

The Chairman
Review of Rental for Domestic Waterfront Tenancies in NSW
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Dear Sir

RE: Review into Rentals for Waterfront Tenancies on Crown Land in NSW

I am the lessee of waterfront land from the Government **at (ADDRESS DELETED)** and wish to submit the following comments for your consideration in relation to the above review.

1. I would like it noted that the review was very poorly published and as a result I believe that not all interested and affected parties will have responded. I find it strange that our yearly lease invoice is capable of being mailed to all leaseholders but notification of this important review has been limited to the press and advertisements.
2. I believe the proposed formula to be used to calculate the new rentals is flawed as follows:
 - Rents will be linked to UCV which have risen astronomically rather than market rent rates which have fallen.
 - Rental rates can not be calculated, as the area is not allowed to be rented out. Furthermore the rate of return on a freehold waterfrontage in Sydney is more like 1% not 3% (.5 x 6%) as the formula states. The rental formula proposed in the Attachment to Terms of Reference includes "Valuer General's Statutory Land Value (of adjoining waterfront precinct)". Section 6A of the Valuation of Land Act 1916 (as amended) provides that land below the high-water mark held under licence (or lease) from the Crown is deemed equivalent to freehold land and is included in the valuation of the adjoining land. A letter from the Valuer General, LPINSW confirms this and is consistent with VG valuations including details of waterfront licence/lease. However the proposal before

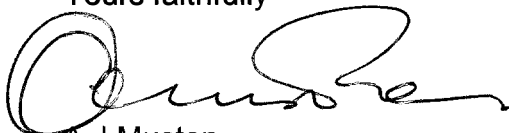
the review committee would factor in adjoining waterfront values to rentals.

- In 1992 a similar review was completed which resulted in the current leases and rentals. I understand that in part the 1992 review concluded that:
 - i. There is no causal linkage between freehold value and waterfront leasehold value. In many cases the reverse is true.
 - ii. There is no "market" rent because the tenant was prohibited from sub-letting the facility to third parties and from transferring the lease on sale of freehold.

In summary I believe the system currently used by Waterways is basically correct, excepting for the failure to apply CPI. If this had been done, the rates would still be fair and accurate today, because water depths remain unchanged.

I strongly urge the Committee to carefully consider this review and maintain the status-quo.

Yours faithfully



A J Muston.