

TAHE_TENDER_002



Treasury

Sensitive: NSW Government

TA20/4110


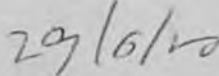
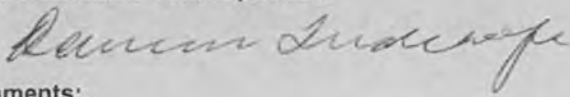
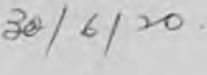
Brief - Treasurer**Commercial Policy and Governance Frameworks of the Transport Asset Holding Entity (TAHE)**

Issue	Approval is sought for the proposed corporate governance and commercial policy arrangements for the Transport Asset Holding Entity, as at 1 July 2020.
Analysis	<p>TAHE's operations will commence on 1 July 2020, following proclamation of Schedule 2 of the <i>Transport Administration Amendment (Transport Entities) Bill 2017</i>.</p> <p>Treasury has prepared a summary list of the corporate governance and commercial policies to apply at 1 July 2020, and those to be progressively implemented during the 12-18 months after establishment.</p> <p>Following commencement on 1 July, TAHE will develop a more detailed and expansive governance framework over the first 12-18 months as TAHE's activities transition to its full mandated scope.</p>
Priority	1 – Urgent and important
Timeframe	<p>Critical date: 30 June 2020</p> <p>Reason for critical date: TAHE's operations commence on 1 July 2020.</p>

Recommendations

That the **Treasurer and Minister for Finance and Small Business** as Voting Shareholders of TAHE:

- Sign** this brief approving Treasury's recommended approach to the application of the Commercial Policy Framework (set out in **Attachment A**) and TAHE's corporate governance arrangements (set out in **Attachment B**) from 1 July 2020.
- Sign** the TAHE Constitution (**Attachment C**) as Voting Shareholders.

Treasurer The Hon Dominic Perrottet MP	
 Comments:	 Date:
Minister for Finance and Small Business The Hon Damien Tudehope MLC	
 Comments:	 Date:



Departmental approvals

		Date
Treasury Contact	Andy Hobbs, Director Personal	26/06/2020
Final Approver	Cass Wilkinson, Executive Director, Personal	26/06/2020
Date submitted to Treasurer's Office		26/06/2020

Background

- By 1 July 2020, the Government is expected to have proclaimed Schedule 2 of the *Transport Administration Amendment (Transport Entities) Act 2017* allowing the conversion of RailCorp to TAHE and the establishment of TAHE as a State-Owned Corporation (SOC) with a majority independent board.
- TAHE's functions will include holding, managing, operating and maintaining transport assets vested in or owned by it, which will include over \$30 billion of property, plant and equipment.
- TAHE will be implemented under a Transitional Operating Model from 1 July 2020, with this transition period expected to continue for 12-18 months. This approach will provide flexibility to accommodate the development of commercial arrangements, the operating model and revenue streams.
- The independent Board and TAHE Executives will need adequate time to conduct necessary due diligence to determine the needs of TAHE over the long-term.

Elements of the Commercial Policy Framework will apply to TAHE from 1 July 2020

- ✓ ▪ The Commercial Policy Framework (CPF) is a suite of policies that seeks to replicate within Government businesses disciplines and incentives that lead toward efficient commercial practices.
- ✓ ▪ While TAHE will need to comply with elements of the CPF from 1 July, Treasury intends to exempt TAHE from full compliance during the first 12-18 months after establishment. This is because TAHE's nature and functions will change significantly as it transitions to its full mandated scope. Additionally, requiring full compliance with the CPF from 1 July 2020 would place an administrative burden on the interim board that would run counter to efficient commercial practices.
- ✓ ▪ Treasury has prepared a summary list setting out which CPF policies should apply to TAHE from 1 July, and which will be implemented progressively over the first 12-18 months after establishment (**Attachment A**).
- ✓ ▪ No formal exemption instrument is necessary to exempt TAHE from full compliance with the CPF. SOCs make a Representation and Commitment Statement as to their compliance with the CPF as part of the annual SCI process.
- Treasury will keep under review the application of the CPF to TAHE as it undergoes its transition to its full mandated scope.

Application of the Corporate Governance Framework and Constitution

- **Attachment B** is a summary implementation schedule for the corporate governance framework. The core corporate governance requirements for establishment of a SOC



have been put in place, with the Constitution (required by the SOC Act), Board Charter and Director's Code of Conduct being minimum requirements.

- Existing governance components currently applied to RailCorp (such as risk management, compliance frameworks and other statutory requirements) will be progressively adopted and modified for TAHE. Other material will be developed over the first 12-18 months after TAHE establishment.
- To establish TAHE, the SOC Act requires the Voting Shareholders (the Treasurer and the Minister for Finance and Small Business) to sign the TAHE Constitution (**Attachment C**).

List of Attachments

Attachment	Title
A	Commercial Policy Framework Summary
B	Corporate Governance Requirements Summary
C	TAHE Constitution