From:	Benedicte Colin
To:	Stewart Walters; Peter Crimp
Cc:	Cassandra Wilkinson; Michael Matsen; san.midha; Jeanne Vandenbroek
Subject:	RE: Model
Date:	Tuesday, 14 December 2021 12:45:00 PM
Attachments:	image001.png image004.png image006.png image007.png

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Hi Stewart

Thank you for your e-mail

Before TAHE commences the actions outlined in your email, there are a couple of preliminary steps / decisions that need to take place as called out in our earlier correspondences:

1. Confirmation from the Audit Office that Iteration 1 would meet the AO expectations on the return derived from TAHE, including the commencement date of any fee changes be in 1 July 2022
2. Shareholder Instructions to TAHE including justification for seeking a higher return and the resulting changes to access and licence fees charged to Transport
3. Confirmation from the Secretary of Transport that TfNSW and the operators will consider and agree to the changes to the commercial agreements on charges and pricing (I should flag that all parties to the agreement will require further analysis and assurance that the proposed changes would sit within the IPART pricing regime and ceiling test)
4. Treasury commitment on funding

It's important that these matters are dealt with first before we progress with the other steps.

As you suggest, a meeting may be required.

Best regards
Benedicte

Chief Executive Officer
Transport Asset Holding Entity (TAHE) NSW

470 Pitt Street, Haymarket NSW 2000

NSW GOVERNMENT | Transport Asset Holding Entity

From: Stewart Walters
Sent: Tuesday, 14 December 2021 12:21 PM
To: Peter Crimp ; Benedicte Colin
Cc: Cassandra Wilkinson ; Michael Matsen ; san.midha ; Jeanne Vandenbroek

Subject: RE: Model

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Hi Benedicte and Peter

Many thanks to Peter and Michael for helping is and mobilising so quickly to get to this point – much appreciated.

The Iteration 1 (4.15%) would appear to meet the objectives we are seeking to meet – return equal to long term inflation rate (assumed for now 2.5%) and coverage within the blended useful life of the assets (33 years) of the asset write down.

The forward estimate years $s will be embedded in the ERC minute approved this morning and aimed to be journalled in detail in the HYR aggregates.

On that basis, please could you assist by proceeding to commence some of the necessary actions in order to *target TSSA signing before 24rd December.*

I think these include;

1. PwC new valuation of the assets based on cashflows embedded in this iteration
2. Board Minute (words to be agreed)
3. Necessary ARC meetings (which will be at TAHE and TSSA level)

We will move to revise the TSSA but can only do that when we have the PwC valuation as we need the breakdown of the valuation adjustment by asset category.

Happy to organise a meeting of those required to clarify or discuss any elements.

Many thanks

Stewart

Stewart Walters | Chief Financial and Operations Officer
Finance and Operations Group
52 Martin Place, Sydney (enter via 127 Phillip Street)

Angela Kirby, Executive Assistant

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From: Peter Crimp
Sent: Tuesday, 14 December 2021 10:50 AM
To: Stewart Walters ; Benedicte Colin

Cc: Cassandra Wilkinson ; Michael Matsen

Subject: RE: Model

Stewart, here is the update with increased fees not starting until 1 July 2022. The ten year average is then measured for 2022/23 to 2031/32.

Peter

From: Peter Crimp
Sent: Tuesday, 14 December 2021 10:05 AM
To: Stewart Walters ; Benedicte Colin

Cc: Cassandra Wilkinson ; Michael Matsen
; Peter Crimp
Subject: RE: Model

Hi Stewart,

Further to our discussions yesterday and this morning attached is the latest modelling that would address the Treasury requirements as we understand them.

In summary:
4.15 % return on assets
Average of 2.5% return to Government over first ten years
Excess above 2.5% goes towards recovering writedown by year 33
Cost to Govt to fund operators for incremental A&L fees as shown (to year 10). Year 11 onwards TBD
Additional fees commence in 21/22, although this is problematic (governance and justification). We are looking at an alternative starting on 1 July 2022

As per previous email at 5.58pm yesterday there are significant review and approvals required, in particular:

- agreement between TAHE and TfNSW and operators on charges, including commerciality and IPART considerations,
- Treasury commitment on funding
- Shareholder Instructions to TAHE
- Valuation update, independent validation (PWC & EY) and confirmation of the implementation date from the AO
- Update and approval of TAHE Financial Statements
- Board approvals (multiple)
- Audit signoff on TAHE financial statements

If you can confirm my understanding and next steps from your perspective

Thanks

Peter

From: Stewart Walters
Sent: Monday, 13 December 2021 7:33 PM
To: Peter Crimp ; Michael Matsen
Cc: Cassandra Wilkinson ; Jeanne Vandenbroek

Subject: Model

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Hi Peter and Michael

Two things, please;

- Confirming, Peter as per our earlier conversation, that you will try and model out the returns to 33 years so that we evaluate whether that cumulative value exceeds cum annual return @2.5% x 33 years plus the derived write down$ value. It is [hoped] that Iteration Flat 4% does that
- Can you please check row 43 and 84 – the negative numbers dont look correct, I think it might be that you need to deduct the original PBT so that it is just the incremental (as the access fee is just incremental from base model)

Appreciate the hard hours to do this.

Thanks

Stewart

Stewart Walters | Chief Financial and Operations Officer
Finance and Operations Group

52 Martin Place, Sydney (enter via 127 Phillip Street)

Angela Kirby, Executive Assistant

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