



The Hon Mike Baird MP

NSW Treasurer
State Member for Manly

MEDIA RELEASE

Monday 6 February 2012

NSW GOVERNMENT REACHES MILESTONE TO GET RELIANCE RAIL FUNDING BACK ON TRACK

NSW Treasurer Mike Baird and Minister for Transport Gladys Berejiklian today announced the NSW Government had achieved an important breakthrough which delivers greater certainty to the financing structure of Reliance Rail - the Waratah train PPP consortium - and increases the likelihood that the Waratah trains will be delivered without further delay.

Mr Baird said that after a period of complex and sensitive discussions, the NSW Government had reached an agreement with Reliance Rail, its lead financiers and contractors, which provides a firmer foundation for the financial structure of the project and greater confidence going forward for all involved parties.

“This agreement signals a significant milestone in cleaning up yet another mess left behind by State Labor and removes much of the uncertainty which has plagued this project for too long,” Mr Baird said.

“The Reliance Rail project included an extraordinarily complex and risky financing structure. This was a case of the financiers and an incompetent Labor Government failing to provide a buffer for potential risks.”

“In the process of cleaning up this mess, our aim has always been to ensure that the people of NSW get their trains, but not at any price. Today’s agreement fulfills that objective.”

“The reality is that without this agreement, NSW Treasury estimates that the project could be facing up to \$250 million in break costs and up to \$1 billion in replacement funding. This would be a direct hit to the State’s balance sheet and see funds diverted from roads, school and hospitals.”

“If this PPP was abandoned altogether, the people of NSW would be waiting up to five to seven years for replacement trains.”

“Not only is this agreement our best chance of ensuring the continued delivery of the air-conditioned trains without further delay, but it also minimises the cost and risk to the State’s balance sheet now and into the future.”

CONT.

MEDIA:

Rachael Storey – 0467 741 310 (Treasurer)

Lisa Mullins 0467 733 752 (Transport Minister)



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Mr Baird said the Government has agreed to invest \$175 million in 2018 on a commercial basis in return for 100 per cent of the equity in Reliance Rail. This investment is conditional on the successful delivery of the 78 Waratah trains and Reliance Rail's ability to refinance its existing debt at that time.

The current shareholders will also remain focused on the long-term success of the PPP by sharing in any future high returns.

Ms Berejiklian said CityRail's customers had waited long enough for the new Waratah trains.

"This deal was mishandled by the previous Labor Government which promised to have all the Waratahs in service by December 2010," Ms Berejiklian said.

"Despite years of promises from Labor, there were no new Waratahs on the tracks by the time Labor lost government in March 2011.

"As in so many other areas, this Labor mess was left to the NSW Liberals & Nationals to fix.

"We want these trains on our tracks as soon as possible – that's why we have taken the steps we have announced today.

"Importantly, this arrangement confirms high safety standards for the Waratahs and improves reliability testing".

Six of the 78 eight-carriage Waratah trains have so far been accepted by RailCorp, with delivery expected to ramp up this year.

"If Reliance Rail adheres to its schedule, the last train is expected to be delivered to RailCorp by the end of 2014," Ms Berejiklian said.

"This agreement gives all involved parties - whether suppliers or financiers - the confidence to now get on and fulfill their contractual obligations, and we expect them to do so without further delay," Mr Baird said.

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