

# Transport Asset Holding Entity (“TAHE”)

## Treasury Update

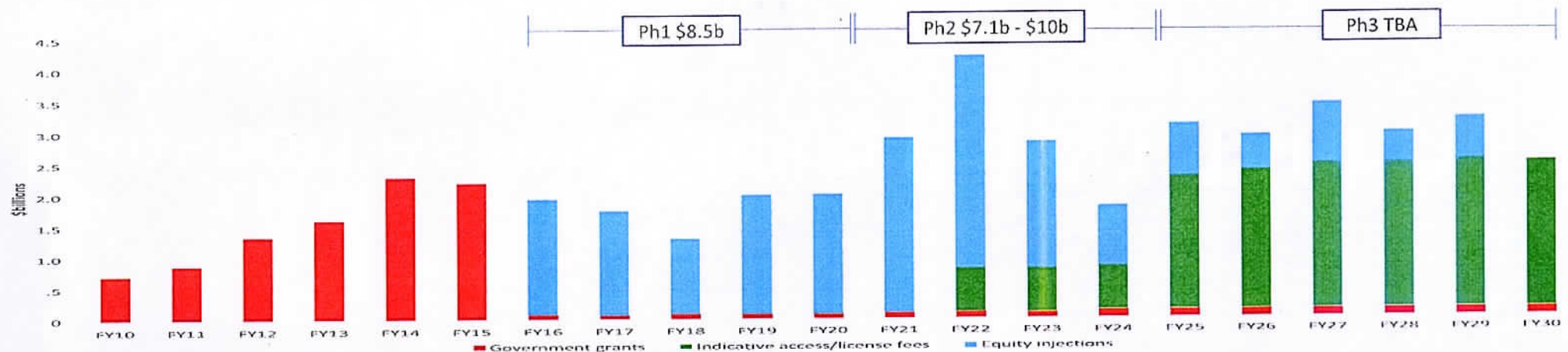
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# TAHE provides benefits to Minister and Treasurer

Allows predictable stream of investment into Transport infrastructure within FRA cap

RailCorp – not-for profit PNFC Pre 2015	Transition phase 1 2015-2020	TAHE – for-profit PNFC (SOC) Post 1 July 2020
<p>Under the grant funding model Transport had a volatile spend profile. Bids competed with other priorities within FRA cap</p> <p>Government could not deliver its record infrastructure spending under the previous grant funding model, <b>this had to change</b></p>	<p>Establishment Phase 1 : Complete</p> <p>Preserved \$8.5bn of expense to date being recognised as equity</p>	<p>Establishment Phase 2 : ongoing</p> <p>Will deliver a further benefit of at least \$7 billion to budget supporting expenditure growth within cap</p> <p>TAHE reform provides Transport with a consistent, sustainable funding source through rail access pricing to better manage existing rail Infrastructure</p>

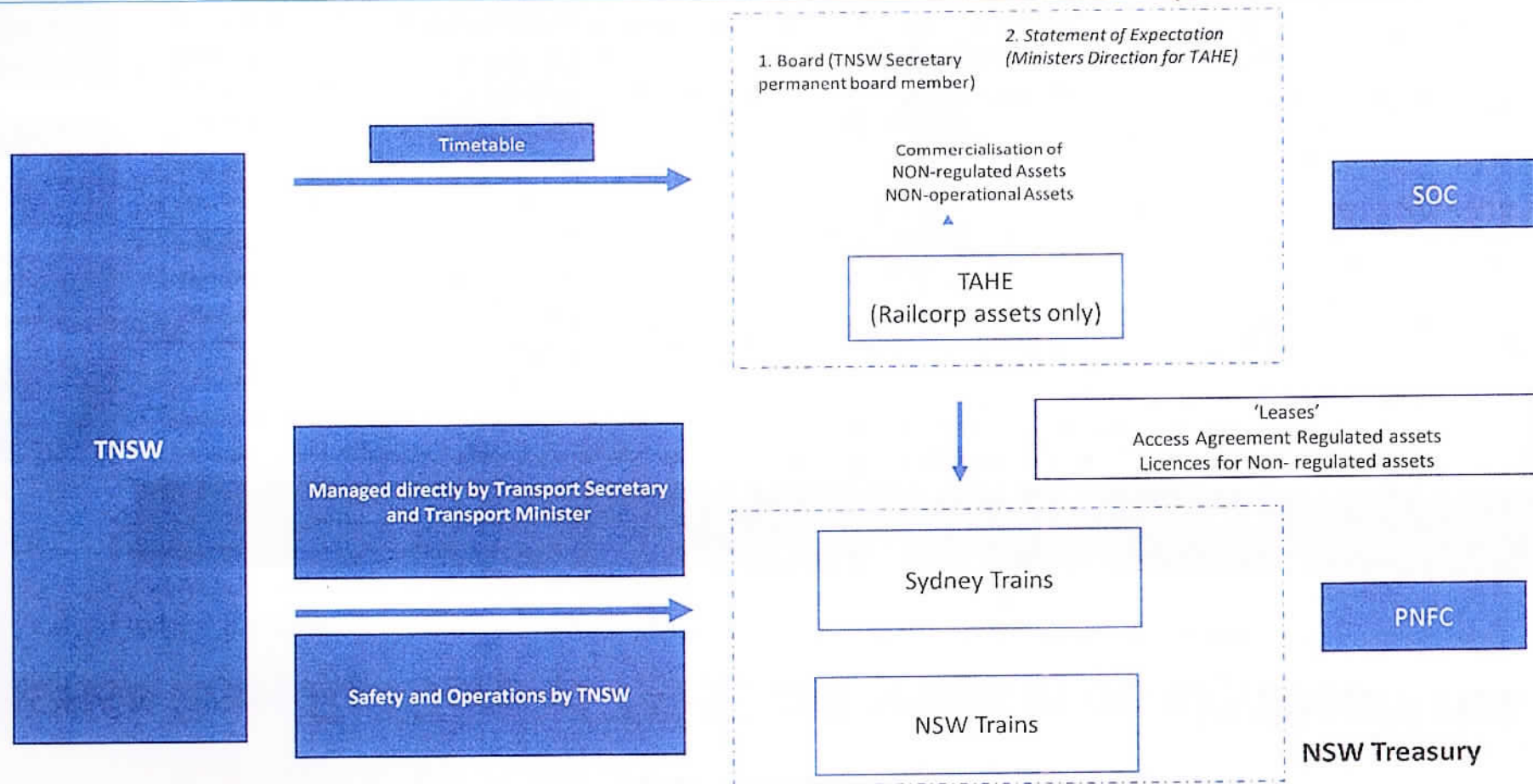


Implementation needed to minimise budget impact in forward years. Access fees must start in 2022 to protect equity injections.

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# High Level Operational model for discussion





# Transition from RailCorp to TAHE will result in no significant risk

There are **no** significant operational differences between RailCorp (not-for-profit PNFC) and TAHE (for-profit PNFC)

	<b>RailCorp – not-for profit PNFC</b> Transition Period 2015 to 1 July 2020	<b>TAHE – for-profit PNFC (SOC)</b> Post 1 July 2020
<b>1 Control</b>	<ul style="list-style-type: none"> <li>✓ As an NSW Government PNFC, RailCorp was ultimately Government controlled through Secretary, but institutionally separate</li> </ul>	<ul style="list-style-type: none"> <li>✓ As an NSW Government PNFC, TAHE is ultimately Government controlled through Shareholder Ministers, but institutionally separate</li> <li>✓ TAHE will be operated as a SOC to facilitate commercial management of assets</li> </ul>
<b>2 Safety accreditation</b>	<ul style="list-style-type: none"> <li>✓ Safety was successfully managed, subject to National Regulator</li> <li>✓ The operators (Sydney Trains and NSW Trains) were the accredited safety managers</li> </ul>	<ul style="list-style-type: none"> <li>✓ Safety continues to be successfully managed, subject to National Regulator. Letter from TfNSW confirms this.</li> <li>✓ The operators (Sydney Trains and NSW Trains) are the accredited safety managers</li> </ul>
<b>3 Governance</b>	<ul style="list-style-type: none"> <li>✓ Led by Chief Executive and Chief Financial Officer</li> <li>✓ Audit and Risk Committee</li> </ul>	<ul style="list-style-type: none"> <li>✓ Led by Chief Executive and Chief Financial Officer</li> <li>✓ Audit and Risk Committee</li> <li>✓ Governed by a Board (which must include Transport Secretary)</li> </ul>
<b>4 Ministerial powers</b>	<ul style="list-style-type: none"> <li>✓ Subject to Ministerial Direction from Portfolio Minister under 3B <i>Transport Administration Act</i></li> <li>✓ Subject to TfNSW Secretary direction under 3G <i>Transport Administration Act</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ Subject to Ministerial Direction from Portfolio Minister under 20N <i>SOC Act</i></li> <li>✓ Exercises functions through operating license, issued by Portfolio Minister</li> <li>✓ Board accountable to Shareholder Ministers</li> <li>✓ Report to Shareholder Ministers through annual SCI</li> </ul>
<b>5 Equity injections</b>	<ul style="list-style-type: none"> <li>✓ Equity from Crown to RailCorp to fund capital works on RailCorp-owned assets</li> <li>✓ \$8.5b in equity benefits preserved (through operating statement) from transitioning to a SOC 2015 – 2020</li> </ul>	<ul style="list-style-type: none"> <li>✓ Equity from Crown to TAHE to fund capital works on TAHE-owned assets</li> <li>✓ \$7.1b in equity benefits budgeted (through operating statement) from 2021 – 2024</li> </ul>

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# Way forward

Two additional measures to give the Minister confidence

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- Transport Minister as the Portfolio Minister issues a Statement of Expectations (SoE) which would give the Minister clearer directions to TAHE
  - This would be a first for NSW and has been recommended by the recent (not yet public) SOC review
  - The SoE provides a framework for government to clearly, concisely and transparently identify and communicate the priorities of the Premier, Shareholding Ministers, Portfolio Minister and where applicable, the relevant regulator
  - This approach is consistent with that adopted by the Commonwealth, Victorian and New Zealand governments
- A fund for projects initiated by direction of the Transport Minister up to an amount determined by ERC

# Impact of dissolution

The largest gains are in the next two years. Dissolution puts pressure on funding and is high risk to deliver

	<u>Budget impact</u>	<u>FRA impact</u>	<u>Impact on PNFC operators</u>	<u>Path to change</u>
SOC	Equity	No pressure on FRA cap	None	No change
Not for-profit PNFC	Grant	Pressure on FRA cap	Likely to impact classification	Needs legislation
GG	Capex	Capex not part of 5.6 cap Depreciation caught by FRA	Likely to impact classification Operators in GG caught by FRA	Needs ABS determination and legislation

\$ millions	Fwd Est	Planning	Total 10	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Budget Impact net of current provisions	2021-24	2025-30	Years										
A) Budget Impact if TAHE is Reverted	7,094	7,509	14,603	2,802	2,700	1,332	260	1,118	1,206	1,302	1,290	1,312	1,281
B) Budget Impact of TAHE as a SOC	0	TBC	TBC	0	0	0	0	TBC	TBC	TBC	TBC	TBC	TBC
(A-B) Net Benefit of TAHE SOC	7,094	TBC	TBC	2,802	2,700	1,332	260	TBC	TBC	TBC	TBC	TBC	TBC

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