



## Transport Administration Amendment (Rail Agencies) Bill.

### Second Reading

**The Hon. MICHAEL COSTA** (Minister for Transport Services, Minister for the Hunter, and Minister Assisting the Minister for Natural Resources (Forests)) [9.45 p.m.]: I move:

That this bill be now read a second time.

I seek leave to have my second reading speech incorporated in *Hansard*.

#### Leave granted.

This Government is committed to improving the safety, reliability and cleanliness of our rail system.

This will only be achieved if accountabilities and responsibilities are clear to transport operators, the Government and the public.

Legislation giving effect to the establishment of an Independent Transport Safety and Reliability Regulator was passed by this Parliament last week.

Work is underway on the Government's long term plan to create rail clearways.

These will improve reliability through the gradual creation of independent lines on the metropolitan network.

We are committed to addressing reliability in an overly complex network.

This bill provides the legislative framework for the merger of the State Rail Authority of New South Wales and the metropolitan arm of the Rail Infrastructure Corporation on 1 January, 2004.

The new entity, to be known as RailCorp NSW, will be a non-dividend paying statutory state owned corporation, created under the *State Owned Corporations Act 1989 (the SOC Act)*.

A statutory state owned corporation will deliver improved management and the merger will provide single point accountability for the metropolitan rail network.

Experience with vertical separation of agencies both in NSW and internationally is that the splitting of functions across separate organisations reduces communication, spreads scarce technical expertise and leads to ambiguities in accountabilities and responsibilities.

This point was also highlighted by Justice McInerney in his report into the Glenbrook accident.

RailCorp will have the functions of operating railway passenger services – CityRail and CountryLink, currently the responsibility of State Rail.

Importantly, the established names and branding of CityRail and CountryLink will be retained, which will minimise costs associated with the restructure.

RailCorp will continue to own and manage the stations and related facilities outside the metropolitan area necessary to support the operation of CityRail and CountryLink passenger services.

The new organisation will also carry out the functions of infrastructure ownership, maintenance and operation, including track access provision for other rail operators, for the greater metropolitan region previously undertaken by RIC.

By creating a state owned corporation, greater emphasis is placed on improving management, increasing accountability and lifting the performance of the new joint entity.

Under the bill, State Rail and RIC will remain as entities to deal with surplus assets and liabilities, prior to their eventual dissolution.

RIC will continue to own and operate country rail infrastructure, pending the conclusion of any discussions with the Commonwealth.

RailCorp's key objectives under the legislation are to deliver safe and reliable passenger services in NSW - in an

efficient, effective and financially responsible manner.

The hallmarks of the new entity will be the development of a stronger safety culture and a commitment to excellent customer service.

RailCorp's other objectives include maintaining priority of access for railway passenger services, as well as promoting and facilitating access to rail infrastructure facilities vested in RailCorp.

RailCorp will mean one body is accountable for safety and for improving performance - rather than the fragmentation we have seen in recent years.

The bill provides for the establishment of a board with a minimum of three and maximum of seven directors, including the Chief Executive of RailCorp and an employee representative.

The board is to be appointed by the voting shareholders in consultation with the portfolio Minister.

As an early initiative in the merger process, RIC and State Rail have had a common board since 1 October.

The budget must be carefully managed to deliver better outcomes for passengers and users of the State's rail network - safer services, better on time running, more reliable infrastructure, cleaner trains.

In a significant departure from existing State Owned Corporations, this Bill waives the need for RailCorp to deliver a share dividend.

This provision recognises the primary focus of the new organisation will be to deliver public transport not a dividend or return to Government.

The primary instrument guiding the financial and management accountabilities of RailCorp will be the Statement of Corporate Intent (SCI), as required under the *SOC Act*.

The board must consult with the Minister about the statement and amendments to it, in addition to consulting with the voting shareholders.

To reflect the fact the organisation will be non-dividend paying - the Statement of Corporate Intent must include rail performance benchmarks agreed by the board and the portfolio Minister.

These may be modified by the board with the agreement of the portfolio Minister, after consultation with the Independent Transport Safety & Reliability Regulator.

The bill also provides for the implementation of funding arrangements for RailCorp designed to make transparent the efficient cost of service delivery through Community Service Obligation contracts between the Ministry for Transport and rail agencies.

The bill outlines the powers of the portfolio minister.

The portfolio Minister has powers of direction under the *SOC Act*.

An additional power of direction is provided where the Minister decides that action is warranted on grounds involving urgency or public safety.

A precedent for this is section 93A of the *Sydney Water Act (1994)* which allows the portfolio Minister to give directions on the grounds of urgency, public safety or public health.

As with Sydney Water, it is appropriate that a major public service and infrastructure provider can be directed by the portfolio Minister when matters of public interest, especially those requiring immediate action, are involved.

Where the Minister considers compliance with the direction may cause a significant variation in the approved financial outcomes of RailCorp, the Treasurer must be consulted prior to the giving of the direction.

As previously announced, current Coordinator General of Rail, RIC CEO and Acting State Rail head Vince Graham will be the CEO of RailCorp.

RailCorp will be afforded statutory agency powers over State Rail and RIC.

This will enable RailCorp to manage contracts of State Rail and RIC and undertake those agencies' activities where appropriate.

An example is the management of access agreements between RIC and rail operators for the country network.

This will avoid unnecessary duplication of resources (and corporate overhead costs) in the three agencies, while

matters not transferred to RailCorp are progressively wound up.

It will also enable RailCorp to manage contracts of State Rail and RIC before they are formally vested in RailCorp.

The bill also creates a second statutory state owned corporation, the Transport Infrastructure Development Corporation (TIDC).

This body will be established to design and deliver major railway, such as the Epping to Chatswood rail line and other major transport infrastructure and related projects, as approved by the portfolio Minister and voting shareholders.

It could, for example, design and deliver the infrastructure projects associated with the creation of rail clearways under the Government's sectorisation plans, such as the track quadruplications between Kingsgrove and Riverwood and Riverwood and Revesby, and the duplication of the Cronulla line.

The TIDC may also hold, manage and establish assets associated with the development of railway or transport systems it develops.

It is proposed the CEOs of RailCorp and TIDC will be directors on their respective boards. Similarly, the CEO of RailCorp will sit on the TIDC board.

The bill makes important provisions in respect of the employment of RIC and State Rail staff.

The bill preserves mobility of entitlements for both RIC and State Rail employees.

In addition, it will also provide by way of a regulation, for the staff of RailCorp to also have mobility of entitlements where these staff might transfer to the public sector.

This will facilitate employment opportunities.

Superannuation, leave and other entitlements will not be affected by the merge, and will simply move with the employee.

RailCorp staff will continue to have the right of appeal in the Transport Appeals Board.

Both State Rail and RIC enterprise bargaining agreements expire in early 2004.

A priority will be the negotiation of a new, single agreement for RailCorp staff.

Management has been working with the workforce towards the implementation of integration.

Safety validation of the proposed structure for RailCorp is underway.

An application for accreditation will be lodged with the Director General, Ministry of Transport this month to ensure appropriate accreditation of RailCorp on commencement of operations on 1 January.

RIC, State Rail and TIDC accreditations will continue to have force.

The Government is committed to providing safer public transport.

This bill builds on the safety initiatives outlined in the *Transport Legislation Amendment (Safety & Reliability) Bill 2003* .

It also improves the structure and accountability of the metropolitan rail network.

I commend the bill to the House.

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