

**NSW Inquiry into Road Tolling Regimes – Questions on Notice**

**From Public Hearing on 10 December 2021**

**QUESTION ON NOTICE 1**

**Question:**

**Mr HEAD:** Because of our ability to only provide a short-term forecast, the only place I can direct you towards would be the analysts who cover stocks like Transurban. The last time I checked, there must be eight or 10 of those.

**The Hon. JOHN GRAHAM:** Would you be happy to take on notice if we ask you those analysts in particular who take an interest in Transurban, so the Committee can further pursue that?

**Mr HEAD:** All of those people are publicly known. And if you need Transurban to assist you in knowing who those people are and the organisations that they work for, we would be happy to provide it.

**Response:**

A full list of the sell-side analysts covering Transurban can be found on our website at:  
<https://www.transurban.com/investor-centre/investor-toolkit>

## QUESTION ON NOTICE 2

### Question:

**The Hon. DANIEL MOOKHEY:** Can I just follow up on some of the points that you and Mr Head made, particularly the data aspect of it, which it is fair to say I have an interest in. You did disclose the revenue figures. Do you have that broken down between cars and heavy vehicles? On notice, are you in a position to take that, or can you tell us now?

**Mr HEAD:** No, it is very standard practice. I apologise, Ms Huey.

**Ms HUEY:** No, you got it.

**Mr HEAD:** It is very standard practice for Transurban to disclose every quarter their revenue and the traffic by asset. My recollection, I would like to double-check this, is that we also provide a split between car and truck. Are you sure about that?

**Ms HUEY:** I think if we could come back to the Committee with the revenue information. Certainly in the traffic data that we release on a quarterly basis that Mr Head talked about, that traffic information includes all traffic volumes, not revenue volume, broken down into vehicle type, which is effectively class A/class B in Sydney, and the volume across every single gantry on assets that Transurban has an interest in on a 15-minute basis.

### Response:

Consistent with ASX reporting obligations, on a quarterly basis Transurban reports average daily traffic data via the ASX, including the proportion of large vehicle traffic as a percentage of overall traffic, for each Transurban operated toll road in NSW.

For example, see Appendix 2 of the September Quarter 2021 Update:

[https://yourir.info/resources/a50955429d255a58/announcements/tcl.asx/3A578765/TCL\\_September\\_Quarter\\_2021\\_Update.pdf](https://yourir.info/resources/a50955429d255a58/announcements/tcl.asx/3A578765/TCL_September_Quarter_2021_Update.pdf)

Also consistent with ASX reporting obligations, on a six-monthly basis Transurban reports its revenue for each State via the ASX.

For example, see Appendix 3 of the August 2021 Transurban results release:

<https://www.transurban.com/content/dam/investor-centre/01/FY21-ASXRelease.pdf>.

Transurban does not report revenue split between cars and large vehicles.

Separately, each quarter Transurban reports traffic volumes on a 15-minute basis across every gantry on Transurban operated toll roads in NSW.

This data identifies both cars and large vehicles, and is available at: <https://nswtollroaddata.com/>

### QUESTION ON NOTICE 3

**Question:**

**The Hon. DANIEL MOOKHEY:** Yes, of course. I want to get to a core of the mature phase and the mature assets like the M2. Prior to the pandemic, what was the annual rate of volume growth on the M2, for example?

**Ms HUEY:** If I can take it on notice and come back to the Committee with the details and a breakdown for that.

**The Hon. DANIEL MOOKHEY:** Yes, that is a reasonable point

**Response:**

Transurban bought the Hills M2 in 2005. Over the 17 years of ownership the motorway's traffic growth has fluctuated on a year on year basis, based on the introduction of new projects and various economic effects, particularly the Global Financial Crisis in 2008/2009.

**Table of Annual Traffic Growth on the Hills M2 Motorway FY2009 to FY2019**

<b>Financial Year</b>	<b>Rate of Traffic Growth</b>
FY2009	1.2%
FY2010	1.8%
FY2011	0.3%
FY2012	-5.1%
FY2013	1.4%
FY2014	13.8%
FY2015	11.4%
FY2016	7.5%
FY2017	3.3%
FY2018	3.2%
FY2019	2.3%

## QUESTION ON NOTICE 4

### Question:

**The CHAIR:** Can you estimate how many hours for each — perhaps it is much more difficult to break it up between instances but can you tell us how many hours of employment you require for someone to do that exceptional kind of matching?

**Ms HUEY:** I think I would have to take that question on notice, Chair, and come back to the Committee.

### Response:

Transurban has invested hundreds of millions of dollars into its state-of-the-art tolling platforms, including roadside technology, image processing and back-office systems, and continues to make significant investments to ensure we provide our customers with industry-leading tolling solutions. This technology is supported by a team of hundreds of people.

These investments mean that the large majority of trips are processed automatically without the need for human intervention.

Where further license plate checking is necessary, a team of around 40 full-time equivalent employees utilise these tolling and image processing systems to undertake manual vehicle matching activities for Transurban-operated toll roads in NSW.

## QUESTION ON NOTICE 5

### Question:

**The CHAIR:** Say I have gone through without an e-tag and I get charged \$3.40 or something for a toll, how much is the admin fee that I am given on top of that?

**Ms HUEY:** I will need to come back to the Committee to make sure, but my understanding of the first toll notice is \$10, which is reflective of the cost that is then incurred to administer the toll notice end to end.

**The CHAIR:** How long do I have to pay that?

**Ms HUEY:** I will have to come back to you with the details to make sure that —

### Response:

Transurban does not profit from any fees. In fact, we would prefer to see customers not incur additional fees, which is why we have fee-free options available to suit their needs.

In FY20, the cost associated with collecting unpaid tolls for travel on Transurban operated toll roads in NSW, including direct costs, corporate overheads, related technology costs and uncollected toll charges, was more than six times the revenue collected from administration fees.

The first toll notice is issued with an administration fee of \$10. If this remains unpaid, a second and final toll notice is issued and the administration fee increases by \$10 to a total of \$20 (not \$30).

Road users with an existing customer account are able to pay toll notices using their customer account. Where this occurs, the toll notice administration fee is discounted from \$10.00 to \$1.10 for the first toll notice and from \$20.00 to \$2.20 for the second toll notice (or, in the case of the M7, to \$1.90 and \$2.90 respectively).

Each toll notice has a payment term of 14 days from the date of issue.

Further information is provided in the response to Question 7.

## QUESTION ON NOTICE 6

### Question:

**Ms HUEY:** At the moment, these are industrywide practices, and there are requirements that we need to meet, as a concessionaire, in terms of how we issue toll notices that are limited to being individually issued.

**The CHAIR:** Where is that limitation?

**Ms HUEY:** I will come back to the Committee with more information, but our understanding is it is set forth in the concession — as a concessionaire, having an ownership of the asset — the processes and the requirements for how we issue toll notices.

### Response:

Toll notices in NSW are produced and issued by Transport for NSW (TfNSW) on behalf of the various toll road operators. This is because only TfNSW has access to the DRIVES system (NSW driver licensing and registration system).

TfNSW's current systems and processes are based on issuing individual toll notices (i.e. one toll notice per trip per toll road). Any change to the form or scope of these toll notices, including to allow for the aggregation of toll notices, would require TfNSW approval and system changes.

It is anticipated that any move to aggregate toll notices may also necessitate enabling one toll operator to collect debts on behalf of other toll road operators, and developing a regime as to how any recovered tolls and charges are shared between two or more toll road operators.

Transurban supports the aggregation of toll notices and is open to working with Government in achieving this goal.

In FY20, the cost associated with collecting unpaid tolls for travel on Transurban operated toll roads in NSW, including direct costs, corporate overheads, related technology costs and uncollected toll charges, was more than six times the revenue collected from administration fees.

Transurban does not profit from toll notice administration fees.

## QUESTION ON NOTICE 7

### Question:

**The CHAIR:** I am glad to hear it. How many people do you pursue for unpaid tolls each year? How many individuals?

**Ms HUEY:** I think we will have to come back to you on the details, Chair. Coming back to your earlier topic about people who do not have tags and travel on our roads, that is probably a single-digit percentage of the overall trips that are taken. It very much reflects on the individual's choice on how they want to travel with or without a tag.

**The CHAIR:** Yes. But people do have other circumstances that make it so they cannot always make the choice that they want to make. If you could come back to me on notice, then, with how many people — individuals — you are pursuing for unpaid tolls in the last financial year and the year before that would be very helpful, and how many of those had a greater amount of administration fees payable than they had original unpaid tolls. How many people do you pursue through the courts in relation to unpaid tolls? Do you have that figure?

**Ms HUEY:** We will come back to the Committee with some details.

### Response:

Prior to the COVID-19 pandemic, on average almost a million trips a day were taken on our Sydney roads, saving users around 225,000 hours every workday. More than 95 per cent of drivers pay their toll on time, mostly with an automated tag or pass.

For the small number of individuals and businesses who don't pay the toll on time, there are several options, including setting up an account with Linkt or E-Toll. Around 77 per cent of all toll notices that are paid are done this way, which reduces any fees paid from \$10.00 to \$1.10 for the first toll notice and from \$20.00 to \$2.20 for the second toll notice (or, in the case of the M7, to \$1.90 and \$2.90 respectively), as explained in Question 5. Transurban seeks to find an account or other arrangement for 10 days before issuing the first toll notice.

For customers experiencing genuine hardship, Transurban's Linkt Assist service can guide them through each step, working in partnership with charities and financial counsellors where needed, or providing targeted care. This includes the extensive customer support that we have rolled out during the pandemic, including providing over \$10 million worth of toll credits to over 40,000 Australians.

If drivers continue to use toll roads without paying, like any business, and to be fair to the overwhelming majority who do pay their tolls, operators can reasonably seek to recover uncollected revenue. This step only occurs after multiple unpaid trips, with multiple attempts to contact the vehicle owner by mail, SMS and email. Further information on the process and options available for customers are on the Linkt website: <https://www.linkt.com.au/help/toll-notices/sydney>

If a settlement or payment plan is not reached, legal proceedings may be initiated. Acknowledging the impact of COVID-19 on the community, only a very small number of cases have been pursued in the past two financial years.

To provide further context and transparency and include a period prior to COVID-19, there are around 120 cases from the past five financial years that are ongoing, with discussions continuing, while a further 300 were resolved with the customers.

In FY20, the cost associated with collecting unpaid tolls for travel on Transurban operated toll roads in NSW, including direct costs, corporate overheads, related technology costs and uncollected toll charges, was more than six times the revenue collected from administration fees. Transurban does not profit from toll notice administration fees.

The first toll notice comes with a \$10 administration fee. Because all tolls for cars in Sydney are less than \$10, about 95 per cent of initial toll notices had a higher administration charge than toll charge in FY20 and FY21. As outlined above, transferring a toll notice to an account can reduce these fees, and there are fee-free account options available.

## QUESTION ON NOTICE 8

### Question:

**The Hon. DANIEL MOOKHEY:** I am asking equally because the original WestConnex design had you going to Port Botany, and the airport gateway section is now out and being built through a separate model. What effect would the airport gateway be having on WestConnex? What do you expect it to do?

**Mr HEAD:** It is not a material amount. I will have to take it on notice, and I am not sure whether Transurban has actually disclosed —

### Response:

Transurban has consistently noted the potential benefit of future road projects, like Sydney Gateway and others, to support traffic growth on the WestConnex network as well as other Sydney motorways.

Given Sydney Gateway is not a Transurban project, any questions about the specific design impacts of, and projected traffic volumes along, the future Sydney Gateway are a matter for the NSW Government and its delivery partners.



## QUESTION ON NOTICE 9

### Question:

**The CHAIR:** Does Transurban make political donations?

**Ms HUEY:** We do not. We have a policy that prohibits us from making any political donations.

**The CHAIR:** And how long has that policy been in place?

**Ms HUEY:** I will need to come back to the Committee, but for as long as I have been —

### Response:

Transurban has had a policy in place governing political contributions since 2005.

Since 2008, the principles underpinning that policy are in accordance with the current policy which is as follows:

- (a) Transurban will not make direct political donations, either directly or via fundraising organisations; and
- (b) Transurban does participate in public policy debate on issues that may impact our business. Consequently, payment for attendance at, or the hosting of, political fundraising functions is permitted if it is connected with the business and objectives of Transurban, and if approved in accordance with the policy and procedure applying to the relevant Transurban business or market.

All of Transurban's reportable political donations (per paragraph (b) above) are disclosed to the NSW Electoral Commission on an annual basis in accordance with our disclosure obligations. Transurban made no political donations in NSW in FY21.

## QUESTION ON NOTICE 10

### Question:

**Ms HUEY:** All of that information is disclosed in line with the Electoral Commission requirements, and for financial year 2020-21, I understand the number related to attending some of these events, in Australia was \$99,000 and none of it was in New South Wales.

**Mr HEAD:** Perhaps this might be a point of clarification that can help. My understanding is that the Cormack Foundation is an investment fund and they may well have invested in Transurban shares rather than Transurban making a donation to them.

**The CHAIR:** It is disclosed as a donation on the register —

**Mr HEAD:** Okay, we can take it on notice.

**The CHAIR:** — to an associated entity of the Liberal Party. If you could take that on notice that would be great. Let me know how much has been donated this year. But would you not agree that is a little bit of a misleading statement to say that you do not make political donations when you do make political donations because they are disclosed on the AEC website?

**Ms HUEY:** Our policy prohibits direct political donations. So the expenses that we incur in attending forums and events, we disclose in line with the Electoral Commission requirements, and these are made publicly available.

**The CHAIR:** Again, as a company that has as its reason for being to make a profit for shareholders, what do your shareholders expect from the return? What is the return expected from those political donations? What is it that Transurban gets from those political donations?

**Mr HEAD:** I think this is pretty standard operating procedure for corporations to participate in policy dialogue, and Transurban is no different to any other company that I am aware of on the ASX in relation to —

**The CHAIR:** So it is a payment in order to participate in policy dialogue.

**Mr HEAD:** You go to lunches and you participate in discussions. It is not unusual.

**The CHAIR:** Okay, but this is not lunch money; this is money that appears to have been directly made to the Cormack Foundation.

**Mr HEAD:** That, I think, we should clarify before we go down any further.

**The CHAIR:** Okay, understood.

**Mr HEAD:** Because my understanding is that it may well be an investment they have made in the company and there might be dividends that are paid and all those sorts of things. But, to the best of my knowledge at this moment, and I am willing to go back and double-check it, I am not aware of Transurban making any donations to that foundation.

**The CHAIR:** Thank you. It is on the AEC website.

### Response:

Transurban has not made any political donations to Cormack Foundation Pty Ltd.

Cormack Foundation Pty Ltd is a Transurban security holder. Anyone is entitled to purchase Transurban securities on the Australian Securities Exchange, and if they buy securities they are then entitled to any distributions paid to securityholders.

The amounts disclosed on the Australian Electoral Commission website as received by that entity from Transurban during the 2019-2020 period (comprising \$107,100 paid on 9 August 2019 and \$110,670 paid on 14 February 2020) are in relation to distributions paid to Transurban security holders.

## QUESTION ON NOTICE 11

### Question:

**The CHAIR:** It is curious though, is it not, that it is exactly \$10? If we are talking about recovering the real, actual cost to Transurban, that it would stay at exactly \$10 when for people who are experiencing significant hardship, even if was \$9.80 it would be a significant difference to them. Do you not think that is curious that it has stayed at \$10?

**Mr HEAD:** Can I clarify again, an image-matching fee, for instance, on one of our roads, the size of that and the process we go through to justify that is that the number is proposed by us and is audited and checked and tested by Transport. The \$10 and the \$20, we did not set that, we did not propose it; that is a government process and I think the question should be put to government rather than —

**The CHAIR:** I understand, but under the concession deed it is Transurban that has the power to set it; it is Transurban that proposes it.

**Mr HEAD:** No, Transurban does not have the power to set those. We have an ability to propose them and our regulator is the one who ultimately signs it off.

**The CHAIR:** Yes, but the process begins with you proposing it.

**Mr HEAD:** But as far as I am aware, in relation to the \$10 and \$20, I do not think we proposed that — that is what I am saying.

**The CHAIR:** Could you perhaps take on notice exactly where that comes from and what the process is, from your perspective, for changing it, how it differs from the deed that I have in front of me?

**Mr HEAD:** Of course.

**The CHAIR:** That would be very useful. The final question on this is around, Ms Huey, as you mentioned before, that some of the costs included in determining the administration fee include things like the cameras and stuff that are set up at the toll capture points. To what extent are you including the whole cost of that within the admin fees, as opposed to just the percentage that would come from additionally needing to use those cameras for catching people who are going through without any tag?

**Ms HUEY:** I wonder if I am trotting into an area that is a bit too detailed. If I can take the option to come back to the Committee to fully explain, I think even within the equipment that is installed on the roadside, it can serve a lot of different purposes. Some of them are for tag reading, some of them are safety CCTV monitoring, others are monitoring traffic flow, and then others, as we mentioned, are capturing images and measuring heights and lengths of vehicles to make sure that we are able to execute the tolling regime.

**The CHAIR:** If you could come back to me with the exact costs involved that are actually referable, maybe that is something that you have available, because as you say you give it to Transport for NSW at some point. We will be taking this up with them as well. I am concerned that you could effectively be shifting costs.

### Response:

Transurban does not profit from toll notice administration fees.

In FY20, the cost associated with collecting unpaid tolls for travel on Transurban operated toll roads in NSW, including direct costs, corporate overheads, related technology costs and uncollected toll charges, was more than six times the revenue collected from administration fees.

The right to charge these administration fees is set out in the Roads Act 1993 (NSW) and the Roads Regulations 2018 (NSW).

Our understanding is that the \$10 quantum of the toll notice administration fee was agreed with TfNSW at an industry level in 2001 when NSW moved to “free flow” tolling. The fee was not proposed by Transurban (noting that Transurban began operating its first NSW toll road in 2005). The fee has remained at \$10 since that time and is reflected in arrangements between TfNSW and toll road operators pursuant to which TfNSW issues toll notices on their behalf (see Question 6 above).

Whilst there is a process by which a toll road operator may propose a change to the administration fee – in which case the toll operator would provide TfNSW with detailed information supporting the basis of calculating the revised fee – no such change has occurred since 2001. Any change to the administration fee would require agreement between TfNSW and the toll road operators.