



Treasurer

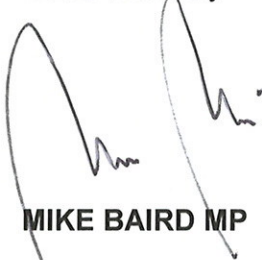
17 November 2011

The Hon. Fred Nile MLC  
Chair, General Purpose Standing Committee No.1  
Budget Estimates  
Room 812, Legislative Council  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000

Dear Chair

Further to Budget Estimates relating to the portfolio of Treasury on 25 October, I enclose my responses to Questions arising from the hearings, as highlighted in the transcript.

Yours sincerely



**MIKE BAIRD MP**

## Questions relating to the portfolio of Treasury

25 OCTOBER 2011, 9.00 am – 1.00 pm

### Questions arising from the Hearings, as highlighted in the transcript

#### 1. Waratah Bonds

Page 14, DONNELLY "I am wondering what that statement means: 'generally not be subject to tax'."

#### Answer

Page 8 of the offer document for NSW Waratah fixed rate bonds, under the heading of "Other Taxes" states the following: "*Holders of NSW Waratah Bonds will generally not be subject to any Australian goods and services tax or stamp duties in any Australian State or Territory in respect of their acquisition, holding, sale or redemption of NSW Waratah Bonds or the receipt of interest payable on NSW Waratah Bonds.*"

New South Wales Treasury Corporation (TCorp), the issuer of the NSW Waratah Bonds, is not aware of any circumstance where normal retail "mum and dad" investors would be subject to either goods and services tax (GST) or stamp duty. This is a standard legal clause.

#### 2. Windfall Revenues

Page 14, DONNELLY "Are you prepared to agree with the Treasurer's statement on that figure of \$650 million per annum over the decade, or does that sound a little bit high to you?"

#### Answer

The following table shows Treasury's figures align with the Treasurer's:

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Average
Tax revenue	931	1,126	1292	828	-188	-359	978	995	-678	1118	604
Royalties	12	1	10	1	96	91	-12	94	359	-56	60
Total	943	1,127	1,302	829	-92	-268	966	1,089	-319	1,062	664

#### 3. Jobs Action Plan

Page 16, DONNELLY "In terms of the 100,000 jobs, have you got advice from Treasury about the breakdown of those jobs in full-time jobs, part-time jobs and casual jobs?"

#### Answer

Two-thirds of the 100,000 new jobs created under the Jobs Action Plan are estimated to be full-time positions and one-third are estimated to be part-time positions. This is broadly in line with historical employment data over the past ten years.

As at the end of September 2011, 3,345 applications were made for the Jobs Action Plan, of which 2,212 are full-time positions and 1,133 are part-time positions.

#### 4. Credit Rating Agencies

Page 22-23, KAYE "Can you take on notice the amount that the people pay Standard and Poor's and pay Moody's?... Can you confirm also what was paid in the financial years to June 2009, 2010 and 2011"

##### Answer

Credit rating fees paid to rating agencies by New South Wales Treasury Corporation (TCorp), being Standard & Poor's (Australia) Pty Limited (S&P) and Moody's Investors Service Inc (Moody's) were as follows:

	Year ended 30 June 2011	Year ended 30 June 2010	Year ended 30 June 2009
Moody's - AUD	350,000	299,673	339,200
S&P – USD (AUD equivalent)	193,000 (190,467)	184,000 (201,049)	175,000 (255,923)

#### 5. Cobbora

Page 23, KAYE "[In relation to an economic subsidy for Cobbora Mine coal supply agreements,] has your department, or somebody on behalf of your department, done those studies?"

##### Answer

The *Final Report of the Special Commission of Inquiry into the Electricity Transactions* (Tamberlin Report) recommended the sale of Cobbora, stating the investment "will not achieve acceptable returns to compensate the State".

The Government is currently considering the recommendations of the Inquiry, including the recommendation regarding Cobbora, and will respond before Christmas.

#### 6. Gentrader transaction

Page 31, KAYE "an inquiry of this committee earlier this year exposed hundreds of millions of dollars in the transactions relating to the gentraders, particularly the availability of liquidated damages and the fixed maintenance contracts. I would like to ask what advice you are getting from your department in respect of that part of the transaction."

##### Answer

I am advised that:

Financial modelling undertaken at the time of the Gentrader transaction showed that the expected risk exposure to the State in relation to the Eraring and Delta West Gentrader bundles was approximately \$360 million (in net present value terms) over the contract period. In preparing the 2011/12 Budget, this risk has been treated as a contingent liability in the State's accounts for June 2011.

In 2010/11, Delta Electricity paid \$221,479 in availability liquidated damages to TRUenergy. For the same period, Eraring Energy paid Origin Energy \$1,581,737 in availability liquidated damages.

*The New South Wales Auditor-General's Report – Financial Audit Volume four 2011 focusing on Electricity* contains further information on the costs of the transaction to the State.

## **7. Ownership of poles and wires**

Page 41-42, KAYE "Will you make a commitment that any change in ownership will come before both Houses of Parliament and will not proceed unless it has the approval of both Houses of Parliament?"

### Answer

The Government is currently considering the recommendations of the Special Commission of Inquiry into the electricity industry and will respond before Christmas.