



TREASURER
SPECIAL MINISTER FOR STATE

**Legislative Council Question arising from
Estimates Committee – Treasury
17 November 2009**

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Topic: CBD Metro – outline the steps that Treasury was involved with in relation to costing the project prior to its announcement and what should be done as best practice in determining a business case and putting it to Cabinet prior to a decision being made.

Question from the Hon. Matthew Mason-Cox.....can you explain to me what happened in relation to the Rozelle metro?.....Can you clarify when that process was undertaken? What time was that process started?

ANSWER

I am advised:

The November 2008 Mini Budget announced deferral of the North West Metro and approval for a Sydney Metro. Costings for the Sydney Metro were based on those undertaken in consultation with Treasury on the North West Metro.

In January 2009 Sydney Metro was established as a statutory authority with the principal function to plan and deliver a new metro system for Sydney and, in the longer term, to oversee the operations of the Sydney Metro network. Treasury is represented on the board of Sydney Metro. Regular liaison meetings are held between Treasury and Sydney Metro.

Treasury was a member of evaluation panels recommending the consortia to be invited to tender for both major contracts.

All work on the Sydney Metro complies with processes outlined in the *Working With Government Guidelines*.

Information regarding the deliberations of Cabinet remain cabinet-in-confidence.

THE HON ERIC ROOZENDAAL MLC



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Topic: South West Rail Link – outline the steps that Treasury was involved with in relation to costing the project prior to its announcement and what should be done as best practice in determining a business case and putting it to Cabinet prior to a decision being made.

Question from the Hon. Matthew Mason-Cox: Can you outline the steps...involved in relation to costing and time line...South West Rail link?

ANSWER

I am advised:

On 14 November 2009 the former Premier announced work would commence on the second stage of the South West Rail Link. Estimated total cost of the works is \$1.3 billion.

A South West rail line was announced by the Government in December 2004, as part of a new land release plan for Sydney's South West and North West sectors.

In June 2005 the then Premier announced the Metropolitan Rail Expansion Program, which included a North West rail line, a CBD rail line and a South West rail line.

Further detailed investigations, including community consultations were then undertaken. These included planning and environmental studies, engineering and infrastructure assessments and business case analysis. Financial and economic evaluations, which are part of the business case, were undertaken by the Transport Infrastructure Development Corporation.

Information regarding the deliberations of Cabinet remain cabinet-in-confidence.

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Topic: Variations to the costings of the Tillegra Dam Project

Question from the Hon. Matthew Mason-Cox: Perhaps you can clarify what the increase was over the original estimate in relation to Tillegra Dam?

ANSWER

Please refer to previous answer on Tillegra Dam.

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Topic: Global Financial Crisis and Stimulus Program

Question from the Hon. Greg Pearce.

What action the government took in response to the Global Financial Crisis.

ANSWER

I am advised:

The NSW Government is providing a range of assistance measures to business and to the community – including initiatives announced in the 2009-10 Budget and arising out of the NSW Jobs Summit:

- Additional financial support to those purchasing newly constructed dwellings. From 1 July 2009 until 31 December 2009, under the Housing Construction Acceleration Program (HCAP), purchasers of newly constructed dwellings, other than first home buyers, will only pay 50 per cent of the transfer duty payable on properties valued at less than \$600,000. The 2009-10 Budget also extended the eligibility period for the \$3,000 First Home Owner Supplement to 30 June 2010.
 - By end of November 2009, there were 1,438 concessions worth approximately \$11.0m paid under the HCAP scheme. This relates to \$630m in newly constructed property.
- A Local Infrastructure Fund providing \$200 million in interest free loans for councils to bring forward critical local infrastructure.
- A \$35 million Community Building Partnership contributing funding for local infrastructure projects to enhance community facilities and support job opportunities for local tradespeople.
- A \$70 million Major Investment Attraction Scheme to attract large projects that would not otherwise come to the State.
- Establishment of two employment funds at a cost of \$19 million over two years to assist businesses establishing or expanding: a Western Sydney Employment Fund and a Regional NSW Employment Fund.

- Enhanced support for marketing and trade initiatives to promote New South Wales.
- Other initiatives which will provide assistance to activity in the short term and in the long term by helping to reduce business costs and long-term unemployment while raising productivity include: changes to streamline Government procurement processes to assist business, one-off payments to help retrenched NSW apprentices find alternative work, reducing the economic cost of red tape by \$500 million by June 2011, training and reskilling for 175,000 workers under the Productivity Places Program with the Commonwealth, a number of 'green skills' initiatives and payroll tax rate reductions and threshold indexation.

These initiatives are in addition to the Commonwealth Government stimulus measures.

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Topic: Timing for revised RTA land under roads valuations

Question from the Hon. Greg Pearce.

‘.....apply that process to provide a value for land under roads. Will that occur by next year.? What is the program for that?’

ANSWER

I am advised:

NSW Treasury is currently working with the RTA and the NSW Valuer General to arrive at an acceptable valuation methodology for land under roads. It is expected this will remove the audit qualification for the 2009-10 State accounts.

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Topic: Iron Cove Bridge: Process, Costings and Time line.

Question from the Hon. Matthew Mason-Cox: Can you outline the steps...involved in relation to costing and time line...Iron Cove Bridge?

ANSWER

I am advised:

On 20 November 2006, the former NSW Premier announced the upgrade to Victoria Road to improve the bus efficiency and reliability including the construction of a second bridge over Iron Cove.

On 9 July 2008 the NSW Government released the preferred option for the upgrade of Victoria Road and duplication of Iron Cove Bridge to improve bus services through Drummoyne and Rozelle.

On 17 April 2009, the Minister for Transport announced the Inner West Busway along Victoria Road project. Design improvements included the realigning the piers of the new bridge to accommodate the local rowing course and provision of a new parking area. Accordingly the project budget has been revised to \$175 million.

Information regarding the deliberations of Cabinet remain cabinet-in-confidence.

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Topic: Tillegra Dam Project: Process, Costings and Time line

Question from the Hon. Matthew Mason-Cox:providing the costings and how those costings were developed and the process attached to those...

ANSWER

I am advised:

The initial budget for the Tillegra Dam Project at the time of the Government's approval was \$300 million in real (2006-07) dollars (excluding indexation over the life of the project).

A Project Control Group was established to oversee the implementation of the project. The Group includes representatives from the Department of Premier and Cabinet, NSW Treasury and Hunter Water.

The project costings were updated in the 2009-10 Budget, having been adjusted in accordance with the BIS Shrapnel Construction Index for inflation over the life of the project. The Budget figures include an increased allowance for building roads and the purchase of land that will be resold after the dam is complete, bringing the net cost to \$406 million.

The construction cost estimates were subject to a risk analysis review by an independent expert which confirmed the appropriateness of the project costings and risk contingencies.

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Topic: Energy Transaction – Data Rooms

Question from Dr John Kaye: What information regarding data room information, including any 'black-boxed' information, will be released to the public or Estimates Committee prior to the data rooms being open to potential bidders?

ANSWER

I am advised:

The information is commercially sensitive and will only be made available in the secure data room to selected bidders, subject to strict confidentiality controls.

Certain highly commercially sensitive information, or information subject to third party consent requirements, may be excluded from the data rooms and only provided to the preferred bidders for the assets immediately before execution of the relevant transactions.

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Topic: Communications consultants

Question from the Hon. Greg Pearce: Has the Government engaged any communications or public relations adviser in relation to the sale? Is their remunerations within that \$120 million budget? Could we have the amount of that remuneration as well?

ANSWER

I am advised that the Energy Reform Project has engaged advisors typically engaged for projects of this size. Costs are being managed within the \$119 million budget. The costs incurred for restructuring the energy industry will be recouped from the sales proceeds.

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Topic: Change in State capital funding between 2009-10 Budget and 2008 estimates

The Hon. GREG PEARCE: I am asking how much of the increase to the \$62.9 billion from the previous year's budget was a result of the Federal stimulus package and how much was State funded?

ANSWER

Information regarding the total state capital expenditure and economic stimulus figures in 2008/09 and 2009/10 is available in the NSW mini budget and NSW budget papers for those years. Economic stimulus contributions can be found in the 2009/10 budget papers.

The NSW Government's infrastructure program has increased to \$65.5 billion over the next four years to 2012-13. This is a record building program which will support up to 165,000 jobs a year.

The additional \$2.6 billion reflects greater investment in transport infrastructure including:

- \$715 million for the South West Rail Link
- \$354 million for rail projects, including the Rail Clearways Program
- \$125 million for the Sydney Metro
- \$82 million for more buses
- \$147 million for the RTA road program.

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Topic: Estimated cost of Stage 1 (Rozelle to Central) of Line 1 of Sydney Metro

Question from the Hon. Matthew Mason-Cox:I think the latest cost estimate is \$5.3 billion. Is that correct?

ANSWER

I am advised recent pre-tender estimates indicate the capital infrastructure cost remains at an estimated cost of \$4.8 billion.

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Topic: South West Rail Link – announced cost of \$688 million in 2004 compared with \$1.3 billion in 2009

Question from the Hon. Matthew Mason-Cox: ...about the South West Rail Lin and the revised cost if that is \$1.3 billion, up from the original costing,in 2004, of \$688 million....how can you account for the discrepancy?

ANSWER

I am advised:

In December 2004 the Government announced a new land release plan for Sydney's South West and North West sectors.

I understand this estimate was based on an assessment of a preliminary route alignment, which did not include the full scope of works, nor incorporate projected cost escalation to the end of the project.

Further information should be sought from the Minister for Transport.

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Topic: Operating expenses - increase in June 2009.

Question from the Hon. Greg Pearce.

‘Could one of you enlighten us as to what happened with other operating expenses in June?’

ANSWER

I am advised:

Operating expenses at June 2009 is trending to previous years and is largely driven by actuarial assessment on outstanding claims liabilities from the NSW Self Insurance Corporation, as well as agency accruals taken up at year-end.

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Topic: Sale of Sydney Airport – Stamp duties claim

Question from Matthew Mason-Cox

The Hon. MATTHEW MASON-COX: ... The Sydney airport stamp duty claim, where are we up to and are we ever going to see that money?

Mr SCHUR: Are you talking about the claim of \$400 million?

The Hon. MATTHEW MASON-COX: Yes.

Mr SCHUR: I cannot give you an answer on that. I believe that process is underway. It has been appealed and we are confident of our position, which is why we incorporated the valuation into our numbers.

The Hon. MATTHEW MASON-COX: It is still incorporated in the numbers, is it not?

Mr SCHUR: Yes, it is.

The Hon. MATTHEW MASON-COX: It is a big potential hole, is it not?

Mr SCHUR: I think it is the appropriate thing to have done. The Auditor-General actually agrees with us on this. I am trying to remember the term he uses.

The Hon. MATTHEW MASON-COX: The problem is the Commonwealth does not, does it?

Mr SCHUR: Yes, they do not, which is why there is a dispute around this.

The Hon. MATTHEW MASON-COX: How much have you spent on legal fees in that dispute so far?

Mr SCHUR: I have no idea. I am happy to take that on notice.

The Hon. MATTHEW MASON-COX: I understand that it is well beyond \$2 million and growing. But you have got no idea?

Mr SCHUR: I am happy to take it on notice.

Answer:

Please refer to the answer tabled by the Attorney General in the Legislative Assembly on 26 November 2009, in response to question 8376.

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