

Our reference: 17/19

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28 March 2017

Mr Angus Mitchell
Director, NSW Maritime
Roads and Maritime Services
Locked bag 5100
Camperdown NSW 1450

Dear Mr Mitchell

2017 update to net rates of return for domestic waterfront tenancies

In 2011, the NSW Government accepted all recommendations of IPART's 2011 Final Report on our *Review of method for determining rents for domestic waterfront tenancies in NSW* (Final Report).

One of our recommendations was that IPART carry out an annual update to the net rate of return for each precinct in accordance with the methodology outlined in our Final Report. The Premier's letter with our Terms of Reference for the annual update is attached.

Accordingly, Table 1 (attached) lists the updated net rates of return for the precincts with domestic waterfront tenancies administered by Roads and Maritime Services (RMS). These net rates of return are to be used in calculating the rental rates (per m²) for domestic waterfront tenancies in 2017/18, as per the formula in our Final Report in 2011.

We intend to advise you of next financial year's net rates of return by 15 April 2018.

If you have any questions or wish to discuss, please contact John Douglas on 9113 7773.

Yours sincerely



Hugo Hammstorf
Chief Executive Officer

Table1 Net rates of return (RoRs) to apply in 2017/18

| Precinct | Gross RoR | Outgoings (% share of gross RoR) | Net RoR (use in rental formula) |
|-------------------------------|-----------|--|---------------------------------------|
| | % | % | % |
| Georges River East | 2.81 | 44 | 1.56 |
| Sydney Harbour East | 1.58 | 50 | 0.79 |
| Sydney Harbour Inner West | 2.62 | 44 | 1.48 |
| Sydney Harbour Middle Harbour | 2.84 | 47 | 1.51 |
| Sydney Harbour North Shore | 2.38 | 47 | 1.26 |
| Sydney Harbour North West | 2.36 | 47 | 1.26 |
| Sydney Harbour West | 2.40 | 46 | 1.30 |



Premier of New South Wales

24 JUL 2012

Dr Peter Boxall
Chair
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Dear Dr Boxall *Peter*,

I am writing with regard to the Independent Pricing and Regulatory Tribunal calculating the annual update to the net rates of return to be incorporated into the formula for determining the rental charge for domestic waterfront occupancies.

Please find enclosed Terms of Reference under section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992* for the Tribunal to perform this service.

If your officers wish to discuss this matter, they should contact Mr Tim Hurst, Executive Director, Economic Development and Transport Policy, Department of Premier and Cabinet on (02) 9228 5493.

Yours sincerely

Barry O'Farrell MP
Premier

TERMS OF REFERENCE

ANNUAL NET RATES OF RETURN UPDATE

I, Barry O'Farrell, Premier, approve the provision of services by the Independent Pricing and Regulatory Tribunal under section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992* to the Department of Trade and Investment, Regional Infrastructure and Services (DTIRIS) and Roads and Maritime Services (RMS) in accordance with this 'terms of reference'.

The services to be provided by the Tribunal are the calculation of the annual update to the rental rate of return less outgoings for each precinct, to be incorporated by DTIRIS and RMS into the formula for determining the rental charge for domestic waterfront occupancies. This involves estimating the precinct specific gross rental rates of return and the precinct specific outgoings.

These net rates of return are the financial rates of return on submerged or reclaimed public land, leased or licenced to owners of domestic waterfront properties, to be received by the Government after recovering its efficient administration costs.

In providing these services, the Tribunal should follow the methodology proposed by the Tribunal in its final report *Review of method for determining rents for domestic waterfront tenancies in NSW* (December 2011).

The services are to be provided through the provision of an annual written notice to the DTIRIS and RMS by 15 April each year from 2013, advising them of the suggested rate of return to be applied to calculate rents for each precinct for the upcoming financial year.

The update for the 2012-13 financial year should be provided to DTIRIS and RMS as soon as possible.

This arrangement is to continue until the Tribunal is advised by the Premier in writing that the services are no longer required.



The Hon Barry O'Farrell MP
Premier

Dated at Sydney.....24 July.....2012