



Transport Asset Holding Entity

Questions on Notice

Public Accountability Committee

Hearing Date – 1 October 2021

QUESTIONS ON NOTICE

QUESTION 1: page 4

The Hon. DANIEL MOOKHEY: Did TAHE hire Mercer Consulting to produce a benchmark in order to determine executive remuneration at TAHE? If so, can they provide the report? The second aspect of this briefing to the Treasurer and the finance Minister says that your predecessor would be paid:

... towards the maximum of end of the remuneration range proposed in the Mercer Report to compensate for the short-term nature of the appointment, as is typical with contractor roles. TAHE has advised that the permanent CEO, once appointed, is expected to receive a lower remuneration rate ...

It seems like your predecessor was paid more than you are. Do you know what your predecessor was paid?

Ms COLIN: I do not know what my predecessor was paid.

The Hon. DANIEL MOOKHEY: Does Mr Crimp have any further detail on that for us?

Mr CRIMP: No, I do not.

The Hon. DANIEL MOOKHEY: Again, do you mind taking that on notice? I would be interested, given that there have been three CEOs in the past 14 months since your organisation was created. Are you able to provide us, on notice, what the remuneration was for each of your predecessors?

Ms COLIN: Yes, we will.

ANSWER:

The remuneration for the previous acting TAHE CEO was \$550,000 (on an annualised basis) and for the interim CEO was \$265,000 for approximately 4 month period noting that this was an interim arrangement and the remuneration reflected the short-term nature of the engagement.

QUESTION 2: page 5.

The Hon. DANIEL MOOKHEY: To the CEO, what is your delegation for incurring general expenditure for the general work of the corporation?

Ms COLIN: There is a delegation in place which provides some delegations in terms of expenses, capital spending and authorities to enter into agreements.

The Hon. DANIEL MOOKHEY: What is the delegation that you have?

Ms COLIN: I do not have the delegations sitting right with me. It has been embraced and endorsed by the board. It will be reviewed with us hiring new employees. But I am happy to take that question on notice.

ANSWER:

The delegation in place at 1 September 2021, provides that for general expenditure can be incurred provided that it is within budget and subject to procurement rules.

QUESTION 3: pages 6 & 7.

The Hon. DANIEL MOOKHEY: Thank you, I appreciate that, Mr Crimp. To the best of your recollection, what other variations were made by the board to the delegations?

Mr CRIMP: One variation was in relation to vesting orders. Vesting orders were initially a board-reserved matter, but it became clear that there were routine vesting orders that did not need to go to the board, so the board made a sub-delegation to the chief executive to undertake and approve certain vesting orders.

The Hon. DANIEL MOOKHEY: Is that the only other one you can recall?

Mr CRIMP: No, there were others, but I—

The Hon. DANIEL MOOKHEY: Perhaps on notice?

Mr CRIMP: Pardon?

The Hon. DANIEL MOOKHEY: Perhaps on notice do you mind providing us with some further information as to what other variations were made by the board?

Mr CRIMP: Yes, I am happy to.

....

The CHAIR: Mr Crimp, would it be possible for you to provide the current delegations with any amendments to the Committee?

Mr CRIMP: Yes, I have already taken that on notice.

ANSWER:

Refer to attached TAHE Delegation Framework v1.2 where amendments approved by the Board in August 2020 and February 2021 are incorporated and are highlighted.

QUESTION 4: page 7-8.

The CHAIR: Ms Colin, the statement of corporate intent—which I am sure you are familiar with, is that right?

Ms COLIN: Yes.

The CHAIR: It provides:

TAHE adheres to a modified version of the Commercial Policy Framework, as agreed with NSW Treasury.

What are the modifications? Do they provide additional leniency from the usual strictures?

Mr CRIMP: I am happy to speak to that.

The CHAIR: I might ask Ms Colin first and then we will come to you, Mr Crimp.

Ms COLIN: I will direct that question to Mr Crimp, if that is okay.

Mr CRIMP: In terms of the modification of the commercial framework, there were certain items that Treasury deemed did not need to take place in the first year of operations. For example, we were exempt from quarterly reporting. There are other items that did apply on 1 July but there were others, as I said, that were exempt in the first 12 to 18 months.

The CHAIR: What were the exemptions, Mr Crimp? You would obviously be aware of them.

Mr CRIMP: Yes. There was the one I mentioned a moment ago in relation to quarterly reporting. There was another one with respect to State taxes. I would have to take on notice probably the other framework items that were exempt in the first year.

The CHAIR: Did any of them relate to delegations?

Mr CRIMP: I do not believe so.

ANSWER:

TAHE no longer has any exemptions from the Commercial Policy Framework.

QUESTION 5: page 11.

The Hon. DANIEL MOOKHEY: You have got billions of dollars' worth of land, don't you?

Mr CRIMP: Yes.

The Hon. DANIEL MOOKHEY: And you are exempt from paying land tax on it as a commercial enterprise now?

Mr CRIMP: No, only in the first 12 months, and where we derive revenue from that, in terms of leased or licensed premises to non-rail operations, then we are still liable for taxes.

The Hon. DANIEL MOOKHEY: You are paying land tax from this year, are you?

Mr CRIMP: That same exemption is actually carried forward.

The Hon. DANIEL MOOKHEY: When are you going to be paying land tax?

Mr CRIMP: We are paying land tax but only on a limited category of our portfolio.

The Hon. DANIEL MOOKHEY: When will you be paying land tax on all of your portfolio?

Mr CRIMP: That is still 18 months away, I believe.

The Hon. DANIEL MOOKHEY: Why is that?

Mr CRIMP: Some of it comes back to the ability to get valuations of some of that land from the valuation office.

The Hon. DANIEL MOOKHEY: What do you mean [disorder]—

The Hon. JOHN GRAHAM: Can I just ask what the value of that exemption is over each fiscal year it is in place?

Mr CRIMP: I have not quantified that value.

The Hon. JOHN GRAHAM: Will you give us a ballpark figure, firstly?

Mr CRIMP: No, I would be speculating at this stage.

The Hon. JOHN GRAHAM: Will you take that on notice?

Mr CRIMP: Yes.

ANSWER:

TAHE was granted a "State tax" exemption pursuant to Schedule 7, Part 30, clause 277 of the Transport Administration Act 1988 (TAHE State Tax Exemption) and the exemption has now been extended to 30 June 2023 by way of regulation.

As RailCorp (prior to 1 July 2020) was exempt from land tax as a government entity only some leased properties have been valued but the vast majority of land is yet to be assessed. A review of land, the relevant legislation and exemptions will need to be conducted before TAHE can estimate the land tax payable.

QUESTION 6: page 14.

The Hon. DANIEL MOOKHEY: When did KPMG provide you with the access costing model?

Mr CRIMP: It would have been in the first six months of 2021.

The Hon. DANIEL MOOKHEY: Who from KPMG did that?

Mr CRIMP: As in names?

The Hon. DANIEL MOOKHEY: Yes, please. The lead partner.

Mr CRIMP: The lead partner on that was Heather Watson.

The Hon. DANIEL MOOKHEY: How was Heather Watson chosen?

Mr CRIMP: In prior years KPMG had developed a model for the TAHE project team that would have helped inform some of that activity. The model was already established, and it was getting KPMG to update that with the most recent information.

The CHAIR: Mr Crimp, will you be a little bit more specific about when that was provided? You said the first six months of this year; we are only talking about very recent history. Could I ask you to be more specific?

Mr CRIMP: Sorry, I meant this calendar year.

The CHAIR: Yes, so when you say the first six months of this calendar year, we are still talking about very recent history. I think it would assist the Committee if you could be more specific.

Mr CRIMP: I do not recall the exact start date of that exercise; I would have to take that on notice.

The CHAIR: When was it delivered, Mr Crimp?

Mr CRIMP: Again I will have to take that on notice. It was around the May time frame, I believe, but I will take that on notice.

ANSWER:

The final executive summary was provided by KPMG on 8 June 2021 and models on 19 October 2021.

QUESTION 7: page 14-15.

The Hon. DANIEL MOOKHEY: So let me just be clear about the timetable. Firstly, was Ms Watson the first KPMG partner to assist you with the access model?

Mr CRIMP: No.

The Hon. DANIEL MOOKHEY: Who was?

Mr CRIMP: I do not recall who the lead partner was in the previous engagement.

The Hon. DANIEL MOOKHEY: Sure, and so that lead partner stopped. Do you recall when that person ceased?

Mr CRIMP: It was a one-off exercise done in earlier years.

The Hon. DANIEL MOOKHEY: Was it performed between 1 July 2020 and 31 December 2020?

Mr CRIMP: No, the model was originally developed in—I would be speculating. Let me take on notice when the original model was developed.

ANSWER:

TAHE's understanding is that the previous engagement activity occurred in 2017, commissioned by Transport for NSW.

QUESTION 8: page 15.

The Hon. DANIEL MOOKHEY: Why has Ms Watson's engagement by TAHE not been published on the contracts register?

Mr CRIMP: I believe that engagement has been.

The Hon. DANIEL MOOKHEY: I could not see it. Could you provide us the date it was published and perhaps if you are aware of the date it was taken down, if it is the case that it has disappeared? All the TAHE contracts did not appear. How much was Ms Watson paid by TAHE?

Mr CRIMP: I will have to take that on notice.

The Hon. DANIEL MOOKHEY: Do you have an estimate as to the range?

Mr CRIMP: Not off the top of my head, no. I will take that on notice.

ANSWER:

The engagement had been published on eTender with a publication date of 3 June 2021 and displayed until 28 September 2021. The proposal value disclosed for the engagement was \$258,500 (incl. GST).

QUESTION 9: page 16.

2. The Hon. DANIEL MOOKHEY: Thank you. How much are you charging Sydney Trains and NSW Trains this year?

Ms COLIN: Mr Mookhey, our agreements are under review at the moment as part of our audit, so I am afraid it would not be appropriate to answer that question. We will take it on notice, if that is okay.

ANSWER:

The charge for FY2021-22 has been set at \$680M across Sydney Trains and NSW Trains.

QUESTION 10: page 17.

2. The CHAIR: Ms Colin, you are required under the statement of corporate intent to fully disclose all of the known key risks and emerging contingent liabilities. I have not seen that done anywhere. Will you please now fully disclose all known key risks and emerging contingent liabilities? In doing that, will you tell us who you have disclosed them to so far?

Ms COLIN: Sorry, I will have to take that question on notice. We are in the process of developing our enterprise risk agreement and our risk management frameworks. That work is certainly underway, and we intend to report it when we are in a position to do so.

ANSWER:

TAHE has worked closely with TAHE's Board and the Audit & Risk Committee in developing its risk management framework. TAHE's emerging contingent liabilities are disclosed in the annual financial statements.