

PORTFOLIO COMMITTEE NO 2

INQUIRY INTO ROAD TOLLING

Questions on Notice: Mr Ken Kanofski, Roads and Maritime Services

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

1. The Hon. DANIEL MOOKHEY: Your business case makes it clear that your expectation is that the widened M4 Motorway east of James Ruse Drive will be the most trafficked part of the entire WestConnex project. Is that not correct?

Mr KANOFSKI: I would have to take it specifically on notice but I think—

The Hon. DANIEL MOOKHEY: You said there is going to be 163,800 average weekday volume in 2031. If you compare that to the new M5, which is 37,200, it is fair to say that your expectation is that part of the M4 is going to be heavily utilised compared to other parts of the project?

Mr KANOFSKI: You have clearly got the numbers from the environmental impact statement [EIS] and the EIS—

The Hon. DANIEL MOOKHEY: No, I have asked you that from your business case.

Mr KANOFSKI: We are aware that they are essentially the same numbers.

This information is available in Table 10.1 on page 202 of the *WestConnex Updated Strategic Business Case 2015*.

2. The Hon. DANIEL MOOKHEY: If a person is paying \$2,000-plus dollars each year in tolls, does it remain the view of the Roads and Maritime Services that that is affordable?

Mr KANOFSKI: It is the view of the Roads and Maritime Services that people will use the road if it delivers them value. There is a free alternative. People are making a value judgement about whether—just as we make value judgements all the time about whether we will spend money as consumers on a whole range of things, including our transport, sometimes you choose to take one form of transport that is more expensive than another form of transport. Those are decisions that consumers make quite intuitively. What our research says is—I will just get the numbers right.

The Hon. DANIEL MOOKHEY: Can you table the research, please?

Mr KANOFSKI: I think Tony Braxton-Smith took that question on notice but I cannot remember what the answer was.

The Hon. JOHN GRAHAM: He agreed to table it, although it did not turn-up in the response. We would be very keen to see it.

Mr KANOFSKI: I am happy to take it on notice. It is not my research.

The response to this question will be provided by Tony Braxton-Smith.

3. **Mr KANOFSKI:** I think those roads in particular are a bit of a product of their time in the sense that I think there was enormous appetite in the private sector to take more and more risk at that particular time. I think it is fair to say that some of those private companies probably—history shows that they got the numbers wrong. They were too aggressive in terms of what they thought the traffic numbers would be. I am confident from a government perspective that the modelling on which we base the business case for WestConnex—it is modelling.

Dr MEHREEN FARUQI: It is different from the previous modelling?

Mr KANOFSKI: I do not know what modelling those particular investors used. What I can say is I think the modelling that we use is robust.

Dr MEHREEN FARUQI: The same people who did the modelling for you did it for those failed companies.

Mr KANOFSKI: I will have to take that on notice. I am not aware of who did the modelling for the failed companies.

Any projected traffic volume analysis prepared for a private company or consortia, or the weighting placed on such analysis within their investment considerations, would be a matter for each proponent and details would not necessarily be known to RMS.

4. **The Hon. DANIEL MOOKHEY:** What is the fine that has been contemplated for heavy vehicles that do not use NorthConnex?

Mr KANOFSKI: I would have to take that on notice. I do not know we have got to that point. The road does not open until 2019.

The Hon. TREVOR KHAN: There is a penalty that applies for not going through the weigh station at Mt White, is there not?

Mr KANOFSKI: Yes, there are certainly penalties for not going through a weigh station if directed to do so, yes.

The Hon. TREVOR KHAN: The penalty applied is by regulation created under the Road Transport (General) Act. It is essentially a regulation?

Mr KANOFSKI: Correct. To your point, Mr Mookhey, we have not gotten to the point of contemplating the fine.

Please refer to the response on Page 79 of the Transcript.

5. The Hon. DANIEL MOOKHEY: What other penalties or requirements akin to the heavy vehicle requirement exist in the concession agreements?

Mr KANOFSKI: This is the first time we have used something specifically of that nature. The important thing to understand is that each project stands and falls on its own objectives. While heavy vehicle movements are a factor in all decisions to build new motorways, they are very clearly a major consideration with respect to NorthConnex. Getting 5,000 heavy vehicles a day off Pennant Hills Road is both an objective and an underpinning of the business case.

The Hon. DANIEL MOOKHEY: That is the only type of arrangement that exists in the concession agreement?

Mr KANOFSKI: It is the only one I am aware of. I am happy to take it on notice and see if there are any others.

There are no requirements akin to the NorthConnex heavy vehicle requirement in the other concession agreements.

6. The Hon. JOHN GRAHAM: I take your point about the contract summary and the contracts being public. For the Lane Cove Tunnel and the Westlink M7 the base case financial models were tabled in the Legislative Assembly on 9 November 2005. Why can we not do the same for NorthConnex and WestConnex?

Mr KANOFSKI: Because of the way some of the clauses in the contract work, the view is that it could be prejudicial to the State's interest commercially to publish the base case financial model. That is the view that has been taken.

The Hon. JOHN GRAHAM: How is that the case with NorthConnex? Let us deal with that first. This deal is done. It is locked in. How could it prejudice the State's interest?

Mr KANOFSKI: I would have to go to the detail of that decision to understand the precise nature of the decision. I am giving you a general answer, which is a decision has been taken not to publish the base case financial models because it is considered commercial-in-confidence.

The Hon. DANIEL MOOKHEY: Did RMS provide the advice not to publish it?

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

The Hon. TREVOR KHAN: Let us be fair. Are you taking on notice that you will have a closer look and come back to the Committee in terms of what the commercial-in-confidence issue is?

Mr KANOFSKI: I am happy to look at on notice the reason that decision was made that that was commercial-in-confidence.

The Base Case Financial Model is not disclosed under the contract disclosure provisions of the *Government Information (Public Access) Act 2009* as it does not form part of the Project Deed.

Any decision by Roads and Maritime regarding the publication or otherwise of the Base Case Financial Model would be made in accordance with the *Government Information (Public Access) Act 2009*. The Base Case Financial Model is a document prepared by or for the Project Entity to set out its financial model and assumptions, and clearly by its nature would give rise to public interest considerations against disclosure under the Table in section 14 of *the Act*. The Project Entity (and possibly others) would need to be consulted, and would have the objection and review rights set out in *the Act*.

7. **The Hon. JOHN GRAHAM:** I appreciate you have taken the other aspect on notice. I might just indicate my strong view that if we have done it in the past for deals that have been done I certainly cannot see any reason why it can be commercial-in-confidence for NorthConnex and why WestConnex cannot be dealt with in a similar way. I will read your answer with interest. My final question is one I asked you on notice about how high these tolls might get within these concessions. This is one you declined to answer on notice, so I might put a number to you and you tell me if I am starting to get warm. It is likely that the minimum toll in 2060 to travel once into the city and back on the M4 from either Parramatta or Penrith will be \$67.46. Is that starting to get warm?

Mr KANOFSKI: I think the answer I gave you last time, which is the same answer I will give you this time, is I am not going to speculate on what the toll is going to be in 2060. The mechanisms are pretty clear. You can choose to speculate if you wish— The Hon.

DANIEL MOOKHEY: I think the term is "calculate".

Mr KANOFSKI: —but the toll is in the agreement. It gets 4 per cent or CPI until 2040, then it gets CPI after that and so the toll will be whatever the toll is.

The Hon. JOHN GRAHAM: Bear in mind I am asking you about the minimum. It could be higher. Taking into account the 4 per cent for a period and then the inflation rate that the WestConnex business case assumes of 2.5 per cent, the toll will be \$67.46 to drive in from Parramatta or Penrith to the city and then drive back out in 2060. Do you accept with those figures that would be the result? That is where this is heading. That is the minimum.

Mr KANOFSKI: I would have to take it on notice to do the calculation.

No. Refer response to Supplementary Question 5 from this hearing.

8. **The Hon. TREVOR KHAN:** That is self-evident from the fact that you are selling essentially 51 per cent of the company as opposed to renegotiating what is essentially the operating model owned by the company.

Mr KANOFSKI: Correct. The other thing I would say with the WestConnex project that is important is that a big part of it is about freeing up space on things like Parramatta Road to actually improve public transport.

The Hon. Dr PETER PHELPS: We could put a tram down the middle of it.

Mr KANOFSKI: Leaving aside non-compete clauses for a second, one of the objectives of the WestConnex project is to free up space on some of those arterial roads to provide a better standard of living and opportunities for urban redevelopment and also to make better public transport corridors.

Dr MEHREEN FARUQI: Doesn't your own environmental impact statement [EIS] say that there will be more cars on Parramatta Road even after WestConnex is built?

Mr CLICHE: It depends on the section.

Mr KANOFSKI: The EIS is a matter of public record. There are parts of Parramatta Road which will have similar amounts of traffic to what they currently have. There will be parts of Parramatta Road that will have less traffic.

Dr MEHREEN FARUQI: And some that will have more traffic.

Mr KANOFSKI: I would have to take that on notice. I am not sure there are any that would have more.

Figure 10.2 on page 206 of the *WestConnex Updated Strategic Business Case 2015* shows the traffic volumes on Parramatta Road at a number of locations in 2012 and for 2031 with and without WestConnex.

9. **The Hon. DANIEL MOOKHEY:** I have this wonderful memory of the Infrastructure NSW report that gave rise to the whole case for the WestConnex project. The major reason they specified that this project should go ahead was essentially the airport gateway. If that was so crucial to the original project, why has it been so backloaded in terms of its delivery? Given the core rationale of Infrastructure NSW was to build the airport gateway, why has it been shunted to the back of the project?

Mr KANOFSKI: The logical time to build it is to build it so it coincides with the M4/M5 Link.

The Hon. TREVOR KHAN: So it connects to something.

Mr KANOFSKI: From a traffic perspective, it is the logical time to build it.

The Hon. DANIEL MOOKHEY: The logical thing, therefore, would be to build that link first. That was their point, that that was a link that should have had priority.

Mr KANOFSKI: I would have to take on notice the specifics, but I do not recall them saying what order it should be built in.

The Hon. DANIEL MOOKHEY: Do take it on notice. We have gone through this before in other parliamentary hearings. For all of the other benefits to be realised across the network, this had to be built first. Do you disagree with that?

Mr KANOFSKI: Can I be clear. I am happy to take it on notice, but I do not have any recollection that Infrastructure NSW opined on the order in which you should build WestConnex. What they said, in summary, is that you should build all of the pieces of it, which we absolutely agree with, and we will do. I do not think, although I am happy to be corrected if we are wrong—

Infrastructure NSW (INSW) released WestConnex – Sydney’s next motorway priority in 2012. This document outlined a strategic concept for WestConnex to inform future development and staged delivery of WestConnex over the next 10 years.

Since INSW’s recommendation in October 2012, the Government has made significant progress on WestConnex. The WestConnex strategic business case was completed in August 2013 and updated in November 2015. Progressively, Roads and Maritime received planning approvals for King Georges Road Interchange Upgrade, M4 Widening, M4 East and New M5. Detailed geotechnical investigation, environmental assessment and community engagement have informed the WestConnex strategic business case and preferred infrastructure.

While the objectives of the project remain unchanged since 2012, the *WestConnex Updated Strategic Business Case 2015* consolidates the work undertaken such as detailed planning, traffic modelling, analysis, design work and scope enhancements completed since then. The projects are being assessed separately, but the impacts and benefits of each project have also been considered in the context of the wider program of works.

Roads and Maritime as the road network operator is responsible for ensuring that WestConnex effectively integrates into the surrounding road network. This includes providing appropriate road infrastructure to manage traffic between Port Botany, Sydney Airport and St Peters Interchange.