

NSW Inquiry into Road Tolling Regimes – Questions on Notice

From Public Hearing on 14 February 2022

QUESTION ON NOTICE 1

Question:

The CHAIR: I would like to start off on the issue of the admin fees. Thank you very much for providing your answers to questions on notice in relation to this. I think we are all little bit wiser than we were a month ago on this—or two months ago now—but we are still not quite getting there. So from what I understand, very helpfully from your responses, is that we have the government, or Transport for NSW, being the one who actually sends out the notices of tolls not paid—the penalty notices, we will call them. Could you please tell me how much you pay to Transport for NSW for them to perform that service?

MICHELE HUEY: Chair, I think that is a question that if we have the opportunity, we would like to take on notice and come back to the Committee on that, because that would form part of the overall operations when it comes to managing what we call non-arranged travel, which are a small percentage of the customers that do not have a retail account. But I will come back to you on that.

Response:

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

This approach is consistent across the industry, and forms only a part of a toll road operator's costs in managing non-arranged travel on the toll road network.

Given the commercial nature of the arrangement, which includes the printing and distribution of toll notices by a service provider contracted by TfNSW, it is not appropriate for us to disclose the cost. Further questions should be directed to TfNSW.

QUESTION ON NOTICE 2

Question:

The CHAIR: Again, that is not my focus. My focus—you may not believe it—is not on you and your profits; it is on the people who are suffering hardship from getting these admin fees and doing what I can to reduce those admin fees. Because there is an obligation, or there is at least a notional obligation, for Transport or whoever to set the admin fees in line with the actual cost, I am trying to get to the bottom of what the actual cost is. It appears to me that the \$10 admin fee—which has been set, as you helpfully informed us in the answers, in 2001, before we had a whole lot of the technology we now have—that \$10 has not moved. That \$10 is causing a lot of people a lot of stress. It appears to me that the amount that you spend, your bit of recovering those unpaid tolls, is a fraction of that. In response, you have given me an answer on notice that refers to not just those direct costs but also a whole bunch of overheads and infrastructure that would apply to your ordinary business. Were you able to go back after our last discussion and isolate the actual costs involved of actually collecting that bit of debt?

MICHELE HUEY: I think, Chair, we will have to come back to you and have another attempt at providing the information that the Committee is seeking.

Response:

As detailed in Transurban's response to Question 11 of the previous Questions on Notice for this Inquiry, the toll notice administration fee was set by TfNSW which is best placed to address any further queries on this matter.

QUESTION ON NOTICE 3

Question:

ANDREW HEAD: ... If I refer you to our question on notice No. 7, it is really only the people who we cannot resolve in a rational and sensible way— working together, taking into account all the things that you refer to—that end up in the final stage of the process, which is the legal proceeding. They are very few. There have been no new cases over the last few years. As you can see from our answer, the third last paragraph talks about the fact that 300 cases were resolved even after they went into that last stage. We do everything as an organisation, through our hardship program, to deal with the people that you are talking about in a sensible and compassionate way.

The CHAIR: What percentage of those cases that are resolved ahead of going to court are resolved by collecting the toll but waiving the admin fees?

ANDREW HEAD: As Michele said, we will provide you with some more detailed data in relation to these matters, because we are getting right down into very small percentages and small numbers of people. But we are happy to provide that on notice.

Response:

As outlined in Transurban's response to Question 7 of the previous Questions on Notice for this Inquiry, 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). Transurban seeks to find an account or other arrangement for 10 days before issuing the first toll notice.

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 take appropriate steps to recover uncollected revenue. These steps only occur after multiple attempts are made 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, while a further 300 were resolved.

Around 85 per cent of these 300 cases were resolved ahead of going to court. The assistance we provide depends on each customer's personal circumstances, and we work to resolve the outstanding toll and fee debt through a negotiated outcome.

QUESTION ON NOTICE 4

Question:

The Hon. DANIEL MOOKHEY: Thank you, that is very helpful. In terms of the WestConnex dividend policy that prevailed—not from this year—you have settled on 49 per cent interest, have you not? You own it now.

MICHELE HUEY: Sydney Transport Partners just bought—

ANDREW HEAD: Sydney Transport Partners, which—

The Hon. DANIEL MOOKHEY: That settled late last year?

MICHELE HUEY: Correct.

The Hon. DANIEL MOOKHEY: Congratulations on your newfound asset. I will ask you about the policy that applied prior to settlement, because I do not think it is fair for me to potentially push you on what happens beyond. Prior to settlement, was WestConnex paying dividends?

ANDREW HEAD: Yes. I just answered that in the earlier question.

The Hon. DANIEL MOOKHEY: Which financial years were you paying dividends, since opening?

ANDREW HEAD: Can I take that on notice? I do not want to give you the incorrect answer.

The Hon. DANIEL MOOKHEY: Sure. We have \$300 million in 2020-21. Do you have the figure for 2019-20?

ANDREW HEAD: Not at hand, but I can take it on notice.

Response:

Since the original acquisition of 51 per cent of WestConnex by Sydney Transport Partners in September 2018, WestConnex has paid distributions to all security holders totalling \$450 million through to 30 June 2021 as follows:

- FY19: \$46 million
- FY20: \$152 million
- FY21: \$253 million

In addition, following Sydney Transport Partners acquiring its original 51% stake of WestConnex in 2018, WestConnex made a capital release of \$1.1 billion in June 2021.

Distributions were determined by the WestConnex Board, after taking into account general liquidity and other financing document requirements, and as a result may not directly correlate with the underlying earnings of the WestConnex Group.

QUESTION ON NOTICE 5

Question:

The Hon. DANIEL MOOKHEY: Yes, I think I only have one other data request. I am tempted to ask for your long-range forecast spreadsheet, Ms Huey, because it sounded pretty exciting for Excel nerds. But I will save that and instead ask: Do you keep data on number of trips by tag account?

MICHELE HUEY: I will probably need to come back to the Committee with exactly what information we keep. But certainly, from a customer account perspective, we do provide our toll account customers with information on individual trips so that they can do whatever is relevant for them.

Response:

Transurban records trip information relating to customer accounts and makes this information available to customers in their statements.

Customers also have the ability to download an extract of trip information.

Please refer to our response to Question 6 below for further details.

QUESTION ON NOTICE 6

Question:

The Hon. DANIEL MOOKHEY: We asked this of Transport for the tag that they control as well. But just on your counterpart, you provide that information to Service NSW for the purpose of calculating toll relief, do you not?

MICHELE HUEY: Yes. In terms of the registration relief, we have also provided some clarification information in our responses. That information is provided to Service NSW so that Service NSW can undertake whatever calculation and assessment they need for eligibility for registration relief, which is a government initiative. That information we provide in accordance with the—

The Hon. DANIEL MOOKHEY: Yes. The bit that I am really interested in across the whole network, which I think would assist us as we look at the options as well, is more of a decile-style analysis. That is, the number of trips taken by each decile across the whole network. That is the type of data that allows to us actually start to look at wider issues around distribution of toll relief. Do you have any data like that, or is it possible that we could get it? It obviously is de-anonymised, because it is decile analysis, but we are really only looking at the percentage of trips that are taken within each decile as a percentage of all trips across the network for a period of time—which I accept is COVID-distorted right now.

MICHELE HUEY: Yes. In our submission, we have provided some segment breakdown in terms of geography and spend data, which is based on our customer, which is not the full picture. And then, at an aggregate level, we continue to provide information around vehicle trips and volume, which is on a 15-minute basis, at the asset level.

The Hon. DANIEL MOOKHEY: It is not the vehicles; it is the accounts, which is slightly separate to the vehicles. If there is any information you can give us on that, on notice, that would be most useful.

MICHELE HUEY: Sure, we will take that away and have a look at that. Obviously, at the very fine end of the tail then we are getting into very individual customer information, which we want to make sure that we protect.

The Hon. DANIEL MOOKHEY: It is decile analysis, so at least 10 per cent of your customers are mixed with each other, but I accept your point.

MICHELE HUEY: We will definitely come back to the Committee with information, noting that we only have a portion of the full road user base.

Response:

On page 23 of Transurban's submission to the Inquiry, we have segmented Greater Sydney into seven districts and provided a breakdown of average weekly toll expenditure from Linkt Sydney Retail customers to demonstrate regional differences for active private and commercial account holders.

An explanation of this data is provided on page 22 of the submission, noting we have chosen to provide data between March 2019 and February 2020 as it excludes COVID-19 impacts. The data excludes dormant customer accounts.

From that analysis, the average motorist travelling in a personal vehicle spent \$9.52 per week, with 74 per cent spending \$10 or less a week.

The analysis below is trip-count based, with a "trip" defined as a one-way journey on a single toll road. A customer who drove from the outer West to the Sydney CBD and back on the M7, M2, Lane Cove Tunnel and Sydney Harbour Bridge (tolled one-way) would in fact record seven trips for that return journey for the purpose of analysis (two on M7, two on M2, two on the Lane Cove Tunnel and one on the Sydney Harbour Bridge).

The deciles below break customers into ten equally sized groups (Group 1 being those who travelled most, through to Group 10 who travelled the least) between March 2019 and February 2020. All the Group 1 decile has a much higher average value than the median value, as the average has been skewed by a handful of accounts with very high trip volume. In such scenarios, the median is a better indicator for the centre of the distribution.

Because Transurban's Linkt customer base represents just under half of the NSW market for toll accounts, different toll retailers may be overrepresented and underrepresented in different geographic areas for a range of reasons unrelated to actual trip volume.

District	Decile No Zero By B/P & District	Private		Business	
		Median trips	# of accts	Median trips	# of accts
North	1	473	2,736	1,686	315
	2	256	2,736	665	315
	3	163	2,736	382	315
	4	110	2,736	253	315
	5	77	2,736	180	315
	6	53	2,736	119	315
	7	36	2,736	79	314
	8	23	2,735	49	314
	9	12	2,735	26	314
	10	4	2,735	7	314
North West	1	641	6,073	2,371	769
	2	347	6,073	1,038	769
	3	215	6,073	658	769
	4	144	6,073	446	769
	5	99	6,073	308	769
	6	68	6,073	207	769
	7	44	6,073	133	769
	8	26	6,073	80	768
	9	13	6,073	40	768
	10	4	6,073	9	768
West	1	526	6,079	4,088	579
	2	291	6,078	1,365	579
	3	176	6,078	790	579
	4	116	6,078	520	579
	5	80	6,078	366	579
	6	55	6,078	245	579
	7	36	6,078	157	579
	8	22	6,078	92	579
	9	11	6,078	45	578
	10	3	6,078	12	578
Inner	1	432	2,943	1,676	272
	2	229	2,943	639	272
	3	146	2,943	395	271
	4	100	2,943	259	271
	5	69	2,943	170	271
	6	48	2,943	116	271
	7	32	2,943	74	271
	8	20	2,943	46	271
	9	10	2,943	23	271
	10	3	2,942	5	271
South West	1	541	2,858	2,180	258
	2	308	2,858	987	258
	3	186	2,858	639	258
	4	120	2,858	418	258
	5	79	2,858	298	258
	6	54	2,858	193	258
	7	36	2,858	122	258
	8	22	2,858	74	258
	9	11	2,858	37	257
	10	3	2,857	8	257
South	1	360	1,388	1,274	122
	2	160	1,388	542	122
	3	93	1,388	304	122
	4	59	1,388	173	122
	5	40	1,388	110	122
	6	27	1,388	66	122
	7	18	1,388	42	121
	8	11	1,388	23	121
	9	6	1,388	11	121
	10	2	1,387	4	121
Rest of NSW	1	128	10,731	588	1,215
	2	53	10,731	185	1,215
	3	33	10,731	96	1,215
	4	23	10,731	59	1,215
	5	17	10,731	39	1,215
	6	12	10,731	27	1,215
	7	9	10,730	19	1,214
	8	6	10,730	12	1,214
	9	4	10,730	7	1,214
	10	2	10,730	3	1,214
Interstate or No Postcode	1	154	3,550	1,231	258
	2	57	3,550	277	258
	3	33	3,550	125	257
	4	23	3,550	69	257
	5	16	3,550	43	257
	6	12	3,550	28	257
	7	8	3,550	19	257
	8	6	3,549	12	257
	9	4	3,549	7	257
	10	2	3,549	2	257

Note: The classification of 'private' and 'commercial' customers is indicative only, as there is a high likelihood a number of customers included in the 'private' category could be single vehicle owners or operators, more likely to appear at the higher end of the spectrum of toll road users, such as taxis, limousine services, or vehicles supporting trades and small businesses.

QUESTION ON NOTICE 7

Question:

The CHAIR: Thank you, Mr Mookhey. I just have a couple of additional questions on the admin fees. Just to clarify, if you were to choose to reduce, waive or offer a discount on that admin fee that is different to what you have been doing already, would you require Transport for NSW's permission in any way?

MICHELE HUEY: Chair, I think the way that I would respond to your question is: Out of the customer transactions that we have seen recently—and we included some information in our responses—77 per cent of our customers that receive the toll notice, that is, the admin fee, do not end up paying it. That is a roundabout way for me to answer the question that we do actually waive that, because 77 per cent of the customers that receive a toll notice do not end up paying it. They end up being taken care of in other ways through that manual debit process, which significantly reduces their fees. But if you are referring to an overall fee structure, i.e. revisiting the administration fee, perhaps I am better to take some advice and make sure that I come back to the Committee with the most accurate information. I think what I shared with the Committee last time was that it would be an industry-wide effort that would involve engagement with Transport as a department.

The CHAIR: Thank you. Just to be clear, the question is: Is there anything under contract or regulation that would require Transurban to seek consent from Transport for NSW or another government entity before deciding to waive or discount any of that admin fee amount?

MICHELE HUEY: So, Chair, if I can come back to the Committee, to make sure that I answer the question accurately, I think that waiving it on an individual customer basis we already do that for 77 per cent of the customers that receive it. I think you are referring to the fee structure as a whole, in which case I do need to come back and make sure—

The CHAIR: Sure.

Response:

Due to the arrangements and processes that exist with TfNSW, our expectation is that any change to the administration fee would require agreement between TfNSW and toll road operators.

Further information is provided in Transurban's response to Question 11 of the previous Questions on Notice for this Inquiry.

QUESTION ON NOTICE 8

Question:

MICHELE HUEY: So there will be a range of different circumstances. I think some of the customers already have toll accounts, whether it is with Linkt, i.e. with Transurban, or with another toll provider. But for whatever reason their account is not active or whatever is the reason, there is an ability for us to exchange the admin fee to put the toll onto a toll account and a processing fee, which still reflects the cost of taking the phone call or doing the processing, whatever it is that is needed, which is by majority \$1.10 compared to the \$10 admin fee, and then there will be other customers that do not have an existing account and we can work with them to set up a product that is more suitable for them in those cases as well

The CHAIR: Is that \$1.10 per toll notice?

MICHELE HUEY: I believe so, but let me come back to the Committee to confirm.

The CHAIR: If so, and I believe it is as well, in that case presumably it is within Transurban's power to amalgamate that amount? You are only making one phone call to someone who has 10 toll notices outstanding. Presumably there is not 10 times the amount of cost to speak to them about those 10 toll notices as opposed to one, so do you have a policy for amalgamating at that point?

MICHELE HUEY: I think, as we covered earlier with the Committee, we do have a broader practice around helping customers get out of financial trouble, get out of burdens that they would have, which would be beyond the toll spend that we have in our sights, and so we do have ability and we do the practice of helping customers through waiving fees or spending or delaying fees and helping them with payment schedules and the like. But I think I will probably have to come back to you on exactly what we do with per toll notice.

Response:

As detailed in Transurban's response to Question 7 of the previous Questions on Notice for this Inquiry, for the small number of customers who don't pay the toll on time, there are several options to pay the outstanding amount.

This includes linking the relevant trip to an existing toll account or setting up an account with Linkt or E-Toll. Around 77 per cent of all Linkt toll notices that are paid are done this way. This reduces the fee of \$10 down to \$1.10 for the first toll notice and from \$20 down to \$2.20 for the second toll notice (or, in the case of the M7, to \$1.90 and \$2.90 respectively). Those discounted fees are applied on a per toll notice basis.

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.

QUESTION ON NOTICE 9

Question:

The CHAIR: Could you please—

ANDREW HEAD: And then—

The CHAIR: —provide me on notice as of today, or whenever you are answering the question on notice but as of that date, how much you have currently outstanding in terms of unpaid tolls that are subject to notices and how much of that is unpaid tolls and how much of it is admin fee?

MICHELE HUEY: We will take that on notice and come back to you.

Response:

As an ASX listed entity, Transurban is required to publish audited financial information and detailed presentations to security holders regarding its toll road operations on a regular basis, all of which is publicly available.

Reflecting these requirements, it is not appropriate to provide financial information beyond that which has been published.