accordance with the NSW Government Digital Information Security Policy.
- C. Service providers who managed systems and infrastructure on behalf of NSW TrainLink during the FY2017-18 have provided evidence of ISO 27001 compliance.

**Howard Collins OBE** 

Acting Chief Executive

NSW Trains

### **Government Information (Public Access) Act 2009 (GIPA Act)**

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 annually.

Performance data and other information about NSW Trains is available on the Transport for NSW website.

### Number of access applications received - Clause 7(b)

During the reporting period, our agency received a total of seven access applications (including withdrawn applications but not invalid applications).

### Number of refused applications for Schedule 1 information - Clause 7(c)

During the reporting period no applications were refused by NSW Trains.

### Statistical information about access applications - Clause 7(d) and Schedule 2

Table A: Number of applications by type of applicant and outcome\*

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to confirm/ deny whether information is held	Application withdrawn
Media	2	0	0	0	0	0	0
Members of Parliament	1	0	0	0	0	0	0
Private sector business	1	0	0	0	0	0	0
Not for profit organisations or community groups	0	0	0	0	0	0	0
Members of the public (application by legal representative)	2	0	0	0	0	0	0
Members of the public other	0	0	0	0	0	0	1
	6	0	0	0	0	0	1

<sup>\*</sup> More than one decision can be made in respect to a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B.

<sup>+</sup> Table A: Processing times may mean that not all applications are received and resolved within the same reporting period.

Table B: Number of applications by type of application and outcome

	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to confirm/ deny whether information is held	Application withdrawn
Personal information applications	2	0	0	0	0	0	0
Access applications (other than personal information applications)	4	0	0	0	0	0	1
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0
	6	0	0	0	0	0	1

<sup>\*</sup> A personal information application is an access application for personal information (as defined in clause 4 of Schedule 4 t the Act) about the applicant (the applicant being an individual).

### **Table C: Invalid applications**

Reason for invalidity	Number of applications
Application does not comply with formal requirements (section 41 of the Act)	0
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	0

Table D: Conclusive presumption of overriding public interest against disclosure: Matters listed in Schedule 1 of the Act

Number of times consideration used\*

	consideration used
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	0
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial Code of Conduct	0
Aboriginal and environmental heritage	0

<sup>\*</sup> More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of the Act

Number of occasions when application not successful

	not successiui
Responsible and effective government	0
Law enforcement and security	0
Individual rights, judicial processes and natural justice	0
Business interests of agencies and other persons	0
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

### **Table F: Timeliness**

Number of applications

	аррисация
Decided within the statutory timeframe (20 days plus any extensions)	7
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0
Total	7

Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	0	0
Internal review following recommendation under section 93 of Act	0	0	0
Review by NCAT	0	0	0
Total	0	0	0

<sup>\*</sup> The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made.

### Table H: Applications for review under Part 5 of the Act (by type of applicant)

	Number of applications
Applications by access applicants	0
Applications by persons to whom information the subject of access application relates	0

### **Public Interest Disclosures Act 1994 (PID Act)**

NSW Trains did not receive any Public Interest Disclosures.

NSW Trains' actions to meet its staff awareness responsibilities under s 6E(1)(b) of the PID Act include:

- PID information contained in Policy and Procedures
- Code of Conduct
- Links contained on the NSW Trains intranet including 'Whistleblowing/Public Interest Disclosures' page
- Information communicated via briefing papers and staff communication

### **Annual Report accessibility requirements**

The NSW Trains Annual Report was produced in-house and complies with Web Content Accessibility Guidelines 2.0, as per the Premier's Circular 2012-18 NSW Government Website Management.





### **NSW Trains**

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### **Annual Report**

**NSW Trains** 

2017-18 • Volume 2



### **NSW Trains**

**Annual Financial Statements** 

for the year ended 30 June 2018

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### Statement by the Chief Executive

In relation to the Financial Statements for the year ended 30 June 2018

Pursuant to section 41C (1B) of the *Public Finance and Audit Act 1983* and clause 7 of the *Public Finance and Audit Regulation 2015*, I declare that:

- (a) In my opinion, the accompanying financial statements, read in conjunction with the notes thereto, exhibit a true and fair view of the financial position of NSW Trains as at 30 June 2018 and of its financial performance for the year ended 30 June 2018.
- (b) The financial statements have been prepared in accordance with the requirements of the *Public Finance* and *Audit Act 1983*, the *Public Finance and Audit Regulation 2015*, the applicable Australian Accounting Standards, which includes Australian Accounting Interpretations, and financial reporting directions mandated by the Treasurer.
- (c) I am not aware, as at the date of this statement, of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Howard Collins OBE Acting Chief Executive

20 September 2018

# Statement of Comprehensive Income for the year ended 30 June 2018

		2018	2017
	Note	\$'000	\$'000
Income			
Passenger services revenue		123,922	116,367
Non passenger revenue	3.1	26,052	35,043
Interest	0.1	2,706	4,408
Income from operating activities		152,680	155,818
Expenses			
Operating expenses			
- Employee related expenses	4.1	252,417	252,359
- Personnel services expenses	4.3	19,435	15,779
- Other operating expenses	4.4	546,141	540,145
Depreciation and amortisation	7.2, 8.2	757	1,378
Total expenses		818,750	809,661
Deficit from operations before Government contributions		(666,070)	(653,843
Government subsidies and contributions	3.2	651,439	620,070
Deficit from operations before Capital contributions		(14,631)	(33,773
Contributions for capital expenditure		8,175	6,533
Deficit for the year from continuing operations		(6,456)	(27,240
Other Comprehensive Income			
Items that will not be reclassified to surplus/deficit in subsequent periods			
Remeasurement of defined benefit superannuation schemes		(1,278)	46,049
Total Other Comprehensive Income for the year		(1,278)	46,049
Total Comprehensive Income for the year		(7,734)	18,809

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

## Statement of Financial Position as at 30 June 2018

		2018	2017
	Note	\$'000	\$'000
Current assets			
Cash and cash equivalents	5.1	183,196	198,205
Trade and other receivables	6.1	20,826	25,208
Total current assets		204,022	223,413
Non-current assets			
Plant and equipment	7.1	7,761	5,639
Intangible assets	8.1	6,151	4,832
Total non-current assets		13,912	10,471
Total assets		217,934	233,884
Current liabilities			
Trade and other payables	9.1	64,049	71,009
Provisions	10.1	85,134	87,722
Total current liabilities		149,183	158,731
Non-current liabilities			
Provisions	10.1	144,458	139,240
Total non-current liabilities		144,458	139,240
Total liabilities		293,641	297,971
Net liabilities		(75,707)	(64,087)
Equity			
Contributed equity	11.1	249,082	252,968
Accumulated losses		(324,789)	(317,055)
Total equity		(75,707)	(64,087)

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

# Statement of Changes in Equity for the year ended 30 June 2018

				_
		Contributed	Accumulated	
		equity	losses	Total equity
	Note	\$'000	\$'000	\$'000
Balance at 1 July 2017		252,968	(317,055)	(64,087)
Deficit for the year			(6,456)	(6,456)
Other comprehensive income				
Remeasurement of defined benefit superannuation				
schemes	10.2.6		(1,278)	(1,278)
Total other comprehensive income for the year		-	(1,278)	(1,278)
Total comprehensive income for the year		•	(7,734)	(7,734)
Transactions with owners in their capacity as				
owners				
Decrease in net assets from equity transfers				
(contribution to owners)	11.2	(3,886)		(3,886)
Balance at 30 June 2018		249,082	(324,789)	(75,707)
Balance at 1 July 2016		260,170	(335,864)	(75,694)
Deficit for the year		-	(27,240)	(27,240)
Other comprehensive income				
Remeasurement of defined benefit superannuation				
schemes	10.2.6	3	46,049	46,049
Total other comprehensive income for the year		-	46,049	46,049
Total comprehensive income for the year			18,809	18,809
Transactions with owners in their capacity as				
owners				
Decrease in net assets from equity transfers				
(contribution to owners)	11.2	(7,202)		(7,202)
Balance at 30 June 2017		252,968	(317,055)	(64,087)

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

# Statement of Cash Flows for the year ended 30 June 2018

		2018	2017
	Note	\$'000	\$'000
Cash flows from operating activities			
Cash received			
Passenger Services		135,830	127,805
Other receipts from customers and others		38,371	45,662
Government subsidies and contributions		651,439	620,070
Interest received		4,789	5,736
Total cash received		830,429	799,273
Cash used			
Employee related		(250,995)	(244,032)
Payment to suppliers and others		(594,522)	(574,369)
Total cash used		(845,517)	(818,401)
Net cash flows used in operating activities	5.2	(15,088)	(19,128)
Cash flows from investing activities			
Cash received			
Capital grants		8,175	6,533
Total cash received		8,175	6,533
Cash used			
Plant and equipment and intangible assets acquisitions		(8,096)	(6,139)
Total cash used		(8,096)	(6,139)
Net cash flows from investing activities		79	394
Net decrease in cash and cash equivalents		(15,009)	(18,734)
			· · · · · · · · · · · · · · · · · · ·
Cash and cash equivalents at beginning of year		198,205	216,939

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

### Note 1 Reporting entity and Financial Statements

#### (i) Reporting entity

On the 7<sup>th</sup> December 2012, NSW Trains was established under the *Transport Administration (General) Amendment (Sydney Trains and NSW Trains) Regulation 2012.* It became a statutory body on 17 May 2013 under the *Public Finance and Audit Amendment (Sydney Trains and NSW Trains) proclamation 2013.* It is domiciled in Australia and its principal office is at 470 Pitt Street Sydney, NSW 2000. Its principal objective is to deliver safe and reliable railway and coach passenger services in NSW in an efficient, effective and financially responsible manner.

NSW Trains operates services in the intercity and regional areas and commenced operation on 1 July 2013.

Under the Transport Administration Amendment (Transport Entities) Act 2017 No 12, from 1 July 2017 NSW Trains is no longer a subsidiary of RailCorp.

NSW Trains is a NSW Government entity and is controlled by Transport for NSW (TfNSW), TfNSW is controlled by the Department of Transport. The Department of Transport is controlled by the State of New South Wales, which is the ultimate parent. NSW Trains is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units.

#### (ii) Authorisation of the Financial Statements

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

#### (iii) Statement of compliance

The Financial Statements and notes comply with Australian Accounting Standards, which includes Australian Accounting Interpretations.

#### Note 2 Summary of significant accounting policies

### 2.1 Basis of preparation

The Financial Statements are general purpose Financial Statements prepared in accordance with applicable Australian Accounting Standards, which includes Australian Accounting Interpretations, the requirements of the *Public Finance and Audit Regulation 2015*, and Financial Reporting Directions mandated by the Treasurer.

Generally, the historical cost basis of accounting has been adopted and these Financial Statements do not take into account changing money values or current valuations. However, certain liabilities are calculated on a present value basis such as leave entitlements and other provisions. Refer Note 2.3(ii).

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

The Financial Statements have been prepared on a going concern basis which assumes that NSW Trains 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.

NSW Trains' continued operations and ability to pay its debts are satisfied by annual grants from the NSW Government and availability of receivables and cash reserves. NSW Treasury has issued a letter of comfort to NSW Trains to ensure its ongoing viability for at least 12 months from the date the accompanying audit report was signed.

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

## 2.1 Basis of preparation (continued)

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

The Financial Statements are for the year from 1 July 2017 to 30 June 2018.

The term "Inter entity" in the Financial Statements refers to transactions between NSW Trains and Transport Cluster entities RailCorp, Sydney Trains, TfNSW, Transport Services of NSW, State Transit Authority and Roads & Maritime Services.

The term "Rail entities" in the Financial Statements refers to transactions between NSW Trains, RailCorp and Sydney Trains.

### Change in accounting policy

There have been no changes in accounting policy in the year (2016-17: nil).

## 2.2 Adoption of new and revised Accounting Standards

The Financial Statements have adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to NSW Trains effective for the reporting period beginning on 1 July 2017. The adoption of these new and revised Standards and Interpretations has not resulted in any significant changes to NSW Trains' accounting policies. NSW Trains did not early adopt any new accounting standards and interpretations that are not yet effective in accordance with NSW Treasury mandates.

The following new relevant Accounting Standards and Interpretations have not yet been adopted and are not effective as at 30 June 2018. The standards are effective for annual reporting periods commencing on or after 1 January 2018.

AASB/ Amendment	Title	Issue Date	Application Date
AASB 9	Financial Instruments	Dec 2014	1 Jan 2018
AASB 15	Revenue from Contracts with Customers	Oct 2015	1 Jan 2019
AASB 16	Leases	Feb 2016	1 Jan 2019
AASB 1058	Income of Not-for-Profit Entities	Dec 2016	1 Jan 2019
AASB 1059	Service Concession Arrangements: Grantors	Jul 2017	1 Jan 2019
AASB 2014-5	Amendments to Australian Accounting Standards arising from AASB 15	Dec 2014	1 Jan 2018
AASB 2015-8	Amendments to Australian Accounting Standards – Effective Date of AASB 15	Oct 2015	1 Jan 2018
AASB 2016-3	Amendments to Australian Accounting Standards – Clarifications to AASB 15	May 2016	1 Jan 2018
AASB 2016-7	Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities	Dec 2016	1 Jan 2018
AASB 2016-8	Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities	Dec 2016	1 Jan 2019
AASB 2018-2	Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement	Mar 2018	1 Jan 2019

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

## 2.2 Adoption of new and revised accounting standards (continued)

The impact of these standards and interpretations on the Financial Statements is not expected to be significant, apart from AASB 16 Leases and AASB 1058 Income of Not-for-Profit Entities.

NSW Trains has performed a preliminary assessment of the impact of AASB 16, and management believes that the application of this standard is likely to have a significant transitional impact as a result of operating leases, except short term and low value leases, being brought onto the balance sheet.

NSW Trains has performed a preliminary assessment of the impact of AASB 1058, and management believe the initial adoption may defer the recognition of income in some circumstances.

#### 2.3 Financial Instruments

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

#### (i) Recognition

A financial asset or financial liability is recognised when NSW Trains 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 Statement of Comprehensive Income.

On derecognition, any difference between the items carrying amount and the consideration received or paid is recognised in the Statement of Comprehensive Income.

#### (ii) Measurement

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

After initial recognition, receivables and payables are carried in the Statement of Financial Position at amortised cost, which is a reasonable approximation of their fair value. Their fair value at year end is disclosed in Note 15.

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

#### 2.4 Taxes

#### (i) Income tax equivalents

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

#### (ii) Goods and Services tax

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

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

#### 2.5 Leases

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

#### 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.

#### 2.6 Income

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

#### (i) Passenger revenue

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

Opal card is managed by Transport for NSW. Remittance of Opal passenger revenue to NSW Trains is on the basis of journeys undertaken recorded by the electronic ticketing system. Accordingly, no deferred revenue is recognised by NSW Trains.

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

## 2.6 Income (continued)

### (ii) Government contributions

Contributions are received from the NSW Government towards the cost of providing certain agreed services, concessions and capital expenditure. The passenger revenue covers only a part of operating expenses and contributions are provided by the NSW Government in the form of subsidies and contributions (refer Statement of Comprehensive Income).

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

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

#### (iii) Interest revenue

Interest revenue is recognised as interest accrues using the effective interest method, which uses a rate that exactly discounts a financial instrument's expected future cash receipts through the expected life of the financial instrument (or shorter period) to the net carrying amount of the instrument.

#### (iv) Sale of assets and goods

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

#### 2.7 Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash at bank and on hand, at call deposits, short-term deposits with a maturity of 90 days or less, and highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

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

#### 2.8 Trade and other receivables

Trade receivables are measured initially at fair value and subsequently at invoiced cost less an allowance for impairment where necessary, which is not materially different from amortised cost due to their short-term nature. A trade receivable is usually due for settlement within 30 days of invoicing. Collectability of trade receivables is reviewed on an ongoing basis.

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

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 impairment and the resulting loss is recognised in the Statement of Comprehensive Income. Receivables are monitored during the year and bad debts are written off against the allowance when those are determined to be irrecoverable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that trade receivables are impaired.

#### 2.9 Asset maintenance

Sydney Trains performs maintenance of the rail assets, and charges NSW Trains for the maintenance of rolling stock, infrastructure and stations utilised by NSW Trains. RailCorp owns the rail stations, majority of property, certain rolling stock and rail network and provides NSW Trains with access rights to these assets at no additional charge.

## 2.10 Plant and equipment

#### (i) Recognition

An item of plant and equipment is recognised as an asset if it has service potential controlled by NSW Trains, is expected at acquisition to be used for more than 1 year, has a cost or value that can be measured reliably and exceeds the capitalisation threshold.

A component is accounted for separately if it (a) has a useful life materially different from that of the prime asset and therefore requires separate replacement during the life of the prime asset, (b) is material enough to justify separate tracking, and (c) is capable of having a reliable value attributed to it.

Expenditure on the acquisition, replacement or enhancement of plant and equipment is capitalised, provided it exceeds the capitalisation threshold.

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

## 2.10 Plant and equipment (continued)

#### (i) Recognition (continued)

The capitalisation threshold for a network of plant and equipment items or for an individual (non-networked) item is \$5,000. Expenditure below the capitalisation threshold is charged to the Statement of Comprehensive Income

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

#### (ii) Measurement

An item of 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 plant and equipment acquired at no cost, or for a nominal cost, is initially measured at its fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Replacement cost is the written-down cost of an optimised modern equivalent asset. Non-specialised assets with short useful lives are measured at depreciated historical cost as a proxy for fair value, this applies to all assets of NSW Trains. NSW Trains has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of acquisition or construction or where applicable the amount attributed to that asset when initially recognised.

## (iii) Depreciation

Each item of plant and equipment is depreciated on a straight-line basis over its estimated useful life commencing when the item is available for use.

Each part of an item of 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.

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

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

Plant and equipment  $\frac{\text{Years}}{5-20}$ 

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

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

### 2.10 Plant and equipment (continued)

#### (iv) Derecognition

An item of 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 plant and equipment, any gain or loss or any related compensation receivable is recognised in the Statement of Comprehensive Income.

### 2.11 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 NSW Trains, is expected at acquisition to be used for more than 1 year, and has a cost or value that (a) can be measured reliably, (b) exceeds the capitalisation threshold of \$5,000 and (c) has not previously been expensed.

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

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

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

### (ii) Measurement

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

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

#### (iii) Amortisation

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

In determining the asset's useful life, consideration is given to its expected usage, technical, technological, commercial or other types of obsolesce, 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 is 5 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.

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

## 2.11 Intangible assets (continued)

#### (iii) Amortisation (continued)

The amortisation charge for each year is recognised in the Statement of Comprehensive Income as a depreciation and amortisation expense.

#### (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 Statement of Comprehensive Income.

### 2.12 Trade and other payables

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

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

Any gain or loss arising when a payable is settled or transferred is recognised in the Statement of Comprehensive Income.

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.

#### 2.13 Provisions

#### (i) Provisions generally

Provisions are made for liabilities of uncertain amount or uncertain timing of settlement, e.g. employee benefits, workers' compensation claims, public liability claims, legal claims and other 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 expenditure 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.

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

### 2.13 Provisions (continued)

#### (ii) Employee benefits

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.

## Short - term obligations

Liabilities for short-term employee benefits including wages and salaries and non-monetary benefits are measured at the amount expected to be paid when the liability is settled, if it is expected to be settled wholly before 12 months after the end of the reporting period. Non-accumulating sick leave is recognised when the leave is taken and measured at the rates payable.

#### Other long - term obligations

The liability for other long-term employee benefits such as annual leave and long service leave is recognised in current provisions regardless of the expected timing of settlements, if there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, otherwise it would be classified as a non-current liability.

It is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### Retirement benefit obligations

All employees of NSW Trains are entitled to benefits on retirement, disability or death, from the superannuation plans contributed to by NSW Trains. The plans are either defined benefit plans or defined contribution plans. The defined benefit plans provide defined lump sum benefits based on years of service and final average salary. The defined contribution plans receive fixed contributions from NSW Trains and its legal or constructive obligation is limited to these contributions.

A liability or asset in respect of a defined benefit superannuation plan is recognised in the Statement of Financial Position, and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in Other Comprehensive Income. They are included in accumulated losses in the Statement of Changes in Equity and in the Statement of Financial Position.

Past service cost are recognised in the Statement of Comprehensive Income immediately.

Contributions to the defined contribution plans are recognised as an expense as they become payable.

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

## 2.13 Provisions (continued)

#### (ii) Employee benefits (continued)

#### **Termination Benefits**

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. NSW Trains recognises termination benefits either when it can no longer withdraw the offer of those benefits or when it has recognised costs for restructuring within the scope of AASB 137 that involves the payment of termination benefits, or when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits not expected to be settled wholly before 12 months after the end of the reporting period are discounted to present value.

## 2.14 Contributed equity

In accordance with TPP 09-3 Accounting Policy: Contribution by owners made to wholly-owned public sector entities, a transfer of assets (or liabilities) from (or to) another NSW public sector entity is treated as a contribution by (or distribution to) the Government and recognised as contributed equity.

## 2.15 Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying NSW Trains accounting policies. The estimates and underlying assumptions are reviewed on an ongoing basis. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

#### (i) Judgements

Note 12 - Expenditure commitments: whether an arrangement contains a lease.

#### (ii) Assumptions and estimation of uncertainties

Note 10.2 - Measurement of defined benefit obligations: key actuarial assumptions

Note 10.3 - Measurement of long service leave obligations: key actuarial assumptions

Note 10.5 - Measurement of workers compensation obligations: key actuarial assumptions.

## 2.16 Personnel service expenses

Personnel service expenses include salaries and wages, and related costs for contract staff employed by Transport Service of New South Wales and other agencies within the Department of Transport Group. NSW Trains recognises the expenses when incurred. Refer Note 4.3.

## 2.17 Offsetting financial assets and liabilities

NSW Trains does not offset its financial assets and liabilities and has no offsetting arrangements in place.

### 2.18 Change in classification

During the current year, NSW Trains reclassified accrued payroll on-costs from Other payables and accruals to Accrued salaries, wages and on-costs for consistency within the Transport Cluster. The comparative amount of \$3,026k was also reclassified.

NSW Trains reclassified payroll on-costs payment from Payment to suppliers and others to Employee related in Statement of Cash Flows, the comparative amount of \$15,278k was also reclassified.

## Note 3 Income

## 3.1 Non passenger revenue

·	2018	2017
	\$'000	\$'000
Labour cost recovery	6,210	4,147
Cost recovery for services performed	38	11,741
Resources free of charge*	400	527
Catering revenue	7,223	7,151
Recoveries for interstate services	11,452	11,040
Other revenue	729	437
Total non-passenger revenue	26,052	35,043

<sup>\*</sup> Employee related expenses assumed by the Crown for senior service personnel.

## 3.2 Government subsidies and contributions

	2018	2017
	\$'000	\$'000
Operating subsidies	645,509	617,787
Redundancy payments	5,930	2,283
Total government subsidies and contributions	651,439	620,070

## Note 4 Expenses

## 4.1 Employee related expenses

Employee related expenses include the following items:

		2018	2017
	Note	\$'000	\$'000
Salaries and wages		187,608	185,874
Annual leave		16,068	18,906
Long service leave		5,407	4,441
Superannuation - defined benefits plan	4.2	7,746	8,544
Superannuation - defined contribution plan		13,112	12,645
Workers' compensation		6,104	3,846
Payroll tax and fringe benefit tax		13,224	12,744
Redundancy		807	2,559
Other employee-related expenses		2,341	2,800
Total employee related expenses		252,417	252,359

No employee related costs have been capitalised in plant and equipment and intangible assets (2016-17: 83k excluded from the above).

# Note 4 Expenses (continued)

# 4.2 Defined benefit superannuation expense

		2018	2017
	Note	\$'000	\$'000
Current service cost		4,357	5,187
Net interest		3,389	3,357
Total defined benefit superannuation expense	10.2.5	7,746	8,544

## 4.3 Personnel service expenses

	2018	2017
	\$'000	\$'000
Salaries and wages	13,527	12,054
Annual leave	1,217	1,301
Long service leave	327	467
Superannuation - defined benefits plan	69	57
Superannuation - defined contribution plan	1,265	1,078
Workers' compensation	29	10
Payroll tax and fringe benefit tax	936	812
Redundancy	2,065	-
Total personnel service expenses	19,435	15,779

# 4.4 Other operating expenses

		2018	2017
	Note	\$'000	\$'000
Other contractors		17,090	12,319
Materials		7,101	6,531
Operating lease non-contingent rents (including private rail access fees)		40,974	38,270
Insurance costs		445	628
Information technology		4,098	3,005
Corporate and shared services costs from TfNSW		17,243	17,680
Travelling expenses		2,596	3,120
Advertising and marketing		468	629
Printing and Stationery		713	662
Audit fees - audit of financial statements		160	174
Allowance of trade receivables		30	17
Services costs from Rail entities	4.5	450,168	450,866
Other		5,055	6,244
Total operating expenses		546,141	540,145

## Note 4 Expenses (continued)

#### 4.5 Services costs from Rail entities

	2018	2017
	\$'000	\$'000
Asset maintenance	410,777	400,481
Customer service	21,477	18,160
Operations	15,567	15,277
Other	2,347	16,948
Total services costs from Rail entities	450,168	450,866

## Note 5 Cash and cash equivalents

## 5.1 Cash and cash equivalents

	2018	2017
	\$'000	\$'000
Cash at bank	182,987	198,050
Cash on hand and in transit	209	155
Total cash and cash equivalents	183,196	198,205

The above cash and cash equivalents reconciles to the statement of cash flows.

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

	2018	2017
	\$'000	\$'000
Deficit for the year	(6,456)	(27,240)
Capital grants	(8,175)	(6,533)
Depreciation and amortisation	757	1,378
Allowance of trade receivables	30	17
Write off of assets	12	201
Net movements in assets and liabilities applicable to operating activities:		
Decrease in trade and other receivables	4,352	3,538
Increase/ (decrease) in trade and other payables and provisions	(5,608)	9,511
Net cash flows used in operating activities	(15,088)	(19,128)

## 5.3 Non-cash investing activities

During 2017-18 NSW Trains transferred \$3.9m (2016-17: \$7.2m) Capital work in progress, building works performed on the intercity and regional rail stations, to RailCorp by way of equity transfers. Refer Note 11.2 for details.

## Note 5 Cash and cash equivalents (continued)

## 5.4 Credit standby arrangements and loan facilities

The credit standby arrangement and unused amounts available are:

	2018	2018
	Credit	Unional
	Facilities	Unused
	\$'000	\$'000
Transaction negotiation authority	50,000	50,000
Purchasing card facility*	10,000	6,630
Bank guarantee	11	-
Come and Go facility	30,000	30,000
Total credit standby arrangements and loan facilities	90,011	86,630

<sup>\*</sup> NSW Trains has a Purchasing Card Facility of \$10m (2017: \$10m). Although cards issued to-date have a combined limit of \$3.37m (2017: \$3.54m), as at 30 June 2018 only \$400,488 (2017: \$455,000) was spent on these cards.

	2017	2017
	Credit	
	Facilities	Unused
	\$'000	\$'000
Transaction negotiation authority	50,000	50,000
Purchasing card facility	10,000	6,460
Bank guarantee	11	-
Come and Go facility	30,000	30,000
Total credit standby arrangements and loan facilities	90,011	86,460

#### Note 6 Trade and other receivables

## 6.1 Trade and other receivables

	2018	2017
	\$'000	\$'000
Current trade and other receivables		
Trade receivables	627	318
Inter entity receivables	7,749	10,489
Other receivables	12,521	14,439
Less: allowance for impairment	(71)	(38)
Total current trade and other receivables	20,826	25,208

## Movements in the allowance for impairment were as follows:

	2018	2017
	\$'000	\$'000
Balance at beginning of year	38	31
Bad debts written off	-	(11)
Allowance recognised in Statement of Comprehensive Income	30	17
GST Movement	3	1
Balance at end of year	71	38

## Note 6 Trade and other receivables (continued)

## 6.2 Impaired trade and other receivables

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

	2018	2017
	\$'000	\$'000
1-3 months	17	13
3 to 6 months	25	11
Over 6 months	29	14
Balance at end of year	71	38

## 6.3 Past due but not impaired receivables

The ageing analysis of these receivables is as follows:

	2018	2017
	\$'000	\$'000
1 to 3 months	393	73
3 to 6 months	190	4
Over 6 months	-	2
Balance at end of year	393	77

## 6.4 Nature and extent of risk arising from receivables

Information about NSW Trains' exposure to credit risk in relation to trade and other receivables is provided in Note 14.4.

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

#### Note 7 Plant and equipment

### 7.1 Classes

	2018	2017
	\$'000	\$'000
Plant and Machinery		
Gross carrying amount	2,259	2,249
Less accumulated depreciation	(2,052)	(1,940)
Total plant and machinery	207	309
Capital works in progress		
Capital works in progress	7,554	5,330_
Total capital works in progress	7,554	5,330
Total plant and equipment	7,761	5,639

# Note 7 Plant and equipment (continued)

## 7.2 Asset class movement

	<del></del>		
	Plant and	Capital work	
	equipment	in progress	Total
	\$'000	\$'000	\$'000
Year ended 30 June 2018	· · · · · · · · · · · · · · · · · · ·		
Gross carrying amount			
Balance at 1 July 2017	2,249	5,330	7,579
Additions	10	6,110	6,120
Transfers	*	(3,886)	(3,886)
Balance at 30 June 2018	2,259	7,554	9,813
Accumulated depreciation			
Balance at 1 July 2017	(1,940)	2	(1,940)
Depreciation for the year	(112)	•	(112)
Balance at 30 June 2018	(2,052)	-	(2,052)
Net carrying amount			
At 1 July 2017	309	5,330	5,639
At 30 June 2018	207	7,554	7,761
	Plant and	Capital work	
	equipment	in progress	Total
	\$'000	\$'000	\$'000
Year ended 30 June 2017			
Gross Carrying amount			
Balance at 1 July 2016	2,249	8,979	11,228
Additions	-	3,965	3,965
Transfers	<u></u>	(7,614)	(7,614)
Balance at 30 June 2017	2,249	5,330	7,579
Accumulated depreciation			
Balance at 1 July 2016	(1,722)		(1,722)
Depreciation for the year	(218)	-	(218)
Balance at 30 June 2017	(1,940)	-	(1,940)
Net carrying amount			
At 1 July 2016	527	8,979	9,506
At 30 June 2017			

# Note 8 Intangible assets

## 8.1 Classes

	2018	2017
	\$'000	\$'000
Software		
Gross carrying amount	20,087	19,799
Less accumulated amortisation	(19,185)	(18,878)
Net carrying amount of software	902	921
Software work in progress	5,249	3,911
Total intangible assets	6,151	4,832

## 8.2 Asset class movement

		Software	
		work in	
	Software	progress	Total
	\$'000	\$'000	\$'000
Year ended 30 June 2018			
Gross carrying amount			
Balance at 1 July 2017	19,799	3,911	23,710
Additions	2	1,976	1,976
Write-offs	(350)	-	(350)
Transfers	638	(638)	2.0
Balance at 30 June 2018	20,087	5,249	25,336
Accumulated amortisation			
Balance at 1 July 2017	(18,878)		(18,878)
Amortisation for the year	(645)	-	(645)
Write-offs	338	-	338
Balance at 30 June 2018	(19,185)	•	(19,185)
Net carrying amount			
At 1 July 2017	921	3,911	4,832
At 30 June 2018	902	5,249	6,151

## Note 8 Intangible assets (continued)

## 8.2 Asset class movement (continued)

		Software work		
	Software	in progress	Total	
	\$'000	\$'000	\$'000	
Year ended 30 June 2017				
Gross carrying amount				
Balance at 1 July 2016	20,976	1,737	22,713	
Additions	-	2,174	2,174	
Write-offs	(1,177)	253	(1,177)	
Balance at 30 June 2017	19,799	3,911	23,710	
Accumulated amortisation				
Balance at 1 July 2016	(18,694)	1 <del>4</del> 1	(18,694)	
Amortisation for the year	(1,160)	-	(1,160)	
Write-offs	976		976	
Balance at 30 June 2017	(18,878)		(18,878)	
<b>N</b>				
Net carrying amount				
At 1 July 2016	2,282	1,737	4,019	
At 30 June 2017	921	3,911	4,832	

# Note 9 Trade and other payables

## 9.1 Current trade and other payables

	2018	2017
	\$'000	\$'000
Current payables		
Trade payables	5,692	6,406
Inter entity payables	36,752	46,917
Accrued salaries, wages and on-costs	9,064	8,197
Other payables and accruals	10,341	7,224
Unearned revenue	2,200	2,265
Total current trade and other payables	64,049	71,009

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 14.5.

#### 9.2 Fair value

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

## Note 10 Provisions

#### 10.1 Provisions

		2018	2017
	Note	\$'000	\$'000
Current provisions			
Annual leave (see note (a) below)		28,353	28,536
Long service leave (see note (a) below)	10.3	48,772	50,102
Pay in lieu of certain holidays worked (see note (a) below)		2,235	2,822
Redundancy		-	3,787
Total current employee benefits		79,360	85,247
Workers' compensation	10.5	5,774	2,475
Total current provisions		85,134	87,722
Non-current provisions			
Superannuation	10.2	135,113	129,689
Long service leave (see note (a) below)	10.3	2,301	2,073
Total non-current employee benefits		137,414	131,762
Workers' compensation	10.5	7,044	7,478
Total non-current provisions		144,458	139,240
Total provisions			
Superannuation	10.2	135,113	129,689
Annual leave		28,353	28,536
Long service leave	10.3	51,073	52,175
Pay in lieu of certain holidays worked		2,235	2,822
Redundancy		· -	3,787
Total employee benefits		216,774	217,009
Workers' compensation	10.5	12,818	9,953
Total provisions		229,592	226,962

(a) In accordance with Australian Accounting Standards all annual leave, pay in lieu of certain holidays worked and unconditional long service leave is classified as a current liability in the Statement of Financial Position because NSW Trains 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	Later than	
	12 months	12 months	Total
	\$'000	\$'000	\$'000
Year ended 30 June 2018			
Long service leave	7,437	43,636	51,073
Annual leave	20,487	7,866	28,353
Pay in lieu of certain holidays worked	2,235	-	2,235
	30,159	51,502	81,661
	17.		
	Within	Later than	
	12 months	12 months	Total
	\$'000	\$'000	\$'000
Year ended 30 June 2017			
Long service leave	7,732	44,443	52,175
Annual leave	13,602	14,934	28,536
Pay in lieu of certain holidays worked	2,822	-	2,822
	24,156	59,377	83,533

## Note 10 Provisions (continued)

### 10.2 Superannuation

#### 10.2.1 Overview

#### Nature of the benefits

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 (SANCS) 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. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal.

#### Regulatory framework

The schemes in the Pooled Fund are established and governed by the following NSW legislation: Superannuation Act 1916, State Authorities Superannuation Act 1987, State Authorities Non-Contributory Superannuation Scheme Act 1987, and their associated regulations.

The schemes in the Pooled Fund are exempt public sector superannuation schemes under the *Commonwealth Superannuation Industry (Supervision) Act* 1993 (SIS). The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years. The most recent investigation was performed as at 30 June 2015. The actuary has commenced work on the 30 June 2018 investigation. Once completed, the report will be available on the Fund's website.

## Note 10 Provisions (continued)

## 10.2 Superannuation (continued)

## 10.2.1 Overview (continued)

#### Responsibilities for the governance of the fund

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of fund beneficiaries. The Trustee has the following roles:

- \* Administration of the fund and payment to the beneficiaries from fund assets when required in accordance with the fund rules:
- \* Management and investment of the fund assets; and
- \* Compliance with other applicable regulations.

#### **Risks**

There are a number of risks to which the Fund exposes the Employer. The more significant risks relating to the defined benefits are:

- \* Investment risk The risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall.
- \* Longevity risk The risk that pensioners live longer than assumed, increasing future pensions.
- \* Pension indexation risk The risk that pensions will increase at a rate greater than assumed, increasing future pensions.
- \* Salary growth risk The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- \* Legislative risk The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

#### Significant events

There were no fund amendments, curtailments or settlements during the year.

### Financial impacts

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.

## Note 10 Provisions (continued)

## 10.2 Superannuation (continued)

## 10.2.1 Overview (continued)

### Financial impacts (continued)

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

Year ended 30 June 2018	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Accrued liability*	374,129	32,235	1,226	407,590
Estimated reserve account balance	(248,132)	(23,638)	(707)	(272,477)
Deficit	125,997	8,597	519	135,113
Future service liability**	7,961	8,040	188	16,189
Surplus in excess of recovery available from schemes	2	(a)	*	343
Net liability recognised in statement of financial				
position	125,997	8,597	519	135,113
Year ended 30 June 2017	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Accrued liability*	367,208	34,010	1,212	402,430
Estimated reserve account balance	(246,790)	(25,309)	(642)	(272,741)
Deficit	120,418	8,701	570	129,689
Future service liability**	-	5	-	
Surplus in excess of recovery available from schemes		-	<u>-</u>	
Net liability recognised in statement of financial			-	
position	120,418	8,701	570	129,689

<sup>\*</sup> The accrued liability includes a contribution tax provision. This is calculated based on grossing up the deficit/ (surplus) less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15 per cent.

<sup>\*\*</sup> 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 (AASB 119 para 64). Under AASB 119, any prepaid superannuation asset recognised cannot exceed 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. (Note: this also includes a contribution tax provision).

Year ended 30 June 2018	<b>S</b> ASS	SANCS	SSS
Member numbers			
Contributors	445	446	1
Pensioners	46	-	
Year ended 30 June 2017	SASS	SANCS	SSS
Member numbers			
Contributors	488	489	1
Pensioners	32	3.4	

# Note 10 Provisions (continued)

# 10.2 Superannuation (continued)

# 10.2.2 Reconciliation of the net defined benefit liability

Year ended 30 June 2018	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Net Defined Benefit Liability at start of year	120,418	8,701	570	129,689
Current service cost	3,066	1,254	37	4,357
Net Interest on the net defined benefit liability/(asset)	3,156	217	16	3,389
Actual return on Fund assets less Interest income	(8,185)	(47)	(38)	(8,270)
Actuarial (gains)/losses arising from changes in demographic				
assumptions	13,145	(472)	5	12,678
Actuarial (gains)/losses arising from changes in financial				
assumptions	(848)	(25)	(4)	(877)
Actuarial (gains)/losses arising from liability experience	(1,155)	(1,031)	(67)	(2,253)
Employer contributions	(3,600)	-		(3,600)
Net defined benefit liability at end of year	125,997	8,597	519	135,113
Year ended 30 June 2017	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Net Defined Benefit Liability at start of year	158,202	11,340	652	170,194
Current service cost	3,722	1,425	40	5,187
Net Interest on the net defined benefit liability/(asset)	3,125	219	13	3,357
Actual return on Fund assets less Interest income	(17,122)	(1,762)	(43)	(18,927)
Actuarial (gains)/losses arising from changes in demographic				
assumptions	23	(53)	(25)	(55)
Actuarial losses arising from changes in financial assumptions	(27,747)	(1,733)	(194)	(29,674)
Actuarial (gains)/losses arising from liability experience	2,589	(109)	127	2,607
Employer contributions	(2,374)	(626)	-	(3,000)
Net defined benefit liability at end of year	120,418	8,701	570	129,689

# Note 10 Provisions (continued)

# 10.2 Superannuation (continued)

## 10.2.3 Reconciliation of the fair value of fund assets

Year ended 30 June 2018	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Fair value of fund assets at the beginning of the year	246,790	25,309	642	272,741
Interest income	6,188	635	17	6,840
Actual return on Fund assets less Interest income	8,185	47	38	8,270
Employer contributions	3,600	-	-	3,600
Contributions by participants	2,387		8	2,395
Benefits paid	(18,841)	(2,306)	10	(21,137)
Taxes, premiums & expenses paid	(177)	(47)	(8)	(232)
Fair value of fund assets at the end of the year	248,132	23,638	707	272,477
Year ended 30 June 2017	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Fair value of fund assets at the beginning of the year	248,763	26,307	589	275,659
Interest Income	4,714	492	9	5,215
Actual return on fund assets less Interest income	17,122	1,762	43	18,927
Employer contributions	2,374	626	÷;÷	3,000
Contributions by participants	2,502	-	7	2,509
Benefits paid	(28,326)	(3,952)	141	(32,278)
Taxes, premiums and expenses paid	(359)	74	(6)	(291)
Fair value of fund assets at the end of the year	246,790	25,309	642	272,741

## Note 10 Provisions (continued)

# 10.2 Superannuation (continued)

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

Year ended 30 June 2018	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligations at beginning				
of the year	367,208	34,010	1,212	402,430
Current service cost	3,066	1,254	37	4,357
Interest cost	9,344	852	32	10,228
Contributions by participants	2,387	-	8	2,395
Actuarial (gains)/losses arising from changes in				
demographic assumptions	13,145	(472)	5	12,678
Actuarial (gains)/losses arising from changes in financial				
assumptions	(848)	(25)	(4)	(877)
Actuarial (gains)/losses arising from liability experience	(1,155)	(1,031)	(66)	(2,252)
Benefits paid	(18,841)	(2,306)	10	(21,137)
Taxes, premiums & expenses paid	(177)	(47)	(8)	(232)
Present value of defined benefit obligation at the				
end of the year	374,129	32,235	1,226	407,590
Year ended 30 June 2017	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligations at beginning	,	,	,	,
of the year	406,965	37,647	1,241	445,853
Current service cost	3,722	1,425	40	5,187
Interest cost	7,838	710	24	8,572
Contributions by participants	2,502	940	7	2,509
Actuarial (gains)/losses arising from changes in				
demographic assumptions	23	(53)	(25)	(55)
Actuarial gains arising from changes in financial				
assumptions	(27,746)	(1,732)	(196)	(29,674)
Actuarial (gains)/losses arising from liability experience	2,589	(109)	127	2,607
Benefits paid	(28,326)	(3,952)	-	(32,278)
Taxes, premiums and expenses paid	(359)	74	(6)	(291)
Present value of defined benefit obligation at the				
end of the year	367,208	34,010	1,212	402,430

# Note 10 Provisions (continued)

# 10.2 Superannuation (continued)

## 10.2.5 Expense recognised in the Statement of Comprehensive Income

Year ended 30 June 2018	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Components recognised as expense				
Current service cost	3,066	1,254	37	4,357
Net interest	3,156	217	16	3,389
Expense recognised	6,222	1,471	53	7,746
Year ended 30 June 2017	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Components recognised as expense				
Current service cost	3,722	1,425	40	5,187
Net interest	3,125	219	13	3,357
Expense recognised	6,847	1,644	53	8,544

## Note 10 Provisions (continued)

## 10.2 Superannuation (continued)

## 10.2.6 Amounts recognised in Other Comprehensive Income

Year ended 30 June 2018	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Actuarial (gains) losses on liabilities	11,141	(1,528)	(65)	9,548
Actual return on Fund assets less Interest income	(8,185)	(47)	(38)	(8,270)
Total Remeasurements	2,956	(1,575)	(103)	1,278
Year ended 30 June 2017	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Actuarial gains on liabilities	(25,134)	(1,894)	(94)	(27,122)
Actual return on Fund assets less Interest income	(17,122)	(1,762)	(43)	(18,927)
Total Remeasurements*	(42.256)	(3.656)	(137)	(46,049)

<sup>\*</sup> The Total Remeasurements in prior year reflect (i) the increase in the discount rate of defined benefit obligations and, (ii) improved return on fund assets.

#### 10.2.7 Fund assets

The percentage invested in each asset class at the reporting date is as follows:

	2018	2017
	%	%
Short Term Securities	10.5	7.7
Australian Fixed Interest	5.3	6.2
International Fixed Interest	3.3	1.2
Australian Equities	22.2	23.6
International Equities	26.1	30.1
Property	8.9	8.6
Alternatives	23.7	22.6
Total	100.0	100.0

## Note 10 Provisions (continued)

### 10.2 Superannuation (continued)

#### 10.2.8 Fair value of Fund assets

All Pooled Fund assets are invested by SAS Trustee Corporation at arm's length through independent fund managers, assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. As such, the disclosures below relate to total assets of the Pooled Fund.

Asset Category	Total \$'000	Quoted prices in active markets Level 1 \$'000	Significant observable inputs Level 2 \$'000	Unobservable inputs Level 3 \$'000
Year ended 30 June 2018	*	,	,	
Short Term Securities	4,401,164	2,185,469	2,215,695	
Australian Fixed Interest	2,234,921	41,854	2,193,068	-
International Fixed Interest	1,396,107	8,116	1,387,991	-
Australian Equities	9,271,405	8,719,442	548,908	3,055
International Equities	10,891,350	8,499,476	2,391,501	373
Property	3,711,287	788,018	608,934	2,314,335
Alternatives	9,894,828	420,898	5,332,818	4,141,113
Total	41,801,063	20,663,272	14,678,915	6,458,876

Asset Category	Total \$'000	Quoted prices in active markets Level 1 \$'000	Significant observable inputs Level 2 \$'000	Unobservable inputs Level 3 \$'000
Year ended 30 June 2017	Ψ 000	<b>+</b> 000	<b>¥</b> 555	+ 555
Cash	3,087,307	3,077,362	9,945	-
Australian Fixed Interest	2,500,725	997	2,499,728	
International Fixed Interest	480,991	ig.	480,991	5.00
Australian Equities	9,446,079	8,947,483	498,572	24
International Equities	12,053,503	9,033,497	1,869,112	1,150,894
Property	3,453,107	926,105	533,191	1,993,812
Alternatives	9,066,055	390,899	5,068,137	3,607,020
Total	40,087,767	22,376,343	10,959,675	6,751,750

Level 1 - quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares; listed unit trusts

Level 2 - inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash; notes; government, semi-government and corporate bonds; unlisted trusts where quoted prices are available in active markets for identical assets or liabilities.

Level 3 - inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cash flow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such, managers make limited use of derivatives.

## Note 10 Provisions (continued)

## 10.2 Superannuation (continued)

## 10.2.9 Significant actuarial assumptions at the reporting date

	Year ended 30 June 2018
Discount rate	2.65%
Salary increase rate (excluding promotional increases)	2.7% pa for 2018/19; 3.2% pa thereafter.
Rate of CPI increase	2.25% pa for 2018/19 and 2019/20; 2.5% pa thereafter.
Pensioner mortality	The pensioner mortality assumptions are those to be used for the 2018 actuarial investigation of the Pooled Fund. These assumptions will be disclosed in the actuarial investigation report which will be available on the Trustee's website when the investigation is complete. The report will show the pension mortality rates for each age. Alternatively, the assumptions are available on request from the Trustee.
	Year ended 30 June 2017
Discount rate	2.62%
Salary increase rate (excluding promotional increases)	2.50% 2017/2018 and 2018/2019; 3.50% 2019/2020 and 2020/2021; 3.00% pa 2021/2022 to 2025/2026; 3.50% pa thereafter
Rate of CPI increase	2.00% 2017/2018; 2.25% 2018/2019; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are as per the 2015 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.

## 10.2.10 Fair value of entity's own financial instruments

The disclosures below relate to total assets of the Pooled Fund.

The fair value of the Pooled Fund assets as at 30 June 2018 includes \$97.7 million (2017: \$354.0 million) in NSW Government bonds.

Of the direct properties owned by the Pooled Fund:

- SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of \$280 million (2017: \$250 million).
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value (100% interest) of \$287 million (2017: \$261 million).

## Note 10 Provisions (continued)

## 10.2 Superannuation (continued)

## 10.2.11 Sensitivity analysis

The entity's total defined benefit obligation as at 30 June 2018 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2018.

Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

	Base case	Scenario A	Scenario B
		-1.0%	+1.0%
		discount rate	discount rate
Year ended 30 June 2018			
Discount rate	as above	as above -1.0% pa	as above +1.0% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (\$'000)	407,590	458,131	367,073
	Base case	Scenario C	Scenario D
		+0.5% rate of	-0.5% rate of
		CPI increase	CPI increase
Year ended 30 June 2018			
Discount rate	as above	as above	as above
		above rates plus	above rates less
Rate of CPI increase	as above	0.5% pa	0.5% pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (\$'000)	407,590	421,712	394,753
	Base case	Scenario E	Scenario F
		+0.5% salary	-0.5% salary
		increase rate	increase rate
Year ended 30 June 2018			
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
		above rates plus	above rates less
Salary inflation rate	as above	0.5% pa	0.5% pa
Defined benefit obligation (\$'000)	407,590	415,944	399,575
	Base case	Scenario G	Scenario H
		Lower Mortality*	Higher Mortality**
Year ended 30 June 2018			
Defined benefit obligation (\$'000)	407,590	413,240	405,014

## Note 10 Provisions (continued)

## 10.2 Superannuation (continued)

## 10.2.11 Sensitivity analysis (continued)

	Base case	Scenario A	Scenario B
		-1.0%	+1.0%
		discount rate	discount rate
Year ended 30 June 2017			
Discount rate	as above	as above -1.0% pa	as above +1.0% pa
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation (\$'000)	402,431	451,197	363,316
	Base case	Scenario C	Scenario D
		+0.5% rate of	-0.5% rate of
		CPI increase	CPI increase
Year ended 30 June 2017			
Discount rate	as above	as above	as above
		above rates plus 0.5%	above rates less 0.5%
Rate of CPI increase	as above	ра	pa
Salary inflation rate	as above	as above	as above
Defined benefit obligation (\$'000)	402,431	414,519	391,443
	Base case	Scenario E	Scenario F
		+0.5% salary	-0.5% salary
		increase rate	increase rate
Year ended 30 June 2017			
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
		above rates plus 0.5%	above rates less 0.5%
Salary inflation rate	as above	ра	ра
Defined benefit obligation (\$'000)	402,431	411,992	393,303
	Base case	Scenario G	Scenario H
		Lower Mortality*	Higher Mortality**
Year ended 30 June 2017			
Defined benefit obligation (\$'000)	402,431	407,454	400,352

<sup>\*</sup>Assumes the short term pensioner mortality improvement factors for years 2018-2023 (2017: 2017-2021) also apply for years after 2023 (2017: 2021).

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

## 10.2.12 Asset-Liability matching strategies

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cash flows to manage liquidity requirements. No explicit asset-liability matching strategy is used by the Trustee.

<sup>\*\*</sup>Assumes the long term pensioner mortality improvement factors for years post 2023 (2017: 2021) also apply for the years 2018 to 2023 (2017: 2017-2021).

# Note 10 Provisions (continued)

# 10.2 Superannuation (continued)

# 10.2.13 Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

## a) Surplus / deficit

The following is a summary of the 30 June 2018 financial position of the Fund calculated in accordance with AASB 1056

Accounting Standard "Superannuation Entities":

Year ended 30 June 2018	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Accrued benefits*	254,079	26,198	366	280,643
Net market value of fund assets	(248,132)	(23,638)	(707)	(272,477)
Net (surplus)/deficit	5,947	2,560	(341)	8,166
Year ended 30 June 2017	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000
Accrued benefits*	249,014	25,695	433	275,142
Net market value of fund assets	(246,790)	(25,309)	(642)	(272,741)
Net (surplus)/deficit	2,224	386	(209)	2,401

<sup>\*</sup>There is no allowance for a contribution tax provision within the Accrued Benefits figure for AASB 1056. Allowance for contributions tax is made when setting the contribution rates.

#### b) Contribution recommendations

Year ended 30 June 2018	SASS	SANCS	SSS
	multiple of	% member	multiple of
	member	salary	member
-	contributions		contributions
Recommended contribution rates for the entity	N/A	N/A	N/A
Year ended 30 June 2017	SASS	SANCS	SSS
	multiple of		multiple of
	member	% member	member
	contributions	salary	contributions
Recommended contribution rates for the entity	N/A	N/A	N/A

# Note 10 Provisions (continued)

# 10.2 Superannuation (continued)

# 10.2.13 Funding arrangements (continued)

## c) Economic assumptions

The economic assumptions adopted for 30 June 2018 AASB 1056 Accounting Standard "Superannuation Entities" are (these assumptions are consistent with the assumptions to be used for the 2018 actuarial investigation of the Pooled Fund):

Weighted-average assumptions			Year ended 30 J	lune 2018
Expected rate of return on Fund assets backing current pension	liabilities			7.4% pa
Expected rate of return on Fund assets backing other liabilities	Expected rate of return on Fund assets backing other liabilities			6.4% pa
			2.7% for 2018/	19; 3.2% pa
Expected salary increase rate (excluding promotional salary inc	reases)			thereafter
Expected rate of CPI increase				2.2% pa
Weighted-average assumptions			Year ended 30 J	lune 2017
Expected rate of return on fund assets backing current pension	liabilities			7.4% pa
Expected rate of return on fund assets backing other liabilities				6.4% pa
			2.7% to 30 Jun	e 2019 then
Expected salary increase rate (excluding promotional salary inc	reases)		3.2% p	oa thereafter
Expected rate of CPI increase				2.2% pa
d) Expected contributions				
Year ended 30 June 2018	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000_
Expected employer contributions to be paid for 2019	3,600	*		3,600
Year ended 30 June 2017	SASS	SANCS	SSS	Total
	\$'000	\$'000	\$'000	\$'000_
Expected employer contributions to be paid for 2018	3,600		<u>-</u>	3,600

# e) Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 13.7 years (2017: 12.6 years).

# Note 10 Provisions (continued)

## 10.2 Superannuation (continued)

# 10.2.14 Nature of asset / liability

If a surplus exists in the employer's interest in the Fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary. Where a deficiency exists, the employer is responsible for any difference between the employer's share of fund assets and the defined benefit obligations.

# 10.3 Long service leave

Long service leave is recognised as an expense and a provision when the obligations arises, which is usually through the rendering of service by an employee.

Long service leave is measured at present value in accordance with AASB 119 Employee Benefits. This is based on the application of certain factors to employees with five or more years of service, using current rates of pay.

The liability for long service leave was assessed by a consulting actuary, Mercer Consulting (Australia) Pty Ltd. The actuary assumed a discount rate of 2.5% (2017: 2.4%) per annum and a salary growth rate of 3% per annum for the first 2 years to 30 June 2020 then 2.5% per annum thereafter (2017: 2.5%).

## 10.4 Movements in provisions (other than employee benefit provisions)

	Carrying amount at start of year \$'000	Increase in provision \$'000	Discounting adjustment \$'000	Subtotal \$'000	Payment of claims \$'000	Carrying amount at end of year \$'000
Year ended 30 Jun	e 2018					
Workers'						
compensation	9,953	4,992	1,751	16,696	(3,878)	12,818
	Carrying					Carrying
	amount at	Increase in	Discounting		Payment of	amount at
	start of year	provision	adjustment	Subtotal	claims	end of year
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 Jun	e 2017					
Workers'						
compensation	8,751	3,995	699	13,445	(3,492)	9,953

## 10.5 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 NSW Trains is a licensed self-insurer.

The workers' compensation liability at year end was assessed by McMahon Actuarial Services assuming a discount rate ranging from 1.9% to 4.0% per annum over the next 10 years (2017: ranging from 1.7% to 4.0% per annum) and a future wage inflation rate ranging from 2.5% to 3.5% per annum over the next 10 years (2017: ranging from 2.5% to 3.5% per annum).

# Note 11 Contributed equity

# 11.1 Contributed equity

		2018	2017
	Note	\$'000	\$'000
Contributed equity at start of year		252,968	260,170
Net assets contributed to Government	11.2	(3,886)	(7,202)
Contributed equity at end of year		249,082	252,968

# 11.2 Net assets contributed to the Government

Transfer of assets or (liabilities) from (or to) another NSW public sector entity are considered to be a contribution by (or to) the owner.

	2018	2017
	\$'000	\$'000
Assets transferred		
Capital work in progress	3,886	7,202
Total assets	3,886	7,202
Net assets transferred out	3.886	7,202
net assets transferred out	3,000	1,202

Refer Note 5.3 for details.

# Note 12 Expenditure commitments

# 12.1 Expenditure commitments

	2018	2017
	\$'000	\$'000
Operating leases		
Within 12 months	32,460	39,299
12 months or longer but not longer than 5 years	14,635	30,189
Total operating leases	47,095	69,488
Total plant and equipment (including intangible assets)	5,630	1,424

#### Other commitments

Sydney Trains and NSW Trains entered a five-year Services Contract commencing on 1 July 2013. Under this contract, Sydney Trains provide maintenance, operational, security, cleaning and other services to NSW Trains. It has been agreed by both parties to extend the Services Contract for the additional six months with a revised expiry date as 31 December 2018. The estimate amount for 2018-2019 is \$228m (2017-2018: \$446m).

The expenditure commitments include any associated Goods and Services Tax. Related input tax credits of \$4.7m (2017: \$6.4m) are expected to be recoverable from the Australian Taxation Office.

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

	2018	2017
	\$'000	\$'000
Within 12 months	32,460	39,299
12 months or longer but not longer than 5 years	14,635	30,189
Total committed	47,095	69,488

Minimum lease payment commitments include any associated Goods and Services Tax. Related input tax credits of \$4.3m (2017: \$6.4m) are expected to be recoverable from the Australian Taxation Office.

#### Note 13 Contingent liabilities and contingent assets

# 13.1 Contingent liabilities

Contingent liabilities are possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of NSW Trains.

Conversely, they are present obligations arising from past events which are not recognised because it is uncertain or not probable that resources will be required to settle the obligation or the amount of the obligation cannot be reliably measured. However their probability of settlement is not remote.

## Guarantee

NSW Trains has a bank guarantee of \$11,000 issued by the Westpac Banking Corporation.

## Litigation

Contractual and other claims against NSW Trains arise in the ordinary course of operations. The existence or quantum of each claim is usually in dispute and the outcome cannot be measured reliably.

# Note 13 Contingent liabilities and contingent assets (continued)

# 13.2 Contingent assets

Contingent assets represent matters that are unconfirmed (pending the occurrence or non-occurrence of an uncertain future event), or not reliably measurable or unlikely to be settled. However, their probability of settlement is "probable" but not "virtually certain".

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

#### Note 14 Financial instruments

#### 14.1 Financial instruments

NSW Trains holds the following financial instruments:

		2018	2017
		\$'000	\$'000
Financial assets			
Cash and cash equivalents		183,196	198,205
Trade and other receivables*		19,977	23,858
Total financial assets		203,173	222,063
Financial Liabilities			
Trade and other payables**	8	58,861	65,333
Total financial liabilities		58,861	65,333

<sup>\*</sup> Trade and other receivables exclude statutory receivables and prepayments, i.e. not within the scope of AASB 7 *Financial Instruments: Disclosures* 

#### 14.2 Financial risks

The operational activities of NSW Trains expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk). A risk management program focuses on financial performance and seeks to minimise potential adverse effects from financial market price movements. Methods used to measure risk include sensitivity analysis in the case of interest rate, and an ageing analysis for credit risk.

Risk management is carried out under approved policies. Treasury Management Policy establishes a prudential framework covering policies, best practice internal controls and reporting systems for the management of financial risks within NSW Trains' operation. The policy covers specific areas such as foreign exchange risk, interest rate risk, commodity risk, and credit risk, use of derivative financial instruments and investment of excess funds. The NSW Trains has a Treasury Management Policy. The primary objective of this policy is to achieve management of all financial risks in strict compliance with internal policies and guidelines within the broad framework of the NSW Treasury Management Policy (TPP07-7). Accounting for Treasury Instruments is in accordance with NSW Treasury accounting policy, Accounting for Financial Instruments (TPP08-1).

NSW Trains Finance identifies and evaluates financial risk in close cooperation with NSW Trains' operating divisions.

<sup>\*\*</sup> Trade and other payables exclude statutory payables and unearned income, i.e. not within the scope of AASB 7 Financial Instruments: Disclosures

# Note 14 Financial instruments (continued)

#### 14.3 Market risk

Market risk relates to fluctuations in the fair value of future cash flows of financial instruments because of changes in market prices. This applies to NSW Trains' interest rate risk.

Sensitivity analysis on market risk is based on price variability taking into account the economic environment in which NSW Trains operates and the time frame for assessment, that is, until the end of the next reporting period. The sensitivity analysis is based on financial instruments held at the balance date. The analysis assumes that all other variables remain constant.

# 14.3.1 Foreign exchange risk

NSW Trains is not exposed to foreign exchange risk, all significant contractual commercial transactions denominated in local currency.

#### 14.3.2 Interest rate risk

Interest rate risk refers to the market value of financial instruments or cash flows associated with the instruments fluctuating due to changes in market yields. NSW Trains' main interest rate risk relates primarily to cash at bank.

NSW Trains' bank accounts operate as part of the NSW Treasury Banking System. Interest is earned on daily cash balances at the Reserve Bank of Australia cash rate.

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

	Interest Rate	Principal Amount
	%	\$'000
Year ended 30 June 2018		
Financial assets		
Not later than 1 year		
Cash on hand and in transit		209
Cash at bank	1.50	182,987
Total financial assets		183,196
	Interest Rate	Principal Amount
	%	\$'000
Year ended 30 June 2017		
Financial assets		
Not later than 1 year		
Cash on hand and in transit	-	155
Cash at bank	1.50	198,050
Total financial assets		198,205

# Note 14 Financial Instruments (continued)

# 14.3 Market risk (continued)

## 14.3.2 Interest rate risk (continued)

#### Interest rate sensitivity analysis

A change of +/- 1 per cent is used, consistent with current trends in interest rates, to measure NSW Trains' financial sensitivity to interest rate movements. NSW Trains' exposure to interest rate risk is set out below.

	Change in yield	Impact on Net result	Impact on Equity
		\$'000	\$'000
Year ended 30 June 2018			
Bank deposits	-1%	(1,830)	(1,830)
балк феровіть	1%	1,830	1,830
	Change in	Impact on	Impact on
	yield	Net result	Equity
		\$'000	\$'000
Year ended 30 June 2017			
Doub douboits	-1%	(1,981)	(1,981)
Bank deposits	1%	1,981	1,981

#### 14.4 Credit risk

Credit risk arises where there is the possibility of NSW Trains' debtors defaulting on their contractual obligations, resulting in a financial risk to NSW Trains.

Credit risk can arise from financial assets of NSW Trains, including cash and cash equivalents, deposits with banks, as well as credit exposure to customers, including outstanding receivables and committed transactions. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

NSW Trains' credit risk policy is aimed at minimising the potential for counter party default. NSW Trains uses the Standard & Poor's rating system in assessing credit risk.

Credit risk associated with NSW Trains' financial assets, other than receivables, is managed through the sound selection of counterparties and establishment of minimum credit rating standards.

#### Cash

NSW Trains held \$183m in cash at bank at 30 June 2018 (2017: \$198m). This was held with Westpac Banking Corporation.

#### Trade receivables

The maximum credit risk exposure in relation to receivables is the carrying amount, less the allowance for impaired debts. Where necessary to support approval of a credit application for customers, security may need to be obtained in the form of an unconditional bank guarantee and/or security deposit. Collectability of debtors is reviewed on an ongoing basis.

NSW Trains is not obliged to extend credit. NSW Trains is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors.

No interest is earned on trade debtors.

# Note 14 Financial instruments (continued)

# 14.5 Liquidity risk

Liquidity risk refers to NSW Trains being unable to meet its payment obligations when they fall due. NSW Trains manages risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Credit standby arrangements are shown at Note 5.4.

During the current year, there have been no defaults or breaches on any amounts payable. No assets have been pledged as collateral. NSW Trains exposure to liquidity risk is deemed insignificant based on current year data and assessment of risk.

Liabilities are recognised for amounts due to be paid in the future for goods and services received, whether or not invoiced. If trade terms are not specified, payment is generally made no later than the end of the month following the month in which an invoice or a statement is received.

The following table reflects the maturity band for all contractual obligations including the payment of principal and interest resulting from recognised financial liabilities at reporting date excluding the impact of netting.

	Carrying	Contract	Less than 1	Between 1	Over 5
	amount	Cash flow	Year	and 5 Years	Years
	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2018					
Financial liabilities					
Trade and other payables	58,861	58,861	58,861	₽:	÷
	58,861	58,861	58,861		ē.
	Carrying	Contract Cash	Less than 1	Between 1	Over 5
	amount	flow	Year	and 5 Years	Years
	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2017					
Financial liabilities					
Trade and other payables	65,333	65,333	65,333	-	-

## Note 15 Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Due to the short-term nature of the current receivables, their carrying value is assumed to approximate their fair value and based on credit history it is expected that the receivables that are neither past due nor impaired will be received when due.

NSW Trains does not own any land or building. The current holding of Plant and Equipment is mainly operational equipment with useful lives of 10 years or less. Management has reviewed and concluded that the written down value of these assets approximate their fair value.

The carrying amounts and aggregate net fair values of financial assets, non-financial assets and financial liabilities at balance date are:

	Carrying	
	Amount	Fair Value
	\$'000	\$'000
Year ended 30 June 2018		
Financial assets		
Cash and cash equivalents	183,196	183,196
Trade and other receivables	20,826	20,826
Total financial assets	204,022	204,022
Non-financial assets		
Plant and machinery	207	207
Total non-financial assets	207	207
Financial liabilities		
Trade and other payables	64,049	64,049
Total financial liabilities	64,049	64,049
	Carrying	
	Amount	Fair Value
Year ended 30 June 2017	\$'000	\$'000
Financial assets		
Cash and cash equivalents	198,205	198,205
Trade and other receivables	25,208	25,208
Total financial assets	223,413	223,413
Non-financial assets		
Plant and machinery	309	309
Total non-financial assets	309	309
Financial liabilities		
Trade and other payables	71,009	71,009
Total financial liabilities	71,009	71,009

# Note 16 Related party disclosures

# 16.1 Key Management Personnel Compensation

During the year, NSW Trains incurred \$1.6m (2017: \$1.9m) in respect of the key management personnel services that are provided by Transport Service NSW.

# 16.2 Transactions and Outstanding Balances with Key Management Personnel of NSW Trains and its parent during the year

There was no transaction or outstanding balance with Key Management Personnel of NSW Trains and its parent during the year (2017: nil).

# 16.3 Transactions and Outstanding balances with Other Related Parties during the year

There was no transaction or outstanding balance with other related parties during the year (2017: nil).

# 16.4 Transactions with Government Related Entities during the year

During the year, NSW Trains entered into transactions and held balances with other entities that are controlled or jointly controlled by the NSW Government. All of the activities were undertaken in the ordinary course of business operations.

The following transactions are significant either individually or in aggregate:

RailCorp provides NSW Trains with access rights to assets including the rail stations, properties, tracks and rolling stock at no charge.

NSW Trains has transferred \$3.9m (2017: \$7.2m) Capital work in progress to RailCorp.

Sydney Trains provides services to NSW Trains under a service contract inclusive of maintenance service.

NSW Treasury has issued a letter of comfort to NSW Trains.

Transport Service of New South Wales provides personnel services to NSW Trains.

TfNSW provides some corporate and transactional services to NSW Trains.

NSW Trains receives contributions from TfNSW.

Opal card is managed by TfNSW. Opal passenger revenue is remitted to NSW Trains monthly.

Service NSW provides contact center services to NSW Trains' customers.

# Note 17 Events occurring after reporting date

No events have occurred between the end of reporting date and the date the financial statements are authorised for issue, which require adjustment to, or disclosure in, the financial statements.

(End of audited financial statements)





# INDEPENDENT AUDITOR'S REPORT

#### **NSW Trains**

To Members of the New South Wales Parliament

## Opinion

I have audited the accompanying financial statements of NSW Trains, which comprise the Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Summary of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of NSW Trains as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

# **Basis for Opinion**

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of NSW Trains in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### Other Information

Other information comprises the information included in NSW Trains' annual report for the year ended 30 June 2018, other than the financial statements and my Independent Auditor's Report thereon. The Chief Executive of NSW Trains is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Statement by the Chief Executive.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

# The Chief Executive's Responsibilities for the Financial Statements

The Chief Executive is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible for assessing NSW Trains' ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting except where NSW Trains will be dissolved by an Act of Parliament or otherwise cease operations.

# Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <a href="www.auasb.gov.au/auditors">www.auasb.gov.au/auditors</a> responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that NSW Trains carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Margaret Crawford

Auditor-General of NSW

20 September 2018 SYDNEY

