
Overview of Rail Services

RAIL SERVICES

The following NSW Government entities provide rail services:

State Owned Corporations	Statutory Authority
Rail Corporation New South Wales (RailCorp) Rail Infrastructure Corporation (RIC) Transport Infrastructure Development Corporation (TIDC)	State Rail Authority of New South Wales (SRA)

Separate commentary on the above entities appears later in this report.

AUDIT OPINIONS

The audits of the above entities' financial reports for the year ended 30 June 2005 resulted in unqualified Independent Audit Reports.

KEY ISSUES

Restructure of Rail Services

No target date was set for the completion of the restructure of rail service entities. Significant progress has been made but considerable work is yet to be completed. Although a significant proportion of operational staff have transferred to RailCorp, RIC and SRA continue to perform many of the administrative functions they performed prior to the restructure.

After the 2003 State election, the Minister for Transport Services began restructuring rail services. In 2003-04 this involved:

- the creation of RailCorp from 1 January 2004
- transferring from RIC and SRA \$11.1 billion of assets, being the metropolitan rail network and rollingstock, and \$64.9 million of liabilities to RailCorp
- leasing \$3.0 billion of interstate and Hunter Valley rail lines to Australian Rail Track Corporation (ARTC)
- transferring responsibility for the Epping to Chatswood Rail Line from the Parramatta Rail Link Company, RIC and SRA to TIDC.

Further aspects of the restructure carried out in 2004-05 were:

- transferring from RIC and SRA to RailCorp \$513 million of assets, being mainly the remaining parts of the metropolitan rail network and inventories, and \$156 million in liabilities, including employee benefit liabilities for the 6,097 transferred employees
- transferring from RIC net liabilities of \$219 million, being \$342 million of borrowings for the Epping to Chatswood Rail Line project to TIDC offset by assets of \$123 million.

On 1 July 2005, further RIC and SRA assets, rights, liabilities and staff were transferred to RailCorp. The transferred assets and liabilities mainly comprised property, plant and equipment, borrowings and the employee benefits of 460 transferred employees.

Voluntary Redundancy

Employees of RIC and SRA may be displaced during the restructure of rail services. The management of displaced employees includes redeployment/re-training or the offer of voluntary redundancy. Voluntary redundancy is available only where employees are surplus and a formal offer of voluntary redundancy is made by either RIC or SRA.

RIC or SRA employees eligible for voluntary redundancy have a choice between the Special Purpose Payment Package (SPPP) and the applicable RIC or SRA voluntary redundancy package. The SPPP is considerably more generous than the current RIC/SRA voluntary redundancy package so as to encourage more employees to accept voluntary redundancy. Employees with 30 years of service can receive double the normal RIC or SRA redundancy entitlement under the SPPP.

The table below compares the three packages for those employees who are under 45 years of age at the time of taking voluntary redundancy.

Years of Service at Exit Date	SPPP*	Current RIC Package*	Current SRA Package*
1	23	11	11
2	27	15	16
5	39	27	27
10	59	47	42
13	68	56	51
15	74	62	51
18	76	62	51
20	84	62	51
25	104	62	51
30	124	62	51

* Weeks of pay

Employees aged 45 years or more are entitled to one additional week under the current RIC package. SRA employees are not entitled to the additional week unless they have five years of service. Under the SPPP package, the same employees are entitled to one additional week when they have two years of service.

Seven hundred and ninety-five employees of RIC or SRA took voluntary redundancy during 2004-05 at a total cost of \$57.8 million.

Managers on contracts were paid the higher SPPP rather than the lower termination clauses of their contracts. This applied when the manager had been continuously employed, was a non-contract employee prior to the contract and where the notional base salary was not greater than \$126,000, the maximum non-contract employee salary. RIC/SRA management advised us that the higher SPPP was offered to these managers on equity grounds.

Career Transition Centre

Employees who are displaced are registered in the Career Transition Centre (CTC), managed and administered by RIC. The CTC provides displaced staff with professional support from career coaches, assistance with re-deployment, training programs, personal counselling, assistance in dealing with transition and guidance to employees considering offers of voluntary redundancy.

Employees are entitled to indefinite salary maintenance at their former substantive rate of pay provided they cooperate with the redeployment process and accept a reasonable offer of employment. Up to three reasonable offers may be made. The employer can direct an employee to work in a position provided it is a reasonable offer.

During 2004-05, 1,145 employees registered with the CTC, of whom 331 were redeployed to positions within RailCorp and 719 accepted voluntary redundancies. As at 30 June 2005, 95 employees were registered within the CTC.

Management has identified a further 270 employees currently employed within RIC or SRA who are surplus to the needs of the organisation. Management is in the process of transferring these employees to the CTC.

OTHER ISSUES

Waterfall Accident

On 31 January 2003 a Tangara train derailed south of the Waterfall train station killing seven people and injuring forty-two. Justice McInerney headed an inquiry into the accident. He released an interim report in January 2004, and delivered his final report in January 2005.

The Independent Transport Safety and Reliability Regulator (ITSRR) is required to provide a quarterly report on the implementation of the NSW Government's response to the 177 recommendations (127 recommendations and 50 sub-elements) contained within the final report. The September 2005 quarterly report noted satisfactory progress has been made against the implementation plan:

- 35 recommendations are now closed
- a further 30 recommendations are claimed by agencies to be closed, but are in the process of being verified by ITSRR
- a further 71 recommendations are targeted for implementation by December 2005
- a further 20 recommendations are targeted for implementation by December 2006
- one recommendation for the introduction of national communications technical standards will not be implemented until around 2010
- 20 recommendations referred to the National Transport Commission are targeted for implementation by November 2005.

For more information on the report refer to www.cityrail.info. For the NSW Government responses to the report and the progress of implementation of recommendations, refer to www.transport.nsw.gov.au.

Chief Investigator of the Office of Transport Safety Investigation (OTSI)

OTSI was created on 1 July 2005 as a statutory authority, separate from the ITSRR. The Chief Investigator of OTSI reports directly to the Minister so as to enhance the independence of ITSRR. This separation arose as part of the NSW Government's response to the Waterfall Inquiry.

Funding Announcement

The funding announced in the 2005-06 State Budget enables RailCorp to continue with its programs to improve the safety and reliability of the CityRail network, in particular:

- \$217 million for rolling stock including the acquisition of new Outer Suburban carriages and new Hunter Valley diesel rail cars, and the rolling stock replacement plan where RailCorp will replace the 498 non air-conditioned suburban carriages with new air-conditioned carriages by 2010
- \$272 million for rail infrastructure and station upgrades
- \$97.5 million for the Rail Clearways Plan.

The 2005-06 Budget also includes:

- \$139 million for TIDC for the Epping to Chatswood Rail Line. Project expenditure including the Chatswood and Parramatta transport interchanges in 2005-06 will total \$434 million with \$295 million being sourced from borrowings.
- \$167 million for RIC including \$110 million for the maintenance of the country regional network, which is managed by the ARTC on behalf of RIC.

Expansion of Rail Network

On 9 June 2005, the NSW Government announced an expansion to the rail network. A new rail line from Rouse Hill in Sydney's north west to the City and through to Leppington in the south west is estimated to cost \$8 billion and take 12 years to build. The line, linking the growth areas of the north west and south west, will involve 13 kilometres of new surface track and 25 kilometres of new tunnel. The Government has committed \$360 million to purchase the rail corridor in the north west over the next six years and \$26.0 million from the 2005-06 budget to begin buying the rail corridor in the south west. It is anticipated that the project will be complete and operating progressively to 2017. Funding for the project is yet to be finalised but the Government is considering private sector participation.

Integrated Ticketing System

The Government intends to introduce in 2007 an integrated ticketing system for all government and privately owned rail, light rail, monorail, bus and ferry services across the greater Sydney metropolitan and regional areas.

For more information on the implementation of the smartcard ticketing system refer to www.transport.nsw.gov.au and comments on the Ministry of Transport in Volume Five of the Auditor-General's Report to Parliament, due for release in the next few weeks.