

RailCorp

Annual Report



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Volume 1

RailCorp

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Sydney NSW 2000

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Letter to Minister

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

Dear Minister,

It is my pleasure to provide the Rail Corporation New South Wales (RailCorp) Annual Report for the financial year 1 July 2018 to 30 June 2019, for your information and presentation to Parliament. This report has been prepared in accordance with the *Annual Report (Statutory Bodies) Act 1984*, the *Annual Reports (Statutory Bodies) Regulation 2015* and the *Public Finance and Audit Act 1983*.

Yours sincerely



Howard Collins OBE
Acting Chief Executive
RailCorp

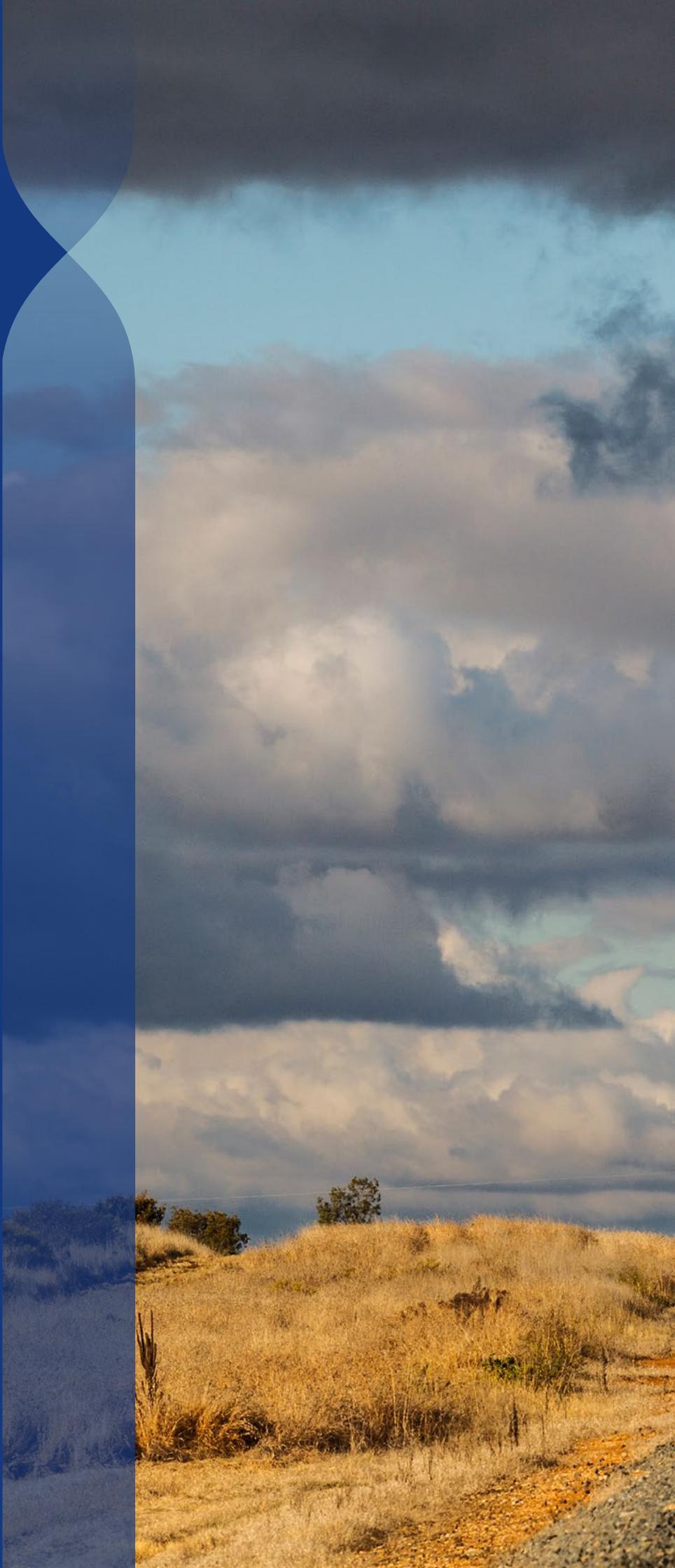
28 October 2019

Contents

Foreword	2
From the Chief Executive	4
Overview	6
About RailCorp	8
Financial performance summary	8
Appendices	12
Appendix 1: Changes in Acts and subordinate legislation from 1 July 2018 to 30 June 2019	14
Appendix 2: Obligations under the GIPA Act	15
Appendix 3: <i>Privacy and Personal Information Protection Act 1998</i>	15
Appendix 4: <i>Public Interest Disclosures Act 1994</i>	15
Appendix 5: Cyber Security annual attestation statement for 2018-19	16
Appendix 6: Internal audit and risk management disclosure	17
Appendix 7: Insurance management	22
Appendix 8: Major works in progress	22
Appendix 9: Land disposals	22
Appendix 10: Payment of accounts	23
Appendix 11: Investment management performance	24
Appendix 12: Liability management performance	24
Appendix 13: Payments to consultants	24
Appendix 14: External Annual Report production costs	24



Foreword







From the Chief Executive

Rail Corporation New South Wales' (RailCorp) operating functions moved to Sydney Trains and NSW Trains when these organisations commenced operations on 1 July 2013.

RailCorp is a NSW Government agency that holds rail property assets, rolling stock and rail infrastructure in the Sydney metropolitan area and limited country locations in the State of NSW and it makes these assets available to Sydney Trains and NSW Trains for their operations. RailCorp provides access to the metropolitan rail network by third party rail operators.

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

Howard Collins OBE
Acting Chief Executive
RailCorp

28 October 2019



Service Time now 16:28:40

T8 Revesby
via Airport stations X

8 7 6 5 4 3 2 1

Wollie Creek
Turrella
Bardwell Park
Bexley North
Kingsgrove
Beverly Hills
Narwee
Riverwood
Padstow
Revesby

Platform **23**
8 carriages

Departs **1 min**

All Stops

Next Services Platform 23
Macarthur Departs 10 min
via Airport stations X

23

Revesby
via Wollie Creek

EMERGENCY DOOR

Overview





About RailCorp

Rail Corporation New South Wales (RailCorp) is a NSW Government agency established under the *Transport Administration Act 1988*.

RailCorp is the legal owner of a portfolio of over \$30 billion of railway property, including stations, trains and tracks mostly within the Sydney metropolitan area and limited New South Wales country locations. RailCorp makes these assets available to Sydney Trains and NSW Trains for their operations.

RailCorp also manages the NSW Government's contract with the Airport Link Company.

RailCorp objectives

- To operate in a safe, reliable and responsible manner.
- To ensure the infrastructure network owned by RailCorp enables safe and reliable passenger and freight services.
- To be a successful business and operate at least as efficiently as any comparable business, maximising the state's investment in the corporation.
- To exhibit a sense of social responsibility by having regard to the interests of the communities, including a responsibility towards regional development and decentralisation, in which it operates.
- To conduct its operations in compliance with the principles of ecologically sustainable development contained in the *Protection of the Environment Administration Act 1991*.

Executive

The Acting Chief Executive of RailCorp is Howard Collins, Sydney Trains Chief Executive. The Acting Chief Financial Officer is Peter Crimp, Acting Executive Director Finance and Business Services, Group Rail. Remuneration is provided by Sydney Trains for the RailCorp executive roles.

Transport reforms – milestones

Since November 2011 Transport for NSW (TfNSW) in collaboration with NSW Treasury and the Department of Premier and Cabinet has undertaken reforms to the delivery of public transport services.

RailCorp's operation and maintenance functions were transferred to Sydney Trains and NSW Trains in 2013, and RailCorp is the asset owner.

The establishment of the Transport Asset Holding Entity (TAHE) builds on these reforms. Work has continued on the consolidation of transport asset ownership to TAHE to provide the transport cluster a more effective, efficient and commercial approach to the management of transport assets, particularly property. This will ensure the rapidly growing asset base is best managed to deliver ongoing benefits and allow operators to focus on service delivery.

The transition from RailCorp to TAHE will progress over the next few years.

Financial performance summary

For the year 2018-19, RailCorp received \$222.6 million (2017-18: \$213.5 million) in income, while total expenses of \$1,489.3 million (2017-18: \$1,472.3 million) were incurred in operations, depreciation and financing costs.

Depreciation and amortisation of \$1,185.7 million (2017-18: \$1,151.8 million) was the largest component of expense, reflective of the current operating environment.

The resulting deficit from operations, before government support, was \$1,266.7 million (2017-18: \$1,258.8 million). While RailCorp did not require direct government contributions for its day-to-day operations, \$10.6 million (2017-18: \$10.6 million) was provided by government to fund defined benefits superannuation in the year. The resulting deficit from operations after government support was \$1,182.1 million (2017-18: \$1,156.0 million). The net result from continuing operations for the year was \$1,347.6 million deficit (2017-18: 1,124.2 million) after recognising other losses of \$165.6 million (2017-18: Other gains \$31.8 million).

NSW Government contributions to fund capital construction in 2018-19 comprised of an equity contribution of \$1,904.6 million and capital

grants of \$73.9 million. This compared to the 2017-18 equity contribution of \$1,206.7 million and capital grants of \$92.2 million.

The total comprehensive income for the year was therefore a deficit of \$1,542.5 million (2017-18: surplus \$203.9 million).

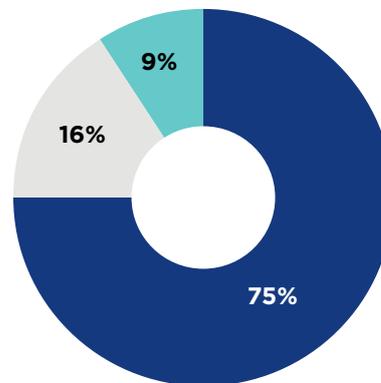
The other comprehensive income for the year, including revaluation of property, plant and equipment, totalled a deficit of \$194.8 million (2017-18: surplus \$1,328.1 million).

Performance against budget

RailCorp's net operating result was \$10.3 million favourable to budget for the year.

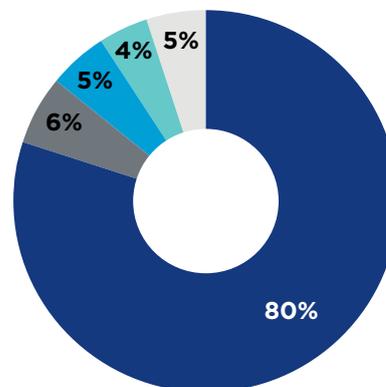
2018-19 Total income

■ Access & service fees	\$167.2m	75%
■ Property rental	\$36.5m	16%
■ Other income	\$18.9m	9%
Total income	\$222.6m	



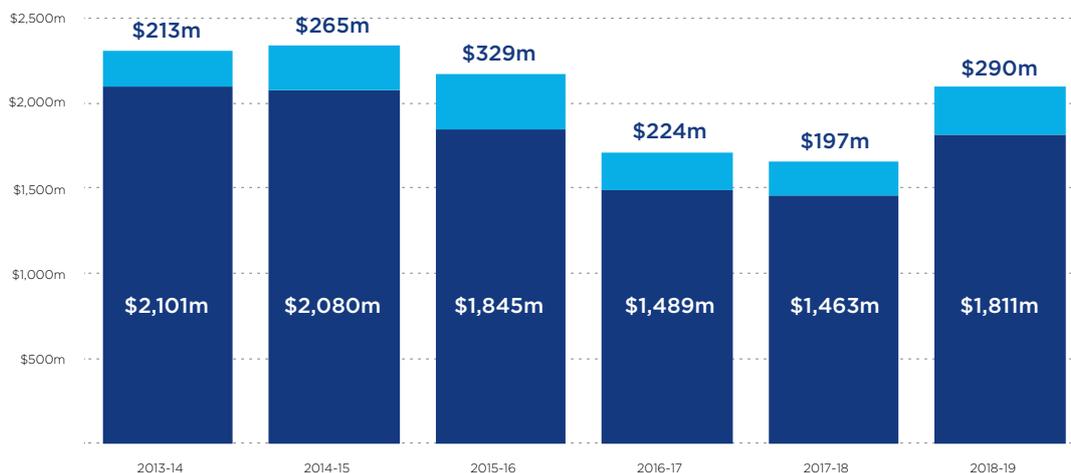
2018-19 Total expenses

■ Depreciation & amortisation	\$1,185.7m	80%
■ Derecognition & disposal of assets	\$94.4m	6%
■ Finance costs	\$70.2m	5%
■ Contribution paid to Sydney Trains	\$61.1m	4%
■ Other operating expenses	\$77.9m	5%
Total expenses	\$1,489.3m	



Capital expenditure

- Capital investment
- Capitalised maintenance



Capital investment

Capital expenditure was \$1,811.2 million in 2018-19. A further \$289.9 million of major periodic maintenance was capitalised for a total capital expenditure of \$2,101.1 million which was a \$441.6 million increase compared to 2017-18.

Major capital projects delivered by other entities for RailCorp totalled \$1,733.5 million: \$1,528.4 million from TfNSW and \$205.1 million from Sydney Metro. Sydney Trains delivered a further \$367.6 million in works, including capitalised maintenance.

2018-19 Capital investment by program

\$ million

Automatic Train Protection	139.9
Central Walk	135.6
More Trains, More Services	645.3
New Intercity Fleet	403.5
Power Supply Upgrade	32.8
Regional Rail Fleet Program	32.6
Sydney Metro North West	69.9
Transport Access Program	186.8
Rail Minor Works	165.2
Capital Expenditure	1,811.2
Capital Maintenance	289.9
Total RailCorp Capital Investment	2,101.1



Appendices





Appendix 1: Changes in Acts and subordinate legislation from 1 July 2018 to 30 June 2019

New South Wales

Crown Land Management Act 2016 (NSW) (commenced in full on 1 July 2018)

Rail Safety (Adoption of National Law) Regulation 2018 (NSW) (commenced on 27 July 2018)

Gas and Electricity (Consumer Safety) Act 2017 (NSW) (commenced on 1 September 2018)

- *Heavy Vehicle National Law Act 2013* (NSW):
- Heavy Vehicle (Adoption of National Law) Amendment Regulation 2018 (NSW) (commenced on 1 October 2018)
- Heavy Vehicle (Adoption of National Law) Amendment (Penalties) Regulation 2018 (NSW) (commenced on 1 October 2018)

Government Sector Finance Act 2018 (NSW) (commenced on 1 July 2019)

Building and Construction Industry Security of Payment Amendment Act 2018 (NSW) (to commence on 21 October 2019)

Modern Slavery Act 2018 (NSW) (assented to on 27 June 2018, not yet commenced)

Commonwealth

Road Vehicles Standards Act 2018 (Cth) (part-commenced on 11 December 2018)

Industrial Chemicals Act 2019 (Cth) (assented to on 12 March 2019, due to commence on 1 July 2020)

Appendix 2: Obligations under the GIPA Act 2009

Review of proactive release program – Clause 7(a)

RailCorp's functions have changed, with Sydney Trains and NSW Trains commencing operation from 1 July 2013.

RailCorp is a NSW Government agency that holds rail property assets and rail infrastructure in the Greater Sydney metropolitan area and limited country locations in the state of NSW and it makes these assets available to Sydney Trains and NSW Trains for their operations.

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

The information that RailCorp makes available on the Transport for NSW website, transport.nsw.gov.au/about-us/who-we-are/railcorp includes the following details:

- access to RailCorp information
- access to the rail network
- commercial sales.

During 2018-19, applications for access to information held by RailCorp were managed by Sydney Trains. Statistical information about access applications – Clause 7(d) and Schedule 2 – is aggregated with Sydney Trains' statistics in the Sydney Trains Annual Report 2018-19.

Appendix 3: Privacy and Personal Information Protection Act 1998

Privacy Management Plan

Clause 8 of the Annual Reports (Statutory Bodies) Regulation 2015 requires NSW Government agencies to provide a statement of the action taken by the body in complying with the requirements of the *Privacy and Personal Information Protection Act 1998* (PPIP Act) and provide statistical details of any review carried out under Part 5 of the PPIP Act.

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

Privacy reviews

During 2018-19, RailCorp did not receive any applications for reviews of conduct relating to the use, access or release of personal information.

Appendix 4: Public Interest Disclosures Act 1994

RailCorp did not receive any Public Interest Disclosures (PID) during 2018-19.

Appendix 5: Cyber Security annual attestation statement for 2018-19

I, Howard Collins, am of the opinion that RailCorp is approaching cyber security in a manner consistent with the mandatory requirements set out in the NSW Government Cyber Security Policy.

In line with the NSW Government Cyber Security Policy, RailCorp has identified its critical assets and has an ongoing program of work to identify and assess the changing security threats, manage new and current risks and implement appropriate controls.

Governance is in place to manage the cyber-security maturity and initiatives of RailCorp.

There exists a current cyber incident response plan for RailCorp, which has been tested during the reporting period.

A mix of reviews and audits of the Agency's Information Security Management System were undertaken, in addition to reporting against the Mandatory Requirements of the NSW Government Cyber Security Policy and found to be adequate or findings being addressed through the program of work as appropriate.



Howard Collins OBE
Acting Chief Executive
RailCorp

29 August 2019

Appendix 6: Internal audit and risk management disclosure

Director
Financial Management, Governance & Analytics
NSW Treasury
Level 27, 52 Martin Place (127 Phillip Street entrance)
Sydney NSW 2000

TPP15-03 Internal Audit and Risk Management Policy for the NSW Public Sector - RailCorp Attestation Statement

Dear Director,

In accordance with the requirements of TPP15-03, please find attached RailCorp's Internal Audit and Risk Management Attestation Statement, which attests that the core requirements were in place for the 2018-2019 Financial Year.

Regards,



Howard Collins OBE
Acting Chief Executive
RailCorp

26 September 2019

Internal Audit and Risk Management Attestation Statement for the 2018-2019 Financial Year for RailCorp

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

Core requirements	Compliant, non-compliant, or in transition
Risk management framework	
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
Internal 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	Non-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 RailCorp Audit and Risk Committee for the FY2018-19 are:

- Independent Chair, E. Crouch, 1 July 2014 - 30 June 2020
- Independent Chair, G. Fletcher, 1 July 2010 - 30 June 2014
- Independent Member 1, E. Crouch, 1 July 2010 - 30 June 2014
- Independent Member 1, G. Fletcher, 1 July 2014 - 30 June 2020
- Independent Member 2, B. Blood, 1 July 2010 - 30 June 2020

Departures from Core Requirements

I, Howard Collins advise that the internal audit and risk management processes for RailCorp depart from the following core requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector*:

The circumstances giving rise to these departures have been determined by the Portfolio Minister and RailCorp has implemented or is implementing the following practicable alternative measures to meet the core requirement:

Departure

Reason for departure and description of practicable alternative measures implemented/being implemented

Non-Compliance

Core Requirement:
3.1 An independent Audit and Risk Committee with appropriate expertise has been established

Reason for non-compliance with the core requirement

RailCorp would have complied with the 8 year maximum appointment terms for the Chair/Members had Transport Asset Holding Entity (TAHE) been established in the initial expected timeframe (30 June 2018). It is envisaged that RailCorp's assets will be transitioned to TAHE once it is established and at this time, RailCorp and its Audit & Risk Committee (ARC) will be dissolved. Given the implementation of TAHE has now been extended to 1 July 2020, RailCorp and its ARC will be required to operate in order to comply with the Policy.

The extension will also impact the tenure of the current Chair who will exceed the maximum tenure of 5 years under the Policy, by up to one year to 30 June 2020.

How the alternative arrangements will achieve equivalent outcomes

The proposed members are valid members of the prequalified Scheme: Audit and Risk Committees Independent Chairs and Members operated by the Department of Finance, Services and Innovation and each of these extensions will undergo the standard re-appointment process whereby each member is engaged under the conditions in the Scheme Conditions dated January 2013 issued by the NSW Treasury and the NSW Department of Finance and Services.

In addition, the members are provided a copy of Code of Conduct: Audit and Risk Committee Chairs and Members and confirm their compliance with other legislation, regulations or guidelines applicable to internal audit and risk management in the NSW public sector, as they apply to Audit and Risk committees and in particular, responsibilities outlined in the Policy and in the RailCorp Audit and Risk Committee Charter.

These members remain suitably qualified to carry out their obligations as independent members under the Policy and for the purposes of ensuring RailCorp's ARC is operational and in compliance with the Policy until such time, TAHE is established.

It is proposed that once TAHE is established, RailCorp and its ARC will be dissolved.

These processes, including the practicable alternative measures implemented, demonstrate that RailCorp has established and maintained frameworks, including systems, processes and procedures for appropriately managing audit and risk within the agency.



Howard Collins OBE
Acting Chief Executive
RailCorp

26 September 2019

Rail Corporation NSW (RailCorp) compliance with the Internal Audit and Risk Management Policy for the NSW Public Sector

I, Minister for Transport & Infrastructure, am of the opinion that RailCorp has internal audit and risk management processes in operation that are, excluding the exceptions described below, compliant with the core requirements set out in the Internal Audit and Risk Management Policy for the NSW Public Sector.

I, Minister for Transport & Infrastructure, understand that the following core requirements of Internal Audit and Risk Management Policy (TPP 15-03) (Policy) have not been met:

Core requirements	Reason for non-compliance with the core requirement
<p>Core Requirement 3.1 – An independent Audit and Risk Committee with appropriate expertise has been established.</p> <p>3.1.10 The initial term of membership of the Audit and Risk Committee must be at least three (3) years and must not exceed five (5) years.</p> <p>3.1.11 Members can be reappointed or extended for further term(s) but the total period of continuous membership on the Committee must not exceed eight (8) years (inclusive of any term as chair of the Committee).</p> <p>3.1.13 The Chair of the Audit & Risk Committee must be appointed for one (1) term only for a period of at least three (3) years, with a maximum period of five (5) years. The term of appointment for the Chair can be extended but any extension must not cause the total term to exceed five (5) years as a chair of the Audit & Risk Committee.</p>	<p>RailCorp would have complied with the 8 year maximum appointment terms for the Chair/ Members had Transport Asset Holding Entity (TAHE) been established in the initial expected timeframe (30 June 2018). It is envisaged that RailCorp's assets will be transitioned to TAHE once it is established and at this time, RailCorp and its Audit & Risk Committee (ARC) will be dissolved. Given the implementation of TAHE has now been extended to 1 July 2019, RailCorp and its ARC will be required to operate in order to comply with the Policy.</p> <p>The extension will also impact the tenure of the current Chair who will exceed the maximum tenure of 5 years under the Policy, by up to one year to 30 June 2020.</p>

I note that the following alternative arrangements have been implemented to achieve outcomes equivalent to the requirement (s):

Summary of alternative arrangements

How the alternative arrangements will achieve equivalent outcomes

Extension of the current membership of the RailCorp ARC from 1 July 2018 to 30 June 2020 to ensure continuity of corporate history which will not only benefit RailCorp and its obligations under the Policy but will also support the transition to TAHE given the Chair and Members have been briefed since the conception of the TAHE project to current date.

The proposed members are valid members of the prequalification Scheme: Audit and Risk Committees Independent Chairs and Members operated by the Department of Finance, Services and Innovation and each of these extensions will undergo the standard re-appointment process whereby each member is engaged under the conditions in the Scheme Conditions dated January 2013 issued by the NSW Treasury and the NSW Department of Finance and Services.

In addition, the members are provided a copy of Code of Conduct: Audit and Risk Committee Chairs and Members and confirm their compliance with other legislation, regulations or guidelines applicable to internal audit and risk management in the NSW public sector, as they apply to Audit and Risk Committees and in particular, responsibilities outlined in the Policy and in the RailCorp Audit and Risk Committee Charter.

These members remain suitably qualified to carry out their obligations as independent members under the Policy and for the purposes of ensuring RailCorp's ARC is operational and in compliance with the Policy until such time, TAHE is established.

It is proposed that once TAHE is established, RailCorp and its ARC will be dissolved.

I, Minister for Transport & Infrastructure, am of the opinion that the practicable alternative measures implemented demonstrate that the RailCorp has established and maintained frameworks, including systems, processes and procedures for appropriately managing audit and risk within the RailCorp.

This exception to the core requirements of the Internal Audit and Risk Management Policy for the NSW Public Sector (TPP15-03) is valid for the financial year(s) (2018-2020).



Hon Andrew Constance MP

Minister for Transport and Infrastructure

11 July 2018

Appendix 7: Insurance management

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

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

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

Appendix 8: Major works in progress

RailCorp had a range of works in progress at 30 June 2019 including the following:

	Cost to date (\$ million)	Forecast completion (year)
Central Walk	211	2022
New Intercity Fleet	792	2024
Automatic Train Protection	588	2020

The construction works listed are undertaken by Sydney Metro and Transport for NSW on behalf of RailCorp.

Appendix 9: Land disposals

In the year ended 30 June 2019, RailCorp did not sell any land with a value greater than \$5 million.

Appendix 10: Payment of accounts

Outstanding invoices by age at the end of each quarter

Quarter	Current (i.e. within due date)	Less than 30 days overdue	Between 30 and 60 days overdue	Between 60 and 90 days overdue	More than 90 days overdue
	\$M	\$M	\$M	\$M	\$M
Suppliers					
Sep-18	149.7	0.0	0.0	0.0	0.0
Dec-18	159.5	6.2	3.4	3.1	3.4
Mar-19	239.7	0.0	0.0	0.0	3.4
Jun-19	116.6	0.0	0.0	0.0	0.0
SBS					
Sep-18	0.0	0.0	0.0	0.0	0.0
Dec-18	0.0	0.0	0.0	0.0	0.0
Mar-19	0.0	0.0	0.0	0.0	0.0
Jun-19	0.0	0.0	0.0	0.0	0.0

Accounts paid on time within each quarter

Measure	Sep 18	Dec 18	Mar 19	Jun 19
Suppliers				
Number of accounts due for payment	276	291	241	274
Number of accounts paid on time	276	287	241	274
Actual % accounts paid on time	100%	98.6%	100%	100%
\$ amount of accounts due for payment	\$450.1M	\$484.9M	\$585.5M	\$887.5M
\$ amount of accounts paid on time	\$450.1M	\$484.9M	\$585.5M	\$887.5M
Actual % accounts paid on time (based on \$)	100%	100%	100%	100%
Small business suppliers				
Number of accounts due for payment	-	-	-	1
Number of accounts paid on time	-	-	-	1
Actual % accounts paid on time	-	-	-	100%
\$ amount of accounts due for payment	-	-	-	\$2,301.2
\$ amount of accounts paid on time	-	-	-	\$2,301.2
Actual % accounts paid on time (based on \$)	-	-	-	100%

No interest was charged by suppliers to RailCorp in the current financial year.

Appendix 11: Investment management performance

In the year ended 30 June 2019, RailCorp held cash in the Westpac Treasury Banking System. The interest earned was 1.48 per cent on the funds invested, which was below the benchmark rate of 2.34 per cent.

Appendix 12: Liability management performance

In the year ended 30 June 2019, RailCorp's cost of funds was 2.75 per cent against the benchmark of 2.42 per cent. The benchmark debt portfolio comprised an equal weighting of short and long-term debt instruments. RailCorp's debt portfolio had a greater than 90 per cent weighting of long-term debt in accordance with RailCorp policy which resulted in a higher cost of funds than the neutral benchmark.

Appendix 13: Payments to consultants

RailCorp made no payments to consultants during 2018-19.

Appendix 14: External Annual Report production costs

External design services were used to ensure the annual report would comply with the Web Content Accessibility Guidelines (WCAG).

The total external costs associated with producing the PDF version of the report were approximately \$3,800 including design layout and proof-reading.

RailCorp

477 Pitt Street Sydney
NSW 2000

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