

PORTFOLIO COMMITTEE NO 2
INQUIRY INTO ROAD TOLLING

Supplementary questions: Mr Simon Draper, Department of Premier and Cabinet

Answers are to be returned to the Committee secretariat by Wednesday 21 June 2017.

QUESTION 1

Has the Department of Premier and Cabinet advised the Government to sell 100% of the Sydney Motorway Corporation?

The Department of Premier and Cabinet was represented on a WestConnex Steering Committee, which provided advice to Government on potential WestConnex sale options.

QUESTION 2

Was the Department of Premier and Cabinet ever concerned during the unsolicited proposal process that having Transurban run the NorthConnex which connects straight onto the M2 which connects straight onto the M7 (all of which are owned by Transurban) would be anti-competitive and monopolistic for road freight?

The Government is obligated to evaluate unsolicited proposals based on their merits as per the Unsolicited Proposals Guideline (<https://www.nsw.gov.au/contact-us/unsolicited-proposals/>). The basis of the NorthConnex proposal was that Transurban has long term concessions over the M2, M7 and Lane Cove Tunnel (LCT). Transurban won the concession rights for the LCT and M7 via tender processes. The M2 was acquired from the previous owners. Note that there are other shareholders in Westlink M7 and NorthConnex who are independent of Transurban. Competition issues are a matter for the ACCC.

QUESTION 3

Does the Department of Premier and Cabinet consider the possibility of creating or perpetuating conditions that may result in disproportionate control of toll roads by one corporation or a consortium as part of its assessment criteria for unsolicited proposals?

Transurban's unsolicited proposal for NorthConnex satisfied the assessment criteria. It is open to the Government to consider ownership and competition matters as they affect criteria used to evaluate unsolicited proposals. The assessment criteria for unsolicited proposals are as follows:

1. Uniqueness
2. Value for Money
3. Whole of Government Impact
4. Return on Investment
5. Capability and Capacity

6. Affordability
7. Risk Allocation.

In the case of Northconnex, the basis of the proposal (and the uniqueness criterion) was that Transurban holds long term concessions over the M2, Lane Cove Tunnel and M7. As a result it has the capacity to generate revenue to pay for NorthConnex and to integrate onto the existing motorway. In this case, only Transurban could deliver the combination of funding and assets.

Transurban provided a value for money network solution and delivery schedule well ahead of what the Government could deliver.

QUESTION 4

Did the unsolicited proposal for the Northconnex tunnel contain provisions that the government would be required to compensate the owner of Northconnex if trucks failed to use the tunnel at the stage of submission to the Department of Premier and Cabinet, or was this condition added later? If later, then at what stage of the proposal or agreement was this condition added?

The initial proposal addressed the standard application form (Schedule of Information Requirements). DPC uses this form so that government has enough information to make an initial assessment, but proponents do not spend unnecessary time and expense developing detailed proposals that may be rejected at the first assessment stage (Stage 1: Initial Submission and Preliminary Assessment).

Proposal details (such as the detailed payments, contractual conditions and compensation mechanisms) were developed during Stage 2 (Detailed Proposal) and Stage 3 (Negotiation of Final Binding Offer) of the assessment process. This is standard for unsolicited proposals.

QUESTION 5

In his testimony to this inquiry, Mr. Draper from the Department of Premier and Cabinet, said of the criterion for unsolicited project proposals, that the most difficult one to meet is the “uniqueness criterion”. What were the unique aspects of the unsolicited proposal for the Northconnex tunnel?

- Transurban hold long term concessions over M2, Lane Cove Tunnel and M7.
- Capacity to generate revenue to pay for NorthConnex.
- Capacity to integrate onto existing motorway.
- Only Transurban could deliver the combination of funding and assets.

a. Were other alternatives to the Northconnex tunnel assessed while assessing the unsolicited proposal?

i. If so, what alternative were considered? And, why were these alternatives considered unviable?

- Sydney Metro NorthWest was already under construction. It was therefore not necessary to assess an additional rail option.

- The principal road alternative to NorthConnex was the status quo, with cars and heavy vehicles continuing to use Pennant Hills Road. In addition to diverting private vehicles, NorthConnex will create opportunities for improving public transport services on Pennant Hills Road (by taking 5,000 heavy vehicles off Pennant Hills Road).

QUESTION 6

How much funding has the NSW Government given to the Sydney Motorway Corporation in the following financial years?

- b. 2012-13
- c. 2013-14
- d. 2014-15
- e. 2015-16

The Department of Premier and Cabinet has deferred the response of this Supplementary Question to NSW Treasury.

QUESTION 7

Can the extension of a toll road concession be considered under the unsolicited proposal process?

Yes, subject to the proposal meeting the criteria for unsolicited proposals.

QUESTION 8

The unsolicited proposal guidelines state that projects that are not considered unique are unlikely to proceed, including “proposals for significant extensions to existing contracts”. Does any proposal to extend toll concessions fall into that category?

The unsolicited proposals guidelines state:

“Types of proposals that are not considered unique and/or proposals that are unlikely to be progressed:

- Proposals for significant extensions to existing contracts....absent of other ‘uniqueness’ criteria.”

The NorthConnex proposal satisfied the uniqueness criterion.