
Transport Asset Holding Entity

Issued: August 2022

TAHE Safety and Asset Management Outcomes Annual Report



Introduction

The Statement of Expectation, effective 1 July 2021 issued by the Minister for Transport and Roads provides guidance to the Transport Asset Holdings Entity of NSW (TAHE), to help ensure its strategic direction and objectives align with the NSW Government's expectations. The Statement of Expectation provides TAHE with a greater level of clarity about government policies and priorities relevant to the work of TAHE's business.

TAHE plays an important role and is committed to supporting the NSW Government's priorities for the transport sector. In accordance with the Statement of Expectation requirements this annual report provides TAHE's safety and asset management outcomes, aligned to the Portfolio Minister priorities.

Safety is a key objective and the highest priority for TAHE. TAHE, its Board and Executive have an uncompromising commitment and legislative duty to assure NSW rail assets and infrastructure are safe and reliable for passenger and freight services.

TAHE has established and put in place its due diligence roadmap that supports TAHE, its Board and its Officers to discharge safety and asset management legislative duties, in addition to accountabilities aligned to TAHE's Statement of Expectations and Operating Licence.

This report outlines the delivery of TAHE's due diligence roadmap resulting in the safety and asset management outcomes, a priority of the Statement of Expectations.

Safety and Asset Management Outcomes

Asset Safety Governance

TAHE has put into place governance arrangements that outline the rules, relationships, systems and processes within and by which TAHE's asset safety accountabilities and obligations are exercised and controlled.

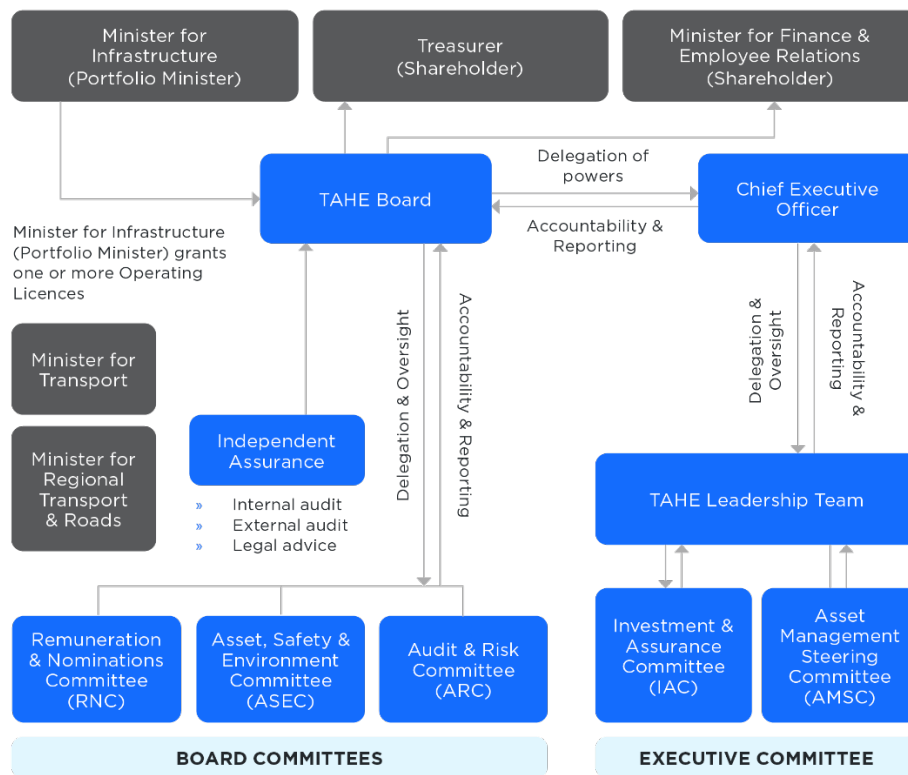


Figure 1: TAHE's Governance Structure

Creation of Governance Committees

An Asset Safety and Environment Committee (**ASEC**) has been established as a Board sub-committee to assist the Board in the effective discharge of its governance and oversight of asset safety and environment duties and obligations. ASEC provides oversight responsibilities on the development and achievement of the asset management strategic priorities, objectives and outcomes to effectively balance cost, risk and performance, in addition to providing value for money outcomes for the whole of life of the asset. The ASEC has also endorsed the development and implementation of the TAHE Asset Management Policy.

The ASEC includes an independent committee member with subject matter expertise and in-depth knowledge of technical asset Standards and systems applicable for the safe operation and management of heavy rail assets, infrastructure and property.

The objectives of the ASEC are to:

- (a) oversee the establishment and implementation of TAHE's Asset, Safety and Environment (**ASE**) Assurance Framework;
- (b) assist the Board in the effective discharge of its governance and oversight responsibilities for ASE across its assets, undertakings and third party operations;
- (c) assist the Board in obtaining assurance that appropriate frameworks and systems are in place to effectively manage ASE risks and comply with all legislative requirements;
- (d) assure the performance of transport agencies and delivery partners in these areas and their compliance to those frameworks and systems; and

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- (e) support the Board in fulfilling its responsibility to exercise due diligence in relation to ASE matters.

In addition to the ASEC, the TAHE Asset Management Steering Committee has been established to oversee the asset management function, comprising of Executives of TAHE and Transport for NSW (TfNSW). The Steering Committee oversees the development and monitors implementation of TAHE's Strategic Asset Management Plan and Asset Management Plan for TAHE's assets and network infrastructure.

Execution of inter-agency safety and asset maintenance accountabilities

TAHE entered into a number of legal operating agreements on 1 July 2021 with TfNSW, Sydney Trains and NSW Trains. The agreements clearly delineate the roles and legislated accountabilities for safety (WHS Act 2011 (NSW), Rail Safety National Law (RSNL) and the Transport Administration Act) and asset maintenance amongst each of the parties, including a process for conflict resolution.

Established conflict resolution process for potential safety impacts

One of the operating agreements, being the Licence and Agency Maintenance (LAM) Deed, expressly sets out a Dispute Resolution Procedure (**the Procedure**) for the respective parties to manage issues of conflict should these arise. The procedure makes provisions for issues giving rise to safety implications. The procedure empowers Sydney Trains and NSW Trains (as the rail operators and maintainers) with an overarching ability to take all steps considered necessary to address potential adverse safety impacts, despite any contrary resolution to the issue.

TAHE has secured agreement from TfNSW, Sydney Trains and NSW Trains to ensure the agreed inter-agency Procedure is clearly documented, and effectively implemented, in each of the party's relevant systems, frameworks and processes.

Asset Safety Assurance

The creation of TAHE has added another level of assurance to test and verify that NSW rail assets and infrastructure are reliable and fit for purpose to deliver safe passenger and freight services. TAHE's assurance model, undertakes a third line of assurance to critically assess that risk exposures are appropriately controlled and that TfNSW, Sydney Trains, NSW Trains and private operators are complying with their legislative safety obligations and technical asset standards to operate a safe network and assets.

Established Asset Management and Assurance Framework

An Asset Management and Assurance Framework (**AMAF**) was established and has been put into practice to formalise TAHE's assurance model to verify asset safety. The AMAF supports TAHE assure itself that its assets and associated services are safe, reliable, operable, fit for purpose and provide value for money outcomes for the whole of life of the assets.

This Framework enables TAHE, the Board and Executive to obtain assurance that appropriate systems and frameworks are in place to deal with the management of asset, safety and environmental risks, and to review the performance of Transport agencies and operators and maintainers in these areas and their compliance to those systems, frameworks and asset management standards.

TAHE has applied the three lines of assurance model since July 2021 to establish clear accountabilities at each of the three lines of assurance, as shown in Figure 2.

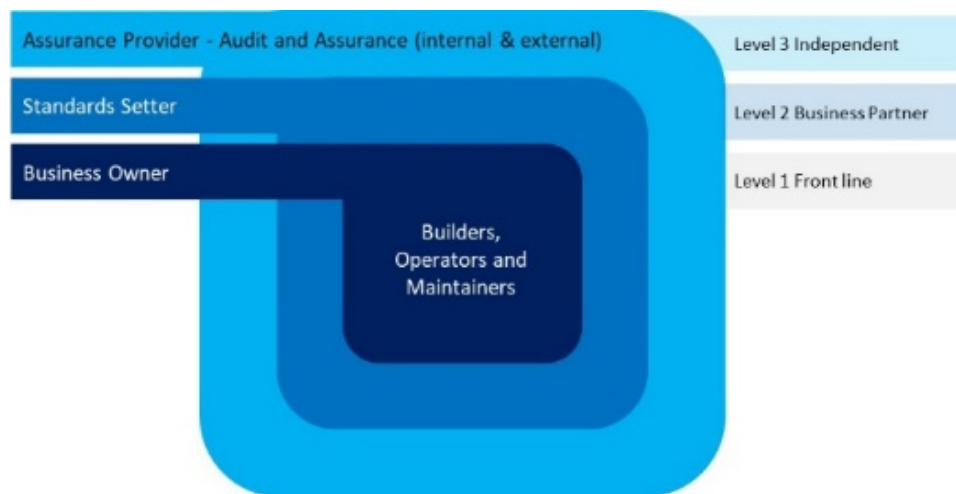


Figure 2: Three Lines of Assurance

This model has allowed TAHE to assess TfNSW and delivery partners that adequate processes and controls are in place to manage, third party operators, maintenance and service providers' adherence to relevant asset management, safety and environment legislation, regulatory obligations, accreditations and contractual requirements.

Established and executed TAHE Asset Safety and Environment Audit Plan 2021-2022

TAHE's asset safety and environment audit application has been designed to provide an independent and more objective line of assurance to review performance and verify its reliance of the underlying assurance activities provided by TfNSW and delivery partners shown in Figure 2. The ASE Internal Audit Plan is an important means for TAHE to test and verify performance and governance processes.

To execute TAHE's ASE 2021-2022 Internal Audit Plan TAHE appointed consultancy firm WSP, a proven rail asset management industry leader with safety management expertise to understand TAHE's heavy rail asset portfolio, operating environment and potential risk exposures. The ASE 2022-2023 Internal Audit Plan has also been established and formally endorsed by the ASEC for implementation.

Established TAHE Strategic Asset Management Plan (SAMP) and Asset Management Plan (AMP)

The TAHE 2022-2023 Strategic Asset Management Plan and Asset Management Plan have been established, formally endorsed by the Board and are being executed. The Strategic Asset Management Plan defines TAHE's overarching strategy and the process for asset management planning that captures the organisational objectives and translates these to asset management objectives.

The AMAF underpins the development requirements and implementation of TAHE's Strategic Asset Management Plan and Asset Management Plan. TAHE set the asset management objectives and performance outcomes required by TfNSW and operators and maintainers, to make certain the assets are safe, reliable, operable, maintainable, sustainable and fit for purpose across the whole asset life cycle.

In order to develop a long-term plan to achieve TAHE's asset management objectives the SAMP development process considered a range of inputs including: –

- Broader government policy;

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- TAHE organisational objectives and policies;
 - Consistency with TfNSW longer term strategies;
 - Asset condition, performance and asset related risks; and
 - Regulatory requirements including safety and duty of care obligations.

Established and executed Asset Safety and Environment Performance Reporting

Overall monthly and quarterly operating performance reporting and monitoring is an important part of the governance and assurance reporting for the Board, ASEC and the Executive. TAHE has implemented regular comprehensive reporting processes and governance forums for receiving and considering information regarding safety, asset management and environmental matters to monitor performance and key areas requiring attention, drive continuous improvement and share learnings.

TAHE set the baseline asset safety performance criteria and measures aligned to the TfNSW Service Provider Asset Management Reporting Standard to comply with TAHE's operating licence requirements. This Standard further outlines the way the asset management objectives, agreed deliverables and effectiveness of the Operator and Maintainer Asset Service Plans are monitored. This includes asset condition and performance indicators to meet service outcomes based on cost, risk and performance.

Planned key reports implemented to support effective delivery of the agreed asset management and safety outcomes are:

- Monthly asset management, safety and environment performance reporting to the Board and Executive
- Quarterly asset management, safety and environment performance and assurance program reporting to the ASEC
- Quarterly performance reporting on delivery of TAHE's asset management objectives and performance outcomes to the ASEC
- Annual independent review of asset management outcomes delivered against the objectives in the SAMP and the approved cost, risk and performance scenario in the AMP
- Annual scan of new and emerging asset, safety and environmental portfolio risks

TAHE roadmap of actions executed in response to OTSI's advice

The Office of Transport Safety Investigations (**OTSI**) reviewed the effectiveness of mitigations put in place to manage potential conflicts that could arise between the TAHE commercial imperatives and the adequacy of funding for safety and asset management.

OTSI's advice concluded that the governance arrangements, assurance mechanisms and associated frameworks to support legislated accountabilities were appropriate, however it was noted that the overall framework across TAHE and TfNSW had not been fully developed and implemented, with the inter-agency agreements only being entered into on 1 July 2021, and that this was to be expected.

The review identified some areas that require further considerations and recommended a review post-implementation that would coincide with the expiration of TAHE's existing Operating Licence in June 2023. TAHE in consultation with TfNSW prepared a roadmap of actions that had and would be taken in response to the OTSI advice.

Solid progress has been made on the roadmap actions as follows;

- TfNSW and TAHE have engaged senior counsel to undertake a hypothetical case study of a significant rail incident/disaster to test the adequacy of the safety governance arrangements to meet end to end obligations and to test roles and accountabilities/responsibilities of inter-related parties across the Transport eco-system. TAHE and TfNSW are jointly collaborating on this body of work.
- The development of TAHE's Risk Management Framework is well underway in finalising the enterprise risk register, preparing the risk appetite statement and risk management framework and methodology. The development of these artefacts has taken into consideration the requirements of the Transport Enterprise Risk Management (**TERM**) framework to ensure alignment and compliance with the Standard.
- A TAHE Reporting Continuous Improvement Workshop was held on 20th April 2022. The workshop was attended by the independent ASEC member to assist with the reporting information review and provide insight into industry better practice and continuous improvement.
- Key artefacts continue to be updated to reflect TAHE's role in the Transport cluster. TfNSW has incorporated TAHE into the TfNSW 2022 to 2023 Asset Management Framework (**AMF**). The 'structure stand-up' of TAHE on 1 July 2020 has been included in the document outlining the transition plan artefacts and milestones in addition to TAHE's role within the cluster and TAHE's organisational objectives. TAHE's 2022 to 2023 Strategic Asset Management Plan documents the governance arrangements and the roles and responsibilities of TAHE, TfNSW and third-party asset custodians and stewards. Similarly, TAHE has been incorporated into relevant sections of the TfNSW Safety Management System and overarching framework.