

**PORTFOLIO COMMITTEE NO. 2
INQUIRY INTO ROAD TOLLING**

TRANSCRIPT QUESTIONS

NOTICE GIVEN: 11 April 2017

DUE TO COMMITTEE: 18 May 2017

Question 1:

The Hon. JOHN GRAHAM: By the time WestConnex is finished will Sydney be the most tolled city in the world?

Mr KANOFSKI: We would have to take that on notice. We have not done an extensive study of cities in the world and their level of tolling.

The Hon. JOHN GRAHAM: It would have to be right up there though, would it not, by the time this is finished?

Mr KANOFSKI: As I said, we would have to take that on notice.

Answer:

Please refer to the response to supplementary question 6.

Question 2:

The Hon. JOHN GRAHAM: I will come to some of the specifics. According to the NSW Treasury website, the widening of the M5 to three lanes each way cost \$400 million and the toll concession period to pay for it was extended by 3.3 years. Is that correct?

Mr KANOFSKI: I am not sure I understand the question about the toll concession period.

The Hon. JOHN GRAHAM: I am just asking you about the extension to the toll concession period, which, as I understand it, was about 3.3 years for the widening of the M5 to three lanes each way.

Mr KANOFSKI: The toll concession period for the M5 was extended by more than 3.3 years, I think, as part of that process, but I would have to get back to you on the exact detail. But certainly as part of the widening of the M5 the toll concession was extended in order to pay for the widening.

Answer:

Please refer to the response to supplementary question 10.

Question 3:

Mr KANOFSKI: As my colleague said, the widening of the M4 is part of the WestConnex scheme and the tolls on the WestConnex scheme are to make a partial contribution towards paying for the widening of the M4, the M4 East—which is a tunnel from the widened section to Haberfield—there is then a further tunnel to Rozelle, there is a major interchange at Rozelle, there is a link then between the M4 and the M5, the M5 is being duplicated and there is a new—The Hon. JOHN GRAHAM: So what is really going on here, is it not, as you described that, is that motorists on the widened M4 are obviously paying for more than just that project; they are actually paying for the whole project, as you described it there as they are having the toll increased for 43 years?

Mr KANOFSKI: I think that is quite inherent in the business case; it is not a revelation.

The Hon. JOHN GRAHAM: But it goes to the fairness of the tolls on the widened M4.

Mr KANOFSKI: As I said, the business case for the WestConnex scheme, which includes all of those parts, is partially funded by the tolls on the entire scheme.

The Hon. JOHN GRAHAM: That is not user-pays; it is much more than user-pays. By virtue of this toll you are describing and its 43-year extension, users are paying much more than the benefit they are receiving. Is that not correct?

Mr BRAXTON-SMITH: It is a two-part tolling system. There is a distance-based component. The majority of customers who currently use the M4 journey well beyond the place where it currently ends on the arterial road network. That will still be available to those customers, or they will have the alternative of paying more to travel the additional distance avoiding a number of traffic lights and getting a faster run to their ultimate destination.

The Hon. JOHN GRAHAM: Your answer does not take account of the fact that distance-based tolling will apply for 10 times longer for the widening of the M4 than it has for a similar sized project—that is, the widening of the M5. How do you explain that?

Mr BRAXTON-SMITH: I will take that question on notice.

The Hon. JOHN GRAHAM: I am happy for you to do so.

Mr BRAXTON-SMITH: Our submission states on page 5 that the extension of the M5 South-West concession scheme was originally through to 2014 but was extended to 2026. We will have to check the maths on the point you are putting to us.

Answer:

The M5 widening was a standalone project to add a single lane in each direction.

In contrast, WestConnex comprises several stages, widening the M4 and extending it underground to Haberfield; continuing in tunnel via Rozelle and St. Peters to link it to the airport, the port and the M5 motorway. Motorists will gain additional benefit as each stage is completed, and once the entire project is delivered it will directly benefit motorists across the network by substantially increasing capacity, reducing travel times, removing traffic from local roads and easing congestion.

It will deliver the increased capacity Sydney needs to cater for a growing population. It will enable more efficient movement of goods and services that can only be made via a road network, including delivering supplies to businesses and community facilities such as hospitals, food to supermarkets and supplies to the retail sector, and the provision of trade services to homes and enterprises across Sydney.

By 2031, WestConnex is forecast to provide travel time savings of about:

- 40 minutes between Parramatta and Sydney Airport
- 20 minutes between Burwood and Sydney Airport
- 30 minutes between Liverpool and south Sydney employment area
- 30 minutes from Port Botany to Silverwater.

WestConnex will adopt a distance based tolling regime tolling, similar to the M7. This is an equitable approach as it means that motorists will pay tolls only for the sections of motorway they use and a maximum toll cap will apply.

Tolls will commence when the first stage of WestConnex opens in 2017. This is the section of the current M4 between Parramatta and Homebush which is being widened from three to four lanes. There will be no new tolls for the M4, west of Church Street, Parramatta.

WestConnex tolls are consistent with NSW Government policy on tolling in particular that:

- New tolls are applied only where users receive a direct benefit.
- Distance-based tolling for all new motorways.
- Tolls charged reflect the cost of delivering the motorway network.
- Untolled alternative arterial roads remain available for customers.

Question 4:

The Hon. JOHN GRAHAM: One of the things that stands out is the lack of escalation for the Sydney Harbour Bridge and the Sydney Harbour Tunnel. When was the last change to those tolls?

Mr KANOFSKI: I am happy to take the detail on notice. However, from memory it was about seven or eight years ago. It is important to understand the reason for that difference.

Answer:

Please refer to the response to supplementary question 106.

Question 5:

The Hon. JOHN GRAHAM: Can you take on notice the estimates of the number and value of properties that will be purchased to allow the construction of the F6 tollway, the Western Harbour Tunnel and Northern Beaches Link?

The Hon. TREVOR KHAN: Point of order: The point of order is the same as before. This is an inquiry into road tolling and I submit that what Mr Graham is now doing goes well and truly beyond the scope and intent of this inquiry.

The CHAIR: I think the invitation has been to take it on notice?

The Hon. JOHN GRAHAM: Correct.

The CHAIR: Are you prepared to take the question on notice?

Mr BRAXTON-SMITH: Well, I think if the question is about the number and value of properties for the construction of either of those potential motorways, then that would be a question that is impossible to answer.

The CHAIR: But they have been announced by the Premier, have they not, those projects?

Mr BRAXTON-SMITH: But there have been no studies to determine the final route and therefore the number of properties that might be affected by the route.

The Hon. JOHN GRAHAM: I am happy if that is the Government's response on notice but if it is other, that it be taken on notice.

Mr KANOFSKI: We are happy to take the question on notice and give you a response.

Answer:

No decision has yet been made regarding construction of the proposed F6 Extension.

The NSW Government has announced the preferred route for the delivery of Beaches Link and the Western Harbour Tunnel. The next stage includes developing a reference design; confirming the final project costings, funding strategy, and construction timeline. It is too early to confirm exact property acquisition details until the reference design is completed. Based on the announced preferred route, it is estimated that 71 properties may potentially be impacted.

Question 6:

The Hon. JOHN GRAHAM: Thank you. Turning to WestConnex, are there any non-complete clauses in the contracts for WestConnex?

Mr KANOFSKI: I would have to take that on notice.

The Hon. JOHN GRAHAM: Thank you. Really what I am getting to: Is the Government constrained in any way in building public transport to get people along this corridor more quickly?

Mr KANOFSKI: I do not think so but I will take it on notice to look at the detail of the contract.

Answer:

Please refer to the response to supplementary question 111.

Question 7:

The Hon. JOHN GRAHAM: Thank you. What performance standards do these contracts contain when it comes to minimum speeds, congestion avoidance, road quality—are there

any performance standards at all or are these just arrangements about the price people will be charged?

Mr KANOFSKI: There are performance standards with regard to the quality of the road and there are performance standards generally with regard to its need to be kept open and available for customers to use. There are generally not performance standards with regard to average speeds and the like.

The Hon. JOHN GRAHAM: So incident response times and equipment failure response times, are they the sorts of things that are captured in the description you have just given?

Mr KANOFSKI: Incident response times I will have to take on notice but generally there would be performance standards with regard to incident response times, in the newer contracts I hasten to add. I think we have here a history.

Answer:

Please refer to the response to supplementary question 4.

Question 8:

The Hon. JOHN GRAHAM: What is your estimate of the total cost to taxpayers of local road upgrades required to be completed from the Roads and Maritime Services [RMS] budget as a result of WestConnex and not in the \$16.8 billion. What is your estimate?

Mr KANOFSKI: It is very difficult to actually attribute. We have got a range of works that happen on local roads and they happen whether you are building a new motorway or not. So there are local road upgrades in surrounding areas around where the WestConnex scheme is being built. It is not a reasonable thing to attribute those to the project. So the answer to your question is that there is a whole range of things happening across the network in any given year.

The Hon. JOHN GRAHAM: I am not attributing them to the project, I am asking what is the cost of the road upgrades in the vicinity of WestConnex?

Mr KANOFSKI: I would have to take that on notice.

Answer:

Please refer to the response to supplementary question 41.

Question 9:

Dr MEHREEN FARUQI: In regard to toll extensions, have you had any unsolicited bids for toll extensions from tolling companies?

Mr BRAXTON-SMITH: I would have to take that on notice.

Answer:

An unsolicited proposal for NorthConnex was accepted by Government, which included a concession extension for the Westlink M7 through to 2048.

If an Unsolicited Proposal reaches Stage 2, brief details will be published on the NSW Government website. The Unsolicited Proposal process is managed by DPC.

Question 10:

The Hon. MEHREEN FARUQI: We could argue about that until the cows come home.

Turning to another line of questioning, are there non-competition clauses in the contracts that Transport for New South Wales signs with toll road contractors?

Mr KANOFSKI: Yes, there are some in some of the agreements.

The Hon. MEHREEN FARUQI: So the non-competition clauses are not in every agreement?

Mr KANOFSKI: I would have to take that on notice, but there are some in some agreements.

The Hon. MEHREEN FARUQI: Do those non-competition clauses actually include the non-provision of public transport in certain instances—for example, if that competes with the toll road?

Mr BRAXTON-SMITH: Not to my knowledge. We will take that on question on notice and confirm.

Mr KANOFSKI: We will have to take that on notice. I think that some of the older ones may have done that but we would have to take that on notice.

Answer:

None of the clauses in the motorway concession deeds constrain Roads and Maritime or the Government from developing public transport routes.

However, there are provisions and/or Material Adverse Effects clauses in some concession deeds that require Roads and Maritime to enter into good faith negotiations with the Project Company before carrying out significant changes of NSW roads system which could materially alter the status of the motorway as a principle road corridor or may have a material adverse effect on the motorway.

Question 11:

The CHAIR: Has the New South Wales Government had any discussions or received any unsolicited offers with potential private sector operators regarding entering into road tolling concession arrangements for—I will list them, and if you need to take this question on notice please do so—any of the five sections of the WestConnex project: the western harbour tunnel, northern beaches tunnel, Sydney Harbour Bridge, Sydney Harbour Tunnel and Anzac Bridge?

Mr KANOFSKI: I would have to take it on notice. Broadly, discussions with the New South Wales Government could cover a whole range of people. You could term discussions with me to be discussions with the New South Wales Government, discussions with the Minister, discussions with a whole range of people.

The CHAIR: I think it is important we formulate this very precisely: it is discussions between the New South Wales Government, whoever agency or Minister or individual you might seek to nominate, and a potential private sector operator. That is what I am saying specifically.

Mr KANOFSKI: I would have to take that on notice in terms of discussions.

Answer:

An unsolicited proposal for NorthConnex was accepted by Government, which did not request tolling concessions on the motorway sections listed in the question.

If an Unsolicited Proposal reaches Stage 2, brief details will be published on the NSW Government website. The Unsolicited Proposal process is managed by DPC.

Question 12:

The Hon. JOHN GRAHAM: A question first to Mr Braxton-Smith. Thanks for the research you have run us through, the customer research about attitudes, the e-TAG samples and the market research from 2012. I think it would be of assistance to the committee if you were able to provide that to the committee. Are you happy to do so?

Mr BRAXTON-SMITH: I am happy to provide a summation of an extract of the research that I have talked about and the data analysis that supports—

The Hon. JOHN GRAHAM: I think as much detail as you are able to provide would assist us to sort through what are clearly some complex issues here.

The Hon. JOHN GRAHAM: I am sure. I was surprised by one aspect of the research. You told us that on tolls customers had said they would not affect their use. Are you aware of the University of Sydney research "How much is too much for tolled road users" about toll saturation in February 2016?

Mr BRAXTON-SMITH: Yes, I am aware of that piece of research.

The Hon. JOHN GRAHAM: Which really appears to contradict that suggestion, that in fact Sydney might be reaching a toll saturation point given the number of tolled motorways we now have.

Mr BRAXTON-SMITH: It is a complex piece of economic modelling—

The Hon. JOHN GRAHAM: It is.

Mr BRAXTON-SMITH: —based on a design to test a hypothesis. But it is not in my area of expertise.

The Hon. JOHN GRAHAM: If you are able to provide on notice a view about that research? I do not think there is research like it and its finding that we might be at a toll saturation point certainly might have real implications for policy. If you could provide an answer on notice—a view about it—that would be very helpful. Are you happy to do so?

Mr BRAXTON-SMITH: I am happy to take the question on notice and provide an answer.

Answer:

The Institute of Transport and Logistics Studies research titled “How much is too much for tolled road users: toll saturation and the implications for car commuting value of travel time savings?” was based on a sample of 410 respondents (311 toll road commuters). Car drivers who travelled to work a minimum of four days over the last two weeks were recruited. The study found that among those toll road commuters they surveyed, the vast majority used one toll road to commute to and from work and they spend on average \$50 on tolls over two weeks.

The research was conducted to test the hypothesis that on a road network like Sydney which offers a growing number of (linked) tolled roads, a binding budget constraint may be invoked that might in turn reduce the car users’ willingness to pay for new toll roads to save the same amount of travel time. The research claims that when this occurs, car users are said to reach a toll saturation point (or threshold).

Analysis of the profile of all e-Tag customers shows that less than 20 per cent of the customer base spends an average of \$50 per fortnight or more (\$100 per month). As the ITLS sample is constituted with relatively high-spend toll customers, caution needs to be exercised in extrapolating the findings to motorway customers as a whole.

Transport for NSW has conducted its own customer research to assess customer’s attitudes to toll roads and current usage. This research was based on a sample size of over 1,300 respondents who used a toll road at least once a week. The survey found that the majority of customers spend less than \$50 a month on tolls. This is supported by analysis of electronic tag data which shows that most motorists spend on average less than \$50 a month on tolls.

Transport for NSW’s research also found that customers’ usage of toll roads is relatively insensitive to toll levels. Along with the low level of toll spend by the majority of motorists; this suggests that most customers will continue to use existing and new motorways as long as they provide a direct benefit to motorists through reduced travel times.