The Hon John Watkins MP  
Deputy Premier  
Minister for Transport  
Parliament House  
Macquarie Street  
Sydney NSW 2000

Dear Minister

It is my pleasure to submit to you for presentation to Parliament the Independent Transport Safety and Reliability Regulator’s (ITSRR) Annual Report 2006-07.

ITSRR’s Annual Report 2006-07 has been prepared in accordance with the requirements of the Annual Reports (Statutory Bodies) Act 1984, the Annual Reports (Statutory Bodies) Regulation 2000 and the Public Finance and Audit Act 1983.

This report reflects consideration of the NSW Public Bodies Review Committee’s criteria for better annual reporting practice. With the aim of continuous improvement, we have also incorporated into this year’s report feedback on our Annual Report 2005-06 provided from external awards programs.

Please note that the two industry reports – the Annual Rail Industry Safety Report and the Annual Transport Reliability Report – required under transport legislation previously included in ITSRR’s annual reports are now published in a separate volume titled Annual Transport Industry Safety & Reliability Reports.

Yours sincerely

Carolyn Walsh  
Chief Executive

OUR VISION AND VALUES

VISION

ITSRR’s vision is for

‘Safe and reliable rail, bus and ferry services in New South Wales’.

VALUES

Professionalism  
We are proud of the quality, timeliness and independence of our work. We encourage the professional development of all our staff.

Transparency  
We are open with the community and industry about our practices and policies, the information we collect and analyse, and the decisions we make.

Integrity  
We strive to be fair, honest and trustworthy in all our dealings.

Innovation  
We aim to take a leading role in transport safety and encourage the cross-fertilisation of skills and ideas across transport modes. Our practices are based on the collection and analysis of current information and ongoing learning and having a strong technical and research capability.
CORPORATE RESULTS WE AIM FOR:

ITSRR, through its service provision, aims for the following results:
- Rail operators have safety management systems that effectively manage risks
- Rail operators have a continuously improving safety culture
- Improvements made by regulators to safety regulatory frameworks for rail, bus and ferry services
- Highly regarded and sought-after independent advice.

Ultimately, these contribute to the following high level results:
- Improved rail safety performance
- Improving safety risk profiles for rail
- Improving safety regulation across rail, bus and ferry sectors
- Government, the community and transport operators are aware of reliability and sustainability issues and results.

WHO WE ARE

ITSRR is an independent statutory authority of the NSW Government. It commenced operations in January 2004. In 2006-07 ITSRR employed 78 staff. ITSRR is located in Sydney but its rail safety officers travel throughout NSW to audit rail operators and conduct compliance inspections.

WHAT WE DO

ITSRR’s principal legislative objective, outlined in the Transport Administration Act 1988, is to ‘facilitate the safe operation of transport services in NSW’.

Its other legislative objectives are to ‘exhibit independence, rigour and excellence in carrying out its regulatory and investigation functions’ and to ‘promote safety and reliability as fundamental objectives in the delivery of transport services’.

ITSRR does not fund transport services or set service standards.

OUR KEY PROGRAMS

To deliver these objectives, ITSRR has four key programs:

1. Rail Safety Regulation: administering rail safety legislation to ensure rail operators have effective safety management systems and a continuously improving safety culture through accreditation, audit, compliance and education activities.

2. Strategic Coordination of Safety across Transport Modes: facilitating consistent approaches to safety regulation for rail, bus and ferries by working with the safety regulators for buses (Ministry of Transport) and ferries (NSW Maritime).

3. Transport Service Reliability Advice: providing independent advice to the State Government and reporting on the reliability and sustainability of publicly funded transport services in NSW.

4. Corporate Governance: supporting the above three core programs with corporate planning and reporting, information technology, human resource, financial management and administrative support services.

For information on ITSRR’s operating environment, please see p21.
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For ITSRR, 2006-07 was a year of achievement, where much of the hard work of earlier years in developing appropriate regulatory strategies and approaches came to fruition. Of course, the year presented a broad range of challenges and issues that needed to be addressed, but nonetheless, what was achieved has had a direct impact on transport industry safety and will provide the basis for future improvements in safety and reliability.

New safety management system guideline

The year began with implementation of a new guideline under the Rail Safety Act 2002 that specifies criteria for safety management systems of accredited rail operators. Safety management systems are the key mechanism through which ITSRR assesses that a rail operator can operate safely. Implementation of this guideline satisfied a recommendation made by the Special Commission of Inquiry into the Waterfall Rail Accident and provided the opportunity to not only clearly articulate safety requirements but to mandate specific processes to control safety risks.

Proposed new rail safety legislation

ITSRR’s role in supporting the implementation of nationally consistent rail safety legislation continued, with industry and public consultation conducted on the Draft NSW Rail Safety Bill. The effectiveness of this consultative process resulted in complex issues being raised that required an extended time to fully address. It is expected that the legislative changes provided by the new Bill will now be enacted during 2007-08.

Implementation of Waterfall Inquiry recommendations nearing completion

The year also saw progress toward closure of all recommendations made by the Waterfall Inquiry. Our tenth report to the NSW Government on progress as at 30 June 2007 highlights that of the 177 Commission recommendations, 94% have been closed. A further three recommendations were claimed for closure but did not meet the standard that ITSRR required to verify completion. Once ITSRR requirements for closure of these recommendations are met, the recommendations that remain are either scheduled for completion by the end of 2007 or are of a longer term nature, requiring new technology or changes to standards. ITSRR will continue to ensure that changes to standards are addressed with a national focus by working closely with the National Transport Commission, which has accountability for facilitating national rail safety reform.

Industry consultation

Our strong focus on liaison with industry continued with regular meetings of the Rail Safety Strategic Forum and the conduct of Executive Safety Seminars covering topics such as risk management frameworks and signals passed at danger.

Improvements to safety requirements

Significant changes progressed during the year included improved standards for train radio systems. As a result, there are now consistent and specific requirements for trains operating on the NSW network. ITSRR will continue to monitor the effectiveness of these requirements.

Enhanced provisions for drug and alcohol testing were also introduced during the year, requiring accredited rail operators to train and authorise drug and alcohol testing officers for their organisations. These new provisions ensure that staff allocated this role have adequate training and a broader range of testing equipment can now be utilised.

ITSRR was able to support the introduction of these measures by developing a model training course for use by rail operators. The testing regimes of rail operators and the incidence of railway staff found to be under the influence of drugs and alcohol will continue to be monitored by ITSRR, with our own detection program ensuring a comprehensive review of all areas of the industry.
Cross-modal review of consideration of safety investigation recommendations

The Transport Regulators Executive Committee (TREC) continued to meet during the year to provide leadership and agree on safety regulatory improvements. TREC involves the three regulators of publicly funded transport in NSW – ITSRR for rail, the Ministry of Transport for buses and NSW Maritime for ferries.

The Committee reviewed the relevance of the Waterfall Inquiry recommendations for the bus and ferry sectors. A framework was also developed for each regulator to monitor the implementation of recommendations from independent safety investigation reports made by the Office of Transport Safety Investigations, the Australian Transport Safety Bureau or the State Coroner.

Broadening service reliability analysis

Our Service Reliability function continued to build on the body of independent policy advice provided to the NSW Government on the reliability and sustainability of publicly funded transport in NSW. We conducted the annual survey of CityRail customers, and analysed practices for procurement of public transport by governments around the world. Specific research into bus performance commenced, with analysis of parameters for bus quality and service standards.

Cementing an effective knowledge base

The year concluded with two significant events both related to knowledge development and sharing within ITSRR.

The first was 13 of our staff participating in our Professional Development Program being awarded a Graduate Certificate in Transport Safety from the University of NSW. Another seven will graduate shortly, with a further six also undertaking the program.

The other significant event was the visit by United Kingdom rail expert Aidan Nelson, formerly Director of Policy and Strategic Initiatives with the Rail Safety and Standards Board. Mr Nelson conducted workshops attended by staff and industry representatives to discuss current safety issues and to share the knowledge and experience in safety.

Thanks and acknowledgements

Our year’s outcomes were rigorously supported by the work of the ITSRR Advisory Board, chaired by Rob Schwarzer. Board members demonstrated their substantial expertise by reviewing and advising on a wide range of investigations, policy proposals and reliability advice.

I would also like to acknowledge the dedication and commitment of my colleagues on our Executive Management Team and all the staff throughout the organisation who work so hard to improve the safety and sustainability of transport in NSW.

Finally recognition must be given to industry, which delivers transport safety outcomes. In a year that saw new regulatory requirements implemented and extensive collaboration on proposed legislative changes, the rail industry has demonstrated that it can and will rise to the challenge, communicating openly and forthrightly with ITSRR and embracing change for the benefit of industry and the public of NSW.

Carolyn Walsh
Chief Executive

“... what was achieved has had a direct impact on transport industry safety and will provide the basis for future improvements in safety and reliability.”
During the year the Advisory Board continued to provide high-level advice to support ITSRR in formulating regulatory responses to complex rail safety issues and matters concerning the reliability of publicly funded transport services.

At its meetings, the Board considers issues arising in the areas of strategic transport safety, rail accreditation and compliance, and service reliability.

One of three areas of significant focus in 2006-07 was the national rail safety reform agenda. ITSRR continued to play a strong role in driving the delivery of nationally consistent rail safety legislation. The Board provided advice on the Draft NSW Rail Safety Bill 2007 and a range of supporting national and local projects that will ensure the new legislative framework can be effectively implemented following its passage through Parliament.

RailCorp’s trial of automatic train protection (ATP) technology was a major item of discussion for the Board. The introduction of ATP to minimise the risk of an accident in the event of train driver incapacitation was a key recommendation of the Special Commission of Inquiry into the Waterfall Rail Accident.

The Board concluded that ATP was a logical step forward, particularly in the context of developments in other rail systems around the world, but noted that careful and detailed consideration was required to ensure that the right system was employed in NSW.

A third key focus for the Board was the regulation of the tourist and heritage rail sector, particularly the application of new safety management system requirements due to come into force in July 2008.

Findings of ITSRR’s audits of the sector and the challenges faced by small, volunteer-based organisations in meeting their safety obligations were also discussed. The Board canvassed options for providing tourist and heritage operators further support and assistance to build their competence and capacity in risk management. It supported the priority given by ITSRR to the sector.

Finally, the Board offered advice and recommendations to ITSRR on a range of other issues during the year, including:

- investigations into specific issues of non-compliance by rail operators with accreditation requirements
- the quality of compliance and pre-accreditation audits of rail operators
- track maintenance standards
- evaluation and reporting on reliability performance of publicly funded rail and bus operators
- collection, analysis and interpretation of data on rail safety incidents and trends.

The past year has been an extremely busy and productive one for the Advisory Board and ITSRR. I wish to express gratitude to my colleagues on the Board for their continued high levels of commitment and contribution during the year.

Rob Schwarzer BE(Civil), FIEAus
Chairman, Independent Transport Safety and Reliability Advisory Board
KEY HIGHLIGHTS AND CHALLENGES OF 2006-07

HIGHLIGHTS

Rail Safety Regulation
- All 17 commercial mainline rail operators that were required to be audited (comprising 85% of mainline rail operators) demonstrated they were on track in implementing the new more rigorous safety reforms (see p30).
- 94% of the Waterfall Inquiry’s 177 recommendations implemented (see p34).
- Nationally consistent legislative framework in place with significant input from ITSRR, with national model legislation and national model regulations approved by the Australian Transport Council in June and December 2006 respectively (see p31).
- Draft NSW Rail Safety Bill 2007 released for public consultation and substantial work completed on supporting regulations, guidelines and implementation projects (see p32).

Strategic Coordination of Safety across Transport Modes
- Development and implementation of a consistent reporting framework for monitoring independent safety investigation reports across the rail, bus and ferry sectors led by ITSRR, based on the Waterfall reporting methodology. As far as ITSRR is aware, this is at the forefront of regulatory better practice (see p50).

Transport Service Reliability Advice
- Preparation of public reports including the Annual Transport Service Reliability Report and a survey of CityRail customers (see p56).
- Independent advice provided to the Government on RailCorp preparations for the introduction of the 2008 CityRail timetable (see p57).

Corporate Governance
- Strengthened safety and regulatory credentials of ITSRR staff with 25% either awarded or on the way to achieving a university transport safety qualification. (see p71).

CHALLENGES

In achieving our results, ITSRR faced some significant challenges, including:
- working with governments and industry across jurisdictions to ensure consistent and rigorous national model rail safety legislation that minimises regulatory burden
- developing approaches to build the capacity of small tourist and heritage operators to meet their obligations under rail safety legislation
- working through issues with stakeholders on the draft NSW Rail Safety Bill 2007
- preparing ITSRR’s business processes and accreditation documents to meet the timeframes and criteria of new rail safety legislation
- ensuring receipt of reliable and accurate data and information from external sources to inform ITSRR analysis of transport performance.
ITSRR’s key stakeholders include:

**Industry**
- Rail operators including government-owned, commercial and tourist/heritage rail operators, rail employees
- Rail industry groups (unions, peak organisations)
- Bus and ferry operators

**Government**
- NSW Minister for Transport
- NSW Parliament
- NSW central agencies (Treasury, Department of Premier and Cabinet, The Audit Office, Independent Pricing and Regulatory Tribunal)
- NSW transport safety regulators (NSW Maritime, Ministry of Transport)
- Accident investigation agencies (Office of Transport Safety Investigations, Australian Transport Safety Bureau)
- Federal Transport Ministers and agencies (Australian Transport Council, National Transport Commission, Commonwealth and State transport agencies, Rail Safety Regulators Panel)

**Community**
- (indirectly) General public (commuters & non-commuters)

**Internal**
- ITSRR staff

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1: George Peters (RailCorp’s Manager Investigation Services) presents at ITSRR’s December 2006 Executive Safety Seminar on Signals Passed at Danger (SPADS)
2: ITSRR staff audit all rail operators in NSW on rail safety
3: Regulator staff from across Australia participated in a workshop hosted by ITSRR on the national rail safety reforms
4: ITSRR conducts surveys of CityRail commuter satisfaction with services
The Chief Executive is accountable to the NSW Minister for Transport for ITSRR's performance but is independent of Government in relation to its key safety functions.

The Chief Executive is supported by the Executive Management Team (EMT), ITSRR's senior management group comprising four Divisional Executives and the Chief Executive.

The EMT meets monthly to review progress towards the achievement of ITSRR's goals, to assist the Chief Executive make strategic decisions and revise priorities where necessary. Regular corporate performance reports are provided by the members of the EMT.

The Executive Management Team comprises (left to right) Simon Foster (Executive Director Service Reliability), Natalie Pelham (Executive Director Transport Regulation Strategy), Mick Quinn (Executive Director Rail Safety Regulation), Carolyn Walsh (Chief Executive), and Paul Harris (Director Corporate Services and Planning).
1. Carolyn Walsh (BEC, GAICD) was appointed Chief Executive of ITSRR in January 2004. Carolyn joined the NSW Public Service in October 2000 and soon after was appointed Executive Director Strategy in the Office of the Coordinator General of Rail. Her responsibilities included coordinating operational and safety issues between publicly owned rail authorities in NSW. Carolyn provided advice in this capacity to the then Department of Transport on the preparation of the Rail Safety Act 2002. Prior to this Carolyn had extensive experience in the Commonwealth Government in policy development and program implementation in the areas of small business (regulation reform, export programs and access to finance), sectoral policies (particularly in steel, automotive and wood and paper products), science and innovation.

From 1996-1999 Ms Walsh was Minister-Counsellor, Industry Science and Technology, at the Australian High Commission in London.

2. Natalie Pelham (BSc, MSci & Soc, PhD) was appointed as Executive Director of the Transport Regulation Strategy Division in April 2004 and has extensive experience in the regulation of safety. In 2006-07 Natalie was awarded her doctorate in public health specialising in public policy (regulation) for workplace health and safety.

3. Mick Quinn (CSP, Dip OH&S) was appointed Executive Director of ITSRR’s Rail Safety Regulation Division in January 2006. Mick has extensive experience in the development and implementation of safety management systems, operational risk management programs, safety auditing and accident investigation. Prior to joining ITSRR Mick was based in Dubai as the Senior Vice President – Group Safety for the Emirates Group, with responsibility for safety management programs across a broad range of the Group’s international entities.

4. Simon Foster (Grad Dip Mgt, Land and Engineering Survey Drafting Certificate) was appointed as ITSRR’s Executive Director Service Reliability in April 2004. Simon brings over 25 years of technical and management experience in rail covering track, fleet, operations, stations and communications.

5. Paul Harris (BCom) was appointed as Director Corporate Services and Planning in January 2004. Prior to this appointment, Paul had extensive experience with State Rail in corporate human resource and business services management roles. During 2006-07 Paul completed the Executive Master of Public Administration course run by the Australia and New Zealand School of Government.
The Advisory Board is comprised of the Chief Executive and four external members with experience in one or more of the following: rail safety management systems; safety science; customer service; accident investigation; and/or public administration. The Minister appoints the external members.

The Board does not review or contribute to ITSRR’s management-related decisions. Its function is to provide high-level expertise to the Chief Executive in her role of formulating regulatory responses to complex rail safety issues or advice to Government on transport service reliability. It may also independently provide advice to the Minister for Transport.

The principal functions of the Board are set out in the Transport Administration Act 1988 and include:

- advising ITSRR and or making recommendations to ITSRR on transport safety and reliability
- advising ITSRR on reports prepared by ITSRR and any other matter ITSRR may refer to the Board
- advising the Minister and/or making recommendations on the safe operation of transport services (including safety regulation by transport authorities) and the reliability of publicly funded transport services.

In January 2007 all Board member appointments were extended to January 2010.

More information on the Board, including the qualifications and experience of its members, is contained in the Appendices to this report.

The Board comprises (left to right)
Rob Schwarzer (Chairman), Len Neist, Carolyn Walsh (Chief Executive), Dr Robert Lee and Professor Jean Cross

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Rob Schwarzer (Chairman), Len Neist, Carolyn Walsh (Chief Executive), Dr Robert Lee and Professor Jean Cross
TRANSPORT INDUSTRY OVERVIEW

The following industry overview provides summary information on the rail industry and public transport services in NSW. More information is included in ITSRR’s Annual Transport Industry Safety & Reliability Reports 2006-07 available in hard copy and on ITSRR’s website www.transportregulator.nsw.gov.au.

There are separate safety regulators for rail, bus and ferry services. Further information on safety in these modes can be found in the annual reports of these agencies.

ITSRR provides strategic coordination of safety regulation between these regulators and undertakes service reliability reporting across transport modes.

Rail

Background

For ITSRR’s purposes railways are defined as guided systems designed to transport passengers or freight on a railway track with gauge of more than two feet (or 609 mm) and related infrastructure. This includes heavy rail systems of RailCorp, Pacific National and the Australian Rail Track Corporation as well as light rail and monorails. The heavy rail sector in NSW comprises four segments:

- ‘below-rail’ or track and infrastructure networks
- ‘above-rail’ or fleet and train operations on the networks
- ancillary facilities including terminals, stations and sidings
- support services such as construction and maintenance of infrastructure.

There are no restrictions on entry to the industry, however, all participants must conform with the requirements of the Rail Safety Act 2002.

Below-rail

There are four ‘below-rail’ networks in NSW:

- The Metropolitan Rail Area (MRA) centred on Sydney, is vertically integrated and controlled by RailCorp. The MRA includes around 1,980km of track, sidings and yards. RailCorp operates the majority of traffic on this network – CityRail’s urban passenger services. The MRA plays an important role in the national freight task. It is the only network in Australia on which both large scale urban passenger and freight tasks share the same tracks.

- The Hunter Valley network is 534km in length and runs to the port of Newcastle. It is vertically separated and controlled by the Australian Government’s Australian Rail Track Corporation (ARTC). It is predominantly used for coal freight.

- The Defined Interstate Rail Network (DIRN) in NSW is also controlled by ARTC covering some 3,291km of track. The DIRN extends beyond NSW and connects the Metropolitan Rail Area with the other mainland State capitals. The majority of traffic is intermodal and industrial freight. Additional freight traffic enters the DIRN from rural NSW. The DIRN also is used by long distance passenger trains including CountryLink.

- The Country Regional Network (CRN) is controlled by the NSW Government’s Rail Infrastructure Corporation. It is vertically separated, comprises the residual of the NSW ‘below-rail’ infrastructure and is 3,025km in length. The main traffic is bulk commodities and the CRN plays an important role in limiting grain truck movement on local roads and highways.

Above-rail

The ‘above-rail’ segment comprises use of rail fleets for passenger and freight tasks.

The passenger segment is dominated by RailCorp’s CityRail. This is a commuter railway with over 1,530 carriages, 300 stations and around 2,500 services per weekday. CountryLink, also owned by RailCorp, is the principal provider of long distance passenger rail services with around 16 daily rail services. Great Southern Railway with its Indian-Pacific train also operates in NSW. While not in the heavy rail segment, Veolia Transport moves significant passenger numbers on its Sydney Light Rail and Monorail services.

Tourist and heritage railways also carry passengers in NSW. Operators include Perisher Blue Ski Tube, NSW Rail Transport Museum, Zig Zag Railway and Sydney Tramway Museum. Some of these operators use their own tracks, while other tourist services operate on the MRA and the DIRN.

In NSW the largest freight task is coal haulage in the Hunter Valley. General freight including intermodal containers usually involves lower density but longer hauls. Pacific National is the largest rail freight hauler in NSW. Other freight operators include Queensland Rail and Australian Southern Railway.

Reiner Mangulabnan (Senior Rail Safety Compliance Officer) inspected track near Wollongong as part of ITSRR’s audit and inspection program.
Rail facilities
Ancillary rail facilities include stations, terminals and private line connections to the networks. Nearly all stations in NSW are controlled by RailCorp. The light rail and monorail tracks and facilities in Sydney, including respective stations, are controlled by Veolia. There are a variety of ownership and control arrangements for terminal facilities. Some terminals are owned by above-rail freight operators, for example Sydney Freight Terminal, Chullora by Pacific National. Other terminals are controlled by third parties for example Port Waratah (Newcastle) by Port Waratah Coal Services. Privately owned lines and sidings connected to the NSW network include ‘balloon loops’ from coal mines, grain silo sidings and lines in industrial areas such as Port Kembla.

Support services
Organisations that construct or maintain infrastructure or rolling stock are included in the rail industry for the purposes of the Rail Safety Act 2002. A substantial amount of maintenance is conducted in-house by above and below rail operators, but there is also significant contracting out of maintenance and construction tasks to:
- construction contractors such as John Holland or Theiss Hochtief
- specialist engineering contractors such as Speno Rail Maintenance Australia
- rollingstock manufacturers such as EDI Rail or United Group Rail Services
- rollingstock suppliers and lessors such as Chicago Freight Car Leasing
- rollingstock maintainers such as Bradken Rail and Pacific Rail Engineering.

Regulation
The rail industry is subject to safety regulation under the Rail Safety Act 2002. ITSRR is the rail safety regulator in NSW.

In June 2006, national model rail safety legislation was approved by the Australian Transport Council (ATC). In December 2006, the ATC approved supporting national model regulations. ITSRR has prepared proposed amendments to the Rail Safety Act 2002 to enact the model legislation.

Economic regulation includes application of the Trade Practices Act 1974 and determination of maximum fares for CityRail by the Independent Pricing and Regulatory Tribunal.

Bus
The bus segment conveys passengers on buses along regular routes on journeys of less than 40km. There are some restrictions on entry to the bus segment with the Passenger Transport Act 1990 prohibiting operation of bus services except by the holder of a statutory ‘contract’ awarded by the Ministry of Transport. These contracts generally grant exclusive rights to operate in a particular region.

There are three sectors in the bus segment with corresponding regions:
- metropolitan
- outer Metropolitan
- rural and regional buses in, for example, country towns.

In each of these sectors, bus operators carry fare paying passengers on regular route services. They also carry school children on these services and on school buses under the School Student Transport Scheme.

The State Transit Authority (STA), a NSW Government authority, is the largest bus operator in NSW. It runs services in the inner and eastern suburbs of Sydney, the Warringah Peninsula and in Newcastle. For the Metropolitan Regions, STA carries roughly 80% of the passenger task on regular routes and has half of the fleet. Privately-owned bus operators provide services in the other areas of Sydney, Wollongong and in regional centres.

Coach and charter
The coach segment of the industry conveys passengers on buses other than on regular routes. The charter segment of the industry conveys passengers on buses other than on regular routes.

There are no exclusive rights of operation in these segments.
Relative scales of the public transport task

In Sydney for 2006-07:
- CityRail reported that it carried around 281 million passenger journeys
- Buses reported that they carried around 189 million route passenger journeys and 20 million school student passenger journeys
- Sydney Ferries reported that it carried around 14 million passenger journeys
- Veolia Transport reported that it carried around 6 million passenger journeys.

Other elements of public transport in major cities such as Sydney include taxis, ticketing systems, transport information companies, interchanges and commuter carparks.

Regulation

Bus services are regulated under the Passenger Transport Act 1990. The Ministry of Transport administers the Act.

The Act requires all participants in the industry – bus, coach and charter operators – to be accredited. Conditions of accreditation include a requirement to implement a safety management system. Drivers of buses in these segments are also required to hold a Driver Authority.

Economic regulation includes oversight of maximum fares for the bus segment by the Independent Pricing and Regulatory Tribunal.

Vehicles used in the bus, coach and charter industry need to be registered with the Roads and Traffic Authority. Drivers need to hold appropriate licences issued by the Authority.

Ferry route services

There are some restrictions on entry to the ferry segment with the Passenger Transport Act 1990 prohibiting operation of ferry services except by the holder of a statutory ‘contract’ awarded by the Ministry of Transport.

The ferry segment is a substantially smaller mode than the passenger rail or the bus sector. However, it is significant in alleviating road traffic congestion around Sydney Harbour. There are a number of operators in NSW. Sydney Ferries Corporation, a NSW Government State Owned Corporation, is the dominant operator.

Regulation


Maximum fares for route services are determined by the Independent Pricing and Regulatory Tribunal.

Ferries

Background

In NSW, ferries services include regular route and tourist services on Sydney Harbour, Parramatta River, Broken Bay, Port Hacking, Clarence River and Newcastle. The industry operates from wharves owned by various organisations including ferry operators, local government and NSW Maritime. Fleet maintenance is undertaken by ferry operators and shipyards.
PERFORMANCE SUMMARY

ITSRR’s performance context for 2006-07 is reflected in two planning documents – its results logic framework and its Corporate Plan. These documents, and ITSRR’s performance against them, are outlined below.

Results logic

During 2006-07, the Executive Management Team and senior staff reviewed and confirmed the results logic framework outlined in ITSRR’s Corporate Plan 2006-09. The framework links ITSRR’s intended results with its service delivery and is supported by a suite of key performance indicators to measure ongoing performance.

Safe and reliable rail, bus and ferry services in New South Wales

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<tr>
<th>Planned Results</th>
<th>Higher Intermediate Results</th>
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<tr>
<td>Improved rail safety performance</td>
<td>Improving safety risk profiles for rail</td>
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<tr>
<td>Rail operators have safety management systems that effectively manage risks</td>
<td>Improvements made by regulators to safety regulatory frameworks for rail, bus and ferry services</td>
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<tr>
<td>Rail operators have continuously improving safety culture</td>
<td>Opportunities identified and agreed to by regulators to improve safety regulatory frameworks for rail, bus and ferry services</td>
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<tr>
<td>Government and rail operators aware of emerging safety issues for improving systems and culture</td>
<td>Government, operator and community satisfaction on quality and timeliness of ITSRR reports on transport service reliability and sustainability</td>
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<th>Lower Intermediate Results</th>
<th>Corporate Government</th>
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<tr>
<td>Rail operators achieve accreditation and comply with conditions of accreditation and enforcement action</td>
<td>Internal and external communication activities, including with other regulators, stakeholders, the Minister’s Office and the Government</td>
</tr>
<tr>
<td>Government and rail operators aware of emerging safety issues for improving systems and culture</td>
<td>Corporate performance management (e.g. corporate planning and reporting, Divisional reporting and staff individual performance, Executive and staff management, internal audit and risk management)</td>
</tr>
<tr>
<td>Rail operators take further actions to improve their safety management systems and culture</td>
<td>Knowledge and information management, including processes and systems to support this (e.g. data collection and reporting, staff training, electronic document management)</td>
</tr>
<tr>
<td>Government and rail operators aware of emerging safety issues for improving systems and culture</td>
<td>Business services (e.g. human resource management, occupational health and safety and financial services, Executive support)</td>
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Excellence in ITSRR corporate governance

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<th>RAIL SAFETY REGULATION</th>
<th>STRATEGIC COORDINATION OF SAFETY ACROSS TRANSPORT MODES</th>
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<tr>
<td>Consistent and effective application of rail safety regulation</td>
<td>Government, the community and transport operators aware of reliability and sustainability issues and results</td>
</tr>
<tr>
<td>Effective rail legislative and regulatory framework</td>
<td>Highly regarded and sought after reliability advice</td>
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<tr>
<td>Rigorous analysis of rail safety performance and reliability information</td>
<td>STRATEGIC COORDINATION OF SAFETY ACROSS TRANSPORT MODES</td>
</tr>
<tr>
<td>Effective leadership provided to transport safety regulators</td>
<td>TRANSPORT SERVICE RELIABILITY ADVICE</td>
</tr>
<tr>
<td>Effective communication to stakeholders on rail safety and transport reliability</td>
<td>Provision of high quality advice and reporting on transport service reliability</td>
</tr>
</tbody>
</table>

Excellence in ITSRR corporate governance

<table>
<thead>
<tr>
<th>CORPORATE GOVERNANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal and external communication activities, including with other regulators, stakeholders, the Minister’s Office and the Government</td>
</tr>
<tr>
<td>Corporate performance management (e.g. corporate planning and reporting, Divisional reporting and staff individual performance, Executive and staff management, internal audit and risk management)</td>
</tr>
<tr>
<td>Knowledge and information management, including processes and systems to support this (e.g. data collection and reporting, staff training, electronic document management)</td>
</tr>
<tr>
<td>Business services (e.g. human resource management, occupational health and safety and financial services, Executive support)</td>
</tr>
</tbody>
</table>
ITSRR aims to fulfil its vision of ‘safe and reliable rail, bus and ferry services for NSW’. To measure whether this is being achieved, it is necessary to review actual industry performance. Such indicators are included in ITSRR’s *Annual Transport Industry Safety & Reliability Reports 2006-07* (available in hard copy or on ITSRR’s website).

ITSRR, as the rail safety regulator and advisor on transport reliability, is one of many contributors to these outcomes. In this respect, it is difficult to measure its direct impact on industry outcomes. ITSRR therefore seeks to measure its intermediate results and the services it provides as it has more control in influencing these. This linkage is demonstrated in the diagram below.

**Key performance indicators**

- **RESULT**
  - INDUSTRY SAFETY OUTCOMES
    - Industry performance indicators
      - (e.g. fatalities, injuries, infrastructure condition)

- **INTERMEDIATE RESULT**
  - REGULATOR EFFECTIVENESS OUTCOMES
    - ITSRR key performance indicators
      - (e.g. compliance, awareness raising)

- **SERVICE**
  - REGULATOR SERVICE PROVISION
    - ITSRR service measures
      - (e.g. audits conducted, seminars run)

Note: The dotted arrow leading to safety outcomes reflects that the regulator is one of many stakeholders contributing to industry safety outcomes and is not directly in control of such outcomes.
The table below comprises a selection of ITSRR’s key performance indicators that are a mix of its intermediate results and service measures. Summary performance is reported here, with further detail (and additional indicators) included in the corporate program chapters of this report.

Whilst ITSRR has industry performance data that spans up to 10 years, it has not yet accumulated sufficient trend data for its corporate indicators to determine specific meaningful quantitative targets. Qualitative assessments are provided where possible in the main chapters of this report.

To ensure that ITSRR is adopting good international practice in measuring and reporting on its performance, it commissioned a worldwide review of reporting by transport regulators. More details are on p51 and 65.

## Summary KPI performance

<table>
<thead>
<tr>
<th>Indicator title</th>
<th>2004-05</th>
<th>2005-06</th>
<th>2006-07</th>
<th>Comment</th>
<th>More details</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of scheduled safety audits and inspections completed</td>
<td>100%</td>
<td>100%</td>
<td>98%</td>
<td>ITSRR’s statutory requirements on its conduct of audits achieved</td>
<td>p40</td>
</tr>
<tr>
<td>% of Waterfall recommendations verified by ITSRR as implemented (cumulative)</td>
<td>15</td>
<td>75</td>
<td>94</td>
<td>Waterfall reforms nearing completion</td>
<td>p34</td>
</tr>
<tr>
<td>Number of compliance investigations</td>
<td>1</td>
<td>12</td>
<td>17</td>
<td>ITSRR’s capacity to investigate</td>
<td>p44</td>
</tr>
<tr>
<td>% of reliability reports/advises provided to the Minister within scheduled timeframes</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>High level of timeliness maintained with increased number of reports and level of detail provided</td>
<td>p55</td>
</tr>
<tr>
<td>Number of visits to ITSRR’s website</td>
<td>64,930</td>
<td>83,658</td>
<td>151,684</td>
<td>Interest in new legislation generating higher website visits</td>
<td>p32</td>
</tr>
<tr>
<td>Number of statutory notices issued (Improvement, Prohibition, Provision of Information)</td>
<td>46</td>
<td>84</td>
<td>26</td>
<td>Decline in notices issued due to a change in issuing policy (previously Prohibition Notices issued to all operators rather than via industry alerts) and industry awareness</td>
<td>p38</td>
</tr>
<tr>
<td>Number and % of statutory notices requested for review by rail operators (Improvement, Prohibition)</td>
<td>n/a</td>
<td>8</td>
<td>2</td>
<td>Decline in number requested for review reflecting increasing industry understanding of requirements. Slight rise in proportion due to difference in notices issued.</td>
<td>p38</td>
</tr>
</tbody>
</table>
Achievements against Corporate Plan 2006-07

In conjunction with the results logic framework, ITSRR’s Corporate Plan sets out specific priorities for each year. The table on these two pages provides an overview of ITSRR’s performance against its Corporate Plan priorities for 2006-07.

<table>
<thead>
<tr>
<th>Corporate Program</th>
<th>Corporate Plan 2006-07 priority</th>
<th>Achievement</th>
<th>More details</th>
</tr>
</thead>
</table>
| **Rail Safety Regulation** | Target the following key issues with rail operators:  
- proactive risk management  
- integration of safety management systems  
- infrastructure condition  
- change management programs  
- fatigue management  | ITSRR focused its 2006-07 audits and inspections on rail operator on their understanding and implementation of all five target areas, acknowledging with individual operators where progress had been made and identifying areas for improvement. | p28  
p28  
p28  
p29  
p29 |
<p>| | Implement new improved requirements for Safety Management Systems (SMS) for NSW rail operators | ITSRR identified that all 17 mainline commercial operators that were required to be audited, comprising 85% of mainline operators, were on track with implementation. | p30 |
| | Support NSW Government to introduce the national model legislation in NSW | ITSRR developed and conducted public consultation on the draft NSW Rail Safety Bill 2007 that gives effect to the national model legislation. The Bill is expected to be introduced into Parliament in 2007-08. | p32 |
| | Progress remaining Waterfall recommendations | As at June 2007, ITSRR verified that 94% of Waterfall recommendations were implemented, up from 75% last year. | p34 |
| <strong>Strategic Coordination of Safety across Transport Modes</strong> | Continue to lead the identification and implementation of safety reforms across the transport modes of rail, bus and ferry services | ITSRR, through its leadership of the Transport Regulators Executive Committee, finalised a review of the application of Waterfall Inquiry recommendations to the bus and ferry sectors. Bus and ferry safety regulators indicated that reforms for data loggers, alcohol and drug testing, periodic medical examination, accident investigation and safety regulation initiated by them have or will satisfy Waterfall recommendations. | p50 |
| | Scope and use consistent reporting frameworks for monitoring implementation of external investigations into NSW rail, bus and ferry accidents | ITSRR initiated and achieved endorsement by transport safety regulators of a consistent framework to monitor independent investigation reports for all three modes – rail, bus and ferry. The first public report is included in this Annual Report. As far as ITSRR is aware, the method and practice of reporting on such independent investigation reports is at the forefront of regulatory better practice. | p50 |
| | Scope and share information across regulators on industry safety and organisational performance indicators | ITSRR commissioned a worldwide independent review of safety performance indicators used by regulators in the rail, bus, ferry, aviation and nuclear industries, with input to the scope of the report provided by all regulators. Further discussions of the review’s findings by regulators will occur in 2007-08. | p51 |</p>
<table>
<thead>
<tr>
<th>Corporate Program</th>
<th>Corporate Plan 2006-07 priority</th>
<th>Achievement</th>
<th>More details</th>
</tr>
</thead>
</table>
| Transport Service Reliability Advice      | Increase the depth of advice in relation to:  
- above and below rail capacity on the RailCorp network  
- the Country Rail Network  
- bus performance  
- ferry performance | Enhanced quality of reporting and policy advice based on an increased depth of research into service quality and performance (as outlined below). | p55           |
|                                           | Conduct further research in Australia and overseas, focusing on predictive indicators of safety, asset standards, procurement and performance monitoring arrangements for funded transport services | Research conducted on:  
- a precursor risk model for identifying potential rail safety problems  
- aggregation of bus operational performance and service quality measurement  
- service quality in public transport  
- reliability governance  
- international practices in procurement and performance monitoring for commuter rail services. | p57           |
| Corporate Governance                     | Develop strategies to support performance improvement, including management training and team building | 24 senior staff attended a Management and Leadership course in early 2007, with an internal evaluation finding that 90% of participants were confident they would implement what they learnt. | p71           |
|                                           | Undertake compliance training on the new national requirements for ITSRR’s authorised officers | Analysis of requirements for training undertaken, with training to be conducted to coincide with the introduction of the draft NSW Rail Safety Bill 2007. | p71           |
|                                           | Improve internal audit and risk management capabilities across the organisation               | 13 staff graduated from the University of NSW awarded the Graduate Certificate in Transport Safety, with a further 7 staff to graduate shortly. An evaluation found 100% of participants believed that the program had increased their effectiveness at work. | p71           |
FINANCIAL SUMMARY

ITSRR's detailed audited financial statements are on p75. A summary of our financial results for the year is as follows:

Operating Result

Actual total expenses of $15.5 million were $1.147 million below the budget of $16.7m due to savings in the legal services budget. At $178,000, revenue was higher than the budget by $114,000 mainly due to higher bank interest revenue.

The agency’s total government contributions (including recurrent and capital consolidated fund allocations) increased by $300,000 to $15.306 million. As a result, the operating deficit for 2006-07 amounted to $31,000 compared to a surplus of $213,000 in 2005-06. This variation in the operating result was principally due to the depreciation and amortisation and capital allocations for acquisition of assets.

Net Cost of Services

The Net Cost of Services comprises total expenditure incurred less any revenue received. ITSRR’s Net Cost of Services in 2006-07 was $15.3 million compared with $14.8 million in 2005-06, an increase of $544,000 or 3.7%.

Allocation of expenses

ITSRR operated within the approved budget even after allowing for savings in the legal services budget. Actual expenses of $15.5 million comprised staff costs of $10.5 million (budget – $10.9 million), other operating expenses of $4.5 million (budget – $5.2 million) such as office accommodation and services, contractors, legal services and depreciation and amortisation of $485,000 (budget - $489,000).

More details on program and divisional expenditure are outlined in the Corporate Governance program section on p73.

<table>
<thead>
<tr>
<th>ITSRR FINANCIAL SUMMARY</th>
<th>2005-06</th>
<th>2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Expenses</td>
<td>14,955</td>
<td>15,515</td>
</tr>
<tr>
<td>Operating Revenue</td>
<td>162</td>
<td>178</td>
</tr>
<tr>
<td>Net Cost of Services</td>
<td>14,793</td>
<td>15,337</td>
</tr>
<tr>
<td>Government contribution</td>
<td>15,006</td>
<td>15,306</td>
</tr>
<tr>
<td>(Deficit)/Surplus</td>
<td>213</td>
<td>(31)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2005-06</th>
<th>2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee related</td>
<td>14,993</td>
<td>15,377</td>
</tr>
<tr>
<td>Depreciation &amp; amortisation</td>
<td>68%</td>
<td>29%</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>3%</td>
<td>3%</td>
</tr>
</tbody>
</table>

MILLIONS

2005-06 2006-07

14,993 15,377

3% 3%
FUTURE DIRECTIONS 2007-08
Our future operating context

The NSW State Plan sets the course for NSW transport service delivery for 2007-08 and beyond. ITSRR contributes to the following priorities in the Plan:
- increasing patronage on a safe and reliable transport system (Priority S6)
- greater satisfaction with Government services (Priority S8)
- reducing red tape (Priority P3).

ITSRR contributes to these priorities on three fronts – overseeing transport safety improvements in NSW that will encourage the community to increase patronage; working with governments and industry to develop and implement nationally consistent rail safety legislation; and providing informed advice that provides a basis for sound decisions on the future sustainability of publicly funded transport networks.

Challenges
New challenges external to ITSRR continue to emerge. These include:
- ongoing change in the ownership and structure of the rail industry, requiring vigilance by ITSRR to ensure that safety remains a paramount corporate governance issue
- increasing investment in rail projects by rail operators and government, with ITSRR providing guidance to ensure safety is integrated into the parameters of the projects
- population growth in NSW placing greater demand on transport networks and heightening ITSRR’s role to provide high quality advice on transport network sustainability
- severe weather events such as drought, storms and floods altering track condition and service reliability and adding to the maintenance (by operators) and oversight (by ITSRR) required of the rail network
- research and technological developments in Australia and overseas, adding to the knowledge and capacity to enhance the safety and security of the transport network
- independent inquiries on ferries in NSW and on other transport issues, such as railway level crossing accidents, heightening the focus on safety across all transport modes.

Corporate Plan
2007-08 priorities
ITSRR’s future directions outlined below reflect our Corporate Plan priorities for 2007-08.

Program 1: Rail Safety Regulation
- Focus on the following issue with rail operators:
  - worksite protection
  - signals passed at danger (SPADs)
  - contractor management
  - compliance with infrastructure standards
  - level crossing risks.
- Work with the heritage sector to improve risk management practices and operational safety
- Implement the proposed amendments to the Rail Safety Act 2002 to give effect to national rail safety reforms.
- At the national level, provide leadership in the delivery of
  - a National Safety Data Strategy for rail
  - guidelines on regulatory requirements for the planning and implementation of major capital programs, and
  - a framework for the development and maintenance of rail industry technical and operations standards.

Program 2: Strategic Coordination of Safety across Transport Modes
- Introduce public reporting on the implementation of independent investigation reports into rail, bus and ferry accidents
- Ensure lessons from independent inquiries into the Sydney Ferries Corporation are reviewed for potential application to the bus and rail sectors.

Program 3: Transport Service Reliability Advice
- Provide advice to Government on:
  - existing and proposed public transport service levels and customer requirements in light of the NSW State Plan transport targets
  - the expected transport outcomes under the 2008 CityRail timetable
  - RailCorp’s trial of Automatic Train Protection technology from a system performance perspective.

Program 4: Corporate Governance
- Build on strategic human resource strategies to attract, retain and skill ITSRR’s workforce
- Complete the development of ITSRR’s information systems and its integration into everyday business activities
- Achieve quality certification (ISO 9001) for ITSRR’s business systems for rail safety regulation
- Build on ITSRR’s KPIs to support a robust performance management framework.
OVERVIEW OF ITSRR’S DIVISIONS

1. Rail Safety Regulation Division
The Rail Safety Regulation Division comprised 37 staff (47% of all ITSRR staff).

The division’s primary product is the Rail Safety Regulation program, with input into the Corporate Governance program. For an outline of the Rail Safety Regulation program results and services, see p26-27.

The division regulates the safety of the NSW rail industry through the administration of the *Rail Safety Act 2002* and associated regulations and guidelines. The Act requires railway operators to be accredited by ITSRR. In order to obtain accreditation, an operator must have a suitable risk-based safety management system in place.

The division processes accreditation applications for NSW rail operators and conducts periodic audits of railway operators’ safety management systems. It also conducts compliance inspections to determine if railway operations are being conducted safely and in accordance with accreditation requirements. Formal investigations of rail incidents and accidents are undertaken when appropriate.

The division provides input to policy and guidance for the rail industry, including to the national policy process. Specific rail safety projects are also undertaken.

2. Transport Regulation Strategy Division
The Transport Regulation Strategy Division comprised 14 staff (18% of all ITSRR staff).

The division delivers key aspects of the Rail Safety Regulation and Strategic Coordination of Safety across Transport Modes programs, with input to the Transport Service Reliability Advice and Corporate Governance programs. For an outline of these programs results, see p26, 48 and 59.

The division’s primary functions are to deliver an effective legislative framework and policy base for rail safety regulation. Such services include policy development at State and national levels; provision of legal advice; and a broad range of communication activities including chairing the Rail Safety Strategic Forum, inter and intra-governmental relations and Ministerial liaison.

Rail operator requests for reviews of ITSRR’s statutory notices are processed by this division. This provides an independent review mechanism within ITSRR given that accreditations and notices are issued by the Rail Safety Regulation Division.

The division also plays a key role in coordination of work with other NSW transport safety regulators to promote consistent safety regulation across transport modes (rail, bus and ferry). It does this through its support for the Transport Regulators Executive Committee.

3. Service Reliability Division
The Service Reliability Division comprised 10 staff (13% of all ITSRR staff).

The division leads the Transport Service Reliability Advice program and contributes to the Rail Safety Regulation program to identify reliability and sustainability matters that may be relevant to rail safety. It also provides input to the Corporate Governance Program. For an outline of the Transport Service Reliability Advice program results and services, see p53-54.

Reliability includes all aspects of transport service quality, not just on-time running. Issues can extend to matters such as customer satisfaction, overall measures of service quality, and freight-passenger interactions.

ITSRR does not set standards or fund services. However, ITSRR does need to be consulted when changes are made to performance standards relating to CityRail, CountryLink or Sydney Ferries.
3. Service Reliability Division (continued)

The division’s primary functions are to monitor transport performance, provide advice to the Minister on service reliability issues, and prepare public reports and submissions on the performance of publicly funded transport services. These advices and reports concentrate on rail passenger rail services, rail infrastructure and bus and ferry services. The focus is on the more substantial public transport tasks, for example, metropolitan rail and bus services, at a system-wide level. The Transport Administration Act 1988 allows the Minister to request expert advice from ITSRR on specific issues associated with reliability.

4. Corporate Services and Planning Division

The Corporate Services and Planning Division comprised 17 staff including the Executive Support Unit (22% of ITSRR staff).

The division primarily contributes to the Corporate Governance program, with the understanding that this provides the foundation for delivering the results and services of all corporate programs. For an outline of Corporate Governance program’s results, see p59.

The division provides the administrative, financial, human resource, information technology, and corporate planning and reporting services required for ITSRR to operate effectively. It also undertakes record and document management and manages employee relations, including personnel policies, recruitment, industrial arrangements, and the learning and development function.

The Executive Support Unit provides strategic and administrative support to the Chief Executive and Advisory Board and liaises with the office of the Minister for Transport.
Corporate Program Results

Program 1: Rail Safety Regulation ........................................... 26
Program 2: Strategic Coordination of Safety across Transport Modes ................................................................................................. 48
Program 3: Transport Service Reliability Advice .................................................. 53
Program 4: Corporate Governance ........................................................................ 59
The diagram to the right outlines the intended results that ITSRR works towards in its role as the NSW rail safety regulator. Combined with ITSRR’s annual priorities for 2006-07, the results logic framework sets the context in which to review this program’s achievements.

The diagram outlines the following key points:

1. **Improved rail safety performance**
2. **Improving safety risk profiles for rail**
3. **Rail operators have safety management systems that effectively manage risks**
4. **Rail operators have continuously improving safety culture**
5. **Rail operators achieve accreditation and comply with conditions of accreditation and enforcement action**
6. **Rail operators take further actions to improve their safety management systems and culture**
7. **Government and rail operators aware of emerging safety issues for improving systems and culture**
8. **Adopt and implement improved and consistent national rail safety legislation**

**Program index**

1. Introduction p28
2. Operational safety priorities p28
3. Rail safety regulatory reforms p30
4. National rail safety reforms p31
5. Recommendations from the Waterfall rail accident report p34
6. Recommendations from independent rail investigations p36
7. Regulatory practice p37
8. Research and development p43

*ITSRR staff audit and inspect rail operators across NSW to ensure compliance with rail safety legislation*
ITSRR’s services to deliver these results include:
- accreditation of railway operators
- audit, compliance and enforcement action
- policy development, legislative reform and preparation of guidance for rail operators
- education and awareness activities
- production of public reports on safety performance
- research and data analysis to identify safety trends and areas for improvement in safety regulation in NSW.

ITSRR’s 2006-07 priorities for this program were to:
- target the following key operational safety issues with rail operators – proactive risk management; integration of safety management systems; infrastructure condition; change management programs; and fatigue management (p28-29)
- implement new improved requirements for Safety Management Systems for NSW rail operators (p30)
- support NSW Government to introduce the national model legislation in NSW (p31)
- progress remaining Waterfall recommendations (p34)
- ensure capture of compliance and enforcement business processes into the Corporate Management System and use by staff (p46)
- further build high quality safety data (p44)
- action proactive intervention strategies (p44)
- develop risk profiling tools for rail industry sectors (p44).

Program description
Rail Safety Regulation is the program that fulfils ITSRR’s primary role as the NSW rail safety regulator.

Program context
ITSRR is a statutory authority responsible for regulating the safety of passenger and freight rail operations in NSW. ITSRR administers the NSW Rail Safety Act 2002 which establishes requirements for rail safety management and an accreditation scheme for rail operators. ITSRR monitors rail operators’ compliance with these requirements and, where appropriate, enforces them to promote the safety of railway operations to meet community expectations and maintain public confidence in the NSW rail system.

Rail operators are responsible for managing risks to rail safety by identifying and implementing the most effective and efficient solutions via safety management systems. The grant of accreditation to a rail operator by ITSRR is an acknowledgement that the operator has demonstrated that it possesses the systems, capacity and competency to manage risks arising from its rail operations.

During 2006-07, ITSRR carried out its role in an environment of state and national legislative reform, substantial government and industry investment in upgrading rail services and infrastructure, and a continuing community and Government focus on rail safety and public transport service levels.

Key stakeholders for this program include accredited rail operators and the Australasian Railway Association, rail employees and unions, the Rail Safety Regulators Panel (comprising representatives from State and Territory rail safety regulators), the National Transport Commission and Australian Transport Council, the Office of Transport Safety Investigations, the Australian Transport Safety Bureau, WorkCover and the NSW Government through the Minister for Transport, and the NSW Parliament.
Achievement highlights

ITSRR's key achievements for this program in 2006-07 were as follows:

- all 17 commercial mainline rail operators that were required to be audited (comprising 85% of mainline operators) demonstrated they were on track in implementing the new more rigorous safety management system requirements (p30)
- 94% of the Waterfall Inquiry’s 177 recommendations implemented (p34)
- significant input to the national model rail safety legislation and national model regulations which were approved by the Australian Transport Council in June 2006 and December 2006 respectively (p31)
- led the development of workshops on the national model legislation for over 90 regulatory staff from across the country, conducted in three locations – Sydney, Melbourne and Adelaide (p33)
- developed and conducted public consultation on the draft NSW Rail Safety Bill 2007 that reflects the model legislation. Substantial work also completed in developing supporting regulations, guidelines and implementation projects (p32)
- developed evidence-based intervention strategies using risk profiling tools and improved data management (p44).

Achievements for 2006-07

1. Introduction

Each year ITSRR identifies rail safety priorities and other activities on which to focus its services whilst maintaining a capacity to identify and respond to emerging safety issues.

This approach enables ITSRR to:

- identify and target specific operational safety issues where there is evidence of actual or potential negative safety outcomes
- establish a program of safety reforms
- identify other areas on which to focus so that resources are utilised effectively.

This section outlines achievements of this program for 2006-07.

2. Operational safety priorities

Based on analysis of information from a range of sources including incident trend data, recommendations from investigation reports (e.g. the Waterfall Inquiry and Office of Transport Safety Investigations reports) and outcomes of ITSRR’s own audit and inspection programs, ITSRR targeted the following operational safety issues (corporate priorities) with rail operators – proactive risk management; integration of safety management systems; infrastructure condition; change management programs; and fatigue management.

Proactive risk management

Proactive risk management occurs when rail operators regularly review control measures in place to manage rail safety risks so that improvements to these controls may be identified earlier rather as a result of an accident. It is an important measure of how strongly the rail industry is focused on preventative measures to improve safety rather than reacting to control risks once an accident has occurred.

To gauge the extent to which rail operators were using risk management in this proactive way, ITSRR’s audits examined:

- operational risk registers to assess understanding of precursor events (those which could, under specific circumstances, lead to an accident)
- whether information from near miss occurrences (circumstances where there is potential for an accident) is used to improve risk controls
- the degree of risk evaluation performed.

Integration of safety management systems

Under rail safety legislation, ITSRR accredits rail operators on the basis that they have the systems, competence and capacity to operate safely. A key basis for accreditation is the quality of operators’ safety management systems. A safety management system is a structured way of administering the control measures (e.g. engineering and technical standards and procedures) necessary to manage or control the risks arising from an operator’s rail operations. Criteria for these systems are outlined in the Safety Management Systems Guideline issued under the Rail Safety Act 2002.

For safety to be effectively managed however, it must be incorporated with other management systems into the daily operational activities of an organisation. This area was one of ITSRR’s corporate priorities for 2006-07.

To determine how well rail operators’ safety management systems were integrated with other management systems ITSRR included examination of this in its audits conducted during the year.

Infrastructure condition

Accredited rail operators in NSW manage a wide range of infrastructure including track, signalling and electrical installations, structures over and under track, tunnels, platforms and stations. The age of this infrastructure ranges from brand new to 150 years old.

ITSRR monitors the way operators design, construct and maintain this broad range of infrastructure through audits and inspections. Inspections are triggered by incident data, risk assessment of operations based on the potential for high consequence events and on advice from ITSRR’s Service Reliability division which monitors the management of publicly funded transport assets including rail infrastructure.
ITSRR’s Annual Transport Industry Safety & Reliability Reports 2006-07 includes information on infrastructure-related issues such as reported irregularities in track, signals and rolling stock in NSW.

**Change management programs**

Effective risk management requires an ongoing ability to manage change. It is therefore critical that rail operators’ safety management systems that are based on risk management, include processes to manage change.

Through audits conducted during the year, ITSRR examined the procedures and processes that rail operators had in place to effectively manage change. As a result, ITSRR has increased its awareness of industry’s level of understanding of change management requirements and greater appreciation of the effectiveness of industry arrangements.

**Fatigue management**

The management of fatigue and application of appropriate techniques and technologies to mitigate its effects are major challenges for the rail industry.

In 2006-07, ITSRR’s fatigue management specialist was involved in all audits of major rail operators and most small operators. This was to ensure that rail operators had appropriate staffing schedules to allow rail safety workers to have sufficient restorative sleep to reduce the likelihood of fatigue-related error.

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**Summary performance against operational safety priorities**

As a result of including these operational safety issues within its audit and inspection program, ITSRR has increased its understanding of how well operators are managing these safety issues, where improvements by operators are needed and where ITSRR may further assist operators.

For example, this intelligence has contributed to ITSRR’s input to the development of the National Guideline for the Preparation of a Safety Management System on behalf of the Rail Safety Regulators Panel and in conjunction with the National Transport Commission.

In particular, the inclusion of guidance on the management of change is a significant step forward. It establishes for the first time in the rail industry a consistent national approach to the management of change.

ITSRR also made substantial contributions to new information resources on fatigue management, including WorkCover’s Transport and Storage Industry Fatigue Resource released in early 2007 and the National Transport Commission guideline Fatigue Management for Rail Safety Workers due to be finalised at the end of 2007.

In 2007-08 ITSRR will continue to promote a more proactive approach to risk management across the rail industry while also encouraging operators already using this approach to share their knowledge with others in the industry.

Reiner Mangulabnan (Senior Rail Safety Compliance Officer) and Kevin Kitchen (Manager, Rail Audit) inspecting rolling stock.
3. Rail safety regulatory reforms

During 2006-07, a number of important reforms were introduced in NSW to improve rail safety regulation. These included: new safety management system requirements (corporate priority); procedural changes to drug and alcohol testing and new training requirements for testing officers; train radio intra-operability requirements; and revised Certificate of Competency Guidelines.

Safety Management Systems

Under NSW rail safety legislation, ITSRR accredits rail operators on the basis that they have the systems, competence and capacity to operate safely. Safety management systems are the key mechanism through which ITSRR assesses that a rail operator can operate safely.

Criteria for these systems are specified in new guidelines (issued under the Rail Safety Act 2002) which came into effect for mainline operators on 1 July 2006. Implementation of this guideline satisfied a recommendation made by the Special Commission of Inquiry into the Waterfall Rail Accident and provided the opportunity to clearly articulate safety requirements and mandate specific processes to control safety risks.

Recognising the necessary transition process for many operators, during the year ITSRR audited 17 of the 20 mainline accredited operators to the new SMS requirements. All of these operators demonstrated they were on track in implementing the new safety reforms. The remaining three operators were not due for audit in this financial year.

Lower risk and isolated tourist and heritage line operators who do not operate on the mainline are required to comply with the new guidelines by 1 July 2008.

Drug and alcohol management

NSW rail safety legislation requires accredited rail operators to have in place drug and alcohol programs including testing, education, counselling and disciplinary procedures.

Regulation amendments and model training

In August 2006, ITSRR introduced procedural changes to drug and alcohol testing requirements for the NSW rail industry to improve the accuracy, fairness and efficiency of testing programs. The changes included new training requirements for testing officers.

ITSRR developed a model training course for drug and alcohol testing officers to assist accredited railway operators to meet these new requirements. In February and March 2007, ITSRR hosted two one-day workshops based on the model course to train officers from those railway operators that do not have their own training program in place.

The workshops were attended by 37 participants including testing officers from accredited operators, representatives of training organisations, and drug and alcohol testing service providers. An evaluation of the workshops showed that all of the participants found it useful and informative and most felt confident about conducting drug and alcohol testing for their organisation after receiving the training.

National consistency

ITSRR participated in a National Transport Commission workshop in December 2006 to develop a national policy on drug and alcohol testing. The policy will address issues caused by a lack of uniformity between different jurisdictions. The NTC is expected to provide advice on next steps in early 2007-08.

Outcomes of industry testing programs are provided in ITSRR’s Annual Transport Industry Safety & Reliability Reports 2006-07.
Comment/analysis

There were 77 accredited operators in NSW in 2006-07 – the same as the previous year – including 16 which also operate in other States.

During the year five operators surrendered their accreditation: CRT Rail, Rail Technical Support Group (Australia), Regional Heritage Transport Association Junee, Tenterfield Railway Station Preservation Society and Lachlan Valley Rail Freight. Five new operators were accredited: Freightliner Australia, Rail Transport Support Group Pty Ltd, El Zorro Transport Pty Ltd, Independent Railways of Australia, and Twentieth Super Pace Nominees Pty Ltd trading as SCT Logistics.

In July 2006, ITSRR introduced new requirements for the notification of operational change. This narrowed the trigger for variations to be approved by ITSRR and introduced broader requirements for notification to rail regulators of changes to operations by rail operators. As a result, the need for operators to apply for a variation was reduced.

<table>
<thead>
<tr>
<th>Train radio communications systems</th>
<th>National radio communication legislative reforms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensuring the compatibility and inter-operability of communications equipment (e.g. train radios) was a recommendation of both the Glenbrook and Waterfall Inquiries. The reports both promoted that, in an emergency, a network control officer should be able to communicate simultaneously through a ‘broadcast call’ with passenger and freight trains in the immediate vicinity of the train that initiated the emergency.</td>
<td>Inter-operability in the longer term is best achieved through the development of a single national standard for communication. For this reason, ITSRR has continued to work closely with the Australasian Railway Association on its working group which has developed agreed national functional requirements for metropolitan train radio systems. ITSRR represents the interests of other State and Territory regulators on the working group.</td>
</tr>
<tr>
<td>During 2006-07 ITSRR introduced the Rail Safety (General) Regulation 2003 (Train Communication Systems), requiring passenger and freight trains operating on the NSW rail network to have a radio communications system that is compatible and inter-operable in an emergency situation, as well as a back-up system. The regulation commenced on 1 September 2006. By the end of March 2007, the vast majority of trains operating on the NSW network were fitted with compliant radio systems. Two heritage operators were granted an exemption from the regulation until 1 October 2007 due to delays in the supply of the appropriate equipment. ITSRR will continue to actively monitor compliance with the requirements of the regulation through its regulatory and compliance activities.</td>
<td>Safety worker competence</td>
</tr>
<tr>
<td>During 2006-07 ITSRR conducted a project to check the adequacy of regulatory guidance provided to industry to assess and manage rail safety worker competence. ITSRR also reviewed its audit processes (including tools) and assessment methods that monitor the competence of management systems of rail operators. ITSRR subsequently amended its guidelines for Certification of Competency to clarify the requirements for rail operators and published a series of frequently asked questions on its website to better explain those requirements.</td>
<td></td>
</tr>
</tbody>
</table>

Forecast

The number of new applications and variations is unable to be forecasted.

4. National rail safety reforms

In 2003, the Inter-Governmental Agreement for Regulatory and Operational Reform in Road Rail and Inter-modal Transport tasked the National Transport Commission with developing reforms to improve and strengthen the co-regulatory system for rail safety, including the development of national model rail safety legislation.

Industry’s push and government recognition of the need for consistent rail safety regulation has been driven largely by the increasingly national nature of the freight rail industry. A key objective of the national reform process is therefore to reduce unnecessary costs and duplication of state and territory rail safety regulator requirements and administrative processes.

During the year ITSRR continued to play an active part in developing and implementing national model legislation. This is to ensure the reform proposals lead to improved safety management and are consistent with safety reforms adopted in recent years to strengthen the regulation of rail safety in NSW.

National model legislation

The National Model Rail Safety Bill was endorsed by the Australian Transport Council (ATC) in June 2006. It was followed by ATC approval of the National Model Regulations in December 2006. ITSRR played an important role in the development of both the National Model Bill and...
regulations through the Rail Safety Package Steering Committee which was set up to advise and assist the National Transport Commission in developing national reforms. The Committee is chaired by ITSRR’s Chief Executive, Carolyn Walsh.

**NSW Rail Safety Bill 2007 and Regulations**

The National Model Legislation will be adopted by each State and the Northern Territory by way of local legislation. In consultation with Parliamentary Counsel, ITSRR finalised the draft NSW Rail Safety Bill 2007 early in 2007 and is also working to complete draft NSW Regulations for introduction later this year.

ITSRR released the Bill for public consultation during March 2007. There are some important differences between the Bill and the current NSW Act including:

- **General Duties** – the introduction of general duties on rail transport operators, designers, manufacturers and suppliers of equipment, contractors, and rail safety workers. The new general duties will assist in clarifying and enforcing the obligations of all parties responsible for rail safety.

- **Contractor Management** – the NSW Bill provides that only organisations with effective management and control of rail infrastructure and/or rolling stock operations may be accredited. As a result of this change, some currently accredited operators will no longer be required to be accredited. Accredited rail transport operators will be required to have, as part of their safety management systems, systems and procedures for managing their contractors. Contractors will be subject to the general duties and will need to comply with the accredited operator’s safety management system to the extent that it applies to the contractor’s railway operations.

ITSRR received 12 public submissions on the NSW Bill which raised a range of issues covering; safety management systems, definitions of accredited persons and private sidings, and the general duties provisions for rail transport operators and contractors.

ITSRR will publish a summary of the comments received and responses to the issues on its website in August 2007. It anticipates that the Government will introduce the NSW Bill into the Spring Parliamentary session which commences in September 2007. ITSRR expects to conduct a public consultation on the draft regulations in September 2007.

**Amendment Bill Number 2 and Regulations – road/rail interface management**

At the request of the Australian Transport Council (ATC), the National Transport Commission (NTC) developed proposed amendments to the National Model Rail Safety Bill (Amendment Bill No.2) to introduce obligations on rail infrastructure managers and road managers to jointly manage risks arising from level crossings and other road/rail interfaces.

These obligations involve developing interface agreements with rail infrastructure managers for road and rail crossings. Such agreements will cover the management of risks, amongst other things.

In early May 2007 the NTC circulated the Bill to each jurisdiction for comment. On behalf of the Minister for Transport, ITSRR held sessions across the State to consult on the proposed changes with local councils as road authorities. More than 90 people attended the sessions during May 2007 and 16 local councils provided written comments on the proposals. Local councils raised a number of important issues during the consultation. ITSRR will publish a summary of the comments received and responses to the issues on its website in July 2007. The ATC is expected to vote on the reform package in September/October 2007.

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**Performance indicator:** *Number of visits to ITSRR’s website*

**Definition**

This indicator measures the number of internal and external visits to ITSRR’s website. External stakeholders primarily comprise rail employees, NSW and federal transport safety agencies and the community.

**Result**

<table>
<thead>
<tr>
<th>Year</th>
<th>Visits to ITSRR’s website</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>64,930</td>
</tr>
<tr>
<td>2005-06</td>
<td>83,658</td>
</tr>
<tr>
<td>2006-07</td>
<td>151,684</td>
</tr>
</tbody>
</table>

**Comment/analysis**

The significant increase in visitor numbers in 2006-07 was largely driven by activities related to legislative reforms, in particular, the public consultation on the draft NSW Rail Safety Bill 2007. The addition of new web pages on the regulatory reform process and an increase in other web-based materials published during the year attracted more visitors to the site.
National guidelines
During the year, the NTC and rail safety regulators across Australia worked to develop six guidelines to assist the rail industry in meeting its obligations under the new rail safety laws. The guidelines cover the following issues:
- safety management systems
- accreditation
- So Far As Is Reasonably Practicable (explains the concept of managing safety of rail operations in so far as is reasonably practicable)
- compliance and enforcement
- uniform administration of accreditation
- fatigue management.

ITSRR was the ‘lead agent’ in developing guidelines for safety management systems and uniform administration of accreditation. A four week public consultation was conducted in April/May 2007. The guidelines are expected to be submitted to the ATC for approval in September/October 2007.

The requirements of the existing NSW mandatory guidelines relating to drug and alcohol programs, fatigue management and network rules will be retained by incorporating them into the new NSW rail safety regulations.

Implementation projects
In preparation for the introduction of the new legislative framework, ITSRR has developed a comprehensive program of implementation projects to ensure it is well placed to begin administering the new legislation from the day it commences. ITSRR led two national implementation projects during the year. These were:
- a project to re-issue all NSW rail operators with new accreditation notices consistent with the national model legislation and to develop accreditation notices for operators accredited in more than one jurisdiction; and
- the development of two-day workshops on the national model legislation conducted in three locations – Sydney, Melbourne and Adelaide – for over 90 staff from State and Territory rail regulators.

Other national reforms
- National Data Strategy
The Australian Transport Strategy has recognised the National Transport Commission (NTC) to develop a national data strategy for the rail industry. The strategy is intended to provide a comprehensive framework for the collection, analysis and use of rail safety data.

During the year ITSRR participated in a number of NTC workshops to develop the strategy and also prepared a discussion paper on railway safety data issues which has been submitted to the NTC. ITSRR will participate in the continued development of the Strategy in 2007-08.

ITSRR continues to strengthen its own reporting of industry data in its Annual Transport Industry Safety & Reliability Reports 2006-07, available on ITSRR’s website and in hard copy.

- Recognition of industry standards and codes of practice
This reform project will provide an agreed framework by which regulators will recognise standards and codes of practice developed by the rail industry. The introduction of governance arrangements to ensure the appropriate development and maintenance of industry standards will provide certainty to operators who adapt those standards for use as part of their safety management system.
During the year ITSRR supported the NTC in developing a proposal on the recognition of industry standards by hosting a workshop involving regulator, NTC and ARA representatives. The workshop was facilitated by Aidan Nelson, former Director of Policy and Strategic Initiatives with the UK Rail Safety and Standards Board (see p45). Workshop participants considered a range of governance models and discussed suitable governance arrangements to allow for the recognition of industry standards by regulators. The agreed process will be presented to the ATC for approval by the end of 2007.

5. Recommendations from the Waterfall Rail Accident Report

Overall implementation progress

The final report of the Special Commission of Inquiry into the Waterfall Rail Accident was released in January 2005. The report made 127 recommendations involving 177 specific safety or regulatory actions.

ITSRR was tasked with monitoring the implementation of Waterfall Inquiry recommendations and reporting quarterly to Parliament on progress. Quarterly reports were published in October 2006 and February, April and July 2007.

As at 30 June 2007, 167 recommendations (94% of the total) were verified and closed. During the year, ITSRR closed out recommendations relating to the:

- development of consistent rolling stock standards
- standard communications procedures in network rules
- development of risk-based training needs analysis by RailCorp
- training of RailCorp guards in the use of the MetroNet radio system in an emergency
- development of an integrated safety management system for RailCorp
- implementation of the new mandatory Safety Management Systems Guideline requiring accredited operators to implement and maintain a compliant SMS.

All quarterly progress reports are available on ITSRR’s website.

Automatic train protection

The implementation of systems to minimise the risk of an accident in the event of train driver incapacitation was a key recommendation of the Waterfall Inquiry. ITSRR has been focusing on this issue for the past two years and it remained a corporate priority for 2006-07.

The Waterfall Inquiry recommended the implementation of automatic train protection (ATP) – more advanced technologies which can automatically override a driver’s control if the train is operating outside network constraints.

The NSW Government supported the use of further train protection systems but noted that the recommendations required more detailed technical review, including a thorough risk assessment. During 2006-07 ITSRR analysed and advised the Minister for Transport on the findings of a RailCorp review of various ATP systems from around the world. The review concluded that the European Train Control System would be best suited to the Sydney network.

In early 2007, RailCorp awarded contracts to three groups to conduct ATP trials on the Blue Mountains line to test the safety, operational and economic implications of the technology. ITSRR will conduct a full assessment of the outcomes of the trial which is due to be completed in the first half of 2008.

Performance indicator: **Percentage of Waterfall Inquiry recommendations verified by ITSRR as implemented (closed)**

**Definition**

This indicator monitors the overall implementation of the Special Commission of Inquiry into the Waterfall Rail Accident Report that was released in January 2005. The report listed 127 recommendations involving 177 specific safety or regulatory actions to be implemented by RailCorp, ITSRR and other agencies.

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>15%</td>
</tr>
<tr>
<td>2005-06</td>
<td>75%</td>
</tr>
<tr>
<td>2006-07</td>
<td>94%</td>
</tr>
</tbody>
</table>

All quarterly progress reports are available on ITSRR’s website.
ITSRR also began work during the year to review the potential benefits of ATP systems from a safety and capacity perspective.

**Train data loggers**

Data loggers which record information on a train’s operations, such as its speed during a journey, can provide vital clues to understanding the causes of accidents or incidents on the rail network. They can also assist rail operators to monitor safety performance.

The Waterfall Inquiry recommended the introduction of standards for collecting and using data from data loggers, including mandating that this information must be able to be accessed in the event of an accident.

To help ensure all rolling stock operating in NSW are fitted with serviceable and operating data loggers, ITSRR produced guidance material for rail operators setting out parameters for data collection, maintenance, testing and security procedures.

The material was developed with input from rail operators and unions through ITSRR's Rail Safety Strategic Forum and published in July 2007.

The National Transport Commission (NTC) agreed to develop a national regulation for data loggers setting out parameters for data collection, maintenance, testing and security procedures.

**Emergency evacuation**

The Waterfall Inquiry made several recommendations relating to the way trains are designed to allow for passengers to evacuate in emergency situations. These recommendations called for changes including:
- having a minimum of two methods of self-initiated evacuation
- the fitting of clearly marked internal and external emergency door releases
- appropriate lighting and signage for emergency escape equipment
- the development of national standards for crashworthiness.

The Commissioner also recommended that RailCorp replace its Passenger Containment Policy. In response to these recommendations RailCorp undertook a detailed risk assessment of emergency passenger egress and evacuation measures.

To promote consistency of approach to emergency egress and evacuation on a national basis, ITSRR referred the Waterfall recommendations to the National Transport Commission (NTC). In December 2006, through the NTC reform process, the Australian Transport Council approved a national regulation that provides a framework requiring operators to have systems and procedures in place for the management of rolling stock, including for passenger emergency egress and evacuation.

The Rail Industry Safety and Standards Board (RISSB), owned by the Australasian Railway Association, also agreed to consider the recommendations in developing the national rolling stock standards in this area. To assist this process, in June 2007 ITSRR provided RISSB with some guidance material which it had developed on emergency egress, access and evacuation procedures.

The combination of the national regulation supported by an industry standard will ensure that operators have effective emergency egress, access and evacuation procedures in place.

**Comment/analysis**

This is a substantive result, reflecting adherence to scheduled timeframes by a number of stakeholders. The recommendations often require considerable investment and effort to implement and can span several years to fully address. Implementation of the recommendations is driving changes in safety culture and continuously improving risk management in rail operations. This will underpin the delivery of sustainable improvements in rail safety into the future.

**Forecast**

Ten recommendations – 6% of the total – remain to be implemented. Of these, four are of a longer term nature requiring the implementation of new technology or the development of national standards.
Performance indicator: **Number and percentage of recommendations from independent investigation rail accident reports implemented**

**Definition**

ITSRR works with the parties identified in published rail accident reports to understand their responses to the recommendations and develop agreed timeframes for their implementation using the methodology developed to manage the close-out of recommendations resulting from the Special Commission of Inquiry into the Waterfall Rail Accident.

‘Independent investigations’ include those conducted by the NSW Office of Transport Safety Investigations (OTSI), the Australian Transport Safety Bureau (ATSB), the NSW Coroner and any special Commission of inquiry into rail accidents in NSW.

The graph right reflects ITSRR’s quarterly reporting schedule to the Minister for Transport that began in August 2006.

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**Result**

*Independent investigation rail accident recommendations implemented*

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Recommendations Open</th>
<th>Total Recommendations Closed</th>
<th>% Closed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aug 2006</td>
<td>84</td>
<td>23</td>
<td>21%</td>
</tr>
<tr>
<td>Nov 2006</td>
<td>80</td>
<td>49</td>
<td>38%</td>
</tr>
<tr>
<td>Feb 2007</td>
<td>83</td>
<td>54</td>
<td>44%</td>
</tr>
<tr>
<td>June 2007</td>
<td>74</td>
<td>94</td>
<td>55%</td>
</tr>
</tbody>
</table>

---

**Highlights from Annual Rail Industry Safety Report 2006-07**

The Rail Safety Act 2002 requires ITSRR to submit an annual Rail Industry Safety Report to the NSW Minister for Transport. This report is contained in ITSRR’s Annual Transport Industry Safety & Reliability Reports 2006-07.


The key findings from this year’s Report are:

- the number of rail-related passenger and public fatalities in 2006-07 was at, or close to, the lowest of the last 10 years and there were no multi-fatality accidents for the fourth year in a row
- there were no rail-related fatal injuries for employees in 2006-07 and there was a decreasing trend in the number of trespasser/suicide-related fatalities over the last 10 years
- there was a decreasing trend in the number of mainline derailments over the last 10 years
- the number of level crossing collisions in 2006-07 was the lowest observed over the last 10 years and there was a decreasing trend in the number of collisions with road vehicles at level crossings with passive protection, that is, equipped with warning signs
- there was a long-term increasing trend in both on and off-train fires over the last 10 years. The increase was due largely to vandalism-related activity such as lighting of papers on passenger trains.

Several other incident categories showed increases in 2006-07 compared to previous years, for example, assault and some rolling stock irregularities. However, rather than signalling a deterioration of rail safety, these increases were largely the result of changes in reporting requirements for these types of incidents and improvements in detecting and recording incidents.

The number of incidents for many key safety incident categories in 2006-07 remained consistent with that observed historically. Despite this, some types of incidents were of concern due to the nature of individual events or an apparent inability to further reduce the number of incidents over time. ITSRR will continue to monitor such incidents and work with industry to ensure safety issues are addressed.

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6. **Recommendations from independent rail investigations**

In July 2006, ITSRR enhanced its role in monitoring the implementation of recommendations from independent investigations into rail accidents or incidents, such as those by the Office of Transport Safety Investigations. Such recommendations are implemented by various government agencies and rail operators involved in the rail industry.

The monitoring methodology used by ITSRR is based on the approach it developed to track implementation of Waterfall Inquiry recommendations.

ITSRR invested significant effort into ensuring that both current and legacy investigation report recommendations are being addressed. The results are outlined in the key performance indicator above.
Comment/analysis
At the end of June 2007, a total of 168 recommendations had been published since 1998. Of these, 130 recommendations were from legacy reports and 38 were published in 2006-07. Of the 168, the majority were from OTSI reports (141), with the remaining from ATSB reports (25) and the Coronial Inquest into the level crossing collision at Baan Baa NSW on 25 May 2005 (2). Of these, 129 recommendations were directed to rail operators, 35 were directed to ITSRR and 4 to local councils.

A total of 94 of these recommendations are now closed (56%) – 75 from OTSI reports and 19 from ATSB reports.

7. Regulatory practice
Compliance approach
Rail safety regulation is based on an accreditation regime whereby rail operators who conduct rail operations as defined by the Rail Safety Act 2002 are accredited, that is given permission to operate, provided they have the competency, capacity and safety management systems to manage the risks arising from their rail operations.

ITSRR’s role is to administer this scheme and ensure operators comply with their legislated obligations. As the regulatory pyramid (below) illustrates, there are a suite of tools available to ITSRR to facilitate operator compliance with rail safety legislation.

For the most part, ITSRR works at the bottom of the pyramid using ‘facilitated compliance’. Through this approach, ITSRR works cooperatively with rail operators through education and awareness as well as its audit and inspection program to ensure rail operators understand and comply with safety requirements.

ITSRR may use more directive powers such as issuing improvement notices to promote compliance with legislation and effective risk management by rail operators where appropriate. In circumstances where there is a clear lack of cooperation or serious safety breaches by a rail operator, ITSRR may consider issuing fines and or taking prosecution action. Ultimately, if a rail operator no longer has the competence, capacity or systems to safely manage its rail operations, ITSRR may restrict, suspend or even cancel the operator’s accreditation.

ITSRR recognises that it has a level of discretion in the use of its powers. It endeavours to work in a professional, open and transparent way in accordance with our values and good administrative practice and principles. ITSRR provides operators with an opportunity to request reviews of its regulatory decision-making and reports on these. See p38 for the performance indicator concerning reviews of statutory notices.

Forecast
ITSRR expects to increase the close-out of independent report investigations given the majority are from legacy reports.
Performance indicator: **Percentage of ITSRR statutory notices requested for review by rail operators**

**Definition**

This indicator reports on the reviews of ITSRR’s statutory Improvement and Prohibition Notices. Rail operators have the right to request an initial review by ITSRR on these notices. If the operator is not satisfied with ITSRR’s decision, they may seek further review by the Administrative Decisions Tribunal (ADT).

The indicator measures the extent to which rail operators accept ITSRR’s regulatory directions.

**Result**

<table>
<thead>
<tr>
<th>IMPROVEMENT NOTICES</th>
<th>2005-06</th>
<th>2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total no. of Improvement Notices issued by ITSRR</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>No. (and %) of internal reviews requested</td>
<td>6 (60%)</td>
<td>1 (11%)</td>
</tr>
<tr>
<td>No. (and %) of appealed Improvement Notices upheld by ITSRR</td>
<td>3 (50%)</td>
<td>1 (100%)</td>
</tr>
<tr>
<td>No. (and %) of requests referred to Administrative Decisions Tribunal (ADT) for review</td>
<td>0 (0%)</td>
<td>0 (0%)</td>
</tr>
<tr>
<td>No. (and %) of Improvement Notices upheld by the ADT</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

**Comment/analysis**

Improvement notices remained steady however there was a significant decrease in the number of Prohibition Notices issued. This reflects ITSRR’s change in policy during the year from issuing a Prohibition Notice on the same matter to each operator and instead communicating these issues through Rail Industry Safety Notices.

The rise in notices requiring information provision from specific operators was due to ITSRR’s increased focus on ensuring it receives required information from operators.

**Forecast**

Unable to be forecasted given that notice provision is responsive to events that may fluctuate in number from year to year. Trend data is not yet sufficient to determine longer-term trends.

**Definition**

This indicator measures the number of statutory notices (improvement, prohibition and provision of information) issued by ITSRR to rail operators for non-compliance with rail safety legislation. It includes notices to operators to provide information to ITSRR on safety issues.

ITSRR’s uses enforcement measures when it deems appropriate, with primary focus given to liaising with operators to ensure they understand and comply with safety requirements.

**Service measure: Number of statutory notices issued**

**Definition**

This indicator measures the number of statutory notices issued by ITSRR to rail operators for non-compliance with rail safety legislation. It includes notices to operators to provide information to ITSRR on safety issues.

ITSRR’s uses enforcement measures when it deems appropriate, with primary focus given to liaising with operators to ensure they understand and comply with safety requirements.

**Result**

<table>
<thead>
<tr>
<th>Year</th>
<th>Improvement Notice</th>
<th>Prohibition Notice</th>
<th>Provision of Information Notice</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>7</td>
<td>33</td>
<td>N/A</td>
</tr>
<tr>
<td>2005-06</td>
<td>10</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td>2006-07</td>
<td>1</td>
<td>6</td>
<td>11</td>
</tr>
</tbody>
</table>

**Comment/analysis**

Unable to be forecasted given that notice provision is responsive to events that may fluctuate in number from year to year. Trend data is not yet sufficient to determine longer-term trends.
Comment/analysis
The internal review process is intended to afford operators subject to decisions of ITSRR and its authorised officers an opportunity to test the evidence and conclusions drawn by ITSRR and its authorised officers in their decision-making processes. The internal review process supports procedural fairness principles.

Forecast
It is difficult to forecast future results for this measure. It is anticipated that as ITSRR and rail operators become familiar with the issuing of statutory notices, requests for review will stabilise.

Result (continued)

<table>
<thead>
<tr>
<th>PROHIBITION NOTICES</th>
<th>2005-06</th>
<th>2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total no. of prohibition notices issued by ITSRR</td>
<td>73</td>
<td>6</td>
</tr>
<tr>
<td>No. (and %) of internal reviews requested</td>
<td>2 (3%)</td>
<td>1 (17%)</td>
</tr>
<tr>
<td>No. (and %) of appealed Prohibition Notices upheld by ITSRR</td>
<td>1 (50%)</td>
<td>0 (0%)</td>
</tr>
<tr>
<td>No. (and %) of requests referred to ADT for review</td>
<td>0 (0%)</td>
<td>0 (0%)</td>
</tr>
<tr>
<td>No. (and %) of Prohibition Notices upheld by the ADT</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Accreditation
ITSRR is required under the Rail Safety Act 2002 to accredit all NSW rail operators. Granting of accreditation indicates that the rail operator has demonstrated the competence, capacity and has the systems to manage safety risks arising from its rail operations. Once accredited, operators need to apply for a variation to their accreditation if they intend to make changes to the scope and nature of their rail operations. For details of ITSRR’s accreditation activities, see the service measure on p30.

Accreditation fees
The Rail Safety Act 2002 requires accredited persons to pay an annual accreditation fee. ITSRR’s role is to collect accreditation fees determined by Government – it does not set these fees nor does it receive the funds collected. The Rail Accreditation Annual Fees Determination 2006 – approved by the Minister for Transport for commencement on 1 December 2006 – introduced a new method for calculating accreditation fees in NSW as part of a national process to make the system less complex to administer and more consistent for operators which operate in other States and Territories.

The new national fee calculation methodology is based on track and train kilometres whereas previously the NSW Government charged accreditation fees on the basis of quantity of freight hauled, number of passengers carried, length of track managed, or number of items of rolling stock.

Annual audit and inspection program
ITSRR manages a comprehensive audit and inspection program including annual scheduled audits required under the Rail Safety Act 2002 and additional audits and inspections in response to selected incidents, issues or safety trends.

Audit training
During the year, ITSRR continued its professional development program which included a focus on up-skilling staff in auditing rail safety management systems. For more details, see p70 in the Corporate Governance chapter.

Annual Safety Reports
Under NSW rail safety legislation, rail operators are required to submit Annual Safety Reports to ITSRR. These reports provide ITSRR with an indicator of the level of self-monitoring being undertaken by rail operators. In addition, operators are required to identify safety initiatives in their reports. During the year, ITSRR increased its efforts to facilitate a higher level of compliance with the reporting requirement. The results of this activity are outlined in the key performance indicator on p46.

Senior Rail Safety Compliance Officers
Stuart Hudd (left) and An Le worked together on rail safety accreditation.
Incident response and investigation

ITSRR responds to rail emergencies, incidents or accidents, occurring on or affecting the NSW rail network, that impact on public safety and potentially breach rail safety legislation.

ITSRR may elect to conduct a compliance investigation following a rail emergency incident or accident. The decision to conduct an investigation will depend on factors such as the severity of the potential or actual impact of the incident, the value to the public interest and a determination of the value of conducting a regulatory investigation.

Whilst ITSRR investigations are independent, it works cooperatively on such investigations with the NSW Police Force, Australian Transport Safety Bureau, the Office of Transport Investigations and WorkCover.

Between July 2006 and June 2007 ITSRR commenced 17 formal compliance investigations which included:

- **November 2006:** A track welder was seriously injured after being struck by a reversing hi-rail excavator on a railway construction site at Sandgate.

ITSRR’s initial investigation into the incident identified several concerns relating to the protection of people around moving plant at the time of the incident. As a result, ITSRR issued a Rail Industry Safety Notice in March 2007 reminding accredited operators and railway infrastructure contractors about the need to ensure all railway construction work and maintenance within the rail corridor must comply with applicable safeworking network rules, network procedures and operator specific procedures relating to the movement of rail mounted plant and moving plant on rail worksites.

The investigation into this incident was continuing as at 30 June 2007.

- **January 2007:** A freight train derailed at Leeton on the Junee to Griffith line. A witness saw some of the train’s wagons start to ‘fish tail’ about 150 to 200 metres after it passed through a level crossing. ITSRR’s investigations found deficiencies with some rail wagon components which are now subject to further investigations. In addition, ITSRR followed up with the track manager about compliance with its track misalignment management controls.

- **March 2007:** A major disruption near Milson’s Point station caused significant delays on the metropolitan rail network and necessitated the evacuation of passengers from stranded trains. ITSRR commenced an investigation under the Rail Safety Act 2002 focusing on RailCorp’s: assessment and notification processes; on-site response; evacuation/emergency egress procedures; communications; electrical overhead power; and debrief/effectiveness of emergency procedures and checklists. Conditions for RailCorp’s management of these issues are outlined in its accreditation conditions and also reflect recommendations made in the Waterfall Inquiry Report.

- **May 2007:** Dangerous goods spilled from a freight train in country NSW. In conjunction with WorkCover, ITSRR reviewed the operator’s plans in relation to the transport of dangerous goods. The investigation highlighted a number of issues that were outside of the control of the rail operator and have since been raised with relevant industry participants to seek a whole of the supply chain solution. This work is ongoing.

Details on longer-term trends in incidents are outlined in ITSRR’s Annual Transport Safety Industry Safety & Reliability Reports 2006-07 available on ITSRR’s website and in hard copy.

Service Measure: **Number and percentage of scheduled annual safety audits and safety inspections completed**

**Definition**

Under the Rail Safety Act 2002, ITSRR has a statutory obligation to audit or inspect each passenger operator annually and all freight operators within a three-year period.

**Result**

<table>
<thead>
<tr>
<th>Scheduled audits and inspections completed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number</strong></td>
</tr>
<tr>
<td>% of scheduled safety audits and inspections completed</td>
</tr>
<tr>
<td>38</td>
</tr>
<tr>
<td>100%</td>
</tr>
</tbody>
</table>

**Definition**

Under the Rail Safety Act 2002, ITSRR has a statutory obligation to audit or inspect each passenger operator annually and all freight operators within a three-year period.
Comment/analysis
ITSRR met its statutory obligations with respect to passenger operators. ITSRR audited 19 of 21 scheduled other operators during the year, with the two remaining audits rescheduled for 2007-08. One of these operators was required to be audited this year; the other is still within its three-year auditing schedule.
Accordingly, ITSRR met 98% of its statutory inspection obligations in 2006-07 (48 of 49 statutory audits/inspections).

Forecast
ITSRR’s audit program is expected to continue at the same rate in the coming year.

Drug and alcohol testing
Rail operators have the primary responsibility for conducting drug and alcohol testing of railway employees undertaking rail safety work in NSW. ITSRR conducts its own random testing which is aimed primarily at supplementing industry activity and supporting smaller operators including heritage operators implement their drug and alcohol programs.
Under the Rail Safety Act 2002, accredited railway operators are required to report any positive drug and alcohol test results to ITSRR.

These results are reviewed by ITSRR to ensure appropriate action has been taken by the railway operator such as counselling, provision of rehabilitation and/or disciplinary action.
The results of ITSRR's testing are outlined in the key performance indicator on p42.
During 2006-07 NSW rail operators conducted 44,431 alcohol and 8,575 drug tests. Of these, 191 or 0.4% yielded a positive result or refused test. More information on industry's testing program is available in the Annual Transport Industry Safety & Reliability Reports 2006-07 on ITSRR's website.

Education and awareness
Education and awareness raising activities are key elements of ITSRR’s regulatory toolkit and are designed to support rail operators to achieve better rail safety outcomes.
ITSRR uses training, workshops and seminars, Rail Industry Safety Notices, Information Alerts, newsletters, and its website to provide industry with information on regulatory developments and emerging safety issues and to promote the cross-fertilisation of ideas across the industry.

ITSRR officers Alan Lidbetter (Manager, Security and Compliance Investigations) and Robert Venticinque (Senior Coordinator, Emergency Strategy) undertake a drug and alcohol testing exercise in October 2006.
During 2006-07 almost 340 representatives of industry, unions, government agencies and peak organisations attended events hosted by ITSRR including:

- three Executive Safety Seminars for accredited rail operators on the topics of risk management frameworks, ‘signals passed at danger’ and implementing nationally consistent rail safety legislation
- 14 consultation sessions on the draft NSW Rail Safety Bill 2007 and Amendment Bill No. 2 (road/rail interface obligations)
- training for drug and alcohol testing officers
- a workshop facilitated by Aidan Nelson, the former Director of Policy and Strategic Initiatives with the UK Rail Safety and Standards Board, on the development and approval of industry standards.

ITSRR also hosts the NSW Rail Safety Strategic Forum (RSSF) to provide operators, unions and ITSRR with the opportunity to exchange ideas and a place to discuss safety issues of strategic importance facing the rail industry. The Forum met three times in 2006-07, with a total of 50 industry representatives attending. Issues discussed included the National Model Legislation and its implementation in NSW, safety culture, and key findings from ITSRR’s compliance and audit program.

### Performance indicator: Number of attendees at external seminars/workshops

**Definition**
This indicator measures participants in ITSRR’s Executive Safety seminars, the Rail Safety Strategic Forum and major workshops with industry and other rail safety regulators.

**Result**

<table>
<thead>
<tr>
<th>Year</th>
<th>Attendees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>370</td>
</tr>
<tr>
<td>2005-06</td>
<td>300</td>
</tr>
<tr>
<td>2006-07</td>
<td>337</td>
</tr>
</tbody>
</table>

**Comment/analysis**
The increase in attendance in 2006-07 was largely due to industry consultation sessions related to the implementation of national model legislation. Attendance at the Executive Safety Seminars remained steady. ITSRR will seek industry feedback on the format of the seminars via the Rail Safety Strategic Forum in 2007-08.

### Service measure: Number of drug and alcohol tests conducted by ITSRR and percentage testing positive

**Definition**
ITSRR has a role in setting legislative requirements and guidance for drug and alcohol programs, including testing of rail safety workers and investigating positive notifications arising from testing by either rail operators or ITSRR. The majority of testing is undertaken by industry. This indicator reports on ITSRR’s testing activities only.

**Comment/analysis**
The positive results reported are from drug tests – there were no positive alcohol test results reported. ITSRR follows up with operators on such results as appropriate. The increase in positive tests from the previous year is due to the increase in the number of tests conducted in 2006-07 compared to 2005-06.

**Forecast**
Unable to be forecasted.

During 2006-07 almost 340 representatives of industry, unions, government agencies and peak organisations attended events hosted by ITSRR including:

- three Executive Safety Seminars for accredited rail operators on the topics of risk management frameworks, ‘signals passed at danger’ and implementing nationally consistent rail safety legislation
- 14 consultation sessions on the draft NSW Rail Safety Bill 2007 and Amendment Bill No. 2 (road/rail interface obligations)
- training for drug and alcohol testing officers
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Issues discussed included the National Model Legislation and its implementation in NSW, safety culture, and key findings from ITSRR’s compliance and audit program.
The RSSF also contributed to the development of ITSRR’s guidance material on train data loggers and provided feedback on its corporate priorities for 2007-08. During 2006-07, ITSRR issued 15 Information Alerts and 8 Rail Industry Safety Notices, compared to 10 and 2 respectively in the previous year. The increase reflected the development of new rail safety legislation in NSW and a stronger focus by ITSRR on providing guidance and advice to industry. ITSRR also produced a number of online and hard copy publications (see full list in the Appendices on p113) including Transport Advisory Weekly and The Regulator (quarterly).

8. Research and development
Since its establishment in 2004, ITSRR has sought to develop an evidence and risk-based approach to collecting, analysing and using safety data to guide its regulatory interventions. The analysis of data and the regulatory strategies adopted as a result are broadly defined as ITSRR’s ‘regulatory intelligence’.

Safety culture
ITSRR and rail operators view the development of a safety culture within the industry as an important foundation for improving rail safety. For this reason, improvement of rail operators’ safety culture and processes is a key result identified in ITSRR’s results logic framework (see p26).

During the year, ITSRR worked with the Australasian Railway Association (ARA) to negotiate a two-year local trial of an internet-based tool developed in the UK to assist rail organisations in understanding and improving their safety culture. The tool, developed by the UK Rail Safety and Standards Board (RSSB), consists of a simple self-assessment questionnaire and tailored improvement initiatives linked to the results. The ARA is currently finalising the licensing arrangements with the RSSB. A number of operators are enthusiastic about participating in the Australian trial, which is anticipated to commence in late 2007.

Rail Resource Management project
It is well recognised that human error plays a significant role in incidents and accidents. While human error is inevitable, investigations have shown that many serious safety occurrences in the transport industry could have been prevented by effective ‘resource management’ – people making better use of available resources including team members, equipment, information and procedures. As its successful application in the aviation industry has shown, effective resource management and training throughout an organisation can help to reduce errors and their consequences.

In partnership with Public Transport Safety Victoria, ITSRR is working with industry including the Australasian Railway Association (ARA) to develop a national Rail Resource Management Training Program for rail safety workers. The project will provide rail operators with support including (non-mandatory) comprehensive guidelines and generic training materials. The guidelines were released in March 2007. The training materials are undergoing a detailed review by a rail industry group including operational staff, trainers, training managers, safety managers and human factors specialists. The training materials are expected to be available in late 2007. ITSRR will host briefing sessions for industry on how to practically apply the package of resources.

Forecast
ITSRR expects the number of attendees at its events to increase slightly with the enactment of the new Rail Safety Act and Regulations in 2007-08.
Responding to near misses

During the year, ITSRR developed a strategic approach for guiding its response to ‘near miss’ incidents – events not significant in terms of impact (such as damage or loss of life) but potentially indicators of the risk of more serious accidents.

ITSRR developed criteria to prioritise its responses to near miss occurrences. This enabled it to work more strategically with operators to encourage proactive risk management and improved safety performance. This work will continue in 2007-08.

Risk profiling tools

ITSRR is working to develop a set of risk profiling tools to improve its understanding of key contributors to rail safety risks and the risks faced by particular stakeholders including passengers, train drivers and track workers.

During the year ITSRR used fault and event tree models as well as guidance developed by the UK Rail Safety and Standards Board to estimate the frequency of hazardous events based on basic parameters of the railway such as kilometres of track and the number of passenger and freight train kilometres travelled per year.

This approach allows estimates of individual and total collective risk to be made – information which to date have not been available to regulators for railway operations across their jurisdictions. This will enable ITSRR to develop focused regulatory strategies as well as gauging how well an operator understands its risks.

In 2007-08 ITSRR will undertake more work to improve the accuracy and validity of the models produced.

Safety data

ITSRR analyses rail safety occurrence data to better understand safety risks and develop its regulatory strategy. It publishes rail occurrence data for NSW and provides data to the Australian Transport Safety Bureau (ATSB) which began publishing national rail safety occurrence data on its website in March 2007.

ITSRR has invested considerable effort into improving the national arrangements for data collection. For example, over the last year ITSRR continued to work with the National Rail Occurrences Database working group to improve the categorisation scheme ON-S1. Most of this work has been aimed at better defining occurrence categories which will lead to enhanced quality data collected in a more consistent way by each of the States.

ITSRR also conducted a study into level crossing data on behalf of the Rail Safety Regulators Panel and the Standing Committee on Transport’s rail group. The study provided an analysis and discussion of national data, safety initiatives implemented, trends and future possibilities in relation to level crossings. The project resulted in further recommendations for improvements in data category definitions.

For detailed rail safety occurrence data, refer to the Annual Transport Industry Safety & Reliability Reports 2006-07 on ITSRR’s website.

Definition

ITSRR conducts compliance inspections distinct from its audit program. These inspections are based on regulatory intelligence gathered through ITSRR’s audit function as well as industry data reported to ITSRR. ITSRR conducts compliance investigations in response to selected incidents.

Result

<table>
<thead>
<tr>
<th>Year</th>
<th>Compliance Inspections Conducted</th>
<th>Compliance Investigations Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>1</td>
<td>12</td>
</tr>
<tr>
<td>2005-06</td>
<td>133</td>
<td>17</td>
</tr>
<tr>
<td>2006-07</td>
<td>215</td>
<td>17</td>
</tr>
</tbody>
</table>

Julie Helias (Quality Analyst) is responsible for data quality for ITSRR’s Rail Safety Regulation Division

Julie Helias (Quality Analyst) is responsible for data quality for ITSRR’s Rail Safety Regulation Division
Comment/analysis

The increase in compliance inspections can be attributed to ITSRR’s enhanced capacity to determine rail safety issues based on its regulatory intelligence as well as improved internal reporting.

The increase in compliance investigations reflects the occurrence of incidents that occur during the reporting period as well as improvements in ITSRR’s ability to conduct such investigations.

Forecast

ITSRR expects to maintain its level of compliance inspections. Compliance investigations are unable to be forecasted given their link to incidents in the field.

Knowledge sharing workshops with UK expert

ITSRR maintains an ongoing relationship with the UK’s Rail Safety and Standards Board (RSSB) – an industry organisation considered a world leader in rail safety strategy and standards development, research and measurement.

In early June 2007 ITSRR engaged the RSSB’s recently retired Director of Policy and Strategic Initiatives, Aidan Nelson, to deliver a series of workshops in Sydney for ITSRR staff and industry. Mr Nelson has over 30 years experience in rail safety and knowledge of the industry in the UK and Europe.

Workshops for staff covered change management, regulating heritage railways and automatic train protection. The topics were selected based on issues emerging as priorities for ITSRR’s 2007-08 Corporate Plan. The workshops provided a forum to share knowledge about approaches to these issues and canvas possible strategies to better manage them in the Australian context.

Mr Nelson also facilitated a fourth workshop on industry standards which involved participants from the Australasian Railway Association, the National Transport Commission, the Rail Industry Standards Board, Queensland Transport and RailCorp, as well as the Chairman of ITSRR’s Advisory Board and ITSRR staff.

Top: Alan Lidbetter (Manager Security and Compliance Investigations) (right) discusses security issues with his investigation team – Jocelyn Guy and Chris Sandars
Participation in safety intelligence and development projects

ITSRR is investing in a range of innovative safety intelligence and development projects, often in collaboration with industry and other regulators. Some of the work undertaken in 2006-07 included:

- progressing the development of guidance material for industry on the management of signals passed at danger (SPADs). A SPAD is a precursor safety occurrence – an event which could, under specific circumstances, lead to an accident such as a train to train collision. ITSRR is analysing information on best practice arrangements in SPAD management to produce practical guidance for operators. This work will continue in 2007-08.

- participating in a working group with Public Transport Safety Victoria, the Australian Transport Safety Bureau and the Australasian Railway Association (ARA) to develop a uniform national Contributing Factors Framework (CFF) for rail safety occurrences. The CFF is intended to complement the national rail safety data classification system (ON-S1) to capture and categorise the systemic contributors to rail safety occurrences. The CFF will help to explain ‘why’ an incident has occurred in addition to ‘what’ actually happened.

- supporting an Australian Research Council funded initiative comprising a series of projects examining ergonomics, biomechanics and human factors in the rail industry. The initiative involves ITSRR, the University of NSW, Public Transport Safety Victoria, and RailCorp. Its outcomes will include: design criteria, specifications and standards for train and network management and safety systems; human factors tools for investigating rail safety, accidents and performance; methods for evaluating and specifying crew and operator workloads and tasks; improved driver safety systems; and better rail network management.

Supporting regulatory processes

During 2006-07 considerable work was undertaken to progress the redevelopment of ITSRR’s corporate management system (CMS). This system aims to provide staff with ready access to key business information to ensure consistency and transparency of ITSRR’s regulatory processes.

Further review and analysis of the current system took place during the year to establish a new framework that will more effectively store key business process information. Existing business processes were also reviewed to identify changes that will be required to give effect to the proposed new rail safety legislation.

The CMS has required substantial design and development and is taking an extended period to achieve. Work will continue over the next year with a view to obtaining quality certification of the CMS component for ITSRR’s rail safety regulation processes.

Performance indicator: Number and percentage of Annual Safety Reports received and percentage received within statutory timeframe

Definition

All accredited rail operators are required to provide ITSRR with an Annual Safety Report within a specified timeframe under rail safety legislation. Annual Safety Reports must report on the operator’s review of its safety performance during the reporting period, any significant developments relating to safety for the reporting year and identify proposed safety initiatives for the coming year.

Result

Annual Safety Reports received (total and on-time)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>On-time</th>
<th>% of Annual Safety Reports received within statutory timeframes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006-07</td>
<td>68</td>
<td>59%</td>
<td></td>
</tr>
</tbody>
</table>

Supporting regulatory processes
Comment/analysis
During 2006-07 ITSRR increased its liaison with accredited operators on the preparation of Annual Safety Reports and in particular, the identification of self-initiated safety initiatives that review and strengthen risk controls and defences in the operator’s safety management system.

A total 73 Annual Safety Reports were due from accredited operators in 2006-07 (only operators which have been operating for a full 12 months are required to submit a report). Of these, 59% were received within the statutory timeframe. This is a significant increase from the 16% received within the statutory timeframe in 2005-06.

Future directions
The future directions for the Rail Safety Regulation program reflect its Corporate Plan 2007-08 priorities which are to:

- Focus on the following issues with rail operators:
  * worksite protection
  * signals passed at danger (SPADs)
  * contractor management
  * compliance with infrastructure standards
  * level crossing risks.

- Work with the heritage sector to improve risk management practices and operational safety.
- Implement the proposed amendments to NSW legislation to give effect to national rail safety reforms.
- At the national level, provide leadership in the delivery of:
  * a National Safety Data Strategy for rail
  * guidelines on regulatory requirements for the planning and implementation of major capital programs
- a framework for the development and maintenance of rail industry technical and operations standards.
- Continue to deliver regulatory intervention strategies which are evidence and risk-based.
- Provide advice to Government on the introduction of Automatic Train Protection technology into NSW from a safety perspective.

Forecast
ITSRR expects to maintain or increase this level of reporting.
The diagram at right outlines the intended results that ITSRR works towards to coordinate safety regulation across the rail, bus and ferry transport modes.

Combined with ITSRR’s list of annual priorities for 2006-07, the results logic framework sets the context in which to review this program’s achievements.

**Program index**

1. Specific safety issues p49
2. Industry safety performance p50
3. Regulator performance p51
Achievement highlights

Key achievements for this program for 2006-07 were:

- the development and implementation of a consistent reporting framework for monitoring independent safety investigation reports across the rail, bus and ferry sectors. As far as ITSRR is aware, this reporting practice and framework puts NSW at the forefront of regulator reporting practice in Australia and overseas (p50)
- the identification of any cross-modal implications associated with recommendations arising from independent safety investigation reports for application by other regulators (p50)
- completing a review of the relevance of the recommendations arising from the Special Commission of Inquiry into the Waterfall Rail Accident to the bus and ferry sectors (p50).

Program context

During 2006-07, ITSRR conducted its strategic coordination of safety role amidst a climate of ongoing reform and change across the three transport modes. National rail safety legislation was endorsed and new safety management system requirements were introduced in NSW. The bus reform program entered its first year of full implementation and a number of independent inquiries heightened the focus on safety in the ferry sector.

Key stakeholders for this program include the Ministry of Transport, NSW Maritime, the Minister for Transport, the Minister for Ports and Waterways, and the general public.

Achievements for 2006-07

1. Specific safety issues

The Transport Regulators Executive Committee (TREC) completed a review of the recommendations arising from the Special Commission of Inquiry into the Waterfall Rail Accident (Waterfall Inquiry) to ascertain if they have relevance to the bus and ferry sectors.

The following are some significant reforms the Ministry of Transport and NSW Maritime have introduced through their own reform processes, which also considered recommendations of the Waterfall Inquiry.

- Data loggers
- Alcohol and drug testing
- Periodic medical examinations
- Accident investigation
- Safety regulation
2. Industry safety performance

Through TREC, each regulator has agreed to monitor the status of recommendations resulting from independent investigations into rail, bus and ferry incidents in NSW.

These investigations include those conducted by the NSW Office of Transport Safety Investigations (OTSI) and the Australian Transport Safety Bureau (ATSB).

The purpose of OTSI and ATSB investigations is to identify the contributing factors to a safety incident or accident and to make recommendations for the relevant organisations to prevent their recurrence.

Importantly, TREC regulators have agreed to monitor these recommendations consistently through the use of the reporting framework developed by ITSRR to report to Parliament on the status of recommendations arising from the Waterfall Inquiry.

Some delay has been experienced, however, in confirming closure of some of the earlier published OTSI and ATSB reports. TREC regulators are currently addressing these legacy reports, some of which date back to 1998, when the ATSB first became involved in the investigation of NSW transport incidents. The closure of these legacy reports is expected to be confirmed within the next 12 months.

As far as ITSRR is aware, and following its recent independent review of regulators’ reporting practices, this reporting practice and framework is unprecedented amongst safety regulators both nationally and internationally.

The table below summarises the status as at June 2007 of recommendations arising from independent safety investigations in NSW.

<table>
<thead>
<tr>
<th></th>
<th>No. of reports</th>
<th>No. of recs</th>
<th>Open</th>
<th>Closed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rail</td>
<td>17</td>
<td>186</td>
<td>81</td>
<td>105</td>
</tr>
<tr>
<td>Bus</td>
<td>7</td>
<td>56</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td>Ferry</td>
<td>10</td>
<td>121</td>
<td>31</td>
<td>90</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>363</td>
<td>140</td>
<td>223</td>
</tr>
</tbody>
</table>

Since the commencement of the revised monitoring arrangements in June 2006, 56% of the total recommendations for rail, arising from 17 investigation reports, have been marked as ‘closed’. The expected closure of those legacy reports relating to rail will significantly increase the percentage of ‘closed’ recommendations.

In relation to recommendations for the bus sector, 50% of the total recommendations, arising from seven separate reports, have been marked as ‘closed’. The Ministry of Transport has recently introduced additional procedures to further increase the number of ‘closed’ recommendations.

Significantly, in relation to recommendations for ferries, 74% of the total recommendations, arising from 10 separate reports, have been marked as ‘closed’. NSW Maritime advises that there are currently 31 outstanding ferry recommendations relating to 3 OTSI reports.

The monitoring and review of the implementation of such reports now allows TREC to determine whether there are any cross-modal implications arising from the individual reports for regulators to act on.

TREC intends to continue this practice in relation to all independent investigation reports following their tabling in Parliament.
3. Regulator performance

TREC continued to explore improved methods for identifying indicators of industry safety performance and regulator effectiveness across modes.

Following preliminary analysis undertaken by a TREC working group, ITSRR commissioned a detailed independent review of key performance indicators used by transport regulators around the world to measure transport safety in the rail, bus and ferry sectors and their effectiveness as regulators.

A draft report was provided to ITSRR in June 2007. Its preliminary analysis found that overall ITSRR was operating at the leading edge of regulators surveyed.

In relation to its rail safety indicators, the report found that these were on par with the other seven jurisdictions surveyed.

The range of KPIs relating to bus safety tended to be less extensive than those reported for rail and generally focused on reporting accidents, incidents and fatalities only.

On ferry safety, the draft report noted a major difficulty in assessing ferry performance reporting was that only one of the four jurisdictions surveyed used commuter ferries as a major part of their urban transport system.

There was the added factor of a complex mix of port specific, national and international regulatory frameworks governing ferry services that focused more on the efficiency of such services, rather than more specifically measuring safety.

Overall, the ferry safety indicators were of a similar type and level as the other jurisdictions surveyed.

The review, to be finalised in 2007-08, will assist ITSRR and TREC to review the current suite of key performance indicators used by regulators to measure rail, bus and ferry performance.

TREC also explored opportunities to share professional development resources to allow knowledge or expertise gained by one regulator in relation to safety issues or regulatory craft to be shared with the staff of other regulators. It is hoped to build on this initiative in the future.

Future directions

Consistent with the Corporate Plan 2007-08 priorities, the future directions for the Strategic Coordination of Safety across Transport Modes program are to:

- introduce public reporting on the implementation of independent investigation reports into rail, bus and ferry accidents
- ensure lessons from independent inquiries into the Sydney Ferries Corporation are reviewed for potential application to the bus and rail sectors.

Safety issues that affect rail are often applicable to the bus and ferry sectors and vice versa.
Service measure: Percentage of CEO/nominee attendance at TREC meetings

Definition
This indicator measures the commitment of NSW transport safety regulators to work together on an ongoing basis to improve safety frameworks across modes and reflects the relevance of the TREC function. ITSRR has refined the definition of this indicator from that previously reported to include attendance at TREC meetings by a nominee of the CEO. This change recognises the fact that it is not always possible for CEOs to attend meetings and commitment to TREC is demonstrated through a senior officer representing the CEO at relevant meetings.

Comment/analysis
This result indicates a high level of commitment to the forum.

Result
CEO/nominees attendance at TREC meetings

Forecast
CEO attendance expected to remain high.
The diagram at right outlines the intended results that ITSRR works towards in its provision of transport service reliability advice.

Combined with ITSRR's list of annual priorities for 2006-07, the results logic framework sets the context in which to review this program's achievements.
ITSRR’s services to deliver these results include:

- preparation of advices for the Minister
- preparation of public reports.

The three Corporate Plan priorities for this program in 2006-07 were:

- Increase the depth of advice in relation to:
  - above and below rail capacity on the RailCorp network
  - the Country Regional Network
  - bus performance
  - ferry performance (p57-58).
- Conduct further research in Australia and overseas, focusing on predictive indicators of safety, asset standards, procurement and performance monitoring arrangements for funded transport services (p55).
- Document and utilise business processes in the Corporate Management System framework (see Corporate Governance chapter, p64).

Program description

ITSRR has a statutory role of providing advice to Government about the performance of publicly funded or owned transport services against standards set by the Government. This is its service reliability function and is incorporated in the Transport Service Reliability Advice Program.

‘Reliability’ is defined to include the quality, effectiveness and efficiency of services taking account of matters such as those set out in contracts between service providers and the Government. It also includes the sustainability of networks and infrastructure, especially for rail. This latter point complements ITSRR’s safety function because understanding pressures on services and assets can also enable ITSRR to identify potential rail safety issues.

ITSRR also provides advice in response to questions from the Minister for Transport regarding reliability standards, targets and associated matters.

Program context

The NSW Government enters into agreements (which include reliability standards) with public transport service providers including its own rail organisations.

The State Plan and supporting Urban Transport Statement were released in mid 2006-07. They set out the Government’s priorities and some of the reliability targets for transport. Priorities include increasing the share of public transport in peak hour commuting, and improving the quality of these services.

Key stakeholders for this program include the Minister for Transport, other Government agencies, transport operators including RailCorp and Rail Infrastructure Corporation, and the public.

Achievement highlights

Key achievements for this program in 2006-07 were:

- publication of the Survey of CityRail Customers 2006 and the Annual Transport Reliability Report 2005-06 (p55)
- advices to the Minister for Transport on the experience with the post September 2005 CityRail timetable, and on issues regarding the design of the 2008 CityRail timetable (p55)
- research into the initial development of a precursor risk model for identifying potential rail safety problems (p55)
- an extensive program of research and development, most of it at the international cutting edge, covering 10 aspects of transport reliability (p55 and Appendices on p111)
- enhanced quality of reporting and policy advice based on an increased depth of research into service quality and performance, international procurement practices for public transport and a broader range of matters that Government has been advised on (p55).
## Service measure: Percentage of reports advices provided to the Minister within scheduled timeframes

<table>
<thead>
<tr>
<th>Definition</th>
<th>Result</th>
<th>Comment/analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>This indicator reflects ITSRR’s timeliness in providing the required reports and advices.</td>
<td><img src="graph_url" alt="Graph showing percentage of reports/advises provided to the Minister within scheduled timeframes for 2005-06 and 2006-07" /></td>
<td>A good result reflecting ITSRR’s ongoing efficiency in providing timely reports.</td>
</tr>
</tbody>
</table>

### Achievements for 2006-07

1. **Major public reports prepared**

   In 2006-07 ITSRR published two public reports regarding the reliability of transport services (see also key performance indicator on p56).

   The *Survey of CityRail Customers 2006*, was conducted at the start of the financial year and released in September 2006. Overall ITSRR’s third annual survey of CityRail customers showed that passengers perceived and experienced some improvement in services compared with the previous survey conducted in mid 2005.

   For example, the proportion of customers whose expectations about train punctuality were met rose from 38% in 2005 to 64% in 2006. There was also a decrease in the proportion of respondents who said train delays and cancellations had made them more than 10 minutes late at least once a week – from 40% in 2005 to 17% in 2006.

   At least part of the explanation for this lies with the implementation of the new CityRail timetable in September 2005 and May 2006. After the introduction of the September 2005 timetable, on-time running performance improved considerably, albeit with slower and somewhat fewer services.

   ITSRR conducted another customer survey in June and July 2007 and will publish the findings in September 2007.

   The new CityRail timetables and the positioning of public transport – rail, bus and ferry – and coordination between modes for future growth were among the issues explored in ITSRR’s other public report, the *Transport Reliability Report 2005-06*, released in November 2006.

   This report also included a commentary on the condition and performance of the two rail networks owned by the NSW Government – the Metropolitan Rail Area managed by RailCorp and the Country Regional Network managed by the Rail Infrastructure Corporation.

2. **Research and analysis**

   To support its reliability function, and in particular its contribution to ITSRR’s safety regulation role, the Transport Service Reliability program undertakes a significant amount of research.

   In 2006-07 research was conducted into the following issues:

   - matters related to a precursor risk model for identifying potential rail safety problems
   - aggregation of bus operational performance and service quality measurement
   - service quality in public transport
   - reliability governance
   - international practices in procurement and performance
   - monitoring for commuter rail services.

   The complete list of research undertaken is detailed in the Appendices on p111.

   This research increased the depth of knowledge and quality of advice ITSRR was able to provide during 2006-07.
Service measure: Number of major public reports prepared

Definition
ITSRR publishes a number of reports, often including both interim and final reports, each year dealing with the reliability of publicly funded transport services. ITSRR also may publish reports on matters referred to it by the NSW Minister for Transport.

Result

<table>
<thead>
<tr>
<th>Number of Major Public Reports Prepared</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06: 3</td>
</tr>
<tr>
<td>2006-07: 2</td>
</tr>
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</table>

Comment/analysis
ITSRR maintained its base level of public reports in 2006-07 (Survey of CityRail Customers and Annual Transport Reliability Report). The reduction in public reporting in 2006-07 reflected fewer requests by the Minister during the year.

Highlights from Annual Transport Reliability Report 2006-07

ITSRR’s prepares an Annual Transport Reliability Report as required under the Transport Administration Act 1988. The report reviews the performance of publicly funded rail, bus, and ferry services as well as transport coordination. It is incorporated in ITSRR’s Annual Transport Industry Safety & Reliability Reports 2006-07.

The advent of the NSW State Plan and patronage growth may mark a watershed in public transport in NSW. The State Plan requires a focused and strong research and planning effort to align capacity and services with growth.

Key findings from this year’s Annual Transport Reliability Report were as follows:

For rail:
- the performance of RailCorp’s Metropolitan Rail Area network was adequate, however, infrastructure condition generally remains finely balanced
- reporting by Rail Infrastructure Corporation has improved, but there remains some questions about the adequacy of long term planning and more immediately, the future of restricted lines, which are used for movement of grain
- CityRail’s overall operational performance met standards set by the Government, and complaints from the public reduce
- CityRail patronage increased by around 3% to recover to levels of 2002. However, crowding on board trains is increasing in importance
- CountryLink patronage fell by 7% – the fifth consecutive decline.

Important matters for 2007-08 include CityRail’s capacity in an environment of growing demand, and CountryLink’s patronage.

Other matters include the performance of the CityRail fleet, the grain haulage task, and the coordination of planning by the Australian Rail Track Corporation and RailCorp for growth in freight.

There is also the need to ensure the interoperability between the Automatic Train Protection systems that may be installed by the various rail organisations.

For buses, ferries and transport coordination:
- metropolitan bus patronage rose by 2.7%. Feedback regarding buses increased markedly. Some of this might be attributed to matters not formally reported to the Ministry – service changes, on-route bus performance and crowding
- ferry patronage increased by 0.5 % to 1%. Reported operational performance remained strong but complaints increased substantially
- The 131500 Transport Infoline was used more frequently, however Tcard did not progress as much as expected. The Audit Office identified scope for improvements in interchanges and carparks.

For bus, the Ministry of Transport intends to roll-out integrated networks in much of Sydney in 2007-08. Given the relative flexibility of buses this provides a significant opportunity to improve both this mode and transport coordination.

For ferry services, the outcomes of the Special Commission of Inquiry into Sydney Ferries will be important. Transport coordination for this mode is also likely to become increasingly important.
Forecast

In 2007-08 ITSRR may report on the most appropriate way of identifying the perceptions of bus users in addition to its regular public reports.

Service measure: Number of routine advices prepared for the Minister and Ministry of Transport

Definition
Advice is provided to the Minister for Government consideration on an in-confidence basis, including advice on reports provided by transport authorities. Summary and analysis of transport results embodied in these reports is included in the Annual Transport Reliability Report.

Comment/analysis
The number of routine advices provided reflects reports to the Minister and Ministry under the Rail Performance and Ferries Performance Agreements. These agreements require a report each month from RailCorp and Sydney Ferries Corporation to the Minister. The Ministry has requested that ITSRR provide it with advice on these reports when they are received.

Forecast
The same arrangements are expected for 2007-08.

3. Independent advice provided to Government

During 2006-07 ITSRR agreed to provide the Ministry of Transport with comments on significant issues arising from monthly reports made to the Minister and Ministry under the Rail and Ferries Performance Agreements (see key performance indicator on this page). The content of the reports and advices is taken into consideration in the ITSRR’s Annual Transport Industry Safety & Reliability Reports 2006-07 which will be published in late 2007 in the publication Annual Transport Industry Safety and Reliability Report 2007.

In addition to these regular advices, ITSRR also may provide the Minister or Ministry with advice on any matter relating to policy for the reliability of funded transport services. This is done on a confidential basis, unless the Minister provides a public reference request concerning the advice.

During 2006-07 advice was provided on topics including the CityRail timetable, customer charters and guarantees, and maximum train loads.
Service measure: Number of policy advices prepared for the Minister

**Definition**
Advice is provided to the Minister.

**Result**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Policy Advices</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>2</td>
</tr>
<tr>
<td>2006-07</td>
<td>6</td>
</tr>
</tbody>
</table>

**Comment/analysis**
The number of policy advices provided reflects requests from the Minister and work initiated by ITSRR.

**Forecast**
As at early 2007-08, the Minister has requested advice on three issues and ITSRR has identified two others.

**Future directions**
The future directions for ITSRR’s corporate program ‘Transport Service Reliability Advice’ reflect its Corporate Plan 2007-08 priorities to provide advice to Government on:
- existing and proposed public transport service levels and customer requirements in light of the NSW State Plan transport targets
- the expected transport outcomes under the 2008 CityRail timetable
- Railcorp’s trial of Automatic Train Protection from a system performance perspective.
The Corporate Governance program provides "enabling" services which underpin the effective delivery of results and services provided by ITSRR's other three programs. Combined with ITSRR's annual priorities for 2006-07, the results logic framework (pictured right) set the context in which to review this program's achievements.

**Program index**

1. Governance and management systems p61
2. Corporate performance management p61
3. Workforce capability p66
4. Financial and asset management p73
5. Environmental management p74

Paul Harris (Director Corporate Services and Planning) outlines ITSRR's Communication Devices Policy to staff.
Achievement highlights

Key achievements for this program for 2006-07 were:

- an internal evaluation finding that 100% of staff participating in an ITSRR-sponsored university-level transport safety course agreed that the program had enhanced their ability to work for a safety regulator (p71)
- streamlining risk and opportunity management processes including improving integration with the corporate planning process (p61)
- improved support for regulatory activities and more effective information management across the organisation following the implementation of 72% of first year actions in the IM&T Strategic Plan 2006-09 (which has ambitious targets) (p62)
- completing the framework and establishing the way forward for the Corporate Management System, ITSRR’s business and quality management system (p64)
- review and implementation of internal audit report recommendations, with improvements made to accreditation processes, the provision of legal advice, the management of reliability data and control over payment of employee entitlements (p65)
- review and refinement of regulatory KPIs, as well as commissioning a world-wide review of best practice reporting. The review found that ITSRR’s KPIs for its own performance were more extensive in number and scope than the other seven regulators surveyed (p65).

The following services are delivered by this program:

- Corporate planning and performance reporting
- Corporate risk and opportunity analysis
- Information technology systems
- Organisational development including staff training and professional development
- Corporate services including financial management, human resource management, payroll and OHS
- Administrative and office support services.

ITSRR’s 2006-07 priorities for this program were:

- Full utility of ITSRR’s Corporate Management System and supporting information databases in daily work practices (p64)
- Develop strategies to support performance improvement, including management training and team building (p71)
- Undertake compliance training on the new national requirements for ITSRR’s authorised officers (p71)
- Improve internal audit and risk management capabilities across the organisation (p65).

Program description

ITSRR defines ‘corporate governance’ as comprising five operational areas:

- Governance and management systems
- Strategic planning and reporting, including risk and knowledge management
- Workforce capability, including staff development and wellbeing
- Financial and asset management
- Environmental management.

This program ensures ITSRR meets Government and statutory obligations and that ITSRR’s core programs are appropriately resourced and delivered by trained and competent staff.

Program activities are guided by ITSRR’s service goal ‘Excellence in corporate governance’.

While the Corporate Services and Planning Division has primary carriage of the program, all divisions contribute to it.

Program context

As a publicly funded agency, ITSRR operates within the policy and financial directions of the NSW Government.

During 2006-07 key contextual issues affecting ITSRR’s corporate governance included:

- the introduction of the NSW State Plan and its key priorities for transport provision
- the need for public sector efficiency savings which impacted ITSRR’s budget management
- planned changes to the legislative context which required analysis of training requirements and review of IT support system requirements.

Primary stakeholders for this program are the Chief Executive and Executive Management Team, all staff, central agencies such as NSW Treasury, the NSW Parliament, and the general public.

Justine Kinkade (Human Resource Liaison Officer) and Paul Harris (Director Corporate Services and Planning) work together on human resource management issues
Achievements for 2006-07

1. Governance and management systems

ITSRR defines its governance and management systems to include arrangements for leadership and management of the organisation, its people, and its systems.

Leadership

ITSRR is governed by its Chief Executive and Executive Management Team. More information on their role, expertise and accountabilities is on p9-10.

ITSRR also receives transport safety advice from an Advisory Board. Information on the Board’s membership and expertise is on p108-109.

Management

Supporting this overarching structure are a number of internal committees including:

- **IM&T Steering Committee** – comprised a cross-section of ITSRR senior staff and takes a direct and active role in managing information management and technology (IM&T) governance at ITSRR. During 2006-07 it ensured implementation of the IM&T Strategic Plan 2006-09 was kept on track and significant progress was made to strengthen ITSRR’s IT capabilities. Details of IT achievements for 2006-07 are on p64.

- **Human Resources and Skills Development Committee** – comprised a cross-section of staff and reviews changes to human resource management policies and procedures. It also assists in analysing ITSRR’s training needs.

- **OHS Committee** – comprised five staff and regularly reviews staff needs, capabilities and claims relating to OHS.

- **Policy and Operations Liaison Group** – comprised senior staff from across ITSRR which meets regularly to discuss a range of relevant integration issues covering the application of policy to business processes.

2. Corporate performance management

This program includes risk management and corporate planning, knowledge management, corporate performance reporting, internal audit and complaints handling.

Integrated risk management in ITSRR

During 2006-07 ITSRR continued working towards a fully integrated risk management system.

ITSRR defines this as ‘an organisation-wide approach that manages risk and opportunities at strategic, operational and project levels’.

The following diagram outlines the cycle of identification, action, monitoring and review that ITSRR employs to conduct this approach:

During 2006-07 ITSRR refined its risk management process to build on key learnings from the previous year, with the aim of continuous improvement.

A broader range of risk analysis tools were utilised including dependency modelling under which the path and chain of events required to achieve corporate and program objectives and anticipated performance results is documented and analysed. Utilising such tools helped staff focus the risk identification process on the specific results that ITSRR is striving to achieve across its program areas.

The quality of the risk process was also enhanced as a result of a number of staff completing the risk management module as part of ITSRR’s Professional Development Program (see p71).
Risk and opportunity registers at the corporate and divisional level were prepared and used for the planning cycle.

Significant risks and opportunities that arose as part of the identification process included:

- the need to engage a wider number of external stakeholders to ensure proposed rail safety legislative reforms are well understood
- the opportunity to provide leadership on national regulatory and data improvement processes
- the opportunity to strengthen ITSRR’s regulatory intelligence for both its own and others’ use
- the need to move to a long-term strategic approach for learning and development, as opposed to the skills acquisition focus that had been the requirement for ITSRR as a new organisation.

The means to address the corporate opportunities and risks were translated into strategies in the Corporate and Divisional Plans.

Reporting against these plans will identify whether these risks and opportunities has been addressed. Any new strategies needed will be incorporated into the plans, reflecting a flexible and dynamic planning approach.

**Corporate planning**

As ITSRR is operating under a three-year Corporate Plan 2006-09 that sets out its values, approaches and results logic framework, this year the planning cycle focused on specific 2007-08 priorities.

To develop the **Corporate Plan Priorities 2007-08**, ITSRR:

- conducted an internal workshop in May 2007 to draft the priorities. The risk management work outlined above served as a solid foundation for this process. The workshop was attended by the Executive Management Team and selected senior managers
- sought staff and Advisory Board feedback on the draft priorities
- sought external stakeholders’ views through the Rail Safety Strategic Forum (see p42 for information on the Forum).

As a result of this combined input, ITSRR’s corporate priorities for 2007-08 better reflect a risk and evidence-based approach to its operating context (see p21).

The Corporate Plan priorities for 2007-08 set the direction for divisional plans which provide the basis for individual performance development agreements between managers and staff.

Copies of the plan are available in hard copy and on ITSRR’s website.

**Knowledge management**

ITSRR defines knowledge management as a ‘defined and systemic approach to making sure the organisation’s knowledge base, both explicit and tacit, is utilised to create a more efficient and effective organisation’.

Knowledge management incorporates both ‘people’ and ‘system’ approaches. In this sense, the information and technology and records management work undertaken by ITSRR is a critical foundation for capturing, accessing and progressing ITSRR’s corporate knowledge.

The diagram on p63 illustrates these linkages.
Forecast
ITSRR expects to achieve a similar or slightly better result next year.

Knowledge management strategy
During 2006-07 ITSRR consulted staff on knowledge management needs and commissioned an external review of knowledge practices in ITSRR.

The review identified a range of existing positive knowledge activities and provided further ideas to enhance ITSRR’s effectiveness in this area. The review findings informed the development of ITSRR’s Knowledge Management Strategy.

This strategy advocates that ITSRR continues its knowledge enhancing activities including All Staff Briefings, targeted training and the performance development scheme.

Further activities that build corporate knowledge will be rolled out in 2007-08.

Such activities may include cross-divisional projects; opportunities for staff from non-field related areas to assist experienced staff to undertake audits; and the expansion of the intranet-based staff phone list to incorporate information on professional interests and expertise.
Corporate Management System

A key component of the way ITSRR manages its corporate knowledge is a system of documented and easily accessible business processes, policies, and templates.

These processes, stored in the Corporate Management System (CMS), have a strong relationship to ITSRR staff development activity and provide the basis on which staff conduct their day-to-day business activity.

CMS activities progressed during the year included:
- developing the design and format for a new delivery system for the CMS
- reviewing business processes in light of changing legislative imperatives
- developing ongoing review systems to ensure the currency and completeness of information.

The focus for 2007-08 will be to populate the new format with revised business policies, procedures and processes.

Information & technology management

During 2006-07 ITSRR successfully implemented the first year of its IM&T Strategic Plan 2006-09.

This plan adopted a holistic approach to the development and management of ITSRR’s IM&T by developing an enterprise information and technology architecture comprising:
- an application domain (software)
- a technology domain (the hardware and how they fit together)
- an information domain (the information content held or owned by ITSRR)
- a support services domain (the people and systems that make it work).

Notable successes during the year included:
- In the application domain:
  - improving support for regulatory activity and performance by better leveraging the reporting capabilities of PRISM, ITSRR’s regulatory information system
  - upgrading ITSRR’s document management system, Objective, and improving staff awareness of good record keeping practice.
- In the technology domain:
  - infrastructure enhancements with new desktop and remote access technology.
- In the information domain:
  - specifying requirements for and selecting a new business intelligence tool, to improve the speed of access to data and the flexibility of information that can be accessed as reports
  - improved information management policies and procedures.
- In the support and services domain:
  - implementing the IT disaster recovery component of ITSRR’s Business Continuity Plan (its most critical component given the nature of ITSRR’s office-based business).

Corporate performance reporting

Strategic review of performance is essential to ensuring that ITSRR is delivering its intended program results and service goals. The performance review framework established by ITSRR utilises various forums and techniques to ensure progress is maintained.

Monthly Executive Management Team (EMT) meetings provide a forum for regular assessment of broader performance-related issues and the development of strategies to address more immediate issues that may arise.

Quarterly performance reviews of the results achieved by each division are conducted by the Chief Executive. All staff from the division being reviewed attend the forum, providing an excellent opportunity to not only evaluate performance, but to share information and discuss future strategies required and issues that need to be addressed.

An additional performance review forum commenced this year with the EMT now undertaking six-monthly high level reviews of the organisation’s progress against the Corporate Plan. The objective of the review is to improve the quality of outcomes achieved and develop strategies to address issues that may impede progress toward these planned outcomes.
Benchmarking review

Recognising the critical nature of effective reporting to its business, ITSRR commissioned an independent external review of reporting by transport safety regulators across Europe, Asia, the US and Australia. A draft final report was received in June 2007.

The review looked at two different types of indicators:
1. transport safety performance KPIs (e.g. rail/bus/ferry accidents and incidents etc)
2. regulator effectiveness KPIs (e.g. audits conducted, education seminars held etc).

For key findings on transport safety indicators, see p51 in Program 2 ‘Strategic Coordination of Safety across Transport Modes’.

Overall, the review found that ITSRR’s suite of indicators were at the leading edge of the regulators surveyed.

In regard to regulator effectiveness indicators, the report noted that they were extensive in scope and that the range indicated a great deal of thought had gone into their development. Potential further development ideas were canvassed.

ITSRR will use the review to further analyse its KPIs and refine or develop these as permitted within the resources available.

The EMT conducted its inaugural review in January 2007. It found that whilst significant achievements had been made, specific action was needed to address issues for those activities that were not on schedule or had been overtaken by other priorities.

External performance reporting

External corporate performance reports prepared during the year included the draft (November 2006) and final (May 2007) Results and Services Plans to Treasury as part of the Budget process. These reports were delivered according to schedule, met the required legislative criteria and reflected the risk management work undertaken (as outlined on p61).

The Annual Report 2005-06 was also prepared to schedule. The report was well received by staff and shortlisted for the Public Sector Annual Reporting Awards. A panel member involved in reviewing the report wrote to ITSRR commending it on the quality of the report.

External feedback received from the public sector and the Australasian Reporting Awards programs have been considered in the preparation of this annual report.

Internal audit

During 2006-07 the Executive Management Team (EMT) endorsed an Internal Audit Charter to guide ITSRR’s audit activities. The charter complies with certified auditing standards issued by the Australian Accounting Research Foundation on behalf of CPA Australia.

Five audits were conducted in 2006. The findings were incorporated into the relevant divisional plans and improvements acted on during 2006-07.

A summary of key improvements actioned is outlined below.

Audit: Granting of accreditations

Improvements:
- refining administrative practices for managing and progressing the accreditation process
- developing strategies to enhance the transparency of the process.

Audit: Processes for providing legal advice

Improvements:
- implementing a broader range of options for delivering legal advice
- undertaking assessments of client satisfaction with legal advice.

Audit: Management of reliability data

Improvements:
- implementing more appropriate strategies for the storage of data and management of the information inventory
- developing organisational wide IT policies.

Audit: Occupational health and safety issues for ITSRR’s field staff

Improvements:
- implementing specific risk management strategies for field staff
- developing a more comprehensive policy framework for fieldwork.

Audit: Policy and procedures governing travel and accommodation expenses

Improvements:
- amending the policy to provide greater clarification for staff on requirements
- reducing the risk of duplicated payment through implementation of a new monitoring process.
Corporate complaints handling

ITSRR seeks to effectively review and address any complaints from its internal and external stakeholders on the delivery of ITSRR services.

- **External**

  External stakeholder complaints are usually directed to our senior regulatory staff and dealt with in an appropriate way in accordance to the nature of the feedback.

  During 2006-07 ITSRR received one complaint regarding the activities of field staff in reviewing proposed changes for a particular operational arrangement. While the claim was investigated and found to be unsubstantiated, ITSRR worked with the complainant to clarify requirements of the regulatory role ITSRR undertakes and to build a positive working relationship for the future.

- **Internal**

  Internally, complaints by staff can be directed to the Director of Corporate Services and Planning. During the year no complaints were received.

3. Workforce capability

ITSRR defines ‘workforce capability’ as the professional development and wellbeing of staff.

Strategies to develop workforce capability and promote a positive organisational culture include:

- development and implementation of workforce policies and procedures
- analysis of learning and development needs on both an organisational and individual basis
- implementation of strategies for the effective management of corporate knowledge, including the development and use of supporting data and information systems.

ITSRR recognises the valuable role staff play in delivering rail safety regulation and providing advice on transport reliability and sustainability. To ensure staff are fully equipped for this role, training and the ongoing development of organisational knowledge and capability are addressed through this program.

Internal information sharing is managed through:

- internal meetings and workshops
- regular all-staff briefings hosted by the Chief Executive
- Chief Executive circulars and memoranda
- intranet notifications
- voluntary lunchtime talks by staff on specific issues
- meetings between managers and individual staff members as part of the Performance Development Scheme.
Workplace culture

ITSRR also aims to have a workplace culture that is based on its agreed values which are reflected in the attitudes and actions of all staff. ITSRR’s values were reviewed and endorsed as part of its Corporate Plan 2006-09. For an outline of our values, see the inside cover of this report.

Lunchtime knowledge sharing sessions

ITSRR’s workplace culture is continually enhanced through learning and development. The value placed on learning and development is reflected both in the type of formal and informal learning opportunities provided and staff’s uptake of these activities.

One such activity initiated over the past two years is the voluntary lunchtime sessions involving staff presentations on various topics from their area of expertise.

High levels of attendance indicate staff’s respect for the expertise of others and a willingness to engage with and learn from their colleagues.

During 2006-07, 152 staff attended the five sessions held. Topics covered were the use of regulatory intelligence to identify potential safety risks; insight into operational field activities; the conduct of systematic investigations, changing health and safety behaviours; and statistical analysis of incidence data.

Given the popularity of these sessions, more are scheduled for 2007-08.

Social Club is a network of opportunity

ITSRR staff operate a social club to promote interaction in a more informal environment. Social events take place in staff’s own time.

Events included a fun run/walk in Hyde Park to encourage health and fitness as well as a trivia night using questions based on transport-related knowledge.

Surprisingly our trivia buffs not only knew details of the longest and highest railways in the world – they could even name rock songs on railways and action movies where trains had played a significant role in the plot!

Staff contribute to community causes

ITSRR staff regularly demonstrate an awareness and involvement in contributing to broader community welfare through activities such as raising money for charity with Friday ‘mufti day’, donating blood to the Australian Red Cross Blood Service and supporting significant community causes.

One such cause during the year was the Leukaemia Foundation World’s Greatest Shave. Staff not only raised money for the Foundation (over $1,300 in total), but awareness and empathy by colouring and shaving their hair, cheered on by supporting colleagues. In true ITSRR style, staff undertook a systems management approach to the event that included risk assessment; education and liaison through promotional activities, budget control and clean up.
Workplace policies
ITSRR has workplace policies which detail various employment requirements.
The central theme of ITSRR’s human resource policies is to provide an environment where staff are valued and their efforts recognised.

Action during the year included:
- implementation of the new work hours policy, together with supporting processes for recording work time
- revision of the travelling and accommodation expenses policy and development of a communiqué for staff on the requirements
- development of a policy on the use of electronic devices, including specific protocols for use of email as a business communication tool.

Occupational health and safety
ITSRR values the health and safety of its staff and continues to ensure that staff occupational health and safety (OHS) requirements are identified and met.
ITSRR’s OHS Committee comprises staff and employer representatives and meets regularly. The Committee provides a forum for staff to raise their OHS issues and have them dealt with appropriately.
During the year the Committee conducted on-site inspections and identified potential hazards throughout the workplace.
All new staff were provided with OHS induction training. Additionally, to ensure that injuries are properly investigated when they do occur, new business processes and documentation for reporting and investigating injuries was developed.

Privacy Management Plan
ITSRR maintains a Privacy Management Plan, developed in line with Government policy and the Privacy and Personal Information Protection Act, to ensure staff needs and rights are protected. No internal complaints were lodged with senior management during the year.

Staff diversity – equal employment opportunity
ITSRR values the diversity of its staff and advocates equality of employment opportunity (EEO). ITSRR continued to strengthen the development and implementation of EEO policies and strategies as part of its EEO Management Plan.
The EEO Plan supports the delivery of ITSRR’s corporate governance activities with the aim of achieving “Excellence in corporate governance”. It also supports the delivery of its Corporate and Divisional plans.
The EEO plan aims to:
- improve access to information relating to ITSRR’s human resource policies and practices
- create a diverse and skilled workforce
- improve employment access and participation for EEO groups
- promote a workplace culture that displays fair practices and behaviour.

Performance indicator: Average sick leave taken per employee during the year

Definition
This indicator measures average number of hours of sick leave taken by staff during the year.

Result
Average sick leave taken per employee

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<thead>
<tr>
<th>Year</th>
<th>Number</th>
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<tbody>
<tr>
<td>2005-06</td>
<td>47</td>
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<tr>
<td>2006-07</td>
<td>41</td>
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</tbody>
</table>

Public sector benchmark 2005-06 (most recent data available)

Co Phan (Records Officer) ensures documents are filed correctly
EEO strategies progressed in 2006-07 included:
- continuing to promote completion of EEO forms for new staff to maintain up-to-date statistical data
- implementing the Work Hours Policy which supports flexible work practices to allow staff to balance their work and home lives
- continuing the monitoring of recruitment strategies to ensure they meet ITSRR and Government Advertising Guidelines and equity standards
- organising a networking opportunity for female managers in ITSRR to share experiences on managing career progression
- reviewing position descriptions to ensure EEO accountabilities and criteria are appropriately specified.

In 2007-08 ITSRR will continue to implement and build on these strategies to ensure that its EEO responsibilities are met.

Further initiatives will be explored, such as partnering with similar small organisations to identify potential opportunities for sharing traineeships.

Ethnic Affairs Priority Statement

Being a relatively small agency that does not deliver direct services to the public, ITSRR does not have extensive policies and procedures on multicultural issues and is not required to develop a relevant plan.

ITSRR is however cognisant of the principles of multiculturalism as reflected in its Ethnic Affairs Priority Statement.

The Statement is aligned to the broader direction of the Community Relations Commission’s Plan of Action 2012.

As a result, ITSRR continued with the following activities during 2006-07:
- provision of interpreter services as part of its independently commissioned surveys of CityRail customers
- ensuring its recruitment practices are merit-based and do not disadvantage any specific cultural group
- ensuring that discrimination is not tolerated in any behaviour or practice in relation to ITSRR
- taking into consideration cultural needs of our staff and stakeholders in our communication activities.

ITSRR will continue to undertake these activities in 2007-08.
Performance indicator: Stability rate

Definition
This indicator reflects employee turnover. The data measures the proportion of employees at 1 July 2006 who remained employed at 30 June 2007. A high stability rate indicates that employee turnover was limited to a relatively small percentage of positions.

Performance indicator: Number of injuries reported, number of claims and total time lost

Definition
This indicator measures the number of injuries reported to management by staff, the number of compensation claims made by staff and the time lost in hours to ITSRR as a result of the injuries.

Comment/analysis
The increase in the number of injuries reported from 2004-05 (6) to 2006-07 (9) is not statistically significant given the small size of ITSRR. ITSRR also continues to provide a user-friendly reporting system and education of supervisors and staff in reporting workplace injuries.

The reduction in time lost from 2005-06 to 2006-07 also reflects ITSRR’s organisational size whereby an injury to one or two staff can significantly alter the amount of time lost.

During 2006-07, return to work programs were implemented for four of the injured employees, with a program not being deemed necessary for the other injured employee.

For two cases, a rehabilitation service provider was engaged to conduct a workplace assessment to assess normal duties, methods of task performance and the work environment. In both cases changes were recommended to the employee’s method of task performance and workstation. In addition, voice recognition software and ergonomic hardware was purchased to prevent the exacerbation of the injury.

Forecast
ITSRR will continue to encourage full reporting of injuries and near misses. ITSRR will also maintain current arrangements to identify OHS risks, investigate accidents and ensure that corrective action is taken.

* A review of ITSRR injury management processes in July 2007 resulted in a re-work of previous calculations with amendments reflected in the above table.
Comment/analysis

Staff stability held at 89% during 2006-07. Close to the public sector benchmark, ITSRR sees this as reflecting its positive and rewarding work environment.

While the 2006-07 figure met ITSRR’s expectations and reflects its objective of retaining staff and thereby building internal capability, a broader issue has arisen with difficulties in attracting staff with appropriate skills and experience for rail safety officer field inspection roles. ITSRR has reviewed this and established new strategies for implementation in 2007-08.

Forecast

ITSRR expects a similar result for 2007-08.

Learning and development

ITSRR staff need a broad skill base covering industry knowledge, risk analysis and a sound understanding of safety management systems. They also require skills and knowledge of safety regulation frameworks, especially in audit and investigation, and the ability to communicate effectively.

The following details specific initiatives undertaken during the year to build our workforce capacity taking into consideration their professional and personal wellbeing.

Professional development

ITSRR’s commitment to provide staff with skills and expertise in safety management systems resulted in some 27 officers being enrolled to do the transport safety certificate at the University of NSW.

In May 2007, 13 staff were awarded a Graduate Certificate in Transport Safety. A further seven will graduate shortly, with another six participating in the program.

The impact of the program on workplace performance was internally evaluated. The evaluation found that 100% of participants agreed that undertaking the program had enhanced their ability to work in a safety regulatory organisation.

A total of 80% of participants believed the overall program had substantially enhanced ITSRR’s corporate knowledge in the areas covered by the program – i.e. auditing, risk management, human factors in transport and safety management systems.

The most valued learnings from the course included:

- improved auditing skills
- better understanding of audit and regulatory concepts
- greater appreciation of the impact of human factors on safety
- improved understanding of the relationship of risk management techniques to safety outcomes.

Operational expertise

ITSRR recognises the importance of professional training for its staff, particularly in a climate of ongoing reform, and has ensured since its inception that training is a key focus for the organisation.

During May-June 2007, ITSRR conducted a training needs analysis to consider its future requirements for learning and development. As part of this analysis, an assessment of the effectiveness of learning activities undertaken to help identify current and future requirements for developing specific operational expertise.
The analysis recognised the substantial effort ITSRR had undertaken as a new organisation to develop the operational and professional expertise of staff. It recommended continuing most of these initiatives.

The analysis also recommended the following initiatives to satisfy ITSRR’s future learning and development outcomes:

- reinvigorating induction programs
- introducing programs to develop negotiation and written communication skills
- revising core skills requirements to link more closely with specific job requirements by aligning attendance to training needs identified under the ITSRR’s Performance Development Scheme
- enhancing the Authorised Officer program to include a focus on problem solving
- expanding the Graduate Trainee program to equip trainees for future roles as authorised officers.

ITSRR also recognised the need to equip staff to implement changes to rail safety legislation that are due to take effect in 2007-08. Preparatory work was undertaken to consider appropriate training for authorised officers, with specific consideration given to proposed new general duties powers and the future regulatory strategies required for contractors.

The challenges for 2007-08 are to ensure that this new emphasis for learning and development is embraced by staff across the organisation. A particular focus will be ensuring that the Authorised Officer program is appropriately revised, with delivery timed to coincide with the implementation of new legislation.

Managerial expertise

A further learning and development focus for ITSRR during the year was improving the capacity of the organisation’s managers. ITSRR managers require a high level of interpersonal skills as they deal with a wide range of internal and external stakeholders.

In February 2007, 24 senior staff attended a Management and Leadership course, covering nine themes including self-awareness, teamwork, change management, time management and modelling corporate values.

ITSRR conducted an internal evaluation of the course which showed that 90% of participants were confident they would implement what they learnt.

ITSRR has a diverse range of training requirements, including communication and audit skills
4. Financial and asset management

Financial and asset management includes the systems to manage ITSRR’s budget and our information technology assets.

Financial management

The Executive Management Team receives monthly reports which track and monitor ITSRR’s expenditure and assist the effective allocation of resources.

A summary of ITSRR’s financial results for the year is outlined in the table right. More details on ITSRR’s financial results are on p20. Detailed audited financial statements are on p75.

Asset management

ITSRR’s physical assets primarily comprise office equipment. ITSRR has no land assets to manage given that it is based in Sydney’s CBD and leases two floors that accommodate all ITSRR staff.

ITSRR prepares an annual Total Asset Management Plan to ensure its physical assets are kept in the appropriate condition.

ITSRR’s main asset management activity during the year was finalising acquisition of new computers and the return of existing leased computers in line with Government policy.

One benefit of this approach is that ITSRR may dispose, allocate, donate or sell any of its expired/outdated bought assets to other government agencies or government-run establishments, which can continue to use and benefit from the asset.

<table>
<thead>
<tr>
<th>ITSRR FINANCIAL SUMMARY</th>
<th>2005-06</th>
<th>2006-07</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
<td>%</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>14,955</td>
<td>15,515</td>
<td>3.7</td>
</tr>
<tr>
<td>Operating Revenue</td>
<td>162</td>
<td>178</td>
<td>9.9</td>
</tr>
<tr>
<td>Total Assets</td>
<td>5,386</td>
<td>4,119</td>
<td>-23.5</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>4,029</td>
<td>2,875</td>
<td>-28.6</td>
</tr>
<tr>
<td>Net Equity</td>
<td>1,357</td>
<td>1,244</td>
<td>-8.3</td>
</tr>
</tbody>
</table>

ITSRR manages and reports its expenses by both division and corporate program. The following charts reflect these distinctions.

Lina Chan (Financial Officer) prepares a range of financial information for the forthcoming budget cycle.
During the year ITSRR continued to implement waste reduction strategies in line with its Waste Management Plan. During 2006-07 such strategies included:

- Introducing a system for electronic receipt of incoming correspondence and faxes, together with new processes for management of the electronic flow of correspondence.
- Purchase of multi-function printing machines, increasing the number of printers able to print double-sided.
- Standardising office inventory which reduced overall stock requirements.

 ITSRR’s performance goals for its energy management are to reduce our building and vehicle emissions where possible. Similar to last year, our activities to achieve this included:

- Reviewing our fleet emissions on an ongoing basis.
- Reviewing options for more fuel efficient vehicles.
- Ongoing liaison with building managers to review any further improvements to electricity use.

5. Environmental management

Waste management

During 2006-07 ITSRR reduced its electricity usage in its two-level Sydney office space from 54,445 kilowatts per hour to 47,379 kwh in 2006-07. This is a reduction in energy consumption of 7,066 kwh.

We expect to continue to reduce electricity usage further in 2007-08 through the installation of sensor lights in low-traffic areas and isolating power switches for meeting rooms to allow the lights to be turned off during working hours when they aren’t needed.

Fleet emissions

ITSRR has a small fleet of pool vehicles which are used primarily for conducting safety audits of rail operators and networks across NSW as required. During 2006-07 ITSRR implemented its fleet emission reduction plan. The plan incorporates Government policy to review fleet requirements to identify fuel efficiency and diversity.

Three pool vehicles were replaced with more energy efficient vehicles.

Future directions

The future directions for the ‘Corporate Governance’ program reflect the Corporate Plan 2007-08 priorities to:

- Build on strategic human resource strategies to attract, retain and skill ITSRR’s workforce.
- Complete the development of ITSRR’s information system and integrate its use into everyday business activities.
- Achieve quality certification (ISO 9001) for ITSRR’s business systems for rail safety regulation.
- Build on ITSRR’s KPIs to support a robust performance management framework.

Definition

ITSRR measures the volume of its office paper recycled. The volume is assessed in relation to office paper purchased.

Result

Office paper recycled

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>50%</td>
</tr>
<tr>
<td>2005-06</td>
<td>50%</td>
</tr>
<tr>
<td>2006-07</td>
<td>53%</td>
</tr>
</tbody>
</table>

Comment/analysis

ITSRR maintained its level of recycling, reflecting the ongoing implementation of its waste management strategies.

Forecast

Given the enthusiasm of staff to support recycling, ITSRR aims to increase the amount of office paper recycled.

Michael Monaghan (Senior Policy Officer) recycles office paper in line with ITSRR’s waste management policy.

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement by Chief Executive</td>
<td>76</td>
</tr>
<tr>
<td>Independent Auditor’s Report</td>
<td>77-78</td>
</tr>
<tr>
<td>Operating Statement</td>
<td>79</td>
</tr>
<tr>
<td>Statement of Recognised Income and Expenses</td>
<td>79</td>
</tr>
<tr>
<td>Balance Sheet</td>
<td>80</td>
</tr>
<tr>
<td>Cash Flow Statement</td>
<td>81</td>
</tr>
<tr>
<td>Statement of Compliance with Financial Directives</td>
<td>82</td>
</tr>
<tr>
<td>Program Statement Expenses and Revenue</td>
<td>83</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>84-96</td>
</tr>
</tbody>
</table>
Pursuant to section 45F of the Public Finance and Audit Act 1983, I state that:

(a) The accompanying financial statements have been prepared in accordance with
- Applicable Australian Accounting Standards (which include Australian Equivalents to International Financial Reporting Standards (AEIFRS))
- The requirements of the Public Finance and Audit Act and Regulations; and

(b) The statements exhibit a true and fair view of the financial position and transactions of the Regulator; and

(c) There are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Chief Executive Officer

Date: 23 October 2007
Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

Independent Transport Safety and Reliability Regulator and controlled entities

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Independent Transport Safety and Reliability Regulator (the Regulator), and the Regulator and controlled entities (the consolidated entity), which comprises the balance sheet as at 30 June 2007, the operating statement, statement of recognised income and expense, cash flow statement, program statement - expenses and revenues, and summary of compliance with financial directives for the year then ended, and a summary of significant accounting policies and other explanatory notes. The consolidated entity comprises the Regulator and the entities it controlled at the year's end or from time to time during the financial year.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Regulator and the consolidated entity as of 30 June 2007, and of their financial performance and their cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 418 of the Public Finance and Audit Act 1983 (the PF&A Act) and the Public Finance and Audit Regulation 2005.

Chief Executive Officer's Responsibility for the Financial Report

The Chief Executive Officer is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.
My opinion does not provide assurance:

- about the future viability of the Regulator or consolidated entity,
- that they have carried out their activities effectively, efficiently and economically,
- about the effectiveness of their internal controls, or
- on the assumptions used in formulating the budget figures disclosed in the financial report.

**Independence**

In conducting this audit, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.

Peter Carr  
Director, Financial Audit Services  
23 October 2007  
SYDNEY
## Operating Statement

For the year ended 30 June 2007

<table>
<thead>
<tr>
<th>Parent</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>Actual</td>
</tr>
<tr>
<td>Notes</td>
<td>$'000</td>
</tr>
</tbody>
</table>

### Expenses

<table>
<thead>
<tr>
<th>Operating Expenses</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee related</td>
<td>2(a) 10,535</td>
<td>9,978</td>
<td>10,535</td>
<td>10,943</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>2(b) 4,495</td>
<td>4,660</td>
<td>4,495</td>
<td>5,230</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>2(c) 485</td>
<td>317</td>
<td>485</td>
<td>489</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>15,515</strong></td>
<td><strong>14,955</strong></td>
<td><strong>15,515</strong></td>
<td><strong>16,662</strong></td>
</tr>
</tbody>
</table>

### Less:

<table>
<thead>
<tr>
<th>Revenue</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale of services</td>
<td>3(a) 28</td>
<td>44</td>
<td>28</td>
<td>–</td>
</tr>
<tr>
<td>Investment revenue</td>
<td>3(b) 150</td>
<td>118</td>
<td>150</td>
<td>64</td>
</tr>
<tr>
<td>Other</td>
<td>3(c) 506</td>
<td>185</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>684</strong></td>
<td><strong>347</strong></td>
<td><strong>178</strong></td>
<td><strong>64</strong></td>
</tr>
</tbody>
</table>

### Net Cost of Services

| | | | | |
| Net Cost of Services | 18 | 14,831 | 14,608 | 15,337 | 16,598 | 14,793 |

### Government Contributions

| | | | | |
| Recurrent appropriation | 4 | 14,350 | 13,666 | 14,350 | 15,389 | 13,666 |
| Capital appropriation | 4 | 450 | 600 | 450 | 450 | 600 |
| Acceptance by Crown of Employee benefits and other Liabilities | 5 | – | 555 | 506 | 751 | 740 |
| **Total Government Contributions** | **14,800** | **14,821** | **15,306** | **16,590** | **15,006** |

### (DEFICIT)/SURPLUS FOR THE YEAR

| | | | | |
| (DEFICIT)/SURPLUS FOR THE YEAR | 13 | (31) | 213 | (31) | (8) | 213 |

The accompanying notes form part of these statements.

## Statement of Recognised Income and Expense

For the year ended 30 June 2007

| | | | | |
| TOTAL INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY | – | – | – | – | – |
| (Deficit)/Surplus for the Year | 13 | (31) | 213 | (31) | (8) | 213 |

| | | | | |
| TOTAL INCOME AND EXPENSES RECOGNISED FOR THE YEAR | 13 | (31) | 213 | (31) | (8) | 213 |

The accompanying notes form part of these statements.
## Balance Sheet

**As at 30 June 2007**

<table>
<thead>
<tr>
<th>Notes</th>
<th>Parent Actual 2007 $'000</th>
<th>Parent Actual 2006 $'000</th>
<th>Parent Actual Budget 2007 $'000</th>
<th>Consolidated Actual 2007 $'000</th>
<th>Consolidated Actual 2006 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>7</td>
<td>2,009</td>
<td>3,281</td>
<td>2,009</td>
<td>1,900</td>
</tr>
<tr>
<td>Receivables</td>
<td>8</td>
<td>343</td>
<td>360</td>
<td>343</td>
<td>130</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td></td>
<td>2,352</td>
<td>3,641</td>
<td>2,352</td>
<td>2,030</td>
</tr>
<tr>
<td><strong>Non-Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>9</td>
<td>419</td>
<td>648</td>
<td>419</td>
<td>429</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>9</td>
<td>289</td>
<td>305</td>
<td>289</td>
<td>306</td>
</tr>
<tr>
<td><strong>Total property, plant and equipment</strong></td>
<td></td>
<td>708</td>
<td>953</td>
<td>708</td>
<td>735</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>10</td>
<td>1,059</td>
<td>792</td>
<td>1,059</td>
<td>1,071</td>
</tr>
<tr>
<td><strong>Total Non-Current Assets</strong></td>
<td></td>
<td>1,767</td>
<td>1,745</td>
<td>1,767</td>
<td>1,806</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td></td>
<td>4,119</td>
<td>5,386</td>
<td>4,119</td>
<td>3,836</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>11</td>
<td>2,866</td>
<td>3,548</td>
<td>1,592</td>
<td>1,200</td>
</tr>
<tr>
<td>Provisions</td>
<td>12</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,274</td>
</tr>
<tr>
<td>Liability to Consolidated Fund</td>
<td>4</td>
<td>9</td>
<td>481</td>
<td>9</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td></td>
<td>2,875</td>
<td>4,029</td>
<td>2,875</td>
<td>2,700</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td></td>
<td>2,875</td>
<td>4,029</td>
<td>2,875</td>
<td>2,700</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td></td>
<td>1,244</td>
<td>1,357</td>
<td>1,244</td>
<td>1,136</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated funds</td>
<td>13</td>
<td>1,244</td>
<td>1,357</td>
<td>1,244</td>
<td>1,136</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td></td>
<td>1,244</td>
<td>1,357</td>
<td>1,244</td>
<td>1,136</td>
</tr>
</tbody>
</table>

The accompanying notes form part of these statements.
# Cash Flow Statement

For the year ended 30 June 2007

<table>
<thead>
<tr>
<th>Notes</th>
<th>Parent</th>
<th>Parent</th>
<th>Consolidated</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Actual</td>
<td>Budget</td>
<td>Actual</td>
</tr>
<tr>
<td></td>
<td>2007 $'000</td>
<td>2006 $'000</td>
<td>2007 $'000</td>
<td>2007 $'000</td>
</tr>
<tr>
<td>CASH FLOWS FROM OPERATING ACTIVITIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee related</td>
<td>(10,081)</td>
<td>(9,131)</td>
<td>(10,081)</td>
<td>(10,192)</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(4,857)</td>
<td>(5,044)</td>
<td>(4,857)</td>
<td>(4,994)</td>
</tr>
<tr>
<td>Total Payments</td>
<td>(14,938)</td>
<td>(14,175)</td>
<td>(14,938)</td>
<td>(15,186)</td>
</tr>
<tr>
<td>Receipts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous receipts</td>
<td>54</td>
<td>268</td>
<td>54</td>
<td>–</td>
</tr>
<tr>
<td>Interest received</td>
<td>145</td>
<td>108</td>
<td>145</td>
<td>64</td>
</tr>
<tr>
<td>Goods &amp; Services Tax received</td>
<td>557</td>
<td>535</td>
<td>557</td>
<td>600</td>
</tr>
<tr>
<td>Total Receipts</td>
<td>756</td>
<td>911</td>
<td>756</td>
<td>664</td>
</tr>
<tr>
<td>Cash Flows from Government</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recurrent appropriation</td>
<td>14,359</td>
<td>14,112</td>
<td>14,359</td>
<td>15,389</td>
</tr>
<tr>
<td>Capital appropriation</td>
<td>450</td>
<td>600</td>
<td>450</td>
<td>450</td>
</tr>
<tr>
<td>Cash reimbursments from the Crown Entity</td>
<td>(481)</td>
<td>–</td>
<td>(481)</td>
<td>–</td>
</tr>
<tr>
<td>Net Cash Flows from Government</td>
<td>14,328</td>
<td>14,712</td>
<td>14,328</td>
<td>15,839</td>
</tr>
<tr>
<td>NET CASH FLOWS FROM OPERATING ACTIVITIES</td>
<td>18</td>
<td>146</td>
<td>1,448</td>
<td>146</td>
</tr>
<tr>
<td>CASH FLOWS FROM INVESTING ACTIVITIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(968)</td>
<td>(22)</td>
<td>(968)</td>
<td>(50)</td>
</tr>
<tr>
<td>Purchase of intangible assets</td>
<td>(450)</td>
<td>(450)</td>
<td>(450)</td>
<td>(450)</td>
</tr>
<tr>
<td>NET CASH FLOWS FROM INVESTING ACTIVITIES</td>
<td>(1,418)</td>
<td>(472)</td>
<td>(1,418)</td>
<td>(500)</td>
</tr>
<tr>
<td>NET (DECREASE)/INCREASE IN CASH</td>
<td>(1,272)</td>
<td>976</td>
<td>(1,272)</td>
<td>817</td>
</tr>
<tr>
<td>Opening cash and cash equivalents</td>
<td>3,281</td>
<td>2,385</td>
<td>3,281</td>
<td>1,083</td>
</tr>
<tr>
<td>Cash transfer through administrative restructure</td>
<td>14</td>
<td>–</td>
<td>(80)</td>
<td>–</td>
</tr>
<tr>
<td>CLOSING CASH AND CASH EQUIVALENTS</td>
<td>7</td>
<td>2,009</td>
<td>3,281</td>
<td>2,009</td>
</tr>
</tbody>
</table>

The accompanying notes form part of these statements.
### Statement of Compliance with Financial Directives

For the year ended 30 June 2007

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Recurrent</td>
<td>Expenditure</td>
</tr>
<tr>
<td></td>
<td>Appropriation</td>
<td>– Net claim</td>
</tr>
<tr>
<td></td>
<td>$’000</td>
<td>on Cons Fund</td>
</tr>
<tr>
<td>Recurrent Appropriation</td>
<td>15,389</td>
<td>14,350</td>
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<tr>
<td>Recurrent Expenditure – Net claim</td>
<td>16,141</td>
<td>14,800</td>
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<tr>
<td>Capital Appropriation</td>
<td>450</td>
<td>450</td>
</tr>
<tr>
<td>Capital Expenditure – Net claim</td>
<td>450</td>
<td>450</td>
</tr>
</tbody>
</table>

The Summary of Compliance is based on the assumption that Consolidated Fund moneys are spent first (except where otherwise identified or prescribed). Liability to Consolidated Fund represents the difference between the “Amount Drawn Down against Appropriation” and the “Total Expenditure/Net Claim on Consolidated Fund.”
# Program Statement – Expenses and Revenue

For the year ended 30 June 2007

<table>
<thead>
<tr>
<th></th>
<th>Program 51.1.1</th>
<th>Program 51.1.2</th>
<th>Program 51.1.3</th>
<th>Not attributable</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007 $'000</td>
<td>2006 $'000</td>
<td>2007 $'000</td>
<td>2006 $'000</td>
<td></td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee related</td>
<td>(8,942)</td>
<td>(8,699)</td>
<td>(1,416)</td>
<td>(1,279)</td>
<td>(177)</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(4,154)</td>
<td>(4,256)</td>
<td>(341)</td>
<td>(404)</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(485)</td>
<td>(317)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Expenses</td>
<td>(13,581)</td>
<td>(13,272)</td>
<td>(1,757)</td>
<td>(1,683)</td>
<td>(177)</td>
</tr>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale of services</td>
<td>28</td>
<td>44</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Investment income</td>
<td>150</td>
<td>118</td>
<td></td>
<td></td>
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<tr>
<td>Total revenue</td>
<td>178</td>
<td>162</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Cost of Services</td>
<td>(13,403)</td>
<td>(13,110)</td>
<td>(1,757)</td>
<td>(1,683)</td>
<td>(177)</td>
</tr>
<tr>
<td>Government Contributions</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>NET (EXPENSE)/REVENUE</td>
<td>(13,403)</td>
<td>(13,110)</td>
<td>(1,757)</td>
<td>(1,683)</td>
<td>(177)</td>
</tr>
<tr>
<td>ADMINISTERED REVENUE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rail operators’ accreditation fees</td>
<td>2,712</td>
<td>2,789</td>
<td>2,712</td>
<td>2,789</td>
<td></td>
</tr>
</tbody>
</table>

The names and purpose of each program are summarised in Note 6. Appropriations are made on an agency basis and not to individual program.
Notes to and Forming Part of the Financial Statements
For the year ended 30 June 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity
The Independent Transport Safety and Reliability Regulator economic entity comprises all the operating activities of the Independent Transport Safety and Reliability Regulator (the parent) and the Independent Transport Safety and Reliability Regulator Division (the controlled entity). The reporting economic entity is based on the control exercised by the agency over the Independent Transport Safety and Reliability Regulator (Division).

The Independent Transport Safety and Reliability Regulator was established on 1 January 2004 as a statutory corporation under the Transport Administration Act 1988 as amended. The principal objective of this agency is to facilitate the safe operation of transport services in New South Wales.

The Independent Transport Safety and Reliability Regulator Division commenced operations on 17 March 2006 pursuant to Part 2 of Schedule 1 of the Public Sector Employment and Management Act 2002. The (controlled) entity’s objective is to provide personnel services to Independent Transport Safety and Reliability Regulator (the controlling entity) (Note 2(a)).

In the process of preparing the consolidated financial report for the economic entity consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated.

The agency is a not-for-profit entity, as profit is not its principal objective and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

These financial statements have been authorised for issue by the Chief Executive Officer on 23 October 2007.

(b) Basis of Preparation
The agency’s financial statements are a general purpose financial report, which has been prepared in accordance with:

- applicable Australian Accounting Standards (which includes Australian equivalents to International Financial Reporting Standards (AEIFRS));
- the requirements of the Public Finance and Audit Act 1983 and Regulations; and

Property, plant and equipment, investment property, assets (or disposal groups) held for sale and financial assets at “fair value through profit or loss” and available for sale are measured at fair value. Other financial reports items are prepared in accordance with the historical cost convention.

Judgements, key assumptions and estimations which management has made, are disclosed in the relevant notes to the financial statements.

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

(c) Statement of Compliance
The financial statements and notes comply with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AEIFRS).

(d) Administered Activities
The agency administers, but does not control, certain activities on behalf of the Crown Entity. It is accountable for the transactions relating to those administered activities but does not have the discretion, for example, to deploy the resources for the achievement of the Agency’s own objectives.

Transactions and balances relating to the administered activities are not recognised as the agency’s revenues, expenses, assets and liabilities, but are disclosed in Notes 20 to 22 as Administered Assets and Liabilities, Administered Revenue – Crown Revenue and Administered Revenue – Schedule of Uncollected Amounts.

The accrual basis of accounting and all applicable accounting standards have been adopted for the reporting of the administered activities.

(e) Income Recognition
Income is measured at the fair value of the consideration or the contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below:

(i) Parliamentary Appropriations and Contributions from Other Bodies:

Parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as income when the agency obtains control over the assets comprising the appropriations and contributions. Control over appropriations and contributions is normally obtained upon the receipt of cash.

An exception to the above is when appropriations are unspent at year-end. In this case the authority to spend the money lapses and generally the unspent amount must be repaid to the Consolidated Fund in the following financial year. As a result, unspent appropriations are accounted for as liabilities rather than revenue. The liability is disclosed in Note 4 and is reported in the Balance Sheet as part of “Current Liabilities – Liability to Consolidated Fund”. The amount will be repaid and the liability will be extinguished next financial year.
Notes to and Forming Part of the Financial Statements
For the year ended 30 June 2007

(ii) Rendering of services:
Revenue is recognised when the service is provided.

(iii) Investment revenue:
Interest revenue is recognised using the effective interest method as set out in AASB 139 Financial Instruments: Recognition and Measurement.

(f) Personnel Service Expense

(i) Salaries and Wages, Annual Leave, Sick Leave and On-Costs:
Liabilities for salaries and wages (including non-monetary benefits), annual leave and paid sick leave that fall due wholly within 12 months of the reporting date are recognised and measured in respect of employees’ services up to the reporting date at undiscounted amounts based on the amounts expected to be paid when the liabilities are settled.

Long-term annual leave that is not expected to be taken within 12 months is measured at present value in accordance with AASB 119 Employee Benefits. Market yields on government bonds are used to discount long-term annual leave.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

The outstanding amounts of payroll tax, workers’ compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

(ii) Long Service Leave and Superannuation:
The agency’s liabilities for long service leave and defined benefit superannuation are assumed by the Crown Entity. The agency accounts for the liability as having been extinguished resulting in the amount assumed being shown as part of the non-monetary revenue item described as “Acceptance by the Crown Entity of Employee benefits and other Liabilities”.

Long service leave is measured at present value in accordance with AASB 119 Employee Benefits. This is based on the application of certain factors (specified in NSWTC 07/04) to employees with 5 or more years of service, using current rates of pay. These factors were determined based on an actuarial review to approximate present value.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer’s Directions. The expense for certain superannuation schemes (ie. Basic Benefit and First State Super) is calculated as a percentage of the employees’ salary. For other superannuation schemes (ie. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees’ superannuation contributions.

(iii) Other Provisions
Other provisions exist when: the agency has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Any provisions for restructuring are recognised only when the agency has a detailed formal plan and the agency has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

If the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability.

(g) Insurance
The agency’s insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past experience.

(h) Accounting for Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST, except where:

- the amount of GST incurred by the agency as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense
- receivables and payables are stated with the amount of GST included.

...
Notes to and Forming Part of the Financial Statements
For the year ended 30 June 2007

(j) **Acquisitions of Assets**

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the agency. 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 its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards. Assets acquired at no cost or for nominal consideration are initially recognised at their fair value at the date of acquisition.

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm’s length transaction. Where payment for an item is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted at an asset-specific rate.

As a not-for-profit entity with no cash generating units, the agency is effectively exempted from AASB 136 *Impairment of Assets* and impairment testing. This is because AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are regarded as immaterial.

(k) **Intangible Assets**

The agency recognises intangible assets only if it is probable that future economic benefits will flow to the agency and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. All research costs are expensed. Development costs are only capitalised when certain criteria are met. The useful lives of intangible assets are assessed to be finite. Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the agency’s intangible assets, the assets are carried at cost less any accumulated amortisation.

In general, intangible assets are tested for impairment where an indicator of impairment exists. However, as a not-for-profit entity with no cash generating units, the agency is effectively exempted from impairment testing.

(l) **Depreciation and amortisation**

Depreciation and amortisation are provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the agency. The depreciation rates used are leasehold improvements (20%), office furniture and equipment, computers (20%), and computer systems (intangible assets) (20%).

(m) **Leased Assets**

Operating lease payments are charged to the Operating Statement in the periods in which they are incurred. The agency does not have any finance leases.

(n) **Receivables**

Receivables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. An allowance for impairment of receivables is established when there is objective evidence that the agency will not be able to collect all amounts due. The amount of the allowance is the difference between the asset’s carrying amount and the present value of future cash flows, discounted at the effective interest rate. Bad debts are written off as incurred.

(o) **Other Assets**

Other assets are recognised on a cost basis.

(p) **Equity Transfers**

The transfer of net assets between agencies as a result of an administrative restructure, transfers of program/functions and parts thereof between NSW public sector agencies is designated as a contribution by owners and recognized as an adjustment to “Accumulated Funds”. This treatment is consistent with AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

(q) **Payables**

These amounts represent liabilities for goods and services provided to the agency and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.
Notes to and Forming Part of the Financial Statements
For the year ended 30 June 2007

(r) Budgeted Amounts
The budgeted amounts are drawn from the budgets as formulated at the beginning of the financial year and with any adjustments for the effects of additional appropriations, s21A, s24 and/or s26 of the Public Finance and Audit Act 1983.

The budgeted amounts in the Operating Statement and the Cash Flow Statement are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the Balance Sheet, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts ie per the audited financial statements (rather than carried forward estimates).

(s) New Australian Accounting Standards Issued But Not Yet Effective
Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The following new Accounting Standards and Interpretations have not yet been adopted and are not yet effective:

– AASB 7 Financial Instruments: Disclosure (1 January 2007) & AASB 2005-10 Amendments to Australian Accounting Standards (1 January 2007)
– AASB 101 Presentation of Financial Statements (1 January 2007)
– 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments (1 July 2007)
– Interpretation 4 Determining whether an Arrangement contains a Lease (1 January 2008).

It is considered that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the agency.
2. EXPENSES

(a) Employee related expenses comprise the following specific items:

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Parent 2007 $'000</th>
<th>Consolidated 2007 $'000</th>
<th>Parent 2006 $'000</th>
<th>Consolidated 2006 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries (including recreation leave)</td>
<td>–</td>
<td>8,857</td>
<td>5,980</td>
<td>8,144</td>
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<tr>
<td>Superannuation – defined benefits plan</td>
<td>–</td>
<td>291</td>
<td>209</td>
<td>277</td>
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<tr>
<td>Superannuation – defined contribution plan</td>
<td>–</td>
<td>551</td>
<td>352</td>
<td>490</td>
</tr>
<tr>
<td>Long service leave</td>
<td>–</td>
<td>164</td>
<td>177</td>
<td>417</td>
</tr>
<tr>
<td>Workers’ compensation insurance</td>
<td>–</td>
<td>48</td>
<td>37</td>
<td>55</td>
</tr>
<tr>
<td>Payroll tax and fringe benefit tax</td>
<td>–</td>
<td>624</td>
<td>415</td>
<td>595</td>
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<tr>
<td>Personnel services (Note 1 (a))</td>
<td>10,535</td>
<td>–</td>
<td>2,808</td>
<td>–</td>
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</table>

(b) Other operating expenses

<table>
<thead>
<tr>
<th>Services</th>
<th>Parent 2007 $'000</th>
<th>Consolidated 2007 $'000</th>
<th>Parent 2006 $'000</th>
<th>Consolidated 2006 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Operating lease rental expense – minimum lease payments</td>
<td>634</td>
<td>634</td>
<td>609</td>
<td>609</td>
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<tr>
<td>Other property costs</td>
<td>51</td>
<td>51</td>
<td>49</td>
<td>49</td>
</tr>
<tr>
<td>External services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contractors</td>
<td>2,226</td>
<td>2,226</td>
<td>2,412</td>
<td>2,412</td>
</tr>
<tr>
<td>Legal Services</td>
<td>231</td>
<td>231</td>
<td>314</td>
<td>314</td>
</tr>
<tr>
<td>Audit fees – financial statements</td>
<td>17</td>
<td>17</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Information technology</td>
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<tr>
<td>Computer leasing</td>
<td>37</td>
<td>37</td>
<td>48</td>
<td>48</td>
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<tr>
<td>Computer licences</td>
<td>55</td>
<td>55</td>
<td>109</td>
<td>109</td>
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<tr>
<td>Communication lines</td>
<td>10</td>
<td>10</td>
<td>7</td>
<td>7</td>
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<tr>
<td>Other computer costs</td>
<td>5</td>
<td>5</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Motor vehicle running expenses</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating minimum lease rentals</td>
<td>57</td>
<td>57</td>
<td>34</td>
<td>34</td>
</tr>
<tr>
<td>Other motor vehicle expenses</td>
<td>117</td>
<td>117</td>
<td>121</td>
<td>121</td>
</tr>
<tr>
<td>Advertising and promotion</td>
<td>20</td>
<td>20</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Staff recruitment and training costs</td>
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<td>252</td>
<td>316</td>
<td>316</td>
</tr>
<tr>
<td>Administration</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Printing and stationery</td>
<td>137</td>
<td>137</td>
<td>135</td>
<td>135</td>
</tr>
<tr>
<td>Telephones</td>
<td>112</td>
<td>112</td>
<td>88</td>
<td>88</td>
</tr>
<tr>
<td>Postage and courier</td>
<td>11</td>
<td>11</td>
<td>12</td>
<td>12</td>
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<tr>
<td>Travel</td>
<td>286</td>
<td>286</td>
<td>201</td>
<td>201</td>
</tr>
<tr>
<td>Insurance</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Others</td>
<td>234</td>
<td>234</td>
<td>171</td>
<td>171</td>
</tr>
<tr>
<td><strong>Other Operating Expenses</strong></td>
<td><strong>4,495</strong></td>
<td><strong>4,495</strong></td>
<td><strong>4,660</strong></td>
<td><strong>4,660</strong></td>
</tr>
</tbody>
</table>

Other Operating Expenses include maintenance expenses of $40K. The agency does not have maintenance related employee expenses.
# Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2007

<table>
<thead>
<tr>
<th></th>
<th>Parent 2007 $’000</th>
<th>Consolidated 2007 $’000</th>
<th>Parent 2006 $’000</th>
<th>Consolidated 2006 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>(c) Depreciation &amp; Amortisation Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation (Note 9)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leasehold Improvements</td>
<td>229</td>
<td>229</td>
<td>205</td>
<td>205</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>86</td>
<td>86</td>
<td>53</td>
<td>53</td>
</tr>
<tr>
<td>Amortisation (Note 10)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer systems</td>
<td>170</td>
<td>170</td>
<td>59</td>
<td>59</td>
</tr>
<tr>
<td></td>
<td>485</td>
<td>485</td>
<td>317</td>
<td>317</td>
</tr>
</tbody>
</table>

### 3. REVENUES

(a) Sale of Services

<table>
<thead>
<tr>
<th></th>
<th>Parent</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rendering of services</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>28</td>
<td>28</td>
</tr>
</tbody>
</table>

(b) Investment revenue

<table>
<thead>
<tr>
<th></th>
<th>Parent</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on bank balance</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td></td>
<td>150</td>
<td>150</td>
</tr>
</tbody>
</table>

(c) Other

Other $506K (2006 $185K) comprises employee benefits and other liabilities assumed by the Crown.

### 4. APPROPRIATIONS

**Recurrent appropriations**

<table>
<thead>
<tr>
<th></th>
<th>Parent</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total recurrent drawdowns from NSW Treasury (per Summary of Compliance)</td>
<td>14,359</td>
<td>14,359</td>
</tr>
<tr>
<td>Less: Liability to Consolidated Fund (per Summary of Compliance)</td>
<td>(9)</td>
<td>(9)</td>
</tr>
<tr>
<td>Recurrent appropriations (per Operating Statement)</td>
<td>14,350</td>
<td>14,350</td>
</tr>
</tbody>
</table>

**Capital appropriations**

<table>
<thead>
<tr>
<th></th>
<th>Parent</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total capital drawdowns from NSW Treasury (per Summary of Compliance)</td>
<td>450</td>
<td>450</td>
</tr>
<tr>
<td>Less: Liability to Consolidated Fund (per Summary of Compliance)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Capital appropriations (per Operating Statement)</td>
<td>450</td>
<td>450</td>
</tr>
</tbody>
</table>
Notes to and Forming Part of the Financial Statements
For the year ended 30 June 2007

5. ACCEPTANCE BY THE CROWN ENTITY OF EMPLOYEE BENEFITS AND OTHER LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>Superannuation</td>
<td>–</td>
<td>291</td>
<td>208</td>
<td>278</td>
</tr>
<tr>
<td>Long service leave</td>
<td>–</td>
<td>164</td>
<td>312</td>
<td>416</td>
</tr>
<tr>
<td>(Note 19)</td>
<td>–</td>
<td>51</td>
<td>35</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td>–</td>
<td>506</td>
<td>555</td>
<td>740</td>
</tr>
</tbody>
</table>

The following liabilities and/or expenses have been assumed by the Crown Entity

6. PROGRAM INFORMATION

Program 51.1.1 – Rail Safety Regulation

Program Objective: To administer NSW rail safety legislation including accreditation of rail operators, undertaking compliance audits and investigations and conducting any enforcement action required.

Program Description: Accredit rail operators based on their safety management systems and monitor compliance with NSW rail safety legislation. Enforce compliance where necessary through the issue of notices and prosecutions. Provision of data analysis and policy advice to identify potential safety issues to operators and Government. Leader and participant in national rail safety regulatory reforms, including implementation of new higher standards for rail safety from 2006-07.

Program 51.1.2 – Transport Service Reliability Advice

Program Objective: To advise the Government, transport operators and the community on reliability and sustainability issues relating to the rail, bus and ferry transport modes.

Program Description: To prepare reports primarily for the Minister as well as transport operators and the community on the extent to which publicly funded transport services are meeting the standards set by the Government. It includes reliability of services such as on time running, as well as longer sustainability issues such as infrastructure condition.

Program 51.1.3 – Strategic Co-Ordination Across Transport Modes

Program Objective: To work with NSW transport safety regulators to continue improving safety regulatory frameworks for the rail, bus and ferry sectors.

Program Description: To lead and support the NSW transport safety regulators’ forum to share information and identify opportunities to apply safety improvements across the rail, bus and ferry sectors where practical and relevant.

7. CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>Cash at bank and on hand</td>
<td>2,009</td>
<td>2,009</td>
<td>3,281</td>
<td>3,281</td>
</tr>
<tr>
<td></td>
<td>2,009</td>
<td>2,009</td>
<td>3,281</td>
<td>3,281</td>
</tr>
</tbody>
</table>

For the purposes of the Cash Flow Statement, cash and cash equivalents include cash at bank and cash on hand. Cash and cash equivalent assets recognised in the Balance Sheet are reconciled at the end of the financial year to the Cash Flow Statement as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>Cash at bank and on hand</td>
<td>2,009</td>
<td>2,009</td>
<td>3,281</td>
<td>3,281</td>
</tr>
<tr>
<td>Closing cash and cash equivalents (per Cash Flow Statement)</td>
<td>2,009</td>
<td>2,009</td>
<td>3,281</td>
<td>3,281</td>
</tr>
</tbody>
</table>
Notes to and Forming Part of the Financial Statements
For the year ended 30 June 2007

8. RECEIVABLES

<table>
<thead>
<tr>
<th></th>
<th>Parent 2007 $’000</th>
<th>Consolidated 2007 $’000</th>
<th>Parent 2006 $’000</th>
<th>Consolidated 2006 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debtors</td>
<td>–</td>
<td>–</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Goods and Services Tax – recoverable</td>
<td>84</td>
<td>84</td>
<td>133</td>
<td>133</td>
</tr>
<tr>
<td>Others</td>
<td>56</td>
<td>56</td>
<td>51</td>
<td>51</td>
</tr>
<tr>
<td>Goods and Services Tax on accruals</td>
<td>133</td>
<td>133</td>
<td>133</td>
<td>133</td>
</tr>
<tr>
<td></td>
<td>273</td>
<td>273</td>
<td>342</td>
<td>342</td>
</tr>
<tr>
<td>Less: allowance for Impairment</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>273</td>
<td>273</td>
<td>342</td>
<td>342</td>
</tr>
<tr>
<td>Prepayments</td>
<td>70</td>
<td>70</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>343</td>
<td>343</td>
<td>360</td>
<td>360</td>
</tr>
</tbody>
</table>

9. PROPERTY, PLANT & EQUIPMENT

<table>
<thead>
<tr>
<th></th>
<th>Leasehold Improvements</th>
<th>Plant &amp; Equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>Leasehold Improvements</td>
<td>1,157</td>
<td>1,157</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>738</td>
<td>738</td>
</tr>
<tr>
<td>Net carrying amount at fair value</td>
<td>419</td>
<td>419</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>520</td>
<td>520</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>231</td>
<td>231</td>
</tr>
<tr>
<td>Net carrying amount at fair value</td>
<td>289</td>
<td>289</td>
</tr>
<tr>
<td>At gross carrying amount</td>
<td>1,677</td>
<td>1,677</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>969</td>
<td>969</td>
</tr>
<tr>
<td>Net carrying amount at fair value</td>
<td>708</td>
<td>708</td>
</tr>
</tbody>
</table>

Reconciliation of the carrying amounts by asset class at the beginning and end of the current reporting period are set out below:

<table>
<thead>
<tr>
<th></th>
<th>Leasehold Improvements $’000</th>
<th>Plant &amp; Equipment $’000</th>
<th>Total $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount at 1 July 2006</td>
<td>648</td>
<td>305</td>
<td>953</td>
</tr>
<tr>
<td>Additions</td>
<td>82</td>
<td>70</td>
<td>152</td>
</tr>
<tr>
<td>Administrative Restructure (Note 14)</td>
<td>(82)</td>
<td>–</td>
<td>(82)</td>
</tr>
<tr>
<td>Depreciation expense (Note 2 (c))</td>
<td>(229)</td>
<td>(86)</td>
<td>(315)</td>
</tr>
<tr>
<td>Carrying amount at 30 June 2007</td>
<td>419</td>
<td>289</td>
<td>708</td>
</tr>
<tr>
<td>Carrying amount at 1 July 2005</td>
<td>720</td>
<td>576</td>
<td>1,296</td>
</tr>
<tr>
<td>Re-classified as Intangible Assets</td>
<td>–</td>
<td>(390)</td>
<td>(390)</td>
</tr>
<tr>
<td>Additions</td>
<td>661</td>
<td>183</td>
<td>844</td>
</tr>
<tr>
<td>Administrative Restructure (Note 14)</td>
<td>(528)</td>
<td>(11)</td>
<td>(539)</td>
</tr>
<tr>
<td>Depreciation expense (Note 2 (c))</td>
<td>(205)</td>
<td>(53)</td>
<td>(258)</td>
</tr>
<tr>
<td>Carrying amount at 30 June 2006</td>
<td>648</td>
<td>305</td>
<td>953</td>
</tr>
</tbody>
</table>
Notes to and Forming Part of the Financial Statements
For the year ended 30 June 2007

10. INTANGIBLE ASSETS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer systems</td>
<td>1,287</td>
<td>851</td>
<td>1,287</td>
<td>851</td>
</tr>
<tr>
<td>Accumulated amortisation</td>
<td>228</td>
<td>59</td>
<td>228</td>
<td>59</td>
</tr>
<tr>
<td>Net carrying amount at fair value</td>
<td>1,059</td>
<td>792</td>
<td>1,059</td>
<td>792</td>
</tr>
</tbody>
</table>

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current reporting period is set out below:

<table>
<thead>
<tr>
<th></th>
<th>2007 $’000</th>
<th>2006 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount at 1 July</td>
<td>792</td>
<td>–</td>
</tr>
<tr>
<td>Reclassified from Plant and Equipment</td>
<td>–</td>
<td>390</td>
</tr>
<tr>
<td>Additions</td>
<td>437</td>
<td>461</td>
</tr>
<tr>
<td>Amortisation expense (Note 2 (c))</td>
<td>(170)</td>
<td>(59)</td>
</tr>
<tr>
<td>Carrying amount at 30 June</td>
<td>1,059</td>
<td>792</td>
</tr>
</tbody>
</table>

11. PAYABLES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Creditors</td>
<td>1,395</td>
<td>2,083</td>
<td>77</td>
<td>714</td>
</tr>
<tr>
<td>Accruals</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td>–</td>
<td>–</td>
<td>44</td>
<td>49</td>
</tr>
<tr>
<td>Others</td>
<td>1,338</td>
<td>1,332</td>
<td>1,338</td>
<td>1,332</td>
</tr>
<tr>
<td>Goods and Services Tax on accruals</td>
<td>133</td>
<td>133</td>
<td>133</td>
<td>133</td>
</tr>
<tr>
<td></td>
<td>2,866</td>
<td>3,548</td>
<td>1,592</td>
<td>2,228</td>
</tr>
</tbody>
</table>

12. PROVISIONS

Current Liabilities

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Recreation leave</td>
<td>–</td>
<td>1,019</td>
<td>–</td>
<td>1,043</td>
</tr>
<tr>
<td>Salary oncosts</td>
<td>–</td>
<td>255</td>
<td>–</td>
<td>277</td>
</tr>
<tr>
<td></td>
<td>–</td>
<td>1,274</td>
<td>–</td>
<td>1,320</td>
</tr>
</tbody>
</table>

Aggregate employee benefits and related on-costs

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Provisions – current</td>
<td>–</td>
<td>1,019</td>
<td>–</td>
<td>1,043</td>
</tr>
<tr>
<td>Accrued salaries and on-costs</td>
<td>–</td>
<td>299</td>
<td>–</td>
<td>326</td>
</tr>
<tr>
<td></td>
<td>–</td>
<td>1,318</td>
<td>–</td>
<td>1,369</td>
</tr>
</tbody>
</table>
Notes to and Forming Part of the Financial Statements
For the year ended 30 June 2007

13. CHANGES IN EQUITY

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>Balance at the beginning of the financial period</td>
<td>1,357</td>
<td>1,357</td>
<td>1,683</td>
<td>1,683</td>
</tr>
<tr>
<td>Decrease in net assets from equity transfer (Note 14)</td>
<td>(82)</td>
<td>(82)</td>
<td>(539)</td>
<td>(539)</td>
</tr>
<tr>
<td>(Deficit)/Surplus for the year</td>
<td>(31)</td>
<td>(31)</td>
<td>213</td>
<td>213</td>
</tr>
<tr>
<td>Balance at the end of the financial period</td>
<td>1,244</td>
<td>1,244</td>
<td>1,357</td>
<td>1,357</td>
</tr>
</tbody>
</table>

14. EQUITY TRANSFERS TO THE CHIEF INVESTIGATOR OF THE OFFICE OF TRANSPORT SAFETY INVESTIGATIONS

In 2006 and 2007 the agency transferred to the Chief Investigator of the Office of Transport Safety Investigations the assets and liabilities relating to the Investigation Program as detailed below

<table>
<thead>
<tr>
<th></th>
<th>2007 $’000</th>
<th>2006 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash at bank</td>
<td>–</td>
<td>80</td>
</tr>
<tr>
<td>Property, plant and equipment (Note 9)</td>
<td>82</td>
<td>539</td>
</tr>
<tr>
<td></td>
<td>82</td>
<td>619</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions for employee entitlements</td>
<td>–</td>
<td>80</td>
</tr>
<tr>
<td></td>
<td>–</td>
<td>80</td>
</tr>
<tr>
<td>Net assets transferred (Note 13)</td>
<td>82</td>
<td>539</td>
</tr>
</tbody>
</table>

15. COMMITMENTS FOR EXPENDITURE

(a) Capital Commitments
The agency had no capital commitments at balance date.

(b) Other Expenditure Commitments

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
</tr>
<tr>
<td>Aggregate other expenditure contracted at balance date and not provided for:</td>
<td>34</td>
<td>34</td>
<td>130</td>
<td>130</td>
</tr>
<tr>
<td>Not later than one year</td>
<td>34</td>
<td>34</td>
<td>130</td>
<td>130</td>
</tr>
<tr>
<td>Later than one year but not later than five years</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Later than five years</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total (including GST)</td>
<td>34</td>
<td>34</td>
<td>130</td>
<td>130</td>
</tr>
</tbody>
</table>
Notes to and Forming Part of the Financial Statements
For the year ended 30 June 2007

15. COMMITMENTS FOR EXPENDITURE continued
(c) Operating Lease Commitments

<table>
<thead>
<tr>
<th>Future non-cancellable operating lease rentals not provided for:</th>
<th>Parent 2007 $'000</th>
<th>Consolidated 2007 $'000</th>
<th>Parent 2006 $'000</th>
<th>Consolidated 2006 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not later than one year</td>
<td>1,101</td>
<td>715</td>
<td>1,101</td>
<td>715</td>
</tr>
<tr>
<td>Later than one year but not later than five years</td>
<td>3,925</td>
<td>3,458</td>
<td>3,925</td>
<td>3,458</td>
</tr>
<tr>
<td>Later than five years</td>
<td>882</td>
<td>629</td>
<td>882</td>
<td>629</td>
</tr>
<tr>
<td>Total (including GST)</td>
<td>5,908</td>
<td>4,802</td>
<td>5,908</td>
<td>4,802</td>
</tr>
</tbody>
</table>

The agency leases its motor vehicles and office accommodation. Input tax on all commitments estimated at $540K (2006 – $448K) will be recouped from the Australian Taxation Office.

16. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent Liabilities
The agency had no contingent liabilities as at balance date (2006 – nil).

Contingent Assets
The agency had no contingent assets as at balance date (2006 – nil).

17. BUDGET REVIEW

Net Cost of Services
The net cost of services for the year ended 30 June 2007 was $15.337m compared to the budget of $16.598m principally due to savings in legal fees.

- **Employee related expenses** at $10.535m were lower than the budget of $10.943m due to savings in salaries and related costs which were applied to fund other initiatives.

- **Other operating expenses** at $4.495m were below the budget of $5.230m due to underspending on legal services. Allocation for legal services is protected and is drawdown as required.

The actual result for the year was generally in line with the budget result.

Assets and Liabilities
The main changes in the balance sheet are set out below:

- **Cash** of $2m was slightly higher than budget and will be used to pay accrued expenses, and creditors.

- The **receivables** were higher than budget due to Goods and Services Tax recoverable.

- **Accounts payable and provisions** were generally in line with the budget.

Cash Flows
The decrease in cash was generally in line with the budget.
Notes to and Forming Part of the Financial Statements
For the year ended 30 June 2007

18. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET COST OF SERVICES AS REPORTED IN THE OPERATING STATEMENT

<table>
<thead>
<tr>
<th></th>
<th>Parent 2006 $’000</th>
<th>Parent 2007 $’000</th>
<th>Consolidated 2006 $’000</th>
<th>Consolidated 2007 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Cash flow from Operating Activities</td>
<td>1,448</td>
<td>146</td>
<td>1,448</td>
<td>146</td>
</tr>
<tr>
<td>Cash flows from Government Appropriations</td>
<td>(14,712)</td>
<td>(14,328)</td>
<td>(14,712)</td>
<td>(14,328)</td>
</tr>
<tr>
<td>Acceptance by the Crown Entity of Employee Entitlements</td>
<td>–</td>
<td>(503)</td>
<td>(555)</td>
<td>(740)</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(317)</td>
<td>(486)</td>
<td>(317)</td>
<td>(486)</td>
</tr>
<tr>
<td>Cash transfer – administrative restructure</td>
<td>–</td>
<td>–</td>
<td>(80)</td>
<td>(80)</td>
</tr>
<tr>
<td>Change in prepayments</td>
<td>(89)</td>
<td>(50)</td>
<td>(89)</td>
<td>(50)</td>
</tr>
<tr>
<td>Change in receivables</td>
<td>(148)</td>
<td>21</td>
<td>(148)</td>
<td>21</td>
</tr>
<tr>
<td>Change in creditors</td>
<td>(127)</td>
<td>(187)</td>
<td>(127)</td>
<td>(155)</td>
</tr>
<tr>
<td>Change in provisions and accrued salaries</td>
<td>–</td>
<td>50</td>
<td>(28)</td>
<td>–</td>
</tr>
<tr>
<td>Net Cost of Services</td>
<td>(14,793)</td>
<td>(15,337)</td>
<td>(14,608)</td>
<td>(15,337)</td>
</tr>
</tbody>
</table>

19. NON-CASH FINANCING AND INVESTING ACTIVITIES
During the period, the agency undertook the following non-cash financing and investing activities:

Employees’ entitlements and liabilities

<table>
<thead>
<tr>
<th></th>
<th>Parent 2006 $’000</th>
<th>Parent 2007 $’000</th>
<th>Consolidated 2006 $’000</th>
<th>Consolidated 2007 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assumed by the Crown Entity (Note 5)</td>
<td>–</td>
<td>506</td>
<td>555</td>
<td>740</td>
</tr>
</tbody>
</table>

20. ADMINISTERED ASSETS AND LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>Parent 2006 $’000</th>
<th>Parent 2007 $’000</th>
<th>Consolidated 2006 $’000</th>
<th>Consolidated 2007 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables (1)</td>
<td>37</td>
<td>37</td>
<td>37</td>
<td>37</td>
</tr>
<tr>
<td>Total Administered Assets</td>
<td>37</td>
<td>37</td>
<td>37</td>
<td>37</td>
</tr>
<tr>
<td>Payables (1)</td>
<td>37</td>
<td>37</td>
<td>37</td>
<td>37</td>
</tr>
<tr>
<td>Total Administered Liabilities</td>
<td>37</td>
<td>37</td>
<td>37</td>
<td>37</td>
</tr>
</tbody>
</table>

(1) Receivables and payables relate to Crown revenue (rail accreditation fees) not yet collected.

21. ADMINISTERED REVENUE – SCHEDULE OF UNCOLLECTED AMOUNTS

<table>
<thead>
<tr>
<th></th>
<th>Parent 2006 $’000</th>
<th>Parent 2007 $’000</th>
<th>Consolidated 2006 $’000</th>
<th>Consolidated 2007 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uncollected administered revenue</td>
<td>37</td>
<td>37</td>
<td>37</td>
<td>37</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>&lt;90 Days $’000</th>
<th>&gt;90 Days $’000</th>
<th>Total $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables – rail accreditation fees – 2007</td>
<td>–</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Receivables – rail accreditation fees – 2006</td>
<td>21</td>
<td>16</td>
<td>37</td>
</tr>
</tbody>
</table>
# Notes to and Forming Part of the Financial Statements

For the year ended 30 June 2007

## 22. ADMINISTERED REVENUE

<table>
<thead>
<tr>
<th></th>
<th>Parent 2007 $’000</th>
<th>Consolidated 2007 $’000</th>
<th>Parent 2006 $’000</th>
<th>Consolidated 2006 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rail accreditation fees collected and remitted to the Crown</td>
<td>2,712</td>
<td>2,712</td>
<td>2,789</td>
<td>2,789</td>
</tr>
</tbody>
</table>

## 23. FINANCIAL INSTRUMENTS

### Cash

Cash comprises cash on hand and bank balances within the Treasury Banking System. Interest is earned on daily bank balances at the monthly average NSW Treasury Corporation 11am unofficial cash rate adjusted for a management fee to Treasury.

### Receivables

All trade debtors are recognised as amount receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Debts, which are known to be uncollectable are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect amounts. The credit risk is the carrying amount (net of any allowance for impairment). No interest is earned on trade debtors. The carrying amount approximates net fair value. Sales are made on 30 days terms.

### Trade creditors and Accruals

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer’s Direction 219.01. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. Treasurer’s Direction 219.01 allows the Minister to award interest for late payment.

### (a) Interest Rate Risk

Interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in market interest rates. The exposure to interest rate risk and the effective interest rates of financial assets and liabilities both recognised and unrecognised at 30 June 2007 are as follows:

<table>
<thead>
<tr>
<th>Financial Instruments</th>
<th>Floating Interest rate</th>
<th>Non-Interest Bearing</th>
<th>Total carrying amount as per Balance Sheet</th>
<th>Weighted average effective interest rate 2007 %</th>
<th>2006 %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007 $’000</td>
<td>2006 $’000</td>
<td>2007 $’000</td>
<td>2006 $’000</td>
<td>2007 $’000</td>
</tr>
<tr>
<td>Financial Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>2,009</td>
<td>3,281</td>
<td>–</td>
<td>–</td>
<td>2,009</td>
</tr>
<tr>
<td>Receivables</td>
<td>–</td>
<td>–</td>
<td>273</td>
<td>342</td>
<td>273</td>
</tr>
<tr>
<td>Total</td>
<td>2,009</td>
<td>3,281</td>
<td>273</td>
<td>342</td>
<td>2,282</td>
</tr>
<tr>
<td>Financial Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payable</td>
<td>–</td>
<td>–</td>
<td>1,592</td>
<td>2,228</td>
<td>1,592</td>
</tr>
<tr>
<td>Total</td>
<td>–</td>
<td>–</td>
<td>1,592</td>
<td>2,228</td>
<td>1,592</td>
</tr>
</tbody>
</table>

### (b) Credit Risk

Credit risk is the risk of financial loss arising from another party to a contract or financial position failing to discharge a financial obligation thereunder. The agency was not exposed to a credit risk from carrying amounts of financial assets in the Balance Sheet.

END OF AUDITED FINANCIAL STATEMENTS
FINANCIAL REPORT OF THE INDEPENDENT TRANSPORT SAFETY AND RELIABILITY REGULATOR DIVISION

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Statement of Recognised Income and Expense 101
Balance Sheet 102
Cash Flow Statement 102
Notes to Financial Statements 103-106
Financial Report of the ITSRR Division

Statement by Chief Executive Officer
For the year ended 30 June 2007

Pursuant to section 45F of the Public Finance and Audit Act 1983, I state that
(a) The accompanying financial statements have been prepared in accordance with
  ○ Applicable Australian Accounting Standards (which include Australian Equivalents to International Financial Reporting Standards (AEIFRS))
  ○ The requirements of the Public Finance and Audit Act and Regulations; and
(b) The statements exhibit a true and fair view of the financial position and transactions of the Independent Transport Safety and Reliability Regulator Division; and
(c) There are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

[Signature]
Chief Executive Officer

Date: 23 October 2007
Independent Auditor’s Report

INDEPENDENT AUDITOR’S REPORT

Independent Transport Safety and Reliability Regulator Division

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the Independent Transport Safety and Reliability Regulator Division (the Division), which comprises the balance sheet as at 30 June 2007, and the operating statement, statement of recognised income and expense and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor’s Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Division as of 30 June 2007, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)

- is in accordance with section 418 of the Public Finance and Audit Act 1983 (the PF&A Act) and the Public Finance and Audit Regulation 2005.

Chief Executive Officer’s Responsibility for the Financial Report

The Chief Executive Officer is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.
My opinion does not provide assurance:

- about the future viability of the Division,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

**Independence**

In conducting this audit, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PFBA Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.

_Peter Carr_
_Director, Financial Audit Services_

23 October 2007
SYDNEY
Operating Statement
For the year ended 30 June 2007

<table>
<thead>
<tr>
<th>Notes</th>
<th>Income</th>
<th>Actual 2007</th>
<th>Actual 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Personnel services</td>
<td>3</td>
<td>10,535</td>
</tr>
<tr>
<td></td>
<td>Total Income</td>
<td></td>
<td>10,535</td>
</tr>
<tr>
<td>Expenses</td>
<td>Employee related</td>
<td>2</td>
<td>10,535</td>
</tr>
<tr>
<td></td>
<td>Total Expenses</td>
<td></td>
<td>10,535</td>
</tr>
</tbody>
</table>

The accompanying notes form part of these statements.

Statement of Recognised Income and Expense
For the year ended 30 June 2007

<table>
<thead>
<tr>
<th>Notes</th>
<th>TOTAL INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY</th>
<th>–</th>
<th>–</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Operating result for the period</td>
<td>7</td>
<td>–</td>
</tr>
<tr>
<td>Notes</td>
<td>TOTAL INCOME AND EXPENSES RECOGNISED FOR THE YEAR</td>
<td>7</td>
<td>–</td>
</tr>
</tbody>
</table>

The accompanying notes form part of these statements.
## Financial Report of the ITSRR Division

### Balance Sheet

**As at 30 June 2007**

<table>
<thead>
<tr>
<th>Notes</th>
<th>Actual 2007 $’000</th>
<th>Actual 2006 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>4</td>
<td>1,318</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td></td>
<td>1,318</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables</td>
<td>5</td>
<td>44</td>
</tr>
<tr>
<td>Provisions</td>
<td>6</td>
<td>1,274</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td></td>
<td>1,318</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated funds</td>
<td>7</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

The accompanying notes form part of these statements.

### Cash Flow Statement

**For the year ended 30 June 2007**

<table>
<thead>
<tr>
<th></th>
<th>Actual 2007 $’000</th>
<th>Actual 2006 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Net change in Cash</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Opening cash and cash equivalents</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Closing cash and cash equivalents</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

The accompanying notes form part of these statements.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting entity
The Independent Transport Safety and Reliability Regulator Division is a Division of the Government Service, established pursuant to Part 2 of Schedule 1 to the Public Sector Employment and Management Act 2002. It is a not-for-profit entity as profit is not its principal objective. It is consolidated as part of the NSW Total State Sector Accounts. It is domiciled in Australia and its principal office is at Level 22, 201 Elizabeth Street, Sydney. The principal objective of this Division is to provide personnel services to Independent Transport Safety and Reliability Regulator.

The Independent Transport Safety and Reliability Regulator Division commenced operations on 17 March 2006 when it assumed responsibility for the employees and employee-related liabilities of the Independent Transport Safety and Reliability Regulator.

The financial report was authorised for issue by Chief Executive Officer of the Independent Transport Safety and Reliability Regulator on 23 October 2007. The report will not be amended and reissued as it has been audited.

(b) Basis of preparation
This is a general purpose financial report prepared in accordance with the requirements of Australian Accounting Standards, the Public Finance and Audit Act 1983, the Public Finance and Audit Regulation 2005, and specific directions issued by the Treasurer.

Generally, the historical cost basis of accounting has been adopted and the financial report does not take into account changing money values or current valuations. However, certain provisions are measured at fair value (Note 6).

The accrual basis of accounting has been adopted in the preparation of the financial report. Management's judgements, key assumptions and estimates are disclosed in the relevant notes to the financial report.

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

(c) Income
Income is measured at the fair value of the consideration received or receivable. Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised.

(d) Receivables
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 or other rights to future cash flows from it expire or are transferred.

A receivable is measured initially at fair value and subsequently at amortised cost using the effective interest rate method, less any allowance for impairment of receivables. A short-term receivable with no stated interest rate is measured at the original invoice amount where the effect of discounting is immaterial. An invoiced receivable is due for settlement within thirty days of invoicing.

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 doubtful debts and the resulting loss is recognised in the operating statement. Receivables are monitored during the year and bad debts are written off against the allowance when they are determined to be irrecoverable. Any other loss or gain arising when a receivable is derecognised is also recognised in the operating statement.

(e) Payables
Payables include accrued wages, salaries, and related on costs (such as payroll tax, fringe benefits tax and workers’ compensation insurance) where there is certainty as to the amount and timing of settlement.

A payable is recognised when a present obligation arises under a contract or otherwise. It is derecognised when the obligation expires or is discharged, cancelled or substituted. A short-term payable with no stated interest rate is measured at historical cost if the effect of discounting is immaterial.
Notes to and Forming Part of the Financial Statements
For the year ended 30 June 2007

(f) Employee benefit provisions and expenses
Provisions are made for liabilities of uncertain amounts or uncertain timing of settlement.
Employee benefit provisions represent expected amounts payable in the future in respect of unused entitlements accumulated as at the reporting date. Liabilities associated with, but that are not, employee benefits (such as payroll tax) are recognised separately.
Superannuation and leave liabilities are recognised as expenses and provisions when the obligations arise, which is usually through the rendering of service by employees.
Long-term annual leave (ie that is not expected to be taken within twelve months) is measured at present value using a discount rate equal to the market yield on government bonds.
Superannuation and long service leave provisions are actuarially assessed prior to each reporting date and are measured at the present value of the estimated future payments.
All other employee benefit liabilities (ie for benefits falling due wholly within twelve months after reporting date) are assessed by management and are measured at the undiscounted amount of the estimated future payments. The amount recognised for superannuation and long service leave provisions is the net total of the present value of the defined benefit obligation at the reporting date, minus the fair value at that date of any plan assets out of which the obligations are to be settled directly.
The amount recognised in the operating statement for superannuation and long service leave is the net total of current service cost, interest cost, the expected return on any plan assets, and actuarial gains and losses. Actuarial gains or losses are recognised as income or expense in the year they occur.
The actuarial assessment of superannuation and long service leave provisions uses the Projected Unit Credit Method and reflects estimated future salary increases and the benefits set out in the terms of the plan. The liabilities are discounted using the market yield rate on government bonds of similar maturity to those obligations. Actuarial assumptions are unbiased and mutually compatible and financial assumptions are based on market expectations for the period over which the obligations are to be settled.

(g) New Australian Accounting Standards Issued But Not Yet Effective
Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The following new Accounting Standards and Interpretations have not yet been adopted and are not yet effective:
– AASB 7 Financial Instruments: Disclosure (1 January 2007)
  & AASB 2005-10 Amendments to Australian Accounting Standards (1 January 2007)
– AASB 101 Presentation of Financial Statements (1 January 2007)
– 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments (1 July 2007)
– Interpretation 4 Determining whether an Arrangement contains a Lease (1 January 2008)
It is considered that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the agency.
Notes to and Forming Part of the Financial Statements
For the year ended 30 June 2007

2. EXPENSES

<table>
<thead>
<tr>
<th>Employee related</th>
<th>2007 $’000</th>
<th>2006 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries (including recreation leave)</td>
<td>8,857</td>
<td>2,166</td>
</tr>
<tr>
<td>Superannuation – defined benefits plan</td>
<td>291</td>
<td>68</td>
</tr>
<tr>
<td>Superannuation – defined contribution plan</td>
<td>551</td>
<td>137</td>
</tr>
<tr>
<td>Long service leave</td>
<td>164</td>
<td>240</td>
</tr>
<tr>
<td>Workers’ compensation insurance</td>
<td>48</td>
<td>18</td>
</tr>
<tr>
<td>Payroll tax and fringe benefits tax</td>
<td>624</td>
<td>179</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10,535</strong></td>
<td><strong>2,808</strong></td>
</tr>
</tbody>
</table>

3. INCOME

| Personnel services                                   | 10,535     | 2,808      |

4. RECEIVABLES

<table>
<thead>
<tr>
<th>Current receivables</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Debtors</td>
<td>1,318</td>
<td>1,369</td>
</tr>
</tbody>
</table>

5. PAYABLES

<table>
<thead>
<tr>
<th>Current payables</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accruals – salaries and oncosts</td>
<td>44</td>
<td>49</td>
</tr>
</tbody>
</table>
Notes to and Forming Part of the Financial Statements
For the year ended 30 June 2007

6. PROVISIONS

<table>
<thead>
<tr>
<th>Current provisions</th>
<th>2007 $'000</th>
<th>2006 $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recreation leave</td>
<td>1,019</td>
<td>1,043</td>
</tr>
<tr>
<td>Other</td>
<td>255</td>
<td>277</td>
</tr>
<tr>
<td></td>
<td>1,274</td>
<td>1,320</td>
</tr>
</tbody>
</table>

7. CHANGES IN EQUITY

<table>
<thead>
<tr>
<th>Changes in equity – transactions with owners as owners</th>
<th>–</th>
<th>–</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating result for period</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Balance at the end of the financial period</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

END OF AUDITED FINANCIAL STATEMENTS
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Accredited operators of railways in NSW

The following list details the names of all accredited rail operators in NSW during 2006-07.

3801 Limited
Australia Western Railroad Pty Ltd
Australian Rail Track Corporation
Australian Railway Historical Society (ACT Div)
AW Edwards Pty Ltd
Bishop Austrans Pty Ltd
Blue Circle Southern Cement
Blue Scope Steel (AIS) Pty Ltd
Bovis Lend Lease Pty Ltd
Bradken Rail
Campbelltown Steam Museum
Chicago Freight Car Leasing Australia Pty Ltd
Coleman Rail
Cooma-Monaro Railway Inc
Dorrigo Steam Railway & Museum Limited
Downer EDI Works
EDI Rail Pty Ltd
El Zorro Transport Pty Ltd
Fluor Australia Pty Ltd
Freightliner Australia Pty Ltd
Genesee & Wyoming Australia Pty Ltd
Glenreagh Mountain Railway Inc
Goulburn Crookwell Heritage Railway Inc
GrainCorp Operations Ltd
Great South Pacific Express
Great Southern Railway Ltd
Guyra & District Historical Society Machinery Group
Historic Electric Traction
Illawarra Light Railway Museum Society Ltd
Independent Railways of Australia Pty Ltd
Interail Australia Pty Ltd
John Holland Rail Pty Ltd
Junee Railway Workshop Pty Ltd
Lachlan Valley Railway Society Co-op Ltd
Laing O’Rourke (BMC) Pty Ltd
Manildra Group
Melaleuca Station
Millennium Parklands Railway
Museum of Applied Arts and Sciences
New England Railway Inc
NSW Rail Transport Museum
Oberon Tarana Heritage Railway Inc
OneSteel Manufacturing
Pacific National Pty Ltd
Pacific Rail Engineering Pty Ltd
Patrick Rail Operations Pty Ltd
Perisher Blue Pty Ltd
Queensland Rail
Rail Infrastructure Corporation
Rail Technical Support Group Pty Ltd
Rail Industry Service Providers Holdings Pty Ltd
RailCorp
Richmond Vale Preservation Co-op Society Ltd
Scott Corporation Ltd
SCT Logistics - Twentieth Super Pace Nominees Pty Ltd
South Maitland Railways Pty Ltd
South Spur Rail Services Pty Ltd
Southern & Silverton Railway Pty Ltd
Southern Shorthaul Railroad
Speno Rail Maintenance Australia Pty Ltd
State Mine Heritage Park & Railway
Steam Tram & Rail Preservation (Co-op) Society Ltd
Sydney Tramway Museum
Taylor Rail Track Pty Ltd
The Rail Motor Society Inc
Thiess Hochtief Joint Venture
Timbertown Heritage Steam Railway Pty Ltd
Transfield Services Australia
Transport Infrastructure Development Corporation
United Group Infrastructure Pty Ltd
United Group Rail Fleet Service
United Group Rail Goulburn Railway Workshops
United Group Rail Services Limited
V/Line Passenger Pty Ltd
Veolia Transport - Light Rail
Veolia Transport - Monorail
Zig Zag Railway Co-op Ltd
Charter and aims

Under the Transport Administration Act 1988, the principal objective of ITSRR is to ‘facilitate the safe operation of transport services in the State’.

ITSRR also has the following statutory objectives:

- to exhibit independence, rigour and excellence in carrying out its regulatory and investigative functions
- to promote safety and reliability as fundamental objectives in the delivery of transport services.

Principal officers (Executive Management Team)

ITSRR’s principal officers during 2006-07, comprising its Executive Management Team, and their background details are outlined on p9-10.

Performance & number of Senior Executive Service officers

The following table outlines the number of Senior Executive Service (SES) positions in ITSRR in 2006-07.

<table>
<thead>
<tr>
<th>SES Level</th>
<th>Number of SES positions (total) 2005-06</th>
<th>Number of SES positions (total) 2006-07</th>
<th>Number of SES officers (total) 2006-07</th>
<th>Number of female SES Officers 2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>–</td>
<td>–</td>
<td>–</td>
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</tr>
<tr>
<td>2</td>
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<tr>
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<td>6</td>
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</tr>
<tr>
<td>TOTAL</td>
<td>7</td>
<td>7</td>
<td>5</td>
<td>3</td>
</tr>
</tbody>
</table>

In 2006-07 ITSRR had two SES officers at Level 5 and above: Carolyn Walsh (Chief Executive); and Mick Quinn (Executive Director Rail Safety Regulation). Their performance achievements are outlined below:

Name: Carolyn Walsh
Title: Chief Executive
Remuneration: $253,094 pa
Level: SES Level 6
Performance Pay: Not applicable

Performance achievements:

Ms Walsh provided leadership for the successful management of each of the statutory functions of the Independent Transport Safety and Reliability Regulator. These include the safety regulation of NSW rail passenger and freight services, strategic coordination of safety regulation across the transport modes of rail, bus and ferry services, and the provision of advice to Government on the reliability of publicly funded transport services.

Major achievements during the year included:

- Public release of a draft consultation NSW Rail Safety Bill 2007 to give effect to national reforms in rail safety regulation.
- An increase in the ‘close-out’ of recommendations from the Waterfall Inquiry Report from 135 (75%) to 167 (94%).
- Publication of quarterly reports on the implementation of the Government’s Response to the Final Report of the Special Commission of Inquiry into the Waterfall Rail Accident.
- Implementing a coordinated process for ITSRR (as rail regulator), NSW Maritime (as the ferry safety regulator) and the Ministry of Transport (as the bus safety regulator) to monitor and report on the implementation of recommendations arising from independent accident investigations into any rail, bus or ferry accident in NSW.
- Publication of reports on the safety and reliability of transport services, including the Annual Transport Reliability Report 2005-06; the Rail Industry Safety Report 2005-06; the Cross Modal Safety Report 2005-06; the Survey of CityRail Customers 2006.
Name: Mick Quinn
Title: Executive Director Rail Safety Regulation
Remuneration: $247,300 pa
Level: SES Level 5
Performance Pay: Not applicable

Performance achievements:
Mr Quinn provided leadership for the Rail Safety Regulation Division. Significant achievements during the year were:

- Introduction of a quality assurance programme into the Division and reported quarterly to new defined set of criteria covering:
  - accreditation
  - compliance Activity
  - enforcement Actions
  - annual Safety Report receipt
  - drug and Alcohol testing.

- Conducted an integrated assessment of 17 compliance investigations into a variety of rail incidents/accidents to assess whether they were a result of non-compliance by rail operators with their accreditation requirements.

- Continued implementation of business processes to improve safety incident analysis including the development of a regulatory intelligence program. This program allows ITSRR to examine the relationship between reported incidents and the severity of the outcome and, as a result, target the oversight program accordingly.

- Developed and implemented a program for monitoring, oversight and closure of safety recommendations made by independent investigation authorities (i.e. ATSB, OTSI, Coroner) regarding ITSRR and NSW accredited operators.

- Monitored activities to ensure compliance with statutory requirements of the Rail Safety Act 2002.

About ITSRR’s Advisory Board
Role and function
The principal functions of the Independent Transport Safety and Reliability Advisory Board are set out in the Transport Administration Act 1988 and include:

- advising ITSRR and/or making recommendations to ITSRR on safety and reliability
- advising ITSRR on reports prepared by ITSRR and any other matter ITSRR may refer to the Advisory Board
- advising the Minister and or making recommendations on the safe operation of transport services (including safety regulation by transport authorities) and the reliability of publicly funded transport services.

Method and terms of appointment of Advisory Board members
The Board consists of five members:

- a Chairperson appointed by the Governor, on the Minister’s recommendation
- three members appointed by the Minister (the appointed members)
- the Chief Executive, ITSRR.

The appointed members must have experience in one or more of the following:

- rail safety management systems
- safety science
- customer service
- accident investigation
- public administration.

The Chairperson must have experience in transport safety management systems (including rail safety management systems) and is usually appointed for a period of five years.

The Minister is to consult with the Chairperson before appointing Board members who can hold office for periods of up to five years. The three appointed members are selected after carefully considering the skills, expertise, international reputation and pre-eminence of a range of nominees, potential conflicts of interest and the extent of any potential conflict.

Meetings
The Board meets monthly, unless additional or extraordinary meetings are considered necessary. During 2006-07 it held 11 meetings. Carolyn Walsh attended all meetings, Dr Rob Lee attended 10 and Rob Schwarzer, Len Neist and Professor Jean Cross attended 9.

Members of the Advisory Board
Members of the Board as at June 2007 were:

Rob Schwarzer BE(Civil), FIEAust, Churchill Fellow – Chairman

Rob Schwarzer is GHD’s Rail Business Development Manager providing liaison to the Railway Industry. A civil engineer, he has over 40 years experience in the transport industry covering freight and passenger services.

Mr Schwarzer has worked with government-owned rail, bus and ferry services and headed the private sector Sydney Light Rail Company. He has extensive experience in construction, operation, and strategic planning for transport systems in both public and private ownership.

Professor Jean Cross
BSc, PhD, FIEAust, MAIP

Jean Cross is a Professor in the UNSW’s School of Safety Science and is involved in teaching and research in the area of risk management. Professor Cross has a degree and PhD in Physics gained in the UK. She is a Fellow of the Institute of Engineers Australia and a member of the Risk Management Institute of Australasia.

Professor Cross was Chair of the Australian Standards Committee which prepared the Australian/New Zealand Standard No. 4360 Risk Management and is a member of the International Standards Committee revising the IEC standard on Risk analysis of technological systems. She has participated in the preparation of Australian Standards handbooks on environmental risk management and risk management in outsourcing.
Dr Robert Lee
BA(Hons), PhD, FRAeS, FCILT

Rob Lee has extensive experience in air safety investigation and is regarded as one of the foremost authorities on human factors in safety management. Dr Lee was appointed to the Bureau of Air Safety Investigation as its first human factors specialist and, in 1989, was appointed Director.

Since 2000 Dr Lee has been an international consultant in human factors and systems safety in aviation, rail and other high technology industries. He has been an analyst on three major overseas civil air accident investigations, as well as providing evidence to the military Board of Inquiry into the RAN Sea King accident, 2005. His aviation clients have included Cathay Pacific, Finnair, Emirates, Qantas and CASA. Dr Lee also worked with State Rail in introducing human factors and systems safety concepts to rail operations and training. He was a member of the Expert Panel on Safety Management Systems that provided advice to the Special Commission of Inquiry into the Waterfall Rail Accident.

Dr Lee is a member of the Nuclear Safety Committee of the Australian Radiation Protection and Nuclear Safety Agency and a consultant on aviation psychology, human factors, systems safety and air safety investigation to the Australian Defence Force.

Mr Len Neist BE (Mech), MSc

Len Neist is Head of Booz Allen Hamilton’s systems assurance team in Australia and New Zealand, with skills in system safety analysis, planning and management, reliability and risk engineering, major hazard analysis, vulnerability analysis, risk analysis and risk management. He joined Booz Allen Hamilton in June 2000 following a distinguished career in the Royal Australian Air Force and has been instrumental in the leadership, establishment and growth of the Defence and Strategic Security business for the company.

Mr Neist has consulted with a range of rail systems including the NSW Special Commission of Inquiry into the Waterfall Rail Accident, Queensland Rail, Australian Rail Track Corporation and Victoria Department of Infrastructure and Department of Transport and Regional Services.

Carolyn Walsh BEc

Carolyn Walsh, Chief Executive of ITSRR, is also a member of the Board. Her background details are outlined on p10.

Rob Schwarzer, ITSRR Advisory Board Chairman
Professor Jean Cross, Board member
Dr Rob Lee, Board member
Len Neist, Board member
Significant committees

ITSRR has a number of internal and external committees it provides input and leadership to.

ITSRR's internal committees, including details of their functions and activities during 2006-07, are outlined on p61.

ITSRR also facilitates the Transport Regulators Executive Committee (TREC). TREC comprises the chief executives of the three agencies responsible for regulating the safety of public passenger transport; ITSRR, the Ministry of Transport (for buses) and NSW Maritime (for ferries). It is chaired by the Chief Executive of ITSRR.

TREC’s role is to act as a mechanism to share information, with the objective of identifying and where applicable, resolving issues that are relevant for all three transport modes. This ensures that each agency understands the commonalities and differences between their approaches to safety regulation.

ITSRR also conducts the Rail Safety Strategic Forum (RSSF), a committee which aims to enhance consultation and communication between ITSRR and industry. The RSSF is chaired by Natalie Pelham, Executive Director Transport Regulation Strategy (ITSRR). Industry representatives cover track owners, freight and heritage operators as well as union representation and senior executives from ITSRR.

ITSRR has provided significant input to national reform in rail through its participation in a number of committees. They include:

**Rail Level Crossing Behavioural Coordination Group**
- Natalie Pelham, Executive Director Transport Regulation Strategy, ITSRR
- Michael Monaghan, Manager Transport Reform, ITSRR

**Rail Safety Consultative Forum**
- Natalie Pelham, Executive Director Transport Regulation Strategy, ITSRR
- Mick Quinn, Executive Director Rail Safety Regulation, ITSRR

**Rail Safety Regulators Panel (RSRP)**
- Natalie Pelham, Executive Director Transport Regulation Strategy, ITSRR
- Mick Quinn, Executive Director Rail Safety Regulation, ITSRR

**Standing Committee of Transport (SCOT) (including the Transport Authorities Chief Executives Committee)**
- Carolyn Walsh, Chief Executive, ITSRR

**SCOT Rail Group – Rail Safety Package Steering Committee**
- Carolyn Walsh, Chief Executive, ITSRR (Chair)
- Natalie Pelham, Executive Director Transport Regulation Strategy, ITSRR

**SCOT Rail Group**
- Carolyn Walsh, Chief Executive, ITSRR

ITSRR representation on NSW-based committees includes:

**Sydney Ferries Working Group**
- Simon Foster, Executive Director, Service Reliability, ITSRR

**NSW Level Crossing Strategy Council**
- Carolyn Walsh, Chief Executive, ITSRR

**Transport Chief Executive Officers Security Committee**
- Carolyn Walsh, Chief Executive, ITSRR

**Transport CEOs Cluster Group**
- Carolyn Walsh, Chief Executive, ITSRR

Grants to non-government organisations

ITSRR did not make any grants to non-government organisations during 2006-07.

Principal legislation administered by ITSRR

ITSRR exercises functions under the:

- Rail Safety Act 2002 and Regulations made under that Act
- Transport Administration Act 1988
Research and development

ITSRR's major research activities during 2006-07 were as follows:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Type</th>
<th>Status</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bus focus groups</td>
<td>Research</td>
<td>Completed</td>
<td>Aim was to determine attributes of bus service quality that are important to users</td>
</tr>
<tr>
<td>Monitoring bus service reliability</td>
<td>Research</td>
<td>Completed</td>
<td>Review of methods used in Australia and internationally for measuring reliability of bus services</td>
</tr>
<tr>
<td>Valuing bus service quality</td>
<td>Research</td>
<td>Completed</td>
<td>Review of methods used in Australia and internationally for measuring bus service quality, including methods for developing a service quality index</td>
</tr>
<tr>
<td>Stage 1 research on procurement and performance monitoring</td>
<td>Research</td>
<td>Completed</td>
<td>Research on procurement and performance monitoring practices examining KPIs used in commuter rail systems in 21 cities in Asia, Europe, North America and Australasia</td>
</tr>
<tr>
<td>Rail infrastructure condition indicators</td>
<td>Research</td>
<td>Completed</td>
<td>Survey of practices and experiences of selected owners and operators of rail infrastructure within Australia and overseas</td>
</tr>
<tr>
<td>Stage 2 research on procurement and performance monitoring</td>
<td>Research</td>
<td>Continuing</td>
<td>Detailed review of selected European and Australian commuter rail systems to assess effectiveness of procurement arrangements</td>
</tr>
<tr>
<td>CityRail Customer Survey 2007</td>
<td>Research</td>
<td>Continuing</td>
<td>Annual survey</td>
</tr>
<tr>
<td>Risk modelling</td>
<td>Development</td>
<td>Continuing</td>
<td>Ongoing development of a precursor risk model for identification of potential rail safety problems</td>
</tr>
<tr>
<td>Modelling passenger loads and the impact of changes to the CityRail timetable</td>
<td>Development</td>
<td>Continuing</td>
<td>Will enable ITSRR to provide independent advice on the likely impact of a new timetable on passenger loads and standing times</td>
</tr>
<tr>
<td>Geographic Information System (GIS)</td>
<td>Development</td>
<td>Continuing</td>
<td>Assessing the feasibility of using GIS to enhance the assessment of rail safety risk by both visual display and analysis of spatial information</td>
</tr>
</tbody>
</table>

Significant judicial decisions

No judicial decisions in which ITSRR was a party were handed down in the last financial year.

Legal changes

During 2006-07 the following legal changes to rail safety legislation were enacted:

- **Rail Safety (Drug and Alcohol Testing) Amendment (Samples) Regulation 2006** commenced on 4 August 2006.
- **Rail Safety (Guidelines for Certification of Competency Amendment) 2006** commenced on 24 November 2006.
- **Rail Accreditation Annual Fees Determination 2006** was gazetted on 24 November 2006.

Electronic service delivery

ITSRR provides a public website which includes a range of information, including relevant legislation, policies and publications (including reports, newsletters and media releases).

ITSRR's primary external clients are rail industry operators whom ITSRR accredits under rail safety legislation. ITSRR provides a service so that these operators are able to lodge notifications for changes to their accreditation conditions online.

Major works in progress

ITSRR had no major works in progress during 2006-07.
Equal Employment Opportunity (EEO)

ITSRR’s EEO strategies and results are outlined in more detail on p68-69. The following tables reflect ITSRR staff data on EEO.

Staff data by salary range and EEO classification

<table>
<thead>
<tr>
<th>LEVEL</th>
<th>Total Staff 2005-06</th>
<th>Total Staff 2006-07</th>
<th>Respondents</th>
<th>Men</th>
<th>Women</th>
<th>Aboriginal people &amp; Torres Strait Islanders</th>
<th>People from racial, ethnic, ethno-religious minority groups</th>
<th>People whose language first spoken as a child was not English</th>
<th>People with a disability</th>
<th>People with a disability requiring work-related adjustment</th>
<th>People with a disability requiring work-related adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; $33,910</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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</tr>
<tr>
<td>$33,910 – $44,537</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
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<td>0</td>
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<tr>
<td>$49,792 – $63,006</td>
<td>4</td>
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<td>1</td>
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<td>0</td>
<td>0</td>
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<td>2</td>
<td>0</td>
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<tr>
<td>$63,007 – $81,478</td>
<td>13</td>
<td>13</td>
<td>13</td>
<td>3</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>6</td>
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<td>0</td>
<td>0</td>
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<tr>
<td>$81,479 – $101,849</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>10</td>
<td>7</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>&gt; $101,849 (non SES)</td>
<td>41</td>
<td>41</td>
<td>41</td>
<td>29</td>
<td>12</td>
<td>0</td>
<td>6</td>
<td>11</td>
<td>3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>&gt; $101,849 (SES)</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>2</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
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<tr>
<td>TOTAL</td>
<td>80</td>
<td>80</td>
<td>80</td>
<td>45</td>
<td>35</td>
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<td>12</td>
<td>25</td>
<td>5</td>
<td>1</td>
<td>1</td>
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</tbody>
</table>

A. Trends in the representation of EEO groups

<table>
<thead>
<tr>
<th>EEO Group</th>
<th>2003-04</th>
<th>2004-05</th>
<th>2005-06</th>
<th>2006-07</th>
<th>Benchmark or Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>34%</td>
<td>38%</td>
<td>42%</td>
<td>44%</td>
<td>50%</td>
</tr>
<tr>
<td>Aboriginal people and Torres Strait Islanders</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>2%</td>
</tr>
<tr>
<td>People whose first language was not English</td>
<td>15%</td>
<td>22%</td>
<td>28%</td>
<td>31%</td>
<td>20%</td>
</tr>
<tr>
<td>People with a disability</td>
<td>15%</td>
<td>11%</td>
<td>6%</td>
<td>6%</td>
<td>12%</td>
</tr>
<tr>
<td>People with a disability requiring work-related adjustment</td>
<td>6%</td>
<td>4%</td>
<td>1%</td>
<td>1%</td>
<td>7%</td>
</tr>
</tbody>
</table>

B. Trends in the distribution of EEO groups

<table>
<thead>
<tr>
<th>EEO Group</th>
<th>2003-04</th>
<th>2004-05</th>
<th>2005-06</th>
<th>2006-07</th>
<th>Benchmark or Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>91</td>
<td>91</td>
<td>91</td>
<td>91</td>
<td>100</td>
</tr>
<tr>
<td>Aboriginal people and Torres Strait Islanders</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>100</td>
</tr>
<tr>
<td>People whose first language was not English</td>
<td>n/a</td>
<td>n/a</td>
<td>99</td>
<td>96</td>
<td>100</td>
</tr>
<tr>
<td>People with a disability</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>100</td>
</tr>
<tr>
<td>People with a disability requiring work-related adjustment</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>100</td>
</tr>
</tbody>
</table>

Notes:
1. Staff numbers are as at 30 June 2007.
2. Excludes casual staff.
3. A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels. The Distribution Index is automatically calculated by the software provided by ODEOPE.
4. The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20.
Consultants
ITSRR did not employ any consultants during 2006-07.

Action Plan for Women
ITSRR is not required to prepare or report on an action plan for women.

Disability Plan
ITSRR is not required to develop or report on a disability plan.

Land disposal
ITSRR does not have any land to dispose of.

List of major assets
ITSRR has no major assets to report against.

Economic or other factors impacting on performance
Major factors impacting on ITSRR’s performance were considered as part of its risk and opportunity assessment process (see p61).

Promotion – publications
During 2006-07 ITSRR published the following documents which can be accessed via ITSRR’s website:

Fact sheets
ITSRR updated a range of fact sheets during the year and published three new fact sheets on accreditation fees; competency; and private sidings.

Reports
- Annual Report 2005-06
- Rail Industry Safety Report 2005-06
- Annual Transport Reliability Report 2005-06
- Cross-modal Transport Safety Report 2005-06
- Survey of CityRail Customers 2006
- ITSRR Quarterly Waterfall Report October – December 2006
- ITSRR Quarterly Waterfall Report January – March 2007

Newsletters
- 3 editions of The Regulator industry newsletter
- 48 editions of Transport Advisory Weekly newsletters during the year.

Information Alerts
- Implementation of Nationally Consistent Rail Safety Legislation – June 2007
- Industry invited to comment on new National Guidelines – March 2007
- Industry invited to comment on NSW Rail Safety Bill 2007 – February 2007
- Amendment of the Guidelines for Certification of Competency – February 2007
- Drug and Alcohol Testing Officer Training Workshops (19 February and 5 March 2007) – February 2007
- Application of SMS Guideline to Heritage Rail Operators – December 2006
- Amendment of the Guidelines for Certification of Competency – December 2006
- Drug and Alcohol Testing Officer Model Training Course – November 2006
- Accreditation Fees 2006/07 – November 2006
- Proposed changes to NSW Rail Operator Drug and Alcohol (D & A) testing requirements – August 2006
- New NSW Rail Safety Regulations and Guidelines – July 2006

Rail Industry Safety Notices
- RISN 17 – Warning of Potential Locomotive Bonded Asbestos Material – April 2007
- RISN 15 – Moving Plant Within Rail Maintenance and Construction Sites – March 2007
- RISN 14 – Potential Defect in R7E3S (‘China’) Wheelsets – November 2006
- RISN 13 – Accredited Railway Operators’ Obligations to ensure that their Railway Employees are Competent – November 2006
- RISN 12 – Being Within the Rollingstock Outline – August 2006
- RISN 11 – General Public Entering the Rail Corridor and Danger Zone – July 2006

Guidelines
- Accreditation Policy for Heritage Rail Operators – December 2006
For 2006-07 there were no significant events which affected the payment performance. During the reporting period there were no instances where ITSSR paid interest due to late payments.

Increased use of electronic processing of accounts is expected to improve accounts processing performance.

**Risk management and insurance activities**

ITSSR undertook an extensive corporate risk management process during the year as part of its corporate planning cycle. For more information, see p61.

ITSSR has maintained accounts with the Treasury Management Fund for all insurance.

**Disclosure of controlled entities**

ITSSR does not have any controlled entities to report against.

**Annual Report external costs**

ITSSR used an external designer for the report, given that this was assessed as the best use of internal resources.

The cost of printing the report (200 copies) and CDs (80) was approximately $25,500 (including GST).

### Overseas visits

<table>
<thead>
<tr>
<th>Officer</th>
<th>Date</th>
<th>Destination</th>
<th>Purpose of visit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alan Lidbetter</td>
<td>September 2006</td>
<td>Washington and New York, USA</td>
<td>Review international best practice security in North America</td>
</tr>
<tr>
<td>Paul Harris</td>
<td>November-December 2006</td>
<td>Wellington, New Zealand</td>
<td>The Australian and New Zealand School of Government – Master of Public Administration</td>
</tr>
<tr>
<td>Mick Quinn and Natalie Pelham</td>
<td>February 2007</td>
<td>Dunedin, New Zealand</td>
<td>Attend the Rail Safety Regulators Panel meeting</td>
</tr>
<tr>
<td>Simon Meiers</td>
<td>June 2007</td>
<td>London, England</td>
<td>Training course for ARIUM Dependence Modelling</td>
</tr>
</tbody>
</table>

### Payment of accounts

**Aged analysis at the end of each quarter**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Current (within due date)</th>
<th>Less than 30 days overdue</th>
<th>Between 30 and 60 days overdue</th>
<th>Between 60 and 90 days overdue</th>
<th>More than 90 days overdue</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
<td>$’000</td>
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<tr>
<td>September</td>
<td>188</td>
<td></td>
<td></td>
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<tr>
<td>December</td>
<td>381</td>
<td></td>
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</tr>
<tr>
<td>March</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>76</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Time for payment of accounts

**Accounts paid on time within each quarter**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Total accounts paid on time</th>
<th>Total amount paid</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Target %</td>
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<td>June</td>
<td>100</td>
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Total Accounts on time: $16,356
**Freedom of Information**
The following tables are in accordance with the requirements of the Department of Premier and Cabinet. ITSRR received no applications for information during 2006-07. There was one application in 2005-06.

‘Personal’ refers to matters of private concern to an individual.

‘Other’ refers to all other types of requests.

**Ministerial Certificates**
There were no Ministerial Certificates issued in either 2005-06 or 2006-07.

**Formal consultations**
There was one request requiring formal consultation in 2005-06 and no requests requiring formal consultation in 2006-07.

**Amendment to personal records**
There were no requests to amend personal records in either 2005-06 or 2006-07.

**Notation of personal records**
There were no requests for notation of personal records.

**Credit card certification**
The Chief Executive has certified that the use of credit cards was in accordance with Premier’s Memorandum and Treasurer’s Directions.

**Response to significant issues raised by the Auditor-General**
No issues for ITSRR action were raised by the Auditor-General during 2006-07.

### Freedom of Information (FOI) requests

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The following glossary includes reference to ITSRR-specific terms, national bodies and rail-related terms used in this Annual Report.

**ITSRR-specific terms**

**CMS** is the Corporate Management System, ITSRR’s business and quality management system.

**EMT** refers to the Executive Management Team of ITSRR comprising the Chief Executive and four divisional directors.

**OTSI** is the Office of Transport Safety Investigations. It conducts independent investigations of transport accidents in NSW.

**SMS** refers to a safety management system, the central framework rail operators use to manage safety risks. A safety management system is a structured way of administering the control measures (e.g. engineering and technical standards and procedures) necessary to manage or control the risks arising from an operator’s rail operations. Criteria for these systems are outlined in the Safety Management Systems Guideline issued under the Rail Safety Act 2002.

**TREC** is the Transport Regulators Executive Committee comprising the Chief Executives or nominees of ITSRR, the Ministry of Transport and NSW Maritime.

**Waterfall Inquiry** refers to the Special Commission of Inquiry into the Waterfall Rail Accident.

**National rail-related organisations and/or committees**

**Australasian Railway Association (ARA)** is a member-based association representing the interests of the rail sector in Australia and New Zealand.

**Australian Transport Council (ATC)** comprises the Transport Ministers of each State, Territory and the Commonwealth and is responsible for coordinating the development of national transport reforms.

**Australian Transport Safety Bureau (ATSB)** is an operationally independent body within the Australian Government Department of Transport and Regional Services and is Australia’s prime agency for transport safety investigations.

**Council of Australian Government (COAG)** comprises the Prime Minister, State Premiers, Territory Chief Ministers and the President of the Australian Local Government Association. Its role is to initiate, develop and monitor the implementation of policy reforms of national significance.

**National Transport Commission (NTC)** comprises five members and a CEO. It provides advice and recommendations on transport reforms to Ministers at the Australian Transport Council (ATC). Transport Ministers are required to vote on NTC reforms and if approved by a majority, all Governments are required to implement the reforms.

**Rail Safety Regulators Panel (RSRP)** comprises rail regulators from each jurisdiction. It discusses rail regulatory issues of national significance and co-ordinates a consistent national approach to the administration of rail safety regulation.

**Standing Committee of Transport Chief Executives (SCOT)** comprises Chief Executives of transport agencies from each State, Territory and the Commonwealth. It facilitates the deliberations of the Australian Transport Council and assists to co-ordinate and develop national transport reforms.

**Rail-related terms**

**A running line** refers to all railway tracks (other than sidings) that are used for the through movement of trains inclusive of mainlines, isolated lines, crossing loops and shunting yards.

The **mainline** is the line normally used for running trains.

The term **heavy rail** is typically used for regular railway operations on the mainline, while **light rail** uses less massive equipment and infrastructure than heavy rail, with vehicles which run on rails on a highway, road or easement specifically designated for that use.

**Passenger operations** carry passengers on commercial or heritage services, while **freight operations** carry goods (including dangerous goods).

**Sidings** are portions of railway track connected to a running line or another siding on which rolling stock can be placed clear of the running line and stabled. A **private siding** is owned and maintained by a person who does not own, control or manage the running line with which the siding connects or to which it has access.

**Rolling stock** means any vehicle that operates on or uses a railway track, excluding road/rail vehicles, which are designed for both uses. A train means one unit of rolling stock or two or more units coupled together, at least one of which is a locomotive or other self-propelled unit.
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Sydney NSW 2000
Phone: 02 8263 7100
Fax: 02 8263 7200
Email: contact@transportregulator.nsw.gov.au
Web: www.transportregulator.nsw.gov.au

Business and service hours
ITSRR's hours of business are from 8.30am to 5pm, Monday to Friday (except public holidays).
Reception is open from 9am to 5pm.
Independent Transport Safety and Reliability Regulator
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