

**Submission
No 7**

**EXAMINATION OF SELECTED AUDITOR-GENERAL'S FINANCIAL
AUDIT REPORTS 2020**

Organisation: Transport Asset Holding Entity

Date Received: 3 June 2021



Transport Asset
Holding Entity

3 June 2021

Mr Greg Piper MP
Chair, Public Accounts Committee
Legislative Assembly
Parliament of New South Wales
Macquarie Street, Sydney NSW 2000

Email: pac@parliament.nsw.gov.au

Dear Mr Piper

I write in response to your letter dated 13 May 2021 concerning the Auditor-General report on Transport tabled in December 2020.

It is pleasing to have the opportunity to report on actions that Transport Asset Holding Entity of NSW (TAHE) is undertaking in response to the recommendation addressed to TAHE. These actions are detailed in Attachment A.

Yours sincerely


David Jurd
Chief Executive Officer

ATTACHMENT A

RESPONSE TO RECOMMENDATION

Financial Audit: Transport 2020

Recommendation

TAHE management should:

- establish an operating model in line with the original intent of a commercial return
- finalise commercial agreements with the public rail operators
- confirm forecast financial information to assess valuation of TAHE infrastructure
- finalise asset and safety management plans

Response

The enacting legislation for TAHE was proclaimed on 10 June 2020. TAHE's initial focus following enacting of the legislation was to confirm the Board and key management personnel were in place. Substantial progress was made in transitional and governance arrangements to ensure a smooth stand-up.

TAHE, Transport and NSW Treasury worked with their advisors on developing the Operating Model which was approved by Government in March 2021.

TAHE is a for-profit entity, though it will also take time for TAHE to become profitable because of the size and complexity of their operations as well as the nature of the industry in which it operates.

An initial Statement of Corporate Intent was developed and has been approved by the shareholders. An updated Statement of Corporate Intent and Business Plan are under development.

A new suite of rail operating agreements is currently being negotiated between TAHE, TfNSW, Sydney Trains and NSW Trains which reflect the new TAHE operating model.

These new rail operating agreements will be effective from 1 July 2021.

TAHE will charge both Sydney Trains and NSW Trains access fees in respect of access to its regulated assets, being rail infrastructure, and related assets; and license fees in relation to its unregulated assets, being rolling stock; stations; property; plant and equipment.

TAHE also have arrangements in place with third party rail operators who require access to both the Metropolitan Rail Network and the Country Regional Network.

TAHE will enter into agency arrangements with TfNSW and Sydney Trains whereby they act as agents on behalf of TAHE in relation to various matters such as the administration of its property portfolio, track access and administration of the CRN.

Additionally, under the new TAHE operating model, TAHE is not permitted to carry out railway operations (as defined under the Rail Safety National Law) and is not permitted to carry out maintenance of Transport Assets (other than by having in place arrangements with third parties, including Sydney Trains whereby that third party maintains such Transport Assets). Accordingly, the License, Agency and Maintenance Deed sets out further details relating to the maintenance obligations of the parties and the discharge of those obligations.

As the asset owner, but not the operator, TAHE provides an additional level of assurance regarding safety and asset management. Engagement with regulators has been undertaken.

A subcommittee of the Board, the Asset, Safety and Environment Committee, has been formed and an asset management and assurance framework is being finalised.

The identification and evaluation of commercial activities has identified a number of opportunities for further consideration as part of a medium term commercial strategy, which will be incorporated in the business plan.

TAHE continues to liaise with NSW Treasury and its advisors on the appropriateness of its asset valuation approach and other significant accounting treatments.

Other aspects of the NSW Treasury's Commercial Policy Framework, will be implemented progressively.

Regular updates are provided to the Board on the Implementation program and these are available to the Audit Office.