
Transport Infrastructure Development Corporation

AUDIT OPINION

The audit of the Corporation's financial report for the year ended 30 June 2008 resulted in an unqualified Independent Auditor's Report.

KEY ISSUES

For general rail industry information, refer to the 'Rail Services Overview' section earlier in this Report.

The Government is currently planning a 'mini' budget to be released on 11 November 2008. It is not known if the current plans for the rail network, as follows, will be amended as part of that budget.

Delayed Commissioning of Constructed Assets

Construction of the Lidcombe and Homebush Turnbacks were completed in April 2008 as originally planned. The estimated final construction cost of this clearways project is \$90.0 million. The original planned commissioning dates of June 2008 have now been deferred to 2010 pending signal commissioning resources being available from RailCorp.

The rail industry has a shortage of signal engineers who are qualified to test and commission new infrastructure assets such as the Epping to Chatswood Rail Line and Clearways projects. This shortage has led to delays in commissioning projects and increased project costs. Refer to the 'Rail Services Overview' for more information.

Epping to Chatswood Rail Line (ECRL) Project

Major construction of the ECRL is now complete. Commissioning works are currently underway involving testing of all tunnel systems to ensure the line operates safely and reliably. The first public service is expected in the first quarter of 2009. It is planned to initially operate a shuttle service between Epping and Chatswood before full integration into the timetable.

The planned completion date of ECRL was originally scheduled for mid 2008. The delay has mainly arisen from scheduling difficulties with certain works needing to be done in a particular order.

As reported in prior years, the estimated project cost of \$1.6 billion (in 2000 prices) per 2003-04 budget papers did not include post 2000 escalation costs for the project of \$447 million or the interest costs on borrowings. The total forecast final cost of the project was revised by the Corporation's Board in August 2008 to \$2.35 billion (excluding interest costs on borrowings), an increase of \$18.6 million from the previous year, funded by an increased valuation of surplus properties. This latest revision is due to additional direct and indirect contract costs.

As at 30 June 2008, 91 per cent of the projected cost has been expended totalling \$2.1 billion.

Rail Clearways Program

In August 2008, the Corporation's Board revised (subject to Government approval) the total forecast final cost of the Rail Clearways Program to \$2.2 billion (exclusive of borrowing and RailCorp costs), an increase of \$650 million from the previous year. This significant increase is primarily due to changes in project scopes, the non availability of possessions and the deferral of commissioning dates on some Rail Clearways Program projects by up to two to four years. The need to defer commissioning dates has arisen due to the lack of rail industry resource shortages, particularly signalling resources.

The objective of the Rail Clearways Program is to improve capacity and reliability on CityRail's Sydney suburban network. It comprises 15 key projects being delivered by the Corporation on behalf of RailCorp. The program involves separating the network's 14 metropolitan rail routes into five independent rail clearways.

Expenditure by the Corporation on the program to 30 June 2008 totalled \$561 million.

The key projects of the Rail Clearways Program and their planned construction completion dates are as follows:

| Key Projects | Original Completion Date | Revised Completion Date |
|--|------------------------------|---------------------------------------|
| 1 Eastern Suburbs & Illawarra | | |
| Bondi Junction Turnback | Completed April 2006 | Complete |
| Cronulla branch line duplication | 2008 | 2009 ¹ |
| 2 Bankstown | | |
| Lidcombe turnback and platform | 2008 | Completed in April 2008 ² |
| Liverpool turnback and platform | 2010 | TBA ³ |
| Sydenham to Erskineville extra tracks | TBA | TBA ⁴ |
| 3 Campbelltown express | | |
| Kingsgrove to Revesby quadruplication | 2010 | TBA ³ |
| Macarthur fourth platform | 2010 | TBA ³ |
| 4 Airport & South | | |
| Macdonaldtown turnback | Completed August 2005 | Complete |
| Homebush turnback | 2008 | Completed in April 2008 ² |
| Revesby turnback | 2008 | Completed in August 2008 ⁵ |
| Macdonaldtown stabling | 2007 | Complete |
| 5 North West | | |
| Berowra Platform | Completed August 2006 | Complete |
| Hornsby Platform | 2008 | 2008 |
| Quakers Hill to Vineyard Duplication | 2012 (was 2010) ⁶ | TBA ³ |
| Carlingford line passing loop | 2010 | TBA ³ |

1 Excluding Cronulla Yard and Sutherland tie in.

2 Project yet to be commissioned due to outstanding signalling works.

3 To be confirmed after re-prioritisation and scope review.

4 A feasibility study of the Sydenham to Erskineville project was completed in July 2007. Scheduled completion date has not been determined and funding is yet to be allocated to the construction phase of this project.

5 Project yet to be commissioned due to outstanding defect works.

6 Date changed following the extension of the Quakers Hill to Schofields project to Vineyards.

OTHER INFORMATION

Chatswood Transport Interchange

A statement from CRI Chatswood Pty Limited on 16 October 2008 advises that due to the present global financial situation, coupled with certain commercial aspects of the retail and residential elements of the project, receivers have been appointed. In the Company's opinion, taxpayers and the general public will not be affected by these developments as the transport elements supporting the start of services on the new ECRL are complete.

The Interchange is being delivered as a Public Private Partnership (PPP) between the Corporation and CRI Chatswood Australia Pty Limited. The new Chatswood Transport Interchange will feature upgraded transport facilities as well as retail space and three residential towers.

North Sydney Station Project

The estimated cost of the North Sydney Station Project was increased from \$69.9 million to \$79.6 million at 30 June 2007 and again in March 2008 by \$8.1 million to \$87.7 million, this being due to increased scope of construction and remediation works.

As at 30 June 2008, the project has incurred costs of \$62.5 million. The project is expected to be completed in the first quarter of 2009.

North West Metro

In May 2008, the Corporation received a Direction from the Minister for Transport pursuant to section 18E of the *Transport Administration Act 1988* to undertake such work as may be directed from time to time by the Co-ordinator General to ensure construction of the North West Metro Project is commenced by 31 December 2010. The North West Metro will run from Rouse Hill via Epping to the CBD. This will be funded by the New South Wales Government. The target completion date for the first stage from Epping to the Hills Centre is 2015. The entire line from Rouse Hill to the CBD is planned to be completed by 2017.

As well as providing a transit link for residents in Sydney's North West, the North West Metro will also bring rail to inner Sydney suburbs along the Victoria Road Corridor. The metro will operate as a stand alone system. Easy access stations and interchanges with Sydney's existing transport services will be constructed along the route.

Prior to the investigations into a metro system for Sydney, planning had already begun on the North West Rail link (announced on 9 June 2005 as part of the Metropolitan Rail Expansion Program). The New South Wales Government announced in March 2008 that this rail connection would be built as a metro line. The Corporation advises that the planning work has been used for the development of the North West Metro.

South West Rail Link (SWRL)

In August 2008, the Corporation received a Direction from the Minister for Transport pursuant to section 18E of the *Transport Administration Act 1988* to undertake the development of the SWRL. SWRL has an initial estimated cost of \$1.4 billion and a target completion date of late 2012.

The SWRL connects Glenfield Station to Leppington with two new stations at Edmondson Park and Leppington as well as a stabling facility at Rossmore. It will extend rail access in the south west, supporting the sustained growth of this area.

The SWRL is part of Sydney Link, a series of major transport projects aimed at providing modern, integrated and efficient transport to cater for Sydney's growth as a major global city.

FINANCIAL INFORMATION

Abridged Income Statement

| Year ended 30 June | 2008 \$'000 | 2007 \$'000 |
|--------------------|----------------|------------------|
| Government grants | 408,894 | 1,107,419 |
| Other | 393,534 | 229,609 |
| REVENUE | 802,428 | 1,337,028 |
| EXPENSES * | 332,533 | 222,657 |
| SURPLUS | 469,895 | 1,114,371 |

* Both direct and indirect costs are capitalised as construction work in progress for the ECRL project. Expenditure on the Rail Clearways Program and non-ECRL projects is recouped from RailCorp, Ministry of Transport and the Roads and Traffic Authority.

Abridged Balance Sheet

| At 30 June | 2008 \$'000 | 2007 \$'000 |
|--------------------------|------------------|------------------|
| Current assets | 406,792 | 83,819 |
| Non-current assets | 2,100,244 | 1,889,059 |
| TOTAL ASSETS | 2,507,036 | 1,972,878 |
| Current liabilities | 174,106 | 178,861 |
| Non-current liabilities | 243,760 | 162,157 |
| TOTAL LIABILITIES | 417,866 | 341,018 |
| NET ASSETS | 2,089,170 | 1,631,860 |

Non-current assets mostly comprise construction work-in-progress (project expenditure and capitalised interest) relating to the ECRL Project.

The increase in current assets is primarily due to the Corporation receiving \$250 million in government grants on 30 June 2008 for the repayment of ECRL borrowings. The repayment was made on 4 July 2008.

CORPORATION ACTIVITIES

The Corporation was incorporated as a statutory State owned corporation on 1 January 2004 under the *State Owned Corporations Act 1989* and the *Transport Administration Act 1988*. The Corporation was established to deliver major transport infrastructure projects for the Government as directed by the portfolio Minister.

The two shareholders of the Corporation as at 30 June 2008 were the Treasurer and the Minister for Finance.

For further information on the Corporation, refer to www.tidc.nsw.gov.au.