



Treasury

Our Reference: P18/4791

Revd the Honourable Fred Nile MLC
Chair
Public Accountability Committee
Legislative Council
NSW Parliament

Dear Committee Chair,

Inquiry into the impact of the WestConnex project

Please find enclosed Treasury's responses to Questions taken on Notice arising from the hearing held on 9 October 2018.

Yours sincerely

Michael Pratt AM
Secretary

PUBLIC ACCOUNTABILITY COMMITTEE
INQUIRY INTO THE IMPACT OF THE WESTCONNEX PROJECT
LEGISLATIVE COUNCIL

Responses to Questions on Notice

Question 1

The Hon. DANIEL MOOKHEY: Mr Gardner and Ms Walkom, would you table your statements and make copies available to us as well? Now that the bid is completed, I will start by asking some questions about the sale of the Sydney Motorway Corporation. How many Treasury officials were involved in the sale? How large is the team? How many staff?

Mr GARDNER: The transaction team, this whole process was probably around two years long, so there is no constant size of the team. But the transaction team that runs the sale process has eight permanent staff, and between four and six contractors through the majority of the life of the transaction.

The Hon. DANIEL MOOKHEY: What was the total cost to Treasury of the Treasury component of the sale?

Mr GARDNER: I will have to take that question on notice.

Answer

As at 22 October 2018 the NSW Treasury staff costs, including contractors, attributable to the WestConnex Sale were \$2,126,450.

Question 2

Mr GARDNER: The WestConnex sale process had a lot of very specific features. With all our transactions, all decisions regarding the types of advisers and the transaction needs rests with the steering committee which is charged with acting in accordance with the overall transaction objectives. The advisers we select, the process is overseen by a panel that includes staff with procurement and probity perspectives. In addition, most of our transactions have a core group of advisers across probity, legal, financial, tax and accounting.

The Hon. DANIEL MOOKHEY: What was the total cost of all the advisers?

Mr GARDNER: In terms of the cost of advisers, we obviously comply with our reporting obligations under the Government Information (Public Access) Act, and all the individual adviser costings will be released in the total State sector accounts in the Crown Entity Financial Statements, which will be released this quarter.

The Hon. DANIEL MOOKHEY: That is good, but what will be the total cost?

Mr GARDNER: I would have to take that on notice.

Answer

As at June 2018, costs associated with the transaction amounts to \$53.7 million and are spread amongst a range of specialist advisors and consultants who were engaged to ensure the best outcome for the State. Expected total advisor costs represent less than 1% of the transaction proceeds.

Questions 3 - 4

The Hon. DANIEL MOOKHEY: How much was Goldman Sachs paid?

Mr GARDNER: The total for Goldman Sachs is approximately \$15.5 million.

The Hon. DANIEL MOOKHEY: And Allens?

Mr GARDNER: I would have to take that on notice.

The Hon. DANIEL MOOKHEY: What about Newgate?

Mr GARDNER: I will take that on notice.

Answer

In accordance with the Government Information (Public Access) Act 2009 and NSW Government Guidelines, Treasury published contract costs for individual advisors are published on the NSW eTendering website. These can be accessed at <https://tenders.nsw.gov.au>.

As at 24 October 2018, the contract value for Allens is \$9,917,500.00; Newgate is \$903,590.00, and Goldman Sachs is \$15,000,000.00 excluding GST.

Question 5

The Hon. DANIEL MOOKHEY: In the sale process you undertook investor roadshows, is that correct?

The Hon. DANIEL MOOKHEY: Where did they go?

Mr GARDNER: I would have to take that on notice.

Answer

Roadshows are a critical part of any large transaction. It gives the Government and the Financial Adviser an opportunity to promote the asset, answer specific questions and attract as many investors as possible to boost competition.

In late 2017, two Government officials travelled to North America, Europe, Asia, the Middle East and within Australia to meet with possible potential bidders for the sale of 51 per cent of Sydney Motorway Corporation (SMC), the entity delivering WestConnex.

Questions 6 - 8

The Hon. DANIEL MOOKHEY: You placed advertisements in international publications, is that correct?

Mr GARDNER: That is correct.

The Hon. DANIEL MOOKHEY: Which ones?

Mr GARDNER: Again, I would have to take that on notice, but domestically the *Australian Financial Review* was one.

The Hon. DANIEL MOOKHEY: Was the *Financial Times* one?

Mr GARDNER: I would have to take that on notice.

The Hon. DANIEL MOOKHEY: How much did it cost?

Mr GARDNER: I will take that on notice.

Answer

Advertisements calling for Registrations of Interest in the sale of a 51 per cent stake of SMC, the entity delivering WestConnex, were published in the Australian, Australian Financial Review and the Financial Times. This is standard practice for all transactions.

These advertisements together cost \$21,572.09 excluding GST.

Question 9

The Hon. DANIEL MOOKHEY: Moving forward, let us talk about Roads Retained Interests Pty Limited [RRIPL]. When was that company established?

Mr GARDNER: I might hand that to Mr Dawson.

Mr DAWSON: I would need to take that on notice.

Answer

Roads Retained Interests Pty Ltd was registered with ASIC on 1 June 2018.

Question 10

The Hon. DANIEL MOOKHEY: That is interesting. Let us talk about the first aspect. Who are the board directories of RRIPL?

Mr DAWSON: The board of directors today are Mr Gardner, Peter McVean and John O'Sullivan.

The Hon. DANIEL MOOKHEY: On notice, can you provide us the biographies of the three board directors?

Mr DAWSON: Yes.

Answer

The biography of Phil Gardner is publicly available on NSW Treasury's website - <https://www.treasury.nsw.gov.au/people/phil-gardner>.

Peter McVean's biography is as follows:

Peter has been appointed as a Director of Roads Retained Interest Pty Ltd (RRIPL) for a three-year term from 14 June 2018 and is one of RRIPL's nominees on the boards of the WestConnex Entities.

Peter has over 25 years' experience in the delivery and operation of economic and social infrastructure projects through public-private partnerships, with a particular focus on asset management and operations.

Peter has served as Chair and Director on the boards of various special purpose companies including SA Health Partnership (the New Royal Adelaide Hospital), AquaSure (the Victorian Desalination Plant) and Wyuna Water (a public, private partnership in NSW). He also served as CEO of Veolia Water for Australia & New Zealand for over ten years and had a 15-year international career in economics consultancy, with a focus on transport planning and urban development.

Peter holds an MA in Economics from the University of Aberdeen, an MPhil in Urban & Regional Planning from the University of Edinburgh and a Graduate Diploma of Applied Finance & Investment from the Securities Industry of Australia (now FINSIA). Peter is a member of the Australian Institute of Company Directors.

John O'Sullivan's biography is as follows:

John has been appointed as a Director of Roads Retained Interest Pty Ltd (RRIPL) for a three-year term from 14 June 2018 and is one of RRIPL's nominees on the boards of the WestConnex Entities.

He has significant financial services and governance experience at the highest level and has determined and implemented strategy, driven financial, operational and key people decisions and led legal and regulatory risk functions.

Currently, John is a non-executive director of AMP Limited after being appointed in June 2018, where he leads the board committee work around regulatory and legal matters. John was Executive Chairman, Investment Banking and Capital Markets, Asia Pacific, Credit Suisse AG for ten years.

Before joining Credit Suisse, John was General Counsel of the Commonwealth Bank for just under five years. In that capacity, he advised the CEO and the Board on legal matters and led the Bank's Legal team.

Previously, John was a financial services lawyer at the firm that became Herbert Smith Freehills, specialising in mergers and acquisitions.

Question 11

Mr GARDNER: The State works contribution is the component of the cost of funding the construction of WestConnex that is in excess of the equity value of the business.

The Hon. DANIEL MOOKHEY: That is to the value of what, \$1.6 billion, on present value of \$1.4 billion?

Mr GARDNER: I would have to take that on notice.

Answer

The State Works Contribution nominal value over the life of the construction of the Mainline Tunnel is \$1.6 billion.

Questions 12 – 13

The Hon. DANIEL MOOKHEY: Moving on, this is the question that has come to us from many of the submissions that we have received, all of which call for stage 3A to be abandoned. I am not volunteering any views as to whether that is good or bad. What is the cost to the taxpayer if stage 3 was to be abandoned in both 3A and 3B? You might not be able to specify precisely the cost. What would we have to pay out?

Mr GARDNER: I would have to take that on notice.

The Hon. DANIEL MOOKHEY: Would we have to pay financial penalties?

The Hon. DANIEL MOOKHEY: It is not necessarily hypothetical. It is a call for action from some parts of the community. You would have to pay, presumably, financial penalties, what we said we would owe them under the base case financial model. Is that correct?

Mr GARDNER: I would take that on notice.

Answer

If the State decides to terminate Stage 3, the State is required to make a payment under the Stage 3 Project Deed. Debt and equity will be repaid, including an equity return, plus transaction costs and costs to unwind the project.

Question 14

Mr GARDNER: The gateway is funded, obviously, from a combination of the \$800 million within the WestConnex budget. The remainder of it will be funded, at this stage, from the Consolidated Fund and—

The Hon. DANIEL MOOKHEY: So not Restart NSW.

Mr GARDNER: There is not currently reservation in Restart NSW.

The Hon. DANIEL MOOKHEY: Is there one contemplated?

Mr GARDNER: I would have to take that on notice.

Answer

Decisions relating to Restart Funding are determined by the Expenditure Review Committee of Cabinet. For Sydney Gateway, \$15.4m had been allocated from Restart Funding, incurred before June 2017. There is no current reservation from Restart Funding for Sydney Gateway.

Question 15

Ms CATE FAEHRMANN: Have you asked RMS for a revised business case, once again?

Mr GARDNER: I would have to take that on notice.

Mr GARDNER: As far as I know the answer is no, but I cannot categorically affirm that no-one in Treasury has asked that. Therefore I will take that question on notice.

Answer

In accordance with Government practice, revisions to Business Cases are initiated by the relevant NSW Government agency, in this case RMS.

Question 16

Ms CATE FAEHRMANN: Just back to the compulsory acquisition. I thought you could possibly take on notice—because we had such a short amount of time with RMS, as we do with you—the cost of compulsory acquisition. One of the questions was around the legal bills—where the total legal bills stand—for compulsory acquisitions. Another one is the difference between the market value—basically the claims people have made from RMS. Treasury would surely be aware, at some point, of this. Could you take that on notice, as well?

Mr GARDNER: We will take that on notice.

Answer

Compulsory land acquisitions have been conducted by Roads, Maritime Services and would be more appropriately directed to them.
