

PORTFOLIO COMMITTEE NO 2

INQUIRY INTO ROAD TOLLING

Supplementary questions: **Mr Ken Kanofski, Roads and Maritime Services**

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

1. What are you forecasting to collect in tolls on the widened M4 in the first year?

RMS will not be collecting tolls on the widened M4. Under the WestConnex M4 widening project deed, WCX M4 Pty Limited (an SMC subsidiary) has the right to collect tolls on the widened M4 in accordance with the concession granted by RMS.

The M4 project deed is available on the RMS website.

2. The Base Case Financial Model documents for the Lane Cove Tunnel and Western Sydney Orbital (Westlink M7) were tabled in the Legislative Assembly on 9 November 2005. Why is the same financial information for the NorthConnex and WestConnex not released?

This information is commercial in confidence. All relevant disclosure requirements have been complied with.

3. Why does the 2015 Westconnex business case technical paper #2 page 11 indicate that a trip from Penrith to the airport saves approximately 15 minutes over the do nothing base case, while the NSW government is claiming Westconnex will save motorists 40 mins from Parramatta to the airport?

Motorists from Parramatta to the airport will utilise more components of WestConnex than Penrith motorists and will therefore benefit from greater travel time savings.

The 15 minute saving relates to a trip from Penrith to the Airport in 2031 with WestConnex versus a 2031 do nothing scenario. The fastest route from Penrith to the airport is via the M7 and the M5. The WestConnex New M5 will help reduce travel times from Penrith to the airport by alleviating congestion along the M5 corridor - leading to modest travel time savings.

The 40 minute saving relates to a trip from Parramatta to the Airport in 2031 with WestConnex versus a 2031 do nothing scenario. In the 2031 do nothing scenario, the fastest route from Parramatta to the airport is 60 minutes. With WestConnex, the fastest route will be to use:

- the New M4 to Haberfield,
- the M4-M5 Link to St Peters, and
- Sydney Gateway to the airport.

4. **Why has the time saved of 40 minutes not changed even though the road designs have varied considerably from the initial plan?**

The key design changes since the initial WestConnex project plan was released, include the:

- Realignment of the M4-M5 Link mainline tunnel through Rozelle to facilitate a future connection with the Western Harbor Tunnel
- Removal of the Camperdown access ramps
- Expansion of the M4-M5 mainline tunnel from 3 to 4 lanes in each direction, and
- Addition of an underground Iron Cove Link connection

None of these changes significantly alter the distance or travel times of the project.

5. **Is it correct that the minimum toll in 2060 to travel into the city and back once from Parramatta or Penrith will be \$67.46, assuming inflation is at the rate that the Westconnex business case assumes of 2.5%?**

No.

6. **Apart from the M4 widening, are there any other toll roads subsidising the M4-M5 link?**
7. **Does the financing of the Westconnex depend on any tolling contributions from the second harbour tunnel and northern beaches tunnel?**
8. **Will these projects subsidise the M4-M5 link in the same way that M4 motorists are subsidising the M4-M5 link?**
9. **How much or why not?**

No. Refer to Supplementary Questions 33-34 from first hearing.

10. **In 2016 Dennis Cliche was reported in the Australian Financial Review as saying: "You will be able to get on that motorway and travel from Parramatta to the airport in 40 minutes with no traffic lights," <http://www.afr.com/business/infrastructure/roads/westconnex-what-could-go-wrong-20160919-grjtlo>. Do you stand by that claim?**
11. **At what time of day and what reference year will this be the case?**

Without WestConnex, travel from Parramatta to the Airport during the morning peak will be approximately 60 minutes by 2031. With WestConnex, this same trip is expected to take 20 minutes—a net saving of 40 minutes.

12. **What are the key difference(s) between the WestConnex Road Traffic Model (WRTM), and RMS's Sydney Strategic Traffic Model (SSTM)?**
13. **What difference to the average time savings would it make if the SSTM willingness to pay were used?**
14. **Does WRTM include what Professor Hensher described as "the time of day traffic model"?**

The Sydney Strategic Travel Model (STM) is developed and maintained by Transport for NSW. The key function of STM is to predict travel by all modes of transport including cars, commercial vehicles, public transport (train, bus, ferry, etc.) and active transport. The STM estimates of car and commercial vehicle demands are used as initial travel demand inputs to WRTM.

WRTM is designed to predict car and truck volumes on tolled and untolled routes. The WRTM also assesses toll choice decisions based on customer willingness to pay for travel time savings arising from using toll roads.

STM is not designed to predict toll volumes, it is not the appropriate model to predict the time savings from toll road users.

The WRTM assesses traffic demand at four different times of day: (i) the morning peak, (ii) the mid-morning to mid-afternoon inter-peak, (iii) the afternoon peak and (iv) during the evening and night.

15. Does WRTM include ramp waiting times?

Yes.

16. What formal controls are there on the flow of information between SMC and RMS?

Roads and Maritime Services, on behalf of the NSW Government, commissioned Sydney Motorway Corporation (SMC) to finance and deliver the WestConnex program of works.

The basis of the working relationship is set out in concession deeds for the design, construction, operation, maintenance and financing of WestConnex projects.

All project documentation and correspondence is transmitted and captured through the TeamBinder electronic document management system managed by SMC. Access to both the system and to specific documentation is limited to authorised parties.

17. Does the SMC plan to sign construction contracts for the M4-M5 link prior to the proposed sale of the Sydney Motorway Corporation?

On 12 May 2017, Minister for WestConnex Stuart Ayres confirmed the Government would proceed with the sale of at least a 51 per cent stake in the Sydney Motorway Corporation, the company delivering WestConnex, to help fund the final stage.

The Government will call for expressions of interest for the WestConnex sale later this year, and is targeting a transaction closing date of mid-2018.

18. Are there any non-compete clauses related to the light rail or heavy rail in the contract between SMC and RMS for WestConnex?

- a. **If yes, and the Government does go ahead into the provision of a rail line along the M4 corridor, or reasonably close to it, is there any compensation triggered to the owner of Westconnex?**
- b. **Are there any other non-compete clauses in the contracts for Westconnex?**
- c. **If so, what are these clauses?**

There are no arrangements that would constraint the Government from enhancing public transport along the WestConnex corridor. One of the key objective of WestConnex is to release road capacity, for example, on Parramatta Road to improve public transport services.

- 19. If the WestConnex is a failure and does not get anywhere near the number of vehicles projected use the road, who will wear the financial cost and risk of that? The concession operator or the Government?**

Sydney Motorway Corporation as the concession holder has the right to collect toll on WestConnex and carry the risk of actual toll revenue being less than forecast.

- 20. Is there an agreement to have toll-free periods on any of the other stages of Westconnex (apart from the M4 widening, Stage 1a)? If so, what are the details of these toll-free periods?**

No.

- 21. What is the expected compensation from the NSW Government to the Sydney Motorway Corporation to operate the toll free period on Stage1a?**

This information is Commercial in Confidence.

- 22. With the impending sale of majority shares of the SMC, will the contract between RMS and SMC for Westconnex remain the same, or is it expected to change? If so, how?**

There are currently two project deeds in place for WestConnex New M4 and WestConnex M5. No variations are currently contemplated.

- 23. Is there any compensation payable to the Sydney Motorway Corporation if Stage 3 of Westconnex is not completed?**

No.

- 24. What is the number of heavy vehicles that are forecast to use the Northconnex tunnel?**

Upon opening, NorthConnex is expected to redirect around 5000 heavy vehicles each day off Pennant Hills road into the tunnel

25. **What is the compensation that will be paid to Northconnex if the forecast number of heavy vehicles fail to use the tunnel?**

Refer to response to Supplementary Question 100 in previous hearing. The specific compensation calculations are Commercial in Confidence.

26. **Is the Government expected to receive any dividends from the Sydney Motorway Corporation after the 51% is sold?**
a. **If yes, how?**

As with all private companies, any dividend policy is a matter between the Board and shareholders.

27. **Are there any plans for the Sydney Motorway Corporation to finance, deliver or operate the Western Harbour Tunnel and Beaches Link or the F6 extension?**

No.

28. **RMS have confirmed that there is a concession agreement already in place with the subsidiary of SMC, is that correct?**
a. **What is the name of the subsidiary?**
b. **What does the concession agreement cover?**
c. **What are the terms of the concession? For how long will it run?**

- a. The counterparties to the WestConnex M4 and M5 project deeds are:
- WCX M4 PT Pty Ltd in its personal capacity and in its capacity as trustee of the WCX M4 Project Trust
 - WCX M4 AT Pty Ltd in its personal capacity and in its capacity as trustee of the WCX M4 Asset Trust
 - WCX M5 PT Pty Ltd in its personal capacity and in its capacity as trustee of the WCX M5 Project Trust
 - WCX M5 AT Pty Ltd in its personal capacity and in its capacity as trustee of the WCX M5 Asset Trust
- b. The WestConnex M4 and M5 project deeds are available on RMS website, in accordance with *Government Information (Public Access) Act 2009* requirement.
- c. The concession term for both project deeds commences on the date of opening and ends on 31 December 2060.

29. **NorthConnex will receive financial compensation from the Government if a certain number of heavy vehicles continue to use Pennant Hills road. Please provide details of this compensation agreement, including the percentage of that compensation.**

Refer to the response to Supplementary Question 25 above.

The NorthConnex project deed is available online in accordance with *Government Information (Public Access) Act 2009* requirement. The specific compensation calculations are Commercial in Confidence.