# **Undropped penny**

The NSW Transport Asset Holding Entity – ‘TAHE’ in bureaucratese - is in the news again.

## The Entity, the inquiry, the Auditor

The Entity is a State-owned corporation which ‘owns’ the NSW commuter rail assets – track etc. and fleet. Its revenue, and profits, derive from control of those assets and their provision under contracts to the Government’s commuter rail operator, Sydney Trains.

There is a Parliamentary inquiry into arrangements surrounding the organisation. It commenced after a furore over claims the Entity was part of an accounting sham that jeopardised public safety. [[1]](#footnote-1)

For several years, the Auditor General held concerns about the accounting for the Entity. These led to a refusal to sign-off the State Government’s Budget accounts - which ignored some rail spending by the Entity.

The reason given by the Government for not counting that spending in the Budget: the Entity is profit seeking, profitable and independent of the Government. The Auditor’s concern reflected doubt about that claim.

The claim raised a further issue. If the Entity was profit seeking and independent, then commuter rail assets under its control could deteriorate, eventually jeopardising public safety. To this the Government in effect argued the Entity is not responsible for the state of its assets.

## The News

Among reported news was resignation of one of the Entity’s defenders at the inquiry – the Treasury Secretary.[[2]](#footnote-2)

However, the most prominent news was: the Auditor General signed-off the State’s accounting. An implication is the Auditor apparently believes the Entity is independent of the Government.[[3]](#footnote-3)

Less prominent news throws doubt on any such belief.

## Other news

The less prominent – unreported – news was: the Parliamentary inquiry published a supplementary submission from the Entity. I found it *after* the news about the Auditor’s sign-off was reported, even though it is dated nearly two months earlier - 26 November 2021.[[4]](#footnote-4)

The supplementary submission said it intended to address safety questions raised by the inquiry.

It included the following, as explanation for why the arrangements surrounding the Entity are safe:

*‘Decisions about assets – including maintenance and delivery – are the responsibility of Sydney Trains’.*

## Hmmm

The explanation asserts the Government controls the condition of the Entity’s assets because:

* maintenance determines the condition of assets; and
* Sydney Trains is controlled by the Government.

That might not sit well with assumptions underlying the Auditor’s sign-off. More on that later?

Also, the explanation does not sit well with formal NSW rail safety inquiries. It is in direct conflict with the first recommendation of the Glenbrook rail crash commission (2nd interim report):

*‘1. That the infrastructure owner RAC and the infrastructure maintainer RSA cease to be State owned corporations and that their property and functions be merged into a single statutory authority, to be known as the Rail Infrastructure Authority, responsible to the Minister for Transport.’*

Contrary to popular belief, apparently started by a 2016 Cabinet submission, the crash commissions did not say track asset etc. maintenance should be conducted by the train operator. Nor did they say track assets should be owned by a State-owned corporation – in fact they said the contrary.[[5]](#footnote-5)

Which makes the following from the Entity’s supplementary submission look ill-informed:

*‘The creation of TAHE does not alter the fundamental principles that have underpinned the approach to rail safety and maintenance since the responses to the inquiries into the tragedies at Glenbrook and Waterfall.’[[6]](#footnote-6)*

Parliamentary inquiry hearings after 26 November - the date of the Entity’s supplementary submission - raised some further safety related questions. Given the above, the inquiry might raise some further questions yet. [[7]](#footnote-7)

## Conclusion

Might we might look forward to supplementary submissions to the Entity’s and Government’s supplementary submissions? After the penny drops.[[8]](#footnote-8)

J Austen, 30 January 2022

1. <https://www.parliament.nsw.gov.au/committees/inquiries/Pages/inquiry-details.aspx?pk=2819#tab-submissions> [↑](#footnote-ref-1)
2. <https://www.smh.com.au/national/nsw/nsw-treasury-secretary-mike-pratt-resigns-after-leadership-speculation-20220125-p59r1o.html> [↑](#footnote-ref-2)
3. <https://www.theguardian.com/australia-news/2022/jan/24/accounting-sham-transport-body-set-up-to-improve-nsws-budget-bottom-line-could-need-41bn-injection> [↑](#footnote-ref-3)
4. <https://www.parliament.nsw.gov.au/lcdocs/submissions/76604/0005a%20Transport%20Asset%20Holding%20Entity%20of%20New%20South%20Wales.pdf> [↑](#footnote-ref-4)
5. There was another rail crash commission – into the Waterfall incident. Cabinet submission: <https://www.parliament.nsw.gov.au/lcdocs/other/16111/TRANSPORT_TENDER_002.pdf> [↑](#footnote-ref-5)
6. The changing approach to ‘rail safety and maintenance’ is shown in a Table at <https://www.thejadebeagle.com/policy-spad-update-2-background.html> e.g., Secretariat document.

 [↑](#footnote-ref-6)
7. <https://www.thejadebeagle.com/policy-spad-update.html>;

<https://johnmenadue.com/policy-wreck-were-being-told-two-contradictory-stories-about-nsw-trains/>;

<https://www.thejadebeagle.com/policy-spad-update-2-background.html>

Coincidentally, the last two were published the day prior to and the day of the date on the Entity’s supplementary submission. [↑](#footnote-ref-7)
8. <https://www.phrases.org.uk/meanings/280900.html> [↑](#footnote-ref-8)