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Revd the Hon Fred Nile MLC  
Chairman  
Joint Select Committee on the Cross City Tunnel  
Parliament House  
SYDNEY NSW 2000

JSC CROSS CITY TUNNEL

26 APR 2006

Dear Chairman

RECEIVED

**JOINT SELECT COMMITTEE ON THE CROSS CITY TUNNEL**

I refer to your letter dated 28 February 2006 seeking responses to questions concerning the theoretical toll, and respond as follows:

**Question 1**

**Why is the theoretical toll greater than it would be at 1 October 2005 if the minimum escalation rate of 4% were applied from the base quarter of January-March 1998? Is it because the CPI-calculated rate is sometimes higher than the 4% minimum escalation rate when calculated using the formula in Schedule 8 of the Project Deed (p190)?**

Response: yes , that is the reason.

Up to 31 December 2011, the theoretical toll operates with a quarterly escalation floor of 0.009853406549 (0.99% rounded). When compounded, this quarterly escalation factor equates to a rate of 4% per annum. On occasion the quarterly CPI may exceed 0.99%. Whenever this occurs the theoretical toll will increase in excess of 4% per annum. The quarterly CPI has so far exceeded 0.99% in three quarters of the calculation period.

**Question 2**

**What was the theoretical toll in the January-March 1999 quarter? Is it different to the base toll for the same quarter.**

Response: The theoretical toll for the quarter ending 31 March 1999 was \$2.65 for light vehicles taking a full length trip. The theoretical toll and the base toll were the same for this quarter.

Section 3 of the Project Deed's Toll Escalation Schedule states "The Theoretical Toll for the Quarter from 1 January 1999 to 31 March 1999 is the Base Toll." This is the quarter N=1 in the "CCT - Toll Level Calculations" model provided.



**Question 3**

**From January 2017, when there is no minimum escalation rate, is there potential for the theoretical toll to decrease when the CPI calculated escalation rate is applied (where the rate is less than 1.0), or would the toll in that situation remain constant until the next quarter where the rate is greater than 1.0?**

Response: The RTA's reading of the Toll Calculation Schedule is that, from 1 January 2018, in a deflationary environment with a declining CPI index, the theoretical toll would remain the same from one period to the next.

Schedule 8 of the Project Deed states that escalation is the greater of the relevant CPI and the minimum rate. If the relevant CPI is a negative number then the minimum rate for the period from 1 January 2018 (i.e. 0) would be greater.

Section 3 of Schedule 8 states that the theoretical toll is equal to the toll in the previous quarter multiplied by (escalation + 1). If CPI were a negative number then the theoretical toll would be the theoretical toll for the previous quarter multiplied by (0.000000000000 + 1). That is to say, the theoretical toll would neither increase nor decrease from the theoretical toll in the previous quarter.

Yours sincerely

  
**Mike Hannon**  
**Acting Chief Executive**

10/3/06