

**QUESTION TAKEN ON NOTICE - LEGISLATIVE COUNCIL
ESTIMATES COMMITTEE – TREASURY, SPECIAL MINISTER OF
STATE AND STATE AND REGIONAL DEVELOPMENT**

14 SEPTEMBER 2010

Transcript Page Reference: 5

Question from The Hon Matthew Mason-Cox

Mr Schur, continuing on that theme, how much in the transport plan did you set aside for contingencies, specifically?

Answer:

This question should be directed to the Minister for Transport.

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Question from The Hon Matthew Mason-Cox

Similarly, how much of the \$50.2 billion is set aside for what you identify as unidentified projects?

Answer:

This question should be directed to the Minister for Transport.

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Transcript Page Reference: 5
Question from The Hon Matthew Mason-Cox

When did your department find out that the Prime Minister wanted to proceed with this project specifically? You think that the budget committee meeting was 24 hours or 48 hours before the actual announcement?

Answer:

Treasury advises it became aware of the Commonwealth offer on Friday 6 August. The Budget Committee meeting was held on Tuesday 10 August 2010. The Prime Minister and the Premier publicly announced their Governments commitment to the Epping to Parramatta Rail Link on 11 August 2010.

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Transcript Page Reference: 6

Question from The Hon Matthew Mason-Cox

When did you personally first become aware of the Prime Minister's decision to fund this project?

Answer:

I became aware of the Commonwealth offer when advised by my office.

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**Transcript Page Reference: 18
Question From The Hon Trevor Khan**

Specific date of discussions regarding new governance arrangements for the transaction

Answer:

I am advised:

Dr Col Gellatly commenced the role of Chairman of the Energy Reform Steering Committee on November 2, 2009 and the current governance arrangements took effect on that date.

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Transcript Page Reference: 19
Question from The Hon Trevor Khan

Date upon which the Frontier Economics modelling was received.

Answer:

I am advised:

Frontier Economics provided a report on the Cobbora Project on June 11, 2010.

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Transcript Page Reference: 19

Question from the Hon Trevor Khan

Did Frontier Economics modelling include estimates as to the impact of the project on retail electricity prices?

Answer:

I am advised:

No.

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Transcript Page Reference: 36
Question from Dr John Kaye

Can you inform the Committee as to what the scenarios look like for 2013-14 and, apart from those three factors, what were the underlying factors that were driving that? Were you looking at economic conditions in China? Were you looking at global attitudes to burning coal? Were you looking at, for example a move away from coal in some of our key markets?"

Answer:

I am advised:

Royalties are forecast at \$1.7 billion in 2013-14 in the 2010-11 Budget; within this aggregate, coal royalties are forecast at \$1.6 billion.

The forecasts are sensitive to: coal export volumes, coal prices in USD terms and the AUD/USD exchange rate. Coal export volumes are primarily determined by the capacity of the NSW coal export facilities. Expansion of the Kooragang coal terminal is expected to lead to increased volumes of coal exports over the forecast period. Forecasts of coal prices in USD terms are sourced from a survey of brokers. The Budget assumed an average AUD/USD exchange rate.

The Chinese growth assumptions are in Chapter 2 of Budget paper No 2.

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Question from Reverend the Hon F J Nile (Chair)

The media reported a claim that the Treasurer helped to organise cuts of up to \$200 million from various projected upgradings of various highways: the Pacific Highway, the Princes Highway, the Great Western Highway and the Hume Highway. For example, the projected cost of the Pacific Highway upgrade was \$973 million, and it was reduced to \$871 million; the projected cost of the Princes Highway upgrade was \$66 million, and it was reduced to \$62 million; the projected cost of the Great Western Highway upgrade was \$178 million, and it was reduced to \$174 million; the projected cost of the Hume Highway upgrade was \$418 million, and it was reduced to \$345 million. Effectively, each of these projects was skimmed to, to produce a \$200 million saving. Treasurer, what is your response to that claim?

[Further] Was there deliberate trimming of those amounts in order to increase the surplus?

[Further] Will you take the question on notice and investigate the matter.

Answer:

The roads budget for 2010/11 was in fact increased. This is clearly set out on page 13-1 of Budget Paper No. 3 - Volume 2. Total expenses by the Roads and Traffic Authority are budgeted to increase by \$163.2 million to \$2,947.7 million – an increase of 5.9% and total capital expenditure is budgeted to increase by \$203 million to \$2,753.4 million – and increase of 8%.

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14 SEPTEMBER 2010

Question No. 1

Question from: Mr Mason-Cox

In light of Downer EDI announcing close to \$400 million in cost over runs for the Reliance Rail project:

- a) how much has the State provided for in its accounts?
- b) have you had any discussions or claims from Downer concerning this potential claim on the State?

Answer:

This is a matter for the Minister for Transport.

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Question No. 2

Transcript Page Reference:

Question from: Mr Mason-Cox

What would be the impact to Reliance Rail if an event of default was proven (through legal representation by the banks) for their undrawn \$357 million facility?

Answer:

This is a matter for Reliance Rail.

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Question No. 3

Question from: Mr Mason-Cox

Have the banks issued legal letters reserving their legal rights in relation to the transaction?

c) If they have will the State need to raise a provision and if so what would be the amount?

Answer:

This is a matter for Reliance Rail.

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Question No. 4

Question from: Mr Mason-Cox

What has been your personal involvement / response to this financial crisis as Treasurer?

Answer:

I am advised:

Reliance Rail have obligations under their contract and the Government expects these to be met with out any financial implications to NSW taxpayers.

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Question No. 5

Question from: Mr Mason-Cox

Will you categorically rule out any further liabilities for the State as a result of the Reliance Rail project?

Answer:

I am advised:

Reliance Rail have obligations under their contract and the Government expects these to be met with out any financial implications to NSW taxpayers.

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Question No. 6

Question from the Hon. Matthew Mason-Cox MLC

Why was Frontier Economics appointed without tender in 2007?

Answer:

I am advised:

Frontier Economics was retained in December 2007 in accordance with the Department of Premier and Cabinet Guidelines.

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Question No. 7

Question from the Hon. Matthew Mason-Cox MLC

How much has been paid to Frontier to this date?

Answer:

I am advised:

Frontier Economics fees are commercial-in-confidence and competitive market rates have been negotiated.

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Question No. 8

Question from the Hon. Matthew Mason-Cox MLC

How much has been has been spent on the transaction to date?

Answer:

I am advised:

All transaction costs incurred will be recouped from sale proceeds and will be comparable to recent Australian privatisations.

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Question No. 9

Question from the Hon. Matthew Mason-Cox MLC

How can you justify increasing electricity prices to pay for the sale?

Answer:

I am advised:

There is no correlation between transaction costs and electricity prices.

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Question No. 10

Question from the Hon. Matthew Mason-Cox MLC

Will the Treasurer confirm that the Gentrader structure is limiting capital available to bid thus diluting the price?

Answer:

I am advised:

There is no correlation between the Gentrader structure and the availability of funds in the capital markets.

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Question No. 11

Question from the Hon. Matthew Mason-Cox MLC

Given that banks must lend against their own balance sheets and not these assets - have you modelled the reduced value that results from your structure?

Answer:

I am advised:

Financing the acquisition of Gentrader contracts is a question that should be directed to individual financial institutions and will depend on a number of factors including cash flows of the assets, prevailing interest rates and the business environment.

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Question No. 12

Question from the Hon. Matthew Mason-Cox MLC

What comments do you make on this advisors view "*nobody wants an asset that u pay upfront for but doesn't go on your balance sheet and which u can't finance or operate*"?

Answer:

I am advised:

Treasury is not able to provide any advice on the unattributed views of an unknown advisor to an unidentified party.

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Question No. 13

Question from the Hon. Matthew Mason-Cox MLC

What protection measures do you have in place to ensure that bidders don't put in a token bid for the Gentraders but real bids for the retailers?

Answer:

I am advised:

The Government expects a strongly contested sale process given the level of interest shown from both domestic and international parties.

Each offer will be assessed by the Government within the context of the objectives of the energy reforms, which includes placing NSW in a stronger financial position.

The Government will undertake an assessment of the retention value of the assets and reserves the right to withdraw certain assets to undertake an initial public offering of an integrated energy business in order to meet the objectives of the energy reforms.

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Question No. 14

Question from the Hon. Matthew Mason-Cox MLC

What is the loss of value to the State of pursuing a Gentrader sale option versus a clean sale?

Answer:

I am advised:

Given the Parliament's expressed view on the retention of generating assets in public ownership, any comparison between the current strategy and previously considered reforms is irrelevant.

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Question No. 15 &16. COAG meeting and resulting Federal health agreement. How much advice were you given in the lead up to the COAG meeting on 19 and 20 April which resulted in the Federal Health Agreement?

Question from: the Hon Matthew Mason-Cox

Answer:

In the lead up to the historic COAG agreement on 20 April 2010, I received regular advice from NSW Treasury and indirectly from NSW Health and the Department of Premier and Cabinet.

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Question No. 17. What were the top ten risks highlighted by the NSW Treasury if NSW signed the COAG federal health agreement?

Question from: the Hon Matthew Mason-Cox

Answer:

I am advised:

In the lead up to the COAG federal health agreement, NSW Treasury considered potential risks and successfully negotiated with the Commonwealth on these issues. Risks considered were the growth in the NSW Government's health expenditure responsibilities and the need to ensure sustainable funding in the long term.

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Question No. 18. What were the top ten risks highlighted by the NSW Treasury if NSW did not sign the COAG federal health agreement?

Question from: the Hon Matthew Mason-Cox

Answer:

I am advised:

Refer to Answer 17

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Question No. 19. Given the Productivity Commission have indicated that public hospitals are 10-20% inefficient, and that the Commonwealth under the Federal Health Agreement will fund 60% of the efficient price of a procedure, what is the inefficient financial exposure of NSW in dollar terms each year over the next four years? What are the underlying efficiency assumptions for your analysis?

Question from: the Hon Matthew Mason-Cox

Answer:

I am advised:

The efficient price will be determined by the Independent Hospital Pricing Authority.

The arrangements for activity based funding at an efficient price will determine Commonwealth funding, which initially will be sourced by dedicating GST that NSW currently receives. In the longer term, the likelihood that health expenditure (costs and activity combined) will increase faster than GST means that NSW will be better off under the new funding arrangements.

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Question No. 20. Given the amount of GST quarantined under Federal Health Agreement will only be agreed on an annual basis, broken down by year over the next four years, what is the upper and lower range of GST that NSW estimates it needs to quarantine for health?

Question from: the Hon Matthew Mason-Cox

Answer:

I am advised:

NSW Treasury has modelled the financial impact of the Health Agreement.

The amount of GST that is dedicated will depend on a range of factors and decisions over the coming months. Initial modelling suggests that the GST dedicated to health would be within the range of \$4.5 billion to \$6 billion annually over the next four years.

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Question No. 21. How many reviews or reports has the NSW Treasury performed or commissioned regarding the performance of the NSW Department of Health in the last 12 months? How many of these involved external consultancies?

Question from: the Hon Matthew Mason-Cox

Answer:

I am advised:

NSW Treasury undertakes an ongoing review of the financial performance of NSW Department of Health through monitoring monthly financial and non-financial performance data.

NSW Health reports on a quarterly basis to the Expenditure Review Committee to provide updates on its budget position and to report on the efficiency and productivity strategies as part of the Health and Efficiency Revenue Plan.

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Question No. 22. How many reviews or reports is the NSW Treasury planning regarding the performance of the NSW Department of Health for the next 12 months? How many of these will involve external consultancies?

Question from: the Hon Matthew Mason-Cox

Answer:

I am advised:

NSW Treasury currently has no plans to commission specific reports or reviews regarding the performance of the NSW Department of Health in the next 12 months. I refer you to question number 21.

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14 SEPTEMBER 2010

Question No. 23

Question from The Hon Trevor Khan

Has the State Government provided any funds for any purposes to Hardie Holdings in 2009-10? If so, how much and for what purposes?

Answer:

No. I am advised that no request for funding was made.

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14 SEPTEMBER 2010

Question No. 24

Question from The Hon Trevor Khan

Has the State Government provided any funds to the troubled Hunter Economic Zone in 2009-10? If so, how much and for what purposes

Answer:

No. I am advised that no request for funding was made.

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14 SEPTEMBER 2010

Question No. 25

Question from The Hon Trevor Khan

Has the State Government budgeted to provide any funds for any purposes to Hardie Holdings in 2010-11? If so how much and for what purposes?

Answer:

No. I am advised that no request for funding has been made.

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14 SEPTEMBER 2010

Question No. 26

Question from The Hon Trevor Khan

Has the State Government budgeted to provide any funds, for any purposes to the troubled Hunter Economic Zone in 2010-11? If so, how much and for what purposes

Answer:

No. I am advised that no request for funding has been made.