

Mr John Pierce



New South Wales
TREASURY

SL06/218
CSL 15

Revd the Hon Fred Nile MLC, Chairman
Cross City Tunnel Parliamentary Inquiry
Parliament of New South Wales
Macquarie Street
SYDNEY NSW 2000

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Dear Chairman

Inquiry into the Lane Cove Tunnel

I refer to the hearing of 16 June 2006, at which NSW Treasury appeared before the Joint Select Committee of the Cross City Tunnel. Stemming from that hearing, a number of questions on notice have been received:

1. *What percentage impact will that [the \$79 million development fee accounted for by expenditures associated with the project that the public sector will be incurring] have on the toll price?*

To be able to do this calculation we would have to revert to the financial model used. RTA has advised that by removing the upfront \$79M payment, the hypothetical toll difference on the base toll for cars at \$2.00 (\$1999) is \$0.15. This is calculated from the Base Case Financial Model used by Connector Motorways. The same cumulative equity rate of return is maintained. No adjustments have been made on traffic levels because of the reduced toll, and all other variables have been held constant.

2. *Were there any tax concessions granted to the private builders and operators of the Lane Cove Tunnel over the life of the project so far?*

To provide certainty on the Lane Cove Tunnel contracts an estimate of the value of land tax was made. It was anticipated that without any concessions the land tax, water, sewerage and drainage rates would be no more than \$240,000 per annum (indexed annually by CPI from the date of the contracts). A threshold of \$240,000 per annum (indexed annually by CPI from the date of the contracts) is applied collectively for land tax, water, sewerage and drainage rates applicable. In the unlikely event that payment by the contractor exceeds \$240,000 per annum (indexed annually by CPI from the date of the contracts) then the RTA reimburses the contractor.

Aside from this threshold, which was to give certainty to the bidders, all other State taxes liable under the contracts are payable by the owners.

3. *Professor David Richmond's review of future provisions of motorways in New South Wales was supportive of the then draft Treasury guidelines for public disclosure of information arising from New South Wales government tenders and contracts. Have these guidelines been released? The New South Wales Auditor-General in the past has been very critical of agencies' compliance with disclosure guidelines. How will you ensure that they are followed by relevant agencies?*

An update to the Premier's Ministerial Memorandum 2000-11, *Disclosure on Information on Government Contracts with the Private Sector*, is expected to be released shortly. The Memorandum would be similar to the draft guidelines mentioned in David Richmond's motorway review.

As with any Ministerial Memorandum, the individual Ministers would be responsible for their agency's compliance with the Premier's memorandum.

Yours faithfully



Secretary