

Department of Finance

Response to Question on Notice

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

Management of the Pre-construction Phase of the Inland Rail Programme *Auditor-General's report No. 9 (2017-18)*

Friday, 16 February 2018

GENERAL COMMENTS

Nil.

SPECIFIC QUESTIONS ON NOTICE

Question 1 (Hansard proof, page 2)

Mr HILL: Could you provide detailed information on what the rate of return would be and what time period the government would be expecting that rate of return and where those understandings have been documented between the government and the ARTC.

Response

The Commonwealth's returns from its investment in the Australian Rail Track Corporation (ARTC) come from its 100 per cent shareholding, dividends and the enterprise value of ARTC, inclusive of the Inland Rail project.

The forecast rate of return reflects the long-term economic life of rail infrastructure. The forecast is supported by the 2015 Inland Rail Business Case.

The Commonwealth's investment in ARTC is forecast to generate a real return (i.e. above the long-term inflation target of 2.5 per cent). This is consistent with the accounting treatment of Commonwealth contributions to ARTC as equity for the delivery of Inland Rail.

The rate of return for the project has not been made public as it is based on future cost and revenue assumptions, which are commercially sensitive. ARTC is yet to complete a range of commercial transactions, including the development of a Public Private Partnership, for the delivery of part of the alignment. Publication of the rate of return would disadvantage ARTC and the Commonwealth as shareholder in these yet to be negotiated transactions.

Consistent with usual practice, the Government has provided ARTC with a Statement of Expectations with respect to the project. Shareholder Ministers have also entered into an Equity Financing Agreement with ARTC that sets out the conditions on which Commonwealth equity is provided to ARTC for delivery of the project.

Question 2 (Hansard proof, page 5)

Mr HART: Were any sensitivity analyses undertaken?

Mr Jagers: There was significant sensitivity analysis undertaken, yes.

MR HART: What did that show?

Mr Jagers: I'll have to take that on notice.

Mr HART: Can you provide us with confirmation as to what that did show, please.

Response

The Government considered detailed advice and reports as part of its deliberations and decisions in the 2017-18 Budget context, the disclosure of which would reveal deliberations of Cabinet. These reports and advice included sensitivity analysis.