TAHE SCANDAL EXPOSED: What you need to know

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The NSW Government has been caught out running an Enron-style financial scheme to put its transport infrastructure assets into a government-owned for-profit company in order to artificially inflate its budget bottom line.

This scandal is important for three key reasons:

1. It shows that the NSW Government has not been misleading in its claims about the budget;
2. Taxpayers could end up forking more transport services; and
3. Transport safety could be put at risk in order to boost the profits of the new company by creating a for-profit cooperation in charge of all tracks, trains, stations and other transport

assets across NSW.

Furthermore, the NSW Government has been trying to cover up the true financial status of the new corporation, which could end up costing taxpayers billions.

BACKGROUND

When the old RailCorp was split up in 2013, rail services were put into two new agencies: Sydney Trains and NSW Trains. Ownerships of the rail infrastructure however, was left with RailCorp, which became the asset manager. RailCorp's role was to make the tracks, trains, property and equipment trains available to the two operators and other operators or businesses who want to use them.

Last year, RailCorp was officially converted into a new state-owned corporation, called the Transport Assets Holding Entity (TAHE). TAHE has its own board, and as a corporation it exists to run at a profit. Transport assets are no longer directly owned by the State Government - instead they are owned indirectly through TAHE, thus taking them off the government's financial balance sheet. Simplified, this means that the State Government counts the assets as an equity investment, rather than a cost. However, this assumes that the investment will be recouped through access charges on the rail infrastructure and lease revenue from rolling stock, property and equipment. The clients for this new corporation, (including Sydney Trains and NSW Trains) are now expected to pay for these assets at a full commercial rate.

Media investigations last week have uncovered a secret report by KMPG. This report warned that the costs of charging access fees to Sydney Trains and NSW Trains outweighed the benefits. What's more, because it was unlikely that TAHE could ever achieve a profit, taxpayers could eventually be left paying the bill for a failed company.

In other words, the financial trickery of setting up a for-profit corporation to make money out of other government-owned businesses just didn't stack up. TAHE is a financial house of cards waiting to fall.

WHAT IT MEANS FOR WORKERS

The safety element of this story is even more concerning. By handing control of transport infrastructure over to a corporate board, the lines of responsibility back to the Transport Minister become blurred. If something goes wrong, who will be blame? And who will take responsibility for making sure that transport networks are as safe as they can be?

Furthermore, corporate boards are expected to oversee a profit-making enterprise, so it is more likely to prioritise profits over transport safety.

The RTBU has never supported the decision to put transport assets into a for-profit corporation. At the time, we suspected this was a step towards the full privatisation of the rail network. Now we can see that this move was also about ‘cooking books’ to make the budget look better, while potentially compromising rail safety for both workers and passengers.

WHAT COMES NEXT

The RTBU will be pushing for a full enquiry to get to the bottom of what has been going behind closed doors with the establishment of TAHE. Furthermore, we will be demanding that control over transport infrastructure is returned to Transport for NSW so that there is clear line of responsibility for transport safety back to the Transport Minister.