

**REPORT ON PROCEEDINGS BEFORE**

**PORTFOLIO COMMITTEE NO. 6 - TRANSPORT AND  
CUSTOMER SERVICE**

**INQUIRY INTO ROAD TOLLING REGIMES**

**CORRECTED**

**At Sydney on Friday 10 December 2021**

**The Committee met at 9:30.**

**PRESENT**

Ms Abigail Boyd (Chair)

The Hon. Scott Farlow  
The Hon. John Graham  
The Hon. Daniel Mookhey (Deputy Chair)  
The Hon. Shayne Mallard

\* Please note:

[inaudible] is used when audio words cannot be deciphered  
[audio malfunction] is used when words are lost due to a technical malfunction  
[disorder] is used when members or witnesses speak over one another





---

CORRECTED

---

**The CHAIR:** Welcome to the fourth public hearing of the inquiry into road tolling regimes. Before I commence I would like to acknowledge the Gadigal people, who are the traditional custodians of the land on which the Parliament sits. I would also like to pay respects to Elders past, present and emerging of the Eora nation, and extend that respect to other Aboriginals present. Today we will be hearing from the Australian Competition and Consumer Commission and representatives of Transurban WestConnex. Before we commence I would like to make some brief comments about the procedures for today's hearing.

While parliamentary privilege applies to witnesses giving evidence today, it does not apply to what witnesses say outside of their evidence at the virtual hearing. I therefore urge witnesses to be careful about comments you may make to the media or to others after you complete your evidence. Committee hearings are not intended to provide a forum for people to make adverse reflections about others under the protection of parliamentary privilege. In that regard, it is important that witnesses focus on the issues raised by the inquiry terms of reference and that they avoid naming individuals unnecessarily.

All witnesses have a right to procedural fairness according to the procedural fairness resolution adopted by the House in 2018. There may be some questions that a witness can only answer if they have more time or with certain documents at hand. In those circumstances witnesses are advised that they can take those questions on notice and provide an answer to the Committee within 21 days. Today's proceedings are being streamed live and a transcript will be placed on the Committee's website once it becomes available. Finally, to assist our Hansard reporters may I remind both Committee members and witnesses to speak into their microphones. As we have a number of witnesses in person and via videoconference it may be helpful to identify who the questions are directed to, and who is speaking in response.

## CORRECTED

**TOM LEUNER**, Executive General Manager, Mergers, Exemptions and Digital Division, Australian Competition and Consumer Commission [ACCC], before the Committee via videoconference, affirmed and examined

**MATTHEW SCHRODER**, General Manager, Infrastructure, Transport Access and Pricing Branch, Australian Competition and Consumer Commission, before the Committee via videoconference, affirmed and examined

**DANIEL McCracken-Hewson**, General Manager, Merger Investigations Branch, Australian Competition and Consumer Commission, before the Committee via videoconference, affirmed and examined

**The CHAIR:** I now welcome our first witnesses. I thank all of you for appearing today. Would you like to start by making a short statement?

**Mr LEUNER:** We would be happy to go direct to questions, thank you.

**The CHAIR:** Excellent, thank you. I will commence with the Opposition.

**The Hon. JOHN GRAHAM:** Great. Thank you, Chair—John Graham for the Opposition. Thank you for your submission—it was very helpful. I might start with some of the comments of your chairman, Rod Sims, after the full privatisation of WestConnex went through. On 20 September this year he made this statement:

By continually selling to Transurban, they have made it very hard for anyone else to compete with Transurban ...

Less competition means either the government gets less proceeds for a privatisation sale or the bidder puts in a higher toll cost for motorists.

They were quite strong statements. I am interested in any other context you can give the Committee about the ACCC's view post the full privatisation of WestConnex about the status of these toll roads.

**Mr LEUNER:** Thank you. I can take that one. What Mr Sims is really talking about there is competition for toll roads in the future. The concern that we had when we looked at the sale of WestConnex, one of the key concerns, is what is the impact on future processes when the Government wants to build a new toll road? Will there be sufficient competitive tension in the bids for those toll roads such that the Government extracts a good deal for users of the road and for the Government itself? What we were concerned about is that, as Transurban grows and has more and more of the roads, its incumbency advantage—the advantage of being the incumbent—can get stronger and stronger.

So it has modellers that sit there analysing the data. It has all of the gantry data from the gantries that measure when you go through the toll. And other bidders do not have that position of incumbency. So can they constrain the bids that Transurban puts in in future? I think that what Mr Sims was referring to is over time, as Transurban more and more has this established position of incumbency, that advantage could become larger and larger. But the point he was really making was that that, in a sense, is in the hands of the Government. The Government does not have to sell new roads to Transurban or the right to have a concession. It could give them to another bidder if it wanted to ensure that other bidders also had a position of incumbency in future.

**The Hon. JOHN GRAHAM:** What is the risk here? What might drivers pay? It means drivers might pay more under those circumstances. What is the risk if the Government gets its policy wrong?

**Mr LEUNER:** I think normally, as I understand it, the way this works is the Government goes out to tender and it lists the toll rates in that tender. So it is basically saying, for example, you have got a right to charge \$4 on that road for the next 20 years—and there are escalation measures and different measures for trucks and all of that detail that I am sure you are aware of. So that is what it puts forward and then where the harm could come in is in how much people are willing to bid for that. So Transurban is, in essence, the only player with a position of incumbency. It is the only player that has all of that detailed modelling ability to really confirm that its traffic forecasts are accurate, and the concern is the bids will be low. So in essence it is just hurting government consolidated revenue because it will get less for that road when it is offered, so indirectly hurting all New South Wales taxpayers, I guess.

**The Hon. JOHN GRAHAM:** You are right to draw attention to the fact that the facts have changed significantly here over the recent years in Sydney and New South Wales. The previous Committee that looked at this road tolling question and the potential question about whether Transurban had a monopoly found that it did not. There was quite a strong Committee comment saying at that point in time Transurban did not have a monopoly position. Things have changed significantly since then. On that question about whether Transurban has a monopoly or something like it in Sydney over toll roads, what is the view of the ACCC as we sit here today?

**Mr LEUNER:** So if we look at when WestConnex was offered up, there were competing bids. In that market for bidding for future toll roads, I do not think it was right at that stage to say Transurban had a monopoly.

## CORRECTED

It faced competing bids. That was reported in the press. And then going forward for future potential toll roads that might arise in the future, I guess the question is: Will there be competing bids that can competitively constrain what Transurban puts in? Because of the ACCC's concerns about this issue, we did require that Transurban publish all of its gantry data on a website that is made public, because that was the critical input that we felt that Transurban has this advantage when bidding for future toll roads, because it has this source of data that no one else has. By forcing them to publish that data and make that available to other bidders we thought that we were evening up the playing field so that future bidders, when they are doing their traffic forecast and all that to work out how much they can bid for a future road—

**The Hon. JOHN GRAHAM:** I will come back to ask you about that data question but on the question of competing bids, when it came to the second tranche of WestConnex, that sale, did Transurban face a competing bid?

**Mr LEUNER:** I will have to take that on notice. Unfortunately, I cannot recall. So you are talking about the 49 per cent—

**The Hon. JOHN GRAHAM:** Yes.

**Mr LEUNER:** The recent transaction?

**The Hon. JOHN GRAHAM:** No one claimed the benefits they potentially could have claimed for their bid costs. There was no indication that in the end there was more than one bid for that second tranche of the sale.

**Mr LEUNER:** Yes, we were not running the sale [inaudible] process, obviously—

**The Hon. JOHN GRAHAM:** Yes. Understood.

**Mr LEUNER:** —so you would have to check. Our job is enforce section 50, which we talked about in our submission. If there were other bids, they would not raise any competition issues to the ACCC. So it would not have been of interest to the ACCC, in a the sense. But obviously [disorder].

**The Hon. JOHN GRAHAM:** On that bid process, though, can I ask you this? Would it be of concern to the ACCC if there was no competing bid in that process? You are obviously concerned about that in future. You would also be concerned if, in fact, that was the case with this last tranche—is that correct?

**Mr LEUNER:** Well, yes. If there is a lack of competing bids I think that is a poor outcome for the New South Wales public, because they are not necessarily extracting the best deal for those assets. Now, what actually counts as a bid? I know there was at least interest from other players. Whether they put in a final bid or not, I am not privy to that and I do not actually know. But even if they are expressing interest it probably constrains what Transurban might have bid for the 49 per cent, because Transurban is sitting there thinking, "Well, we need to make sure we outbid so-and-so," and they would have put in their proposal to the New South Wales Government. I do not know if they put in a final bid or not. I am not privy to that information. But I know there was at least some competition tension, because there were other parties that were at least interested in it [disorder].

**The Hon. JOHN GRAHAM:** Perhaps a worrying sign about the future—the future you are pointing to—where there may not be that competitive potential or those competing bids.

**Mr LEUNER:** Possibly, but a 49 per cent stake is quite different. Let us say there was the Beaches Link in future and that goes out to tender. When you get full control of that link—if you bid it and win it—compared to bidding for a 49 per cent stake, where you know Transurban is basically sitting in the controlling seat, sure, you will get some board seats and things like that, but it is not your asset. You will not control it. So I suspect the nature of a 49 per cent interest might naturally temper some of the interest you might get from, for example, international toll road companies and things like that because they want to be in control of the asset so they may be less interested in that minority stake.

**The Hon. JOHN GRAHAM:** Mr Leuner, you have talked about the requirements of the ACCC applied to Transurban to release some of the data for those toll roads, and that is certainly public, in great detail. One of the concerns in the market is that there are still data advantages that Transurban holds by virtue of the analysis it was able to do by virtue of actually holding the assets. What is the view of the ACCC on that question? Are you comfortable that this has succeeded? I note your submission states:

... state governments should implement broader measures to ensure exclusive traffic data held by toll road operators is shared ...

Can you tell us what those are?

**Mr LEUNER:** There are a few parts, but I will answer the last part first, which was: Ideally we think when a concession is offered, the Government should just compel the company to release all the traffic data, so it is not on the ACCC. The section 87B undertaking—sure, it is there, but this is really a New South Wales

## CORRECTED

Government issue. So we have actually said maybe the New South Wales Government should just encourage all of this data to be made public on all toll roads so that it does not sit in this section 87B undertaking that the ACCC monitors. In answer to your earlier question—sorry, I have just lost track, I apologise. Could you repeat that earlier part of the question?

**The Hon. JOHN GRAHAM:** Really I am interested to know what other things could State government do in relation to data? Are you comfortable? Clearly not, given your submission. What else could be done in this space to make sure that this data advantage over government or over other providers is neutralised in the interests of competition?

**Mr LEUNER:** There is another type of data, which—I think it is called individual trip data. It literally tells you if car X entered on this entry point, where did it exit and how many minutes later. We actually looked at whether Transurban uses that trip data in its modelling and then, in turn, it uses the model to bid for future toll roads, and we put this in our public documentation. They do not. We felt they do not use that individual trip data. They rely on the gantry data, so that is why we really focused that undertaking on that gantry data down to the 15-minute intervals that you can see published. What else can the Government do? To make sure you get competitive bids, you need to try to even the playing field with the data, and we think the undertaking goes a lot of the way there. We could not think of other data that would be particularly useful. We know this trip data exists, but we did not find that Transurban uses that data to any significant extent, so I do not think that really changes things.

But the other thing the Government can do is give time for other bidders to build their model. So if you are a Spanish toll road company—I think there is a big company in Spain that is always interested in entering toll roads around the world, and there are probably a few US companies—what you need is some people who can do the detailed traffic forecasts for Sydney, and that takes time to build those models, to bring in that expertise and to really try to refine those models. They do all kinds of complicated things. They run the model and then test whether it predicted [disorder].

**The Hon. JOHN GRAHAM:** What time period would you consider to be a minimum for that sort of complicated bid process that you are describing?

**Mr LEUNER:** I do not think we have a fixed view. I would encourage you to talk to other potential interested parties—we know IFM was interested, for example—and ask them, "How much time do you actually need?" But my instinct—and I do not want to say this is a fixed view—at least nine to 12 months would be my instinct, but the ACCC does not have a firm view on what is actually required.

**The Hon. JOHN GRAHAM:** Okay, that is very helpful guidance. Finally, before handing to my colleague, I might turn to one other issue, which is, given what you have outlined as being the ACCC's concerns, which are potential future toll road privatisations, do you envisage that the ACCC will have a role in future when it potentially comes to the Western Harbour Tunnel, to the M6 stage one, to the Beaches Link, to the M7 and M12 extensions? Is it on the ACCC's radar that it may need to oversight or intervene in these toll road deals in future?

**Mr LEUNER:** We will look at them carefully under section 50 of the Act—the section of the Act that prohibits acquisitions that might substantially lessen competition. We have looked at, I think, all of Transurban's acquisition over the years, and I cannot see that pattern changing. We would look at them very closely.

**The Hon. DANIEL MOOKHEY:** Daniel Mookhey, also from the Opposition. I might follow up on the line of questioning that my colleague initiated. Under section 50 you have the power to stop acquisitions and/or mergers that substantially lessen competition in the marketplace. That is correct?

**Mr LEUNER:** Well it is often a perception the ACCC can just stop deals. It is actually not correct. It is an enforcement regime. All the law says is you cannot buy a company that substantially lessens competition. That is literally all it says. There is nothing about the ACCC's powers or anything like that. If the ACCC makes a decision that it thinks there is a breach of that provision, it actually needs to go to the Federal Court to stop it.

**The Hon. DANIEL MOOKHEY:** Indeed.

**Mr LEUNER:** It is only the Federal Court that can enforce section 50. We, effectively, have set up a process where we give—the whole process is designed to work at the ACCC's view on whether we think there is a possible breach of section 50, and if we do, then we need to take action in the Federal Court, which is the ultimate place of arbitration, if you like, or determination, I should say.

**The Hon. DANIEL MOOKHEY:** I appreciate that, but you have to take a view about what a market is. I am wondering, when it comes to toll roads, do you define the market as being Sydney? Do you define it as being New South Wales? Do you define it as being Australia?

## CORRECTED

**Mr LEUNER:** If I recall correctly, there were two markets of interest when we looked at WestConnex, which is the most recent example. There was the market of bidding for future toll roads. I cannot remember the exact words, but it was words to that effect. I think we restricted that to New South Wales. Whether you took a national market or not probably does not make too much difference to the actual technical analysis because ultimately it is not about market definition; it is about the impact on competition. Then there was a second market that we analysed, or markets, which is actual road-on-road, day-to-day competition, in a sense. Does road X that Transurban is looking at buying compete with road Y that they already own in a day-to-day sense? That is a sort of second market, which is a very different market.

**The Hon. DANIEL MOOKHEY:** Okay, that is helpful. Should you find yourself in a position where we do have Transurban looking to buy, in the future, the Western Harbour Tunnel, the Northern Beaches Link, the F6, other forms of toll roads, what would the reaction of the ACCC be and what would the process be that you would follow?

**Mr LEUNER:** Normally, and what has happened for most of these deals so far, is Transurban would come to us with its proposal and say, "We're proposing to buy this asset," and seek informal clearance. That is the process we have talked about in the past. If there are prima facie some potential concerns, we would kick off a public review. This is what we did with WestConnex. We put it up on our website and we talk to everyone in the industry. We do a call-out for submissions and we use our compulsory powers. So we extract documents from the parties, documents from other bidders. We examine them under oath, so it is a very intensive, investigative process with a high degree of transparency to the parties. We let them know what the concerns are and let them respond et cetera, and then ultimately we make that decision on whether we think there is a potential breach of section 50 and then whether we can argue that case in the Federal Court.

**The Hon. DANIEL MOOKHEY:** I move on to a part of your submission in which you talk about toll pricing. On page 3, it states:

... tolls on privately built roads are generally above the cost of provision of the roads ...

And further:

... there is a concern that pricing frameworks for toll road operations could be used as a source of government revenue ... rather than priced for the efficient use of the road network.

Are you able to take us through what led you to have that concern and why you think that privately built toll roads tend to be charged at a higher rate than the cost of the provision of the roads?

**Mr LEUNER:** I will hand that over to Mr Schroder, thank you.

**Mr SCHRODER:** Thank you. So our concerns are that, firstly, if you are saying why would they be greater than the costs of the—

**The Hon. DANIEL MOOKHEY:** Actually, take us through your concerns. That is probably a better way of putting it.

**Mr SCHRODER:** Okay, sure.

**The Hon. DANIEL MOOKHEY:** If you just take us through your concerns with how tolls are currently being priced and then we can probably follow up from there.

**Mr SCHRODER:** Yes. So it is not specific to how tolls are priced. Our concerns are more broad and we have been advocating around Government privatisations and how they have been run, not specific to New South Wales and not specific to toll roads. We have been in the public domain on ports and other privatisations that have occurred. The concern is that there is an incentive for the government of the day to privatise assets with monopoly characteristics or very, very strong market power without appropriate constraints on it to maximise the up-front capital returns, which, in effect, cause a tax on the people of that jurisdiction in the future. So, for example, if you are privatising a port which has monopoly power, you will get a higher price if you do not put in an appropriate regulatory regime, which constrains their pricing. But you will get a higher up-front return for the sale of it or for the sale of the concession but, ultimately, that can be damaging to the economy. So that is where we are coming out.

**The CHAIR:** Did you have a follow-up?

**The Hon. DANIEL MOOKHEY:** I did have a follow-up.

**The CHAIR:** You can complete your line of questioning, if you like.

**The Hon. DANIEL MOOKHEY:** Okay. I accept that, Mr Schroder. That is a concern that the Australian Competition and Consumer Commission [ACCC] has articulated in multiple instances, particularly



## CORRECTED

when it comes to port transactions as well. Whilst I am tempted to go further along that path, I might stick to the toll roads—stay on the straight and narrow.

**The Hon. JOHN GRAHAM:** Hear, hear!

**The Hon. DANIEL MOOKHEY:** In respect to the actual, is it your view that some of that behaviour in which governments have chosen not to impose a regime that might limit the ability for them to extract a high price has applied to the sale of toll roads in New South Wales?

**Mr SCHRODER:** We do not have a specific view that that has occurred for toll roads in New South Wales, no.

**The Hon. DANIEL MOOKHEY:** So when you then say, given that tolls on privately built roads are generally above the cost of provision of the roads, there is a concern that pricing frameworks for toll road operations could be used as a source of Government revenue, what do you mean?

**Mr SCHRODER:** It stands to reason that the pricing regime around privatised toll roads needs to be above cost because the toll road operators will need to make a profit.

**The Hon. DANIEL MOOKHEY:** Indeed.

**Mr SCHRODER:** Pardon?

**The Hon. DANIEL MOOKHEY:** Yes, indeed. Yes.

**Mr SCHRODER:** Sorry. So that is a general principle. The concern is, though, that if the concession deed—the terms around the concession deed—do not constrain the toll road operator appropriately, and we have seen some evidence of that in other industries, then that would lead to an inefficient outcome.

**The Hon. DANIEL MOOKHEY:** I think my last question, before I return it to the Chair for her time, is: In respect to that particular concern that you just raised around the way they have been priced to cover the costs of capital plus a return, is there sufficient transparency and information release that would allow the ACCC and/or the public to properly scrutinise whether or not the manner in which toll roads are priced is fair and reasonable, or at least reasonable from the perspective of competition, as opposed to the perspective of encouraging monopoly or monopoly returns in exchange for a higher up-front payment? Are we transparent enough? What else should we be saying should be the data release or the transparency principles that should be applied when it comes to concession pricing and financial returns that are available to the buyer of the concession?

**Mr SCHRODER:** So, again, we have not looked specifically at this but as a general principle markets work better when there is more information available. In the same way that we would like to have information available for competitors and future competitors that would be bidding for future toll roads, the more information, the better. But, again, that is not a statement. We do not have sufficient information because that is not something that, I think, that we have done work on.

**The CHAIR:** Thank you. Just picking up on that discussion, I guess if we look at section 50 and the prohibition on mergers and acquisitions are likely to have the effect of substantially lessening competition in the markets, when you are assessing a particular acquisition, how far back do you go in terms of looking at whether or not the process was as competitive as possible? Are you concerned only with the particular transaction, or do you go further back to look at the relationship between the parties?

**Mr LEUNER:** It is actually a forwards-looking test. It is asking: Does this acquisition, which is usually in future—occasionally it has already happened, but in all the cases at Transurban it has always been in the future—mean we would have less competition in the future? So now obviously you look back as far as is appropriate and relevant. Any relevant source of information that helps you to predict the future impact on competition is relevant, so past conduct, past bidding results et cetera are all relevant.

**The CHAIR:** Okay. So we are looking at what the future holds, I guess, which is bounded then by what exists at the moment. But if, for example, earlier you referred to obviously for a 49 per cent stake you might expect less competition because the purchaser is not going to end up with control over the asset. To what extent is it relevant that I guess the acquisition structure has been set up like that from the beginning? I guess when the 51 per cent was sold, was it a consideration as to whether the fact that it had been structured like that would lead them to less competition for the 49 per cent?

**Mr LEUNER:** When we looked at the 51 per cent, in our minds we just treated it as control. So, in effect, it was akin to 100 per cent. That was where the potential competition effects were really likely to be, whichever acquisition led to control. We still looked at the 49 per cent because we still had to ask, "Well, if someone else got that 49 per cent, would they get some of that incumbency advantage? Would they be a stronger

## CORRECTED

future competitive threat for Transurban in future?" That is a question we ask and we basically decided no, it will make little difference. So I do not think we looked at the 51 per cent thinking, "Well, what impact does that have when they sell the 49 per cent in future?" It was just that we looked at the 51 per cent and just thought, "Well, that's the controlling stake. That's the critical piece." That is the basis that we looked at it.

**The CHAIR:** Okay. So when we are looking at that then, that incumbency advantage going forward which presumably is a major barrier to entry, really, for other entrants into the market, from the perspective of your analysis does incumbency advantage also include, for example, the ease with which Transurban, given how many deals it has done, would be able to contact the government of the future, or the relationships between particular private players and Government and the other aspects of that incumbency advantage that could lessen the potential competition in the future? Is that part of the analysis?

**Mr LEUNER:** We did not look at the relationships between Transurban and governments as a sort of standalone incumbency advantage. What we more focused on was that data advantage and also the advantage that Transurban just has in having these modellers, traffic forecasters and modellers in-house sitting there in Sydney, analysing all of the data, thinking through, "Well, how many people are going to go on the beaches link?" They are already, I am sure, analysing all those questions and that gives it a bit of an advantage. To ensure competition in the future, it is all about trying to level the playing field and bid against that by giving other bidders more time and giving them access to the data, which hopefully that undertaking we have spoken about does. The relationship with government is not something we have really thought about so we really do not have strong or significant comments on that, I do not think.

**The CHAIR:** So when you are looking at whether the acquisition lessens competition in the future, are you also then concerned with the process by which the bidding has occurred, I guess? How does that fit in with looking at the future when we are talking about what is happening at the process level?

**Mr LEUNER:** No, it is not really relevant. What we are looking at is a world where Transurban—well, just take WestConnex as an example. In that deal we were thinking, if Transurban takes the majority stake in WestConnex, we are going to have a future world like that versus a future world where someone else gets the majority stake in WestConnex, and we compare those two worlds to see if one would be much more competitive than the other, which would be indicative that one substantially lessens competition compared to the other. Our role is not to intervene in how the New South Wales Government runs its tender process or anything like that. All we did was make some comments that, if you want to even up the playing field in the future, here are some ideas on how you might do that.

**The CHAIR:** So although you suggested some sensible recommendations about how the Government might increase the competitiveness of the process in order to get a better bang for the buck—whatever that expression is—then whether or not they do take up those recommendations would not impact on the future decision by ACCC in relation to another acquisition?

**Mr LEUNER:** It is good question. I am just trying to think how to answer this. If we thought that whoever bought WestConnex—if Transurban buys WestConnex then they are going to, forever and a day, always buy every future toll road in Sydney because the Government is not going to try and induce competition. That would have been a factor in our analysis. So we are thinking in our minds, that is not in the Government's interest. Surely the New South Wales Government will want some competitive tension so it can get more for taxpayers or cheaper roads. It could have a lower toll but still get a good bid price, for example. Surely that is in its interests. So I think it is in the New South Wales Government's interest—and we would have factored that in—to try and even up that playing field for future toll roads. The extent to which they do and how that impacted on our analysis is really tricky but it was certainly a factor in our analysis and I think we say this in our assessment of the decision—which is, the New South Wales Government can influence that in the way it runs these tenders in future.

Just something we have not touched on yet is unsolicited proposals. The ACCC saw evidence that unsolicited proposals earn a higher rate of return than ones that go to competitive tender, which to us makes perfect sense. If you do not go out to tender and try and get competitive bids, and instead you just go down the unsolicited proposal route, then you are not really putting it out to see if there are competitive alternatives and putting competitive pressure on Transurban. So the other suggestion we had was to try and restrict the number of unsolicited proposals that you accept. I think they should be restricted to truly unique circumstances, and try and encourage other bidders.

If someone comes in with an unsolicited proposal, why not convert it to a tender process and put it out there and give other bidders a year to make their proposals? Sorry, I know I have gone further than your question but just there were examples in the US where the incumbent has come up with a road proposal and then the Government sought interest from other bidders, and other bidders have come up with actually better road proposals that are more efficient because of the design of the ramps and the number of lanes and all these things. So they

## CORRECTED

---

have extracted a better deal for consumers and the taxpayer by going out to tender and seeing what other ideas are out there.

**The CHAIR:** How realistic do you think it is, then, if we have got Sydney's toll roads with 11 of the 12 being owned by Transurban—how realistic do you think it is in the future that we would get another player who would be able to compete with Transurban to bid for another toll road?

**Mr LEUNER:** It is difficult for us to answer that question, but there was interest in WestConnex from other bidders. And I think if the Government were to give other bidders sufficient time—and there are other techniques you can use such as underwriting big costs and things like that, which I know were mentioned before, to encourage interest so that they go and invest in all the modelling, they buy that traffic expertise in. I think there is a lot of interest worldwide, especially if you look at the superannuation sector. They want to find assets like this that have nice, set returns. So I think certainly there will be a lot of interest in future toll roads. But we are not monitoring the toll roads industry on an ongoing basis. We just look at transactions as they come to us. So I say that with not a high level of confidence, if that make sense. But I think if the Government uses appropriate techniques it could get more interest.

**The CHAIR:** Thank you. Now I have just completely forgotten the question I just had. I am going to pass over to the Government members. Mr Mallard.

**The Hon. SHAYNE MALLARD:** Thank you, Madam Chair. You have got one Government member here. There are three competing inquiries today so I apologise that my colleagues—

**The Hon. DANIEL MOOKHEY:** Competition.

**The Hon. SHAYNE MALLARD:** Competition—ACCC competition for committees. I apologise for that. Thank you for your submission and I think the observations frankly are quite helpful. This is new territory for all governments in regards to this infrastructure outlay that we are doing in New South Wales—historic—and I am sure Treasury has taken note of those observations. But your judgement on the transaction on WestConnex and the situation has not flagged a red flag in regards to section 50. The ACCC has greenlighted that transaction so you just noted some concerns going forward.

**Mr LEUNER:** That is right. We felt that there was a potential substantial lessening of competition in that market for bidding for future toll roads but, because of that data advantage we spoke about—the data incumbency advantage—to address that competition concern we accepted the undertaking that forces them to publish the data, the 15-minute gantry data. So we did think there was a competition problem but we thought it was addressed by that data commitment.

**The Hon. SHAYNE MALLARD:** Obviously that data—the vehicle trips, the amount of vehicles—must be commercial sensitive data for any company that is providing a service. So asking them to release that—that has share market implications and share price implications?

**Mr LEUNER:** It does and I understand Transurban manages that by announcing the data, or the aggregate results of the data, to the Australian Securities Exchange [ASX] just before it puts it on the website, to manage the sort of ASX sensitivities of the data, and if you look at the undertaking it actually says that the data needs to be put on the website within several days, I can't remember the number—

**The Hon. JOHN GRAHAM:** Forty-eight hours.

**Mr LEUNER:** Yes—after they have released their mid-term reports and things like that. So it is clearly sensitive data because they need to manage those ASX responsibilities.

**The Hon. SHAYNE MALLARD:** With strong regulatory controls around that, too, and penalties if they do not report it correctly at the right time, yes. Picking up on the Chair's comments and your response around future competition if there are toll road privatisations in New South Wales, my understanding, and I could be corrected, is that the 49 per cent purchase of the remaining of WestConnex was made of three investors, I think—a super fund or two oversee super funds and Transurban. So my observation from that would be that capital, as you said in your answer before, like super funds looking for stable returns cannot run a toll road. They look for an operator—ideally a locally well-placed operator—that can manage that toll road operation but they invest. Is that your understanding of what has happened with that 49 per cent.

**Mr LEUNER:** That is my understanding for that 49 per cent. I would add—

**The Hon. SHAYNE MALLARD:** So Transurban themselves per se do not own it. That is a consortium.

**Mr LEUNER:** Yes. I think some of their assets in Sydney are majority owned by Transurban but quite a few of them are consortiums. But I would note that some of the superannuation firms do, through organisations

## CORRECTED

like IFM and things like that, actually own and manage assets. That is not unheard of. That is another way you can take control of these assets and actually in effect run them yourself.

**The Hon. SHAYNE MALLARD:** For the layperson driving their car on WestConnex, they would not see Transurban as having a monopoly because they have got other road options. That is a consumer's view of a monopoly. You have gone down the path of the Government perspective in terms of competitive tension for future purchasers, but the consumers do not see that as a monopoly. Would you agree with that? It is not like Telstra buying Optus. It is not that type of situation. It is not a consumer issue.

**Mr LEUNER:** We see each toll road as, in effect, a monopoly in itself in the sense that if you are up there at one end of the road and you want to get to the other, sure, you can go on public roads but the time limit is going to mean that in many circumstances is not going to be a substitute. The thing is, although it is a monopoly, it is regulated, in effect, through the concession deed which sets the price. So those concession deeds which set the toll price are kind of regulating the conduct and the pricing of Transurban. If Transurban owned all these roads and there was no concession deeds, they would price a lot higher, I suspect. That concession deed is sort of a form of regulation that is set up when you put these out to tender. From a consumer's perspective, it is difficult to comment on. I do not know if I have much to add on that.

**The Hon. SHAYNE MALLARD:** If we cast our minds back to the early days of the planning for WestConnex, the Government could not find a private sector partner. It was just too complex and too risky, and the Government had to take it on itself and de-risk it, and then WestConnex came on board once the Government had done pretty much the heavy lifting of the risk and did that transaction. It is quite a unique product in that regard.

**Mr LEUNER:** Yes, construction risk is another big factor that impacts on the extent to which you get competitive bids for a proposal. There are huge construction risks. I suspect WestConnex would have fallen into that category given all the tunnelling and planning problems and stuff like that. It was not our decision-making, but I understand that whole was designed in a way where they got it going and took on and solved a lot of those risk issues so that, in turn, they would get high bids for the process because some of that risk had been removed. But, ultimately, there is still a risk on traffic forecasts. I know some parts of WestConnex are completed and that you can see the traffic, but when it is all done and dusted, no-one knows how many cars are going to go on that. We have seen around Australia that many toll roads have been constructed and the bidders have put in a bid thinking that traffic forecasts are going to be X and they have turned out to be much lower and that has harmed them obviously.

**The Hon. SHAYNE MALLARD:** The classic one is the Cross City Tunnel built by Labor which went bankrupt, and I think ultimately Transurban acquired that out of receivership, but they used traffic forecasting there that was clearly too optimistic. Do you look back at that example when you are looking at the situation?

**Mr LEUNER:** All of the people who are bidding for these future toll roads know the story about the Cross City Tunnel, and there is another example in Brisbane. To put it in colloquial terms, that makes them nervous about their traffic forecasts and it makes their financiers nervous as well. They do not want a repeat scenario. It puts more importance on that traffic modelling as a critical factor when you make a bid. You need the financiers to be confident in your model; you need to be confident in the model. It has to be done using the absolute best data and the best traffic expertise you can find, and that is again why we thought that data undertaking was really important to ensure that competitive bidders in future have access to the data and can really invest in their traffic forecasts.

**The Hon. SHAYNE MALLARD:** I was interested in your more general observations on road tolling charging in your submission. I thought that had some interesting observations. You make an observation around fuel excise and that it is inefficient and does not send a signal to consumers about their impact upon the road network. Do you want to unpack that a bit? You lean towards saying that the tolling road regime is actually better signalling to the market in terms of use of roads and congestion and so forth. Do you want to unpack that observation a bit for us?

**Mr SCHRODER:** I might answer that, Mr Mallard. The most efficient system would be one that takes account of the costs that are imposed on the system. That is weight, because weight creates damage to roads; distance travelled; location and time of day because that relates to things like congestion and the like; and also other market-negative externalities like pollution as well could be charged into that. But the ideal system is something that reflects the costs that are imposed on the system for two reasons. One is, it is very valuable information so that we are able to plan maintenance and building of roads, but the other thing is, and the main bit is, it provides price signals to the users of the roads when it is best for them to be using the roads—if you have got discretion, do not go in during peak times because you are imposing congestion on others—as opposed to fuel excise.

## CORRECTED

Fuel excise in one sense is an ersatz road pricing system in that by and large you burn more fuel when you are driving more on roads so you are paying more in excise, but it is not hypothecated in any way so there is not a clear link between the money that is used and the money that is gained from excise and road building, and it does not feed through to local and State governments that are actually building the roads because it goes to the Federal Government. Ultimately, that can pass through, but it is not actually hypothecated so that is why we are saying that fuel excise is not a very efficient way of charging for roads. Toll roads, to the extent that some of them have variable pricing for peak and off-peak and variable pricing for heavy vehicles and light vehicles—not exact and it is not exactly on axle weight and the like and those sort of things that technology would not allow now. While toll roads don't charge exactly on time of day, distance, axle weight and the like, they slightly, at the margin, have a pricing schedule which is more reflective of the costs imposed on the system than fuel excise is.

**The Hon. SHAYNE MALLARD:** I think we got that, but I am not sure if Hansard did. It was just a bit garbled. I appreciate that. Would you be suggesting that the major road network would be a toll road network and obviously sort of rural, regional and suburban roads would not be to manage price signalling on those major arterial highways and roads around our cities? I am not just talking about Sydney, just in general terms—ACCC's view.

**Mr SCHRODER:** More broadly, we think that there should be those sort of pricing signals on all roads. Issues of congestion and the like are more relevant to Sydney than they are to regional roads. There will be elements of those that are not particularly applicable to non-urban roads, but the ideal system would not discriminate between urban and regional roads in that sense. All of them would be priced.

**The Hon. SHAYNE MALLARD:** That brings me to what I think will be my last question this round. Talking about competition, and you have delved into the competition in regard to marketplace tensions in terms of toll roads, but to be frank there is a tension in Treasury and in Government to deliver road upgrades, highway upgrades, a program replacing all the bridges in rural and regional New South Wales, non-tollable roads across the State and infrastructure needed for Sydney to remove congestion and generate economic growth in Sydney. There is a competitive tension in the Government to deliver both those at once. I am talking about competition for Treasury to deliver and for the Government to deliver. Would you not see the delivery of infrastructure in the city paid for by basically city drivers that frees up capital—opportunity cost—to rural and regional New South Wales, the Pacific Highway, the Princes Highway, the Blue Mountains upgrade right out through to rural and regional New South Wales, as a good competitive outcome?

**Mr LEUNER:** Although you used the word "competition", and it is nice to say that the ACCC is responsible for competition issues, I think that form of competition in the way you used the word is not really our domain and that is really for New South Wales Government making those priority decisions. I do not think we have a comment on that, sorry.

**The Hon. SHAYNE MALLARD:** Okay, good dodge.

**The CHAIR:** Just one last question from me. I have remembered what my earlier question was and then I will hand back to the Opposition. Perhaps one for you, Mr Leuner. When we were talking before about the market for bidding for future toll roads and that this is the sort of market that was being looked at when considering WestConnex, is the market for running toll roads and that involving Government as an operator of toll roads ever considered in whether there needs to be competition between the government sector and the private sector or are we dealing only with private sector entities?

**Mr LEUNER:** It is a good question because obviously when the Government is looking to sell a concession for a toll road, in the back of its mind—I assume because we are not privy to this—it is always thinking, "If we do not get a good outcome, we can do it ourselves." The Government has built many toll roads over the years, as you would be aware. But that form of competition, which is kind of a competition between in-housing as Government and selling it, is not really the competition the ACCC is so concerned with. The ACCC is concerned about the future competition between bidders and I guess private sector bidders for roads in future.

It is a tricky question to answer but it goes to that point that we do think the Government is in the driver's seat here. It can control what it does with toll roads, it is the one issuing these concessions. For example, it could decide not to privatise roads in future and then there is no competitive harm or it can decide to even the playing field in whatever techniques it uses. In the back of our minds, the fact that the Government is the one in the driver's seat for all these decisions was a factor. If the Government feels like Transurban is somehow, for want of a better word, giving taxpayers a dud deal on these future concessions, it is in the driver's seat and can change that. So "indirectly relevant" I think would be the answer.

**The Hon. JOHN GRAHAM:** I was glad that you raised that issue about the unsolicited proposals. We did not have time to get to that in our questioning, but that was a very useful view that you put to the Committee.

## CORRECTED

I am interested in your view about whether toll road extensions, or variations, really meet the key test that the Government applies, which is uniqueness. The New South Wales Government policy itself says the following is not a qualification for uniqueness:

Proposals for significant extensions/variations to existing contracts/leases, or the next stage of a staged project on the basis that the contractor is already "on-site" ...

So that is not unique. Does that underline your concerns that these toll road extensions should not be the subject of unsolicited proposals or, if there is an unsolicited proposal, should be subject to competition?

**Mr LEUNER:** I think our view is that the Government should attempt to put them to competition and a competitive tender process wherever it can. I am sure everyone has seen the examples of when you start getting towards the end of a concession, the toll road company particularly puts a proposal to government: "We'll add two lanes and we'll add some more off ramps or we'll extend a few kilometres," whatever it might be, "and in return, give us another 20 years of concession." That is their unsolicited proposal in simple terms. If the Government always accepts those, we are going to have this cycle where nothing is ever put to tender on an ongoing basis because in another 20 years, who knows, we will need more lanes, or whatever it might be.

**The Hon. JOHN GRAHAM:** It is a very good point because that will become more important now that many of the toll roads are planned or built, or on the way to being built. That dynamic over the next decades will become more important.

**Mr LEUNER:** Yes. For example, let's say there was a new road coming off an existing toll road. We see no reason, as a general rule—there may be some legal reason that we are not aware of—why generally that could not be put to full tender and you encourage a competitive bid process. For situations where they are adding lanes and things like that, we are not privy to whether that is legally possible to put that kind of thing to tender but we would encourage governments to find whatever ways they can to even put those sorts of things to tender. Perhaps you wait out the concession, and once the concession is over the road is back in government hands and then the Government puts out a tender saying, "Okay, bidders, you have to add two lanes to this freeway and then you will get a concession for 10 years for doing that," and they run a tender on that basis. So I think there are ways you can encourage competition even in those examples where there is an extension or an improvement to an existing toll road.

**The Hon. JOHN GRAHAM:** I will finally put to you what I understand—and the Committee will consider this carefully—what you are saying are some of the things the New South Wales Government could do in this space in the view of the ACCC. Looking at your submission, looking at what you have told us today, these are some of the things the Government could do: one, broader measures for the data that is required from toll road operators; two, the Government could apply those requests for that data to be public rather than leave it to the ACCC; three, the time for tenders could be very important to the competitive tension; four, where unsolicited proposals come in there should be some competition applied; five, you have really said when it comes to decisions about privatisation, or not privatising, those decisions should be considered carefully and the terms of those privatisations should be considered carefully. As I have heard what you have said today, they are five things the Government could do to get more competition and get a better result in New South Wales. Is that a fair summary of the views you have put to the Committee?

**Mr LEUNER:** I think it is, yes. I will check with Mr McCracken-Hewson whether he thinks that covers the points from his end.

**Mr McCracken-Hewson:** I think it does. Yes, thank you.

**The Hon. JOHN GRAHAM:** Have you got a sixth point? Is there anything you want to add?

**Mr LEUNER:** There are other techniques. We spoke briefly about underwriting bidding costs, which is another way. They are big international toll road companies and if you say, "If you are the second or third ranked bidder, we will give you X million dollars to cover the costs of all your modelling and things like that," that will encourage them to put in a bid, and hopefully a competitive bid. That is the other one that could be tried.

**The CHAIR:** Unfortunately that is all we have time for in this session. Thank you so much for attending and for providing us with the benefit of your wisdom. The secretariat will contact you in relation to any questions that were taken on notice, and also in relation to any supplementary questions we may have. That concludes this session.

**(The witnesses withdrew.)**

**(Short adjournment)**

## CORRECTED

---

**MICHELE HUEY**, Group Executive, Transurban, New South Wales, affirmed and examined

**ANDREW HEAD**, Chief Executive Officer, WestConnex, affirmed and examined

**The CHAIR:** Welcome back. I now welcome our next witnesses. Before we start, I would like to say thank you very much for your submission and for your additional documents that we received. Thank you for appearing today. Do you want to make a short opening statement?

**Ms HUEY:** That would be great. Thank you, Chair, and to the Committee for the invitation to appear today. On behalf of Transurban and WestConnex, we would like to acknowledge the traditional owners of the land on which we meet, and pay our respects to the Elders past, present and emerging. Transurban appreciates the opportunity to have an open and transparent dialogue about Sydney's road tolling regimes with all sides of politics to look at ways to deliver the best outcomes for everybody. Having commenced operations in Sydney in 2005, we have a long-term interest in the city's liveability and prosperity. Since 2013 we, along with our partners, have invested \$25 billion into Sydney's motorway network. This is money that would have otherwise come from government budgets, leaving less funds for other priorities such as health, education and public transport. The biggest benefit to motorists is through travel time savings and safer and more reliable journeys.

Let's take NorthConnex as the most recent example. This has not only provided a missing link between the M1 and the M2, allowing a traffic light-free journey between Newcastle and Melbourne; it has also transformed local communities. Since NorthConnex opened just over 12 months ago, it has taken an average of more than 6,000 trucks off local roads. The drop in heavy vehicle traffic on previously congested corridors has seen the number of crashes more than halved on Pennant Hills Road and the number of near misses reduced by up to 65 per cent. Drivers see the benefits.

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. We have a case study in our submission which illustrates the productivity benefits and cost savings should businesses choose to use our roads. We show that if a freight company were to use the M5 motorway to transport goods between Port Botany and Ingleburn Industrial Precinct they could save 34 minutes and avoid 49 sets of traffic lights, equating to \$43 in value of travel time and around \$22 in fuel savings. Even after factoring in the toll, there is a \$29 net benefit.

As the Committee would be aware, tolling structures on individual roads themselves vary: They can be distance-based, they can be fixed or variable by time of day. Transurban is open and willing to discuss the tolling structures themselves, as we have written in our submission. To understand the bigger picture, Transurban commissioned KPMG to conduct a detailed economic analysis on the impacts of toll roads. They estimated that Sydney's toll road network will create \$35.8 billion in direct economic benefits over 30 years due to its accelerated delivery by the private sector. This will create 5,300 full-time jobs every year over 30 years. These are significant, game-changing numbers for Sydney and, with your leave, should form part of the consideration of this Committee when examining the value and the impacts of Sydney's toll roads. I would now like to hand over to my colleague Andrew Head, CEO of WestConnex, to address the Committee.

**Mr HEAD:** Thank you to the Committee for the opportunity to represent WestConnex today. Building motorways is difficult and it requires difficult decisions. Governments have to decide whether to raise taxes, to adopt a user-pays model such as a toll road, or to not build them at all. The inquiry's terms of reference include WestConnex. So why is WestConnex important and why is it important to build motorways? Sydney drivers know the answer to this question. For decades the M4 stopped at Parramatta Road at Strathfield and the M5 East moved at a snail's pace in peak hour. WestConnex has already started to deliver benefits to bring relief. On the M4, a trip in the westbound direction can save up to 55 minutes today. There is also, most importantly, a third less traffic on Parramatta Road, and the air quality in the corridor is some 10 to 15 per cent better. With the opening of the M8, the M5 East is also materially better: 60 per cent faster and 40 per cent safer.

WestConnex is going to transform Sydney, and it needs to. In the next 10 years, 40 per cent of Sydney's population will live within five kilometres of the WestConnex network. WestConnex, in combination with the other motorways, will form the spine of this city and make the motorways safer, faster and easier to get around the city. But the full benefits of WestConnex are yet to come. With the M4-M5 Link and the Rozelle Interchange opening around 2023, the benefits I just referred to are only going to compound. In addition to that, there will be 18 hectares of parkland put in place across western Sydney, there will be a million trees planted and there will be 23 kilometres of cycleway and pedestrian path put in place. Once WestConnex, most importantly with the other transport projects that are currently being constructed are all complete, Sydney's mobility is going to be transformed and it will give us as a city every chance to be one of the great global cities of this century. Ms Huey and I thank you very much for the opportunity to appear today and we are very happy to take any questions that you may have.

## CORRECTED

**The CHAIR:** Thank you very much. We will start with the Opposition.

**The Hon. JOHN GRAHAM:** Thank you, Chair. Firstly, thank you for your submission and your opening statements. They have been very helpful to the Committee. In particular, you have really spelt out the benefits very clearly of these toll roads for the city. One of the things the Committee is struggling with is the costs that drivers are paying. One of my frustrations is the Government has simply not been upfront about the costs so we can weigh up the impact of these toll roads across the city. I might start by asking you how much are drivers paying in total in tolls across Sydney, say, for the last financial year. How much are drivers paying on roads in which Transurban has a share?

**Ms HUEY:** Mr Graham, in terms of the overall picture for Sydney, unfortunately we do not have visibility into some of the assets in the roads that we do not have involvement in, but I think if I could answer your question by looking at the assets that Transurban does have responsibility for operating. For the financial year ended 2020-21 the revenue that Transurban collected was \$1.28 billion. This information is publicly disclosed as part of our financial reporting. As to whether that actually answers your question, I think there are a few other factors that need to be taken into account that completes the picture in terms of access to cash back, in terms of access to rebates, and that sits with the individual motorists. So we do not have visibility into that. When we think about the question that you have asked, revenue is one dimension; the other one, of course, is all of the costs that are involved in both delivering it in terms of the capital and then also the ongoing maintenance to make sure that these roads are safe and they deliver the value proposition that they do to—

**The Hon. JOHN GRAHAM:** Yes, and I accept all those things. There are benefits; they might be significant. There are costs that Transurban has got to bear, or other partners in these toll roads have to bear. But on the question of what are drivers paying, that is something that the public deserves to know. You have said \$1.28 billion is flowing to Transurban. Obviously, you do not have a 100 per cent share of a range of those assets. When you look at the total toll roads that Transurban has a share of, that figure is higher, is it not? Is it not closer to \$1.961 billion last financial year?

**Ms HUEY:** That is right. If we consider the investments that our partners have also put in—our partners such as AustralianSuper, such as QIC, such as other partners that we have in all of the motorways—then the total number for the financial year just ended is \$1.96 billion.

**The Hon. JOHN GRAHAM:** So it does not all flow to Transurban, but in terms of what is coming out of drivers' pockets in tolls across Sydney last financial year where you had a share, it was \$1.961 billion. On top of that there is about \$120 million paid on the Sydney Harbour Bridge or the Sydney Harbour Tunnel. That accords with your rough understanding? I know you are not responsible for those assets.

**Ms HUEY:** I would not be able to answer that question accurately because I do not have visibility into that, but there will be others that may appear in front of the Committee that could better address the—

**The Hon. JOHN GRAHAM:** Yes, and I think that is fundamentally reasonable, but you are confirming what you are aware of—\$1.961 billion. On top of that, when you add the money that flows on the Sydney Harbour Bridge and the Sydney Harbour Tunnel—I am telling you that is \$120 million last financial year—that takes us over \$2 billion in tolls paid by drivers last financial year across Sydney.

**Ms HUEY:** And that is the context and part of my opening address, we also want to think about them—what do these motorways actually help us achieve? And in the KPMG analysis that has been completed, KPMG looks at the direct economic benefits as a result of these motorways being delivered much earlier than they would otherwise have been and the economic benefits that flow through, which, over a 30-year period, total in the order of \$36 billion, comes in the form of travel-time savings, which translates into productivity when it comes to businesses, and operating cost expenses when it comes to how the roads are driven on, and then thinking about also direct—

**The Hon. JOHN GRAHAM:** And accepting those things, you have already said on Transurban roads, where you have a share, nearly a million trips a day—in fact, when you add on the other roads, there are now in Sydney over a million toll trips a day that drivers are paying for. You would agree with that?

**Ms HUEY:** Yes. I think the numbers I provided are pre-COVID because I think everyone would recognise that the pandemic has put some very disruptive challenges into the whole of Sydney. But in terms of that being a demonstration of the level of demand for our roads and the motorists that make a choice on using our roads, seeing the value that they can get in whatever form, where it is travel-time savings, operating costs savings, fuel savings or a reduction in emissions—however way the motorists make that decision.

**The Hon. JOHN GRAHAM:** Can I just thank you for being much more upfront than the Government has been on this question. No Minister will let those numbers pass their lips; they have ducked and weaved over



## CORRECTED

years trying to avoid answering that simple question: How much are drivers paying? So I want to thank you for the evidence you have provided to the Committee. Mr Head, I might ask you for WestConnex, what are those figures. In the last financial year for WestConnex, how much did drivers pay in total over the financial year?

**Mr HEAD:** I can do better than that for you, if you like. WestConnex has been, with assets, charging tolls for the last three years. It is a story as the pieces of WestConnex come together. In the financial year [FY] 2019 the M4 was the only part that was charging tolls, that was \$158 million. In FY 2020, M4 only, \$280 million. By 2021 we had M4, M8 and M5 East, and we had \$533 million. So the total is \$971 million. But I want to make it really clear, and this is a very important point for us, that we are investing an enormous amount of capital to allow this to happen. So our operating costs, our maintenance provision—just bear with me for a moment—our interest costs and the amount of money that we spend on construction exceeds the amount that I have just given you, the \$971 million.

**The Hon. JOHN GRAHAM:** That is accepted in the short term. But I think you have filled in a key piece of the puzzle here, what were drivers paying in the past. Again, I thank you for that, Mr Head. Can you tell us, perhaps, what drivers will pay? Looking ahead, we know that more toll roads are coming online. Sydney will soon be ringed by up to 15 toll roads. Those toll prices are often increasing at 4 per cent per year. How much will drivers pay, looking ahead to the future?

**Mr HEAD:** Ms Huey and I are able to be very transparent about what has happened behind us, because we work for a listed company and we provide all of this material to the ASX on a quarterly basis. The same dynamics challenge us in terms of being able to provide you with long-term forecasts. We are a listed company. The Corporations Act inhibits our ability to provide those long-term forecasts. The reason for that is that people buy and sell shares based on the advice that our directors give in relation to guidance. So we cannot predict the future and the last 12 months has taught us, better than any of the last 12 months, that with pandemics and lockdowns the traffic dropped considerably. We have had other stories in Sydney. Well before Transurban was involved, the Cross City Tunnel went into receivership twice before it became part of the Transurban assets. The Lane Cove Tunnel went broke once. Our directors have an obligation under the corporations law to only provide a short amount of forecast. We cannot furnish you with a long-term forecast.

**The Hon. JOHN GRAHAM:** Mr Head, if I accept that premise, where would the Committee look for forecasts about this 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.

**The Hon. DANIEL MOOKHEY:** Give us a phone number.

**The Hon. JOHN GRAHAM:** You accept or you do not disagree with the idea that it is in the public interest for drivers to know how much is actually being paid out? You do not object to that information being provided by the Government that does have forecasts, that for instance put forecasts in the data room as you bid to purchase these assets? You do not object to the idea that it is in the public interest for drivers to have some idea of how much will be paid in tolls in the future?

**Mr HEAD:** The base case financial model and all of the forecasts that we are referring to are provided in a summarised form, as I understand it, by the Government. As I said to you before, we at least—and I suspect others—are inhibited by the corporations law in relation to the provision of long-term forecasts. We do, as I said, and Ms Huey made the point earlier, provide our quarterly results to the ASX. The most important piece of material, and it goes to the essence of some of your questions, Mr Graham, is that the tolling regime is fully disclosed as part of the summary that the State puts out. That is the piece that is fixed at that point and it does not change, regardless of who owns the assets. I think that is probably one of the critical pieces of information that is available for people to determine what the price will be.

**The Hon. JOHN GRAHAM:** One of the things that the Committee is looking at is what are the prospects for toll relief for drivers. The concern that has been put to us in evidence is that costs are just becoming too high. You have said in your submission and in the opening statement, that you are open and willing to discuss that. I might just ask you on that point, how does that work? Have you got anything else to tell us about the fact

## CORRECTED

that you would be open to a discussion about changing those contracts if it was judged to be in the interests of Sydney, if it was judged that those costs have simply become too high?

**Ms HUEY:** Absolutely. And the Committee would be aware that all the concessions are effectively commercially and legally binding contracts, very similar to other contracts that may be in place for this industry and otherwise. As Mr Head mentioned, the contracts set forth tolling regimes for the term of the contract and the concession. Having said all of that, as we said, Transurban has a long-term interest in Sydney's livability and prosperity. If there are opportunities for us to explore how we can better deliver these benefits and the Government would be like us to be part of that, we would absolutely appreciate the opportunity to have an open dialogue. We would also recognise that these are very complex policy questions that need to be contemplated by policymakers. We are very happy to be part of that conversation.

**The Hon. JOHN GRAHAM:** There have been media reports of a Treasury review into the costs of tolling and media reports about the prospect of a real change to Sydney's tolling—perhaps a toll cap, distance-based tolling in place by Christmas. What discussions have you had direct with the Government on toll relief or changes to the tolling arrangements for Sydney?

**Mr HEAD:** In two weeks.

**Ms HUEY:** We have not had any direct discussions with the Government on that. This is obviously a topic of relevance and of interest to us. We have engaged with stakeholders on all sides of politics when we put together the submission to share the key messages of them. The Committee will be aware that within that submission that we have made we have mentioned, without repeating myself, that we are open to discussions should the Government wish to engage in those dialogues with us.

**The Hon. JOHN GRAHAM:** So no discussions on that specific proposal, but no direct discussions with the Government recently about toll relief or changes to the toll regime?

**Ms HUEY:** These are all policy questions that really rest with the Government, and the decisions remain with the Government. We would be open to having a dialogue. Other than what has been shared in the submission we have not had any other direct engagement. We do not have any specific solutions that we are pushing for. We do not have the full visibility on the full policy context that these questions need to be considered in.

**The Hon. JOHN GRAHAM:** How would you assess, given there have been no discussions, the chances of a Christmas present toll relief for drivers in place in time for Christmas?

**Ms HUEY:** Without repeating the message, these are really solely in the hands of the Government to decide what they would like to do. We have not been engaged in what the change could be, what are the options and what role we may or may not play in that.

**The Hon. DANIEL MOOKHEY:** Can I just follow up on that. Was the first time you were aware of the Treasury review when the reports surfaced in the media?

**Ms HUEY:** In terms of the conversations around some of those—

**The Hon. DANIEL MOOKHEY:** Just the Treasury review that my colleague just made mention of?

**Ms HUEY:** I think we read the same articles in the media.

**The Hon. DANIEL MOOKHEY:** And that was the first time you became aware that the Treasury was undertaking a review of the tolling regime?

**Ms HUEY:** Other than sharing the key message in our submission, which includes being open to the dialogue, we have not engaged in any detailed discussions.

**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?

## CORRECTED

**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.

**The Hon. DANIEL MOOKHEY:** Thank you for that. I was going to ask just as a follow-up again on the line of questioning of my colleague. The revenue for use that you disclose obviously infer traffic volumes. Can you tell us about how traffic volumes have changed or grown on your assets since the tolls have come in? I recall asking this of Duncan Gay back in the day. At the time the road was settled, I think the environment impact statement projected on WestConnex traffic growth was 3.9 per cent or 4 per cent per annum, each year every year. Are we seeing 4 per cent growth in traffic volumes on your roads until obviously the effects of the pandemic? Was that the trend number?

**Mr HEAD:** Would you like me to answer in relation to WestConnex?

**The Hon. DANIEL MOOKHEY:** Yes, if we could do WestConnex first, that would be great.

**Mr HEAD:** Okay. The roads undertake what we call in the industry a thing called ramp-up. When you open up a new road like the M5 East tunnel, you do expect a heightened level of growth. That is very normal as people realise that there is more road capacity. But it typically settles down in the 1 per cent through to 3 per cent depending on where you are in the concession, unless there is some other network enhancement or some widening that affects that. In relation to all of the WestConnex assets, it is fair to say that they were all still in ramp-up before COVID hit us. So it had that slightly higher level of growth than you would expect in a mature state. They did get hit pretty hard during the COVID lockdowns. As a general overarching statement, both the M4 and the M5 corridor, when everybody was at home, was off as much as 50 per cent at some times. It has started to recover. In relation to your question about mature traffic growth, we have not got to a point where we can experience that yet.

**The Hon. DANIEL MOOKHEY:** But what is it now? I accept your point that it is not mature—

**Mr HEAD:** We are still trying to catch up to the pre-COVID levels. I am still calculating how far behind we are, rather than how far in front we are. But we will get back, it does seem. To give you a little bit more colour on your question, it is probably appropriate for me to hand to Michelle who has got some of the more mature assets in the portfolio and she can maybe make comment about one of those.

**The Hon. DANIEL MOOKHEY:** If you could, that would be helpful.

**Ms HUEY:** Sure. If we take the period between now and 2013, I think the Committee would recognise that the motorway network at that time looks vastly different from what it looks like now. Since that time, and without repeating ourselves again, with the \$25 billion of investment that Transurban and our partners have put into the network, what we have seen is the completion of some of the missing links. I mentioned NorthConnex, but also increasing the capacity of some of the existing corridors such as the M2, the M5, to cater for the population growth and the transport needs of Sydney.

Over that period of time, what we have seen is investment continuing to go into the motorways and some of the growth that we are seeing is supporting the population, employment and economic activities that we have seen. I think Mr Head has talked about the disruption that we have seen since March 2020 with the pandemic coming in, and at the peak of the lockdown, with the restrictions they had in place, we were seeing traffic decline of 50 per cent, 60 per cent on specific roads. Andrew shared some of the recovery that we have seen in WestConnex and some of the other corridors. I think we are seeing some changes in that traffic as well. Even without the COVID pandemic impact, I think we are seeing Sydneysiders, for example, doing more online shopping. So the amount of freight activity, not just on motorways but also on—

**The Hon. DANIEL MOOKHEY:** I appreciate that.

**Ms HUEY:** —we are seeing changes in the community.

**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.

## CORRECTED

**The CHAIR:** I will start with a question in relation to the administration fees that are charged for people who have not registered or potentially their e-TAG has not been picked up. You may be aware that there was quite a bit of evidence given in relation to the administrative costs. Were you following that at the time?

**Ms HUEY:** Yes, correct.

**The CHAIR:** To clarify some of those points, how do you calculate the amount of the administration fee for each of those services?

**Ms HUEY:** Chair, if I can start with answering your question. We do not profit from any of the fees that we charge.

**The CHAIR:** That was not my question.

**Ms HUEY:** The fees are reflective of the cost that is incurred in administering the service and carrying out the activities. So some of the examples, for example, that we have would be the investment and also the upkeep of equipment that we need on the roadside in order for the vehicle to be detected and for the trip to be measured correctly and then all of the systems and the processes that need to be in place in the back office to make sure that that process occurs and then any support and administering and service that we need to provide to the customer in the back office as well. Across all the categories are fees; none of them we make money on. That is required in the concessions and the contract that we have. Our preference is for customers to not pay any fees at all. In fact, we have put in a lot of effort and a lot of innovations to make sure that they are fee-free products.

**The CHAIR:** Can we just take a step back and unpick what actually happens? Somebody who does not have an e-TAG drives through. What is the process you will need to go through at each of the cost points that then results in having to charge an administrative fee? Can you talk us through each of those?

**Ms HUEY:** Sure. Let me try to walk through that and, Chair, if we need come back to the Committee with further details, we are happy to provide that. First they have the choice on whether or not they install a tag. So for the vehicles that do not have a tag, when they come through, the gantries on every motorway is slightly different in terms of how they measure. There are cameras, videos, equipment and meters that we need to install by the roadside to detect the vehicle, in this case, for example, reading a numberplate or the registration plate of the vehicle, measuring the size of it, the height and the length, to make sure that the classification of the vehicle is in accordance with the tolling regime.

**The CHAIR:** Sorry, just to interrupt you. You do not get that from a registration plate, you get that from the actual camera working on the vehicle. Correct?

**Ms HUEY:** Yes. And so with that information, then it finds its way through the back office systems that we have to make sure that we, as an example, on a distance-based type tolling regime, like the M7, we would have to make sure that that vehicle trip is matched on entry and exit of the motorway to make sure that we—

**The CHAIR:** So that is not done automatically?

**Ms HUEY:** It is done automatically on the entry gantry and then the exit gantry.

**The CHAIR:** From a cost perspective, the system is doing that.

**Mr HEAD:** Just a slight clarification to that because it is quite a detailed question. If the numberplate is not read accurately in an automated fashion, then we need to manually check it. That is one of the processes.

**The CHAIR:** Thank you, I understand.

**Ms HUEY:** So by majority these processes and systems are automated. As Mr Head mentioned, there are circumstances—the exception rather than the rule—that require some level of intervention, whether it is inclement weather. So if there is rain, there is fog, the registration cannot be read accurately, or whether there is something, a glare or something else on the vehicle that does not allow the system to process—

**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.

**The CHAIR:** There is possibly some staff time in there.

**Mr HEAD:** I think the one thing to add is that all of the processes that Ms Huey referred to—the investment in the technology to make it automated, the plate read to match to the account, but also determining

## CORRECTED

the length of it and the height of it—all of those things go into the cost process. The most important point is that we are completely audited and checked on every single thing that you are asking about by Transport for NSW.

**The CHAIR:** Sure, but the Committee is not aware. We are trying to break it down.

**Mr HEAD:** I think it is important for you to know that. So we are a very heavily regulated industry, and this is no exception. Transport for NSW goes over all the questions that you are asking in very fine detail to ensure that there are no profits from fees.

**The CHAIR:** With respect, I am asking these questions to get the answers. I do appreciate you are trying to pre-empt where I am going, but I am not going anywhere other than asking these questions in a systematic way. We have got the camera costs, the systems costs, the staff time. Then what happens if, say, the vehicle is actually registered to someone who does have an e-TAG, is that then dealt with separately? What is the process?

**Ms HUEY:** And these are some of, if you like, investments in technology that is now available—machine learning, analytics—that allow us to actually automate what used to be manual processes, to reduce the costs, improve the efficiency. So we have got systems that are able to do, perhaps not every single case, match some of those trips to the right account. In other cases, where the matching does not happen, then, in accordance with industry processes, a toll notice is issued to the owner of that vehicle, and then there is a separate process that follows.

**The CHAIR:** Sorry, just to recap, do you have direct technological links to the registration database so you can automatically do that or is there a link with RMS, I presume, that you need to go through? Is there an extra layer of onerous—

**Ms HUEY:** Let me try to answer the question and you can let me know whether that satisfies what you are looking for. In terms of the customers that we have responsibility for at a retail level, which is the tag account level that we are talking about, which is Linkt Sydney, of course we have information of the customer and we are able to, where we can, link the trip to the accounts that we have. When we are talking about customers that do not have an account at all, or they have an account that belongs to another retailer that is not associated with Transurban, I think those are more interoperability-related processes that take place in the industry in the back office.

**The CHAIR:** Okay, so that is the process, and then a notice is sent out. Is that right? Is that an email or a letter? How does that work?

**Ms HUEY:** In accordance with the industry practices that have been set down, I understand they are paper-based toll notices that are issued to the customer, based on information through the government agencies.

**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—

**The CHAIR:** Okay. If a second toll notice needs to be issued, how much is that going to cost the customer?

**Ms HUEY:** My understanding is the second toll notice is \$20.

**The CHAIR:** Is that a reflection of it costing more at your end to produce? Because presumably all of that has already been done—all of that matching. We already know who this person is, so why is there \$20 now?

**Ms HUEY:** We do not make any profit out of any of the fees that we incur.

**The CHAIR:** No, you have said that.

**Ms HUEY:** And the process itself, from an end-to-end perspective, is more than just the vehicle detection of the trip and also issuing of the notice itself. There are also a lot of processes that follow after that in terms of contacting the customer, providing customer service, collections and all of those processes to make sure that from an end-to-end perspective the fees reflect the costs that are incurred in operating that.

**The CHAIR:** So, for a \$3.40 toll, I could be up for \$33.40 in charges plus toll to pay back, correct?

## CORRECTED

**Ms HUEY:** Yes. Our preference is for customers to not incur any fees at all and there are fee-free options that we proactively try to reach out to customers to see if that meets their needs, but we appreciate that the choice is with the customer. Where we can, we would absolutely try to reduce the burden on customers.

**The CHAIR:** I have done this now a number of times. If I go into the system to see what unpaid tolls are due on a particular numberplate, if I use taxi numberplates and I go in, every time I do it—I will do 10 at random—there are always well above half that have underpaid tolls and, of those, that then have administration fees on top of the unpaid tolls far in excess. First of all, can you explain how that can possibly be?

**The Hon. SHAYNE MALLARD:** How can you do that?

**The CHAIR:** You can just do that, with—sorry, I am getting interjections here.

**The Hon. SHAYNE MALLARD:** No, it is a privacy issue that I am concerned about.

**The CHAIR:** No, you can go in with any—it was something that we have talked about in a previous hearing, but I can explain it to you later, Mr Mallard.

**The Hon. SHAYNE MALLARD:** I am curious.

**The CHAIR:** How is that happening? Why are people incurring such huge administration fees on top of their tolls? They are taxi drivers. I do not understand.

**Ms HUEY:** Chair, it is hard for me to comment on specifics, and I have not personally looked. But I do understand that there are customers that are facing different situations. Our preference and always our focus is to make sure that there are fee-free options for customers. In fact, 95 per cent of customers that use our roads travel without having to incur fees, and we hope that that number keeps growing.

**The CHAIR:** I would hope so.

**Ms HUEY:** That is the investments that we continue to make to make sure that we provide the best experience for customers, whether it is proactively notifying customers so that when they have travelled they are aware of the toll balance that is sitting with them before fees are incurred in terms of administering that. One of the things that the industry, not just Transurban, has recently put in place with the coordination of Transport for NSW as well as the Privacy Commissioner—making sure that we meet all of the legislative requirements—is a process that is consistent across the industry that allows us to proactively reach out, where the contact information is available, to the customer after the travel that they have made, rather than waiting until 10 trips have been incurred and 10 toll notices need to be issued.

**The CHAIR:** I think that is the other point here that we have heard a lot about. This is not an uncommon situation. Say I am in an abusive relationship, and I have to get to work but my partner has taken the e-tag, so I have driven 10 times and I have got \$3.40 of unpaid tolls 10 times. I then end up with a bill after these administrative charges. Again, perhaps I do not have access to independent money. I suddenly have a bill then for \$334-odd because, rather than combining each of these tolls into one toll notice, particularly after a period of time—you might think that once you get to that second unpaid toll notice you might combine those but instead we are still getting \$20 for each second notice given. Has any effort been made to simplify that so that people are not paying as much?

**Mr HEAD:** Do you want me to take this one or do you want to keep going?

**Ms HUEY:** Let me try and then you can—

**Mr HEAD:** Okay. I was just giving you a break.

**Ms HUEY:** I am on a bit of a roll. This is, obviously, a topic that both of us are really passionate about. We are absolutely cognisant that every customer's situation is unique, and where we can help, we support. I think, Chair, to the point that you have raised a question on, in our submission we shared some of our thinking around how we can continue to improve that. One of the ideas that we have is around consolidating toll notices. So for all the reasons that made sense at the time, the industry has a practice of issuing individual toll notices for every trip on every motorway. One of the examples that we have put forward, and we will continue to push as an industry, is can we actually look for opportunities to consolidate that so it is not even just one toll notice per day but it is a toll notice for, let us say, every three days. And then it would also consolidate across assets, despite the assets being owned by different partners, to allow, from a customer's perspective, a much easier, simpler and consolidated view that reduces the administration burden at the end.

**The CHAIR:** When you are looking at administrative fees being 10 times the amount of the original toll, potentially, you could do this for all of the roads owned by Transurban right now, could you not?

## CORRECTED

**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.

**The CHAIR:** I have seen the concession agreement for NorthConnex. It does refer to being able to charge administration costs for the actual cost or even the predicted cost, I think it is. It states:

An Administration Charge ... will be as reasonably determined by the Project Company in consultation with RMS having regard to:

- (i) different Casual User products that the Project Company may wish to implement ...
- (ii) the actual and anticipated number of Casual Users; and
- (iii) the anticipated recovery rate of tolls and Administration Charges ...

I cannot see anything in here that refers to having to do a single notice for every unpaid toll.

**Mr HEAD:** Yes, that is an industrywide practice, as Ms Huey said. If there was something that could come out of this Committee, we have been proposing to the industry, and that includes Transport for NSW for some time, a number of options to streamline. So if this Committee can support us in making those changes, I think Transurban would be very supportive in relation to that. Just to reiterate, we would much prefer that customers pay no fees. This is not a story that is a good one for anybody, so anything we can do to streamline it, Transurban is ready, willing and able to engage to do so.

**The CHAIR:** Notably, there is nothing in this concession agreement that obliges you to act in any way to reduce the charges. It only allows you to recover the direct and indirect costs to a reasonable approximation. Do you think that the toll operators should be obliged to take steps to—

**Mr HEAD:** In my experience, when going through these discussions with Transport for NSW over the last few years when they are looking at our fee structure to ensure that we are not doing anything other than covering our costs, they are always challenging us to determine whether or not we are doing it as efficiently as we possibly can. With all of our other operations we are always striving to do that.

**The CHAIR:** The administration fees have been an issue for the Queensland arm of Transurban, have they not? I understand there was a class action and there is still a class action on foot in relation to the administration fees. Is that correct?

**Ms HUEY:** My understanding is there is a matter that is before the courts. As it is a matter before the courts, I am not sure if it will be appropriate for me to make much comment on that.

**The CHAIR:** I understand. Obviously we do not want a similar court action in New South Wales. When you refer, Mr Head, to it being an industry-wide practice, given that you own 11 of the 12 toll roads in Sydney, you sort of are the industry. What do you mean when you say industry-wide practice, and how does that limit you in practical terms from taking action here?

**Mr HEAD:** The other big operator in the Sydney network when it comes to managing customers is Transport for NSW through E-toll. Linkt represents about half the market—Ms Huey will have the exact figures—so we need to come to a mutual agreement with Transport for NSW about a more efficient way to do this. As I said earlier, we are ready, willing and able to engage with Transport for NSW to continue to push this sort of reform forward. We have made some steps in relation to early notification reform, so we are wanting to get to customers as soon as possible because oftentimes they have just made a mistake or their E-tag was not beeping or whatever it may be. We want to get that information into the hands of customers as early as possible so we can rectify the problem. As I said, there is an opportunity to do this a little bit better and we are happy to engage with Transport for NSW to do so.

**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.

## CORRECTED

**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. Obviously, we will be limited in the level of information we can share without breaking any privacy requirements. The focus, Chair, that you have on that area is certainly an area that we are also very cognisant of. I think COVID has created some additional challenges and also sharpened the focus in the kind of support that we can provide. In terms of our well-established customer support service program, Linkt Assist—which is our brand—we have put a lot of effort in to make sure that, where customers do have hardship, regardless of what the process says, we are in a position to provide some help. If you take the last year and a half with COVID and the challenges it has presented, we have provided over \$10 million of toll credits, which is up to three months of free travel on motorways to over 40,000 customers. They do not need to all be in hardship because every individual's circumstances are different.

At the time the Government was putting in place restrictions and lockdown, we were also making sure that the people who needed to continue to travel—frontline workers, first responders—were also eligible for the toll credit so that they could get to where they needed to get to as quickly and safely as possible. Beyond the financial support, we are also aware that a lot of people, whether it is domestic violence or mental health—there are a lot of other issues that Sydneysiders face. We cannot solve all those problems but we do have partner organisations, such as Good Shepherd, that can provide other forms of help, such as housing support, food relief and mental health and domestic health support. So we work very hard to make sure that, where we can, we provide the help, and where we can lean on some of the other partners, we create holistic support to customers who are in need.

**The Hon. SCOTT FARLOW:** Thank you, Ms Huey and Mr Head, for appearing today. Starting from the beginning, we all hate tolls and we all hate traffic. They are the starting premises. In terms of some of the case studies you have in your submission, I think you go through some of the benefits that are provided by the toll groups that Transurban provides. Going through that, I will turn to case study number two, which is an individual travelling from Macquarie Park—close to me—to Blacktown. The toll paid for that route is \$10.44, which I take is going along the M2 and part of the M7. The net benefit you have outlined is \$39.03. What is the basis of coming to that net benefit value?

**Ms HUEY:** As I mentioned, Mr Farlow, the motorist needs to judge what is important and how much value they put on, for example, their time, and also how much value they put on having a reliable and safe journey, if they own and run a vehicle, operating costs and, for those who are sustainably minded, emissions. When we think about the benefits of motorways, there are many different aspects and it is up to the motorist to decide what that is. In the case study that we have shared, the net benefit that we have shown is a combination of those things.

**The Hon. SCOTT FARLOW:** A combination of the individual benefit and the societal/emissions benefit?

**Ms HUEY:** Absolutely, and in terms of fuel savings, which translates into not only how much someone pays for fuel but also the impacts on greenhouse gas emissions. The cases that we have included in the submission are examples of how motorists may see benefits across many different aspects. When we sum it up to the top—I think we have talked about the KPMG economic analysis—at a society level, the economic benefits to having a motorway networks delivered accrue in an accelerated fashion.

**The Hon. SCOTT FARLOW:** Along that route, for instance, there is a 37-minute time saving that you have assessed, which I take is pre-COVID. Has there been much of an impact in terms of the change of traffic conditions recently in terms of the benefit motorists are deriving from using the motorway network?

**Ms HUEY:** Yes. We mentioned earlier that pre-COVID we were seeing around one million trips being taken on our roads in Sydney. With that one million trips, the travel-time savings per workday totalled 225,000. COVID has created some very disruptive patterns in our lives, but the travel-time savings we are observing that motorists have been able to receive by using our motorways have stayed similar.

**The Hon. SCOTT FARLOW:** Turning to an example of a new road—for instance, NorthConnex, which you may have mentioned somewhat—have you seen a reduction in traffic on the arterial road, for instance, Pennant Hills Road, because of the advent of NorthConnex? Has that then created another benefit in terms of the savings for motorists who do not even use your toll roads?

**Ms HUEY:** Yes. Our primary focus is on our motorways and making sure that we operate them as safely, reliably and efficiently as we can. In the case of NorthConnex, we want to make sure that motorists who



## CORRECTED

use those roads get the benefits and the experience that they are looking for. As a result of putting that missing link in between the M1 and the M2, we are seeing changes to neighbouring roads, such as the one you mentioned, Mr Farlow, Pennant Hills Road. The average speed that we are seeing during peak hour is reducing, and it is travelled now mostly by local communities. I think in my opening address I also mentioned that it is not just travel times but also the number of near misses and crashes that are important safety considerations, considering that corridor includes schools and local community shops and businesses that interact around there.

**The Hon. SCOTT FARLOW:** I want to turn to some of the questions around freight that we received during the inquiry as well. In terms of the freight multiplier that is in place, I think it is about four times what a car would be paying on those motorways. There were some criticisms from the freight industry about that multiplier. Can you talk perhaps how that is equated and the benefits for freight as well, but also the cost impact of freight on the motorway network as well?

**Mr HEAD:** Thank you. I will take that question, Mr Farlow.

**The Hon. SCOTT FARLOW:** Thanks, Mr Head.

**Mr HEAD:** So there are a number of things that go into the development of a new motorway. When we start we think most about the design of it. So we try to make them flatter, we try to make them wider and we try to make them higher. All of those things benefit the freight industry. When we assess, once the motorway is in situ, the wear and tear on the motorway, if you have a truck driving rather than a car, the wear and tear multiple that we apply is five times. That is probably a conservative number; I have seen numbers much higher than that. But they are heavier and they have an impact and they do take up additional space. As a general rule of thumb we assume that a general size truck is about two and a half times the size of a car. There are a number of elements that go into the assessment of a truck's impact on a road and it results in that three times multiplier, which is what is applied in Sydney.

**The Hon. SCOTT FARLOW:** Three times, sorry.

**Mr HEAD:** One of the other benefits that I do not think was discussed much in the earlier meetings of the inquiry is those benefits of taking additional trips. I draw your attention to the examples that you were referring to earlier. On the example where we looked at the trip between Ingleburn and Port Botany, for instance, that trucking company that we referred to is making 14 trips between those two points rather than nine if they had not used the toll road. Those benefits are accrued in addition to all of the things that are embedded within that example. I work at WestConnex; I talk to truck drivers a lot. I talk to them about hauling spoil out of the M4-M5 link, for instance. When they can get an extra trip or two in each day, which they do when they are using the toll roads, they are able to charge somewhere between \$400 and \$700 a load. So from their perspective, speaking to the people that I speak to, they think it is a great outcome to take the toll road and to get those extra trips and get that extra revenue, and that is not taken into account in the example that we are articulating here.

**The Hon. SCOTT FARLOW:** That is good information for the Committee. I also think when we are looking at the tolling arrangements here in this Committee, we are not just a Committee that is critical but a Committee that is looking for what the solutions are for the future as well. One of those—and I guess we have seen or heard it during the Committee—is some sort of comparison between the time it would take on a tolled route compared to the time it would take on a un-tolled route. Do you have any views on a proposal like that being initiated? I think it might have been in the NRMA's submission. Or looking at your face, Ms Huey, it could potentially have been in yours in terms of one of those sign indicators saying what the difference would be in terms of the tolled route compared to the un-tolled route and perhaps the cost for that.

**Ms HUEY:** I will try not to get too excited about the investments and the efforts that our team put into this. Where we started, we want to make sure that the motorists have a choice and they have the best, accurate and most up-to-date information to make that choice for themselves, depending on where they value their time, where they value their trip. So one of the things that we actually developed—and using independent data such as Google and TomTom—is a tool called Trip Compare. This is a tool that is online. It is readily available. Anybody can use it. All you need to do is the user needs to put in an origin and a destination and the tool provides options in terms of routes, both tolled and un-tolled. It provides information based on the most up-to-date traffic conditions in terms of the travel time each of the routes would require and also, from our perspective, the fuel savings or the fuel consumption comparison of each of the routes, and then for the sustainably minded also the emissions as a result of travelling either through a traffic light-free motorway or a more arterial-type road. That tool has been in operation. It is something that is available to anyone, not just customers of Transurban.

I think what we are also continuing to invest in, and listening to our customers and making sure that we do what the customers are expecting, is some people may not want to use online tools, in which case we are looking at options that are physical signs that are erected at points on the road, just as the customer or the motorist

## CORRECTED

needs to make a decision on which path to take. In Melbourne we are trialling what we call decision-point signage, which is a physical sign that shows different paths that a motorist can take and the average travel time, so all that information up to date is in front of the customer for them to make that choice for themselves.

**The Hon. SCOTT FARLOW:** So if you are embarking on that decision, you are backing yourselves, effectively, in terms of the benefit you provide to consumers and the motoring public, that they would be able to choose to go on the motorway. I imagine there are times as well when probably it is not in your best interests to have people on the motorway either and to choose arterial roads because it would further impact that motorway.

**Mr HEAD:** Yes.

**The Hon. SCOTT FARLOW:** Just thinking about that in terms of motorists' information, probably now more than ever motorists have a greater set of tools. There is the tool that you talked about but there is also Google Maps, which will allow you to choose a tolled or un-tolled route as well in determining which way you may go. The Hon. Shayne Mallard was remarking to me that his car does it and there will be times when he is driving along and the global positioning system [GPS] will show so many minutes more if you go the un-tolled route, so you stay on the route you are on. It does not necessarily tell you the price, but have you seen a dip in terms of motorists using your motorways because of that sort of information, or has there been that continued growth. Of course, COVID is a challenge when you are coming up with those sort of equations?

**Ms HUEY:** I think we come back to the value proposition and our primary focus, which is to make sure that the motorways that we have responsibility for operate in the most safe and efficient manner, and we make sure that the customers have the choice to make. We actually do not hide any information. We want the customer to make that choice because on the flipside, if they do not have the information and assume that the motorway is the better route to take and they find that the experience does not actually work, it does not help them become a repeat customer of ours. As I mentioned, we have a long-term interest in Sydney. So making sure that the customers get the experience and get the value out of the motorways is a really important thing, and we continue to focus on that.

**The Hon. SHAYNE MALLARD:** Thank you for coming in today, and thank you for your very detailed and very informative submission. I appreciate that. There was a little bit of banter and laughter before that we all hate tollways. But I am a little bit older than my colleague and, having driven from Penrith when I worked for Fairfax in the late eighties or early nineties, I recognise that the tollways, once they were built, really brought infrastructure forward that the Government just could not afford to build. I mean, you just drove down the Great Western Highway, down Parramatta Road, and you crawled into the city. It was just shocking.

As different motorways opened, I recognised it and I think consumers recognised that there is a benefit from the toll in terms of the infrastructure that has been brought forward. So I want to go down that line of discussion with you in terms of your submission, section 2, which talks about the benefits of public private partnerships [PPPs]. I note in section 3 you have helpfully given us a list. I assume that the eight toll roads you have listed are ones that Transurban runs—the Sydney Harbour Tunnel through to NorthConnex on page 26 in section 3. Five of the eight were commissioned by Labor. That is the point I want to make. Both sides of politics have acknowledged the benefit of private capital bringing forward infrastructure. Do you want to package the issue of private capital coming into the marketplace to bring forward infrastructure and what opportunity cost it releases for government?

**Mr HEAD:** Yes, thank you, Mr Mallard. Having been in this industry for a little while, I used to look very closely at the cost of congestion figure that is issued by the Bureau of Infrastructure, Transport and Regional Economics. This year it is \$10 billion. If we had not made all those investments that you have referred to and accessed the private capital, it would have been a lot higher than that, and it has been higher than that in the past. So the benefits that you describe are real and they are accruing to individuals—people who work in the freight industry, people who are getting personal benefits and the wider economy. The wider economy is a beneficiary of 5,300 extra jobs as a consequence of that investment. The average time that is saved every single workday in this city, every single workday, is 225,000 hours.

In addition, to your question specifically, the proceeds from asset sales, such as WestConnex, and also the development of private toll roads using private finance has freed up the balance sheet to do other things. Transurban is really excited about the fact that the Sydney Metro is being built, that there are light rails being built, that the Federal Government is making an investment in the airport because all of these things are going to combine alongside the motorways that we are invested in and the public road network to enable people to move around this city and to enable those benefits that I have just mentioned, the \$36 billion worth of benefits that will accrue over the next 30 years, to come to fruition. We are proponents of the private financing model. It is applicable for motorways. And, as you rightly point out, we have had good partnerships, and many of our

## CORRECTED

competitors have had good partnerships, with all sides of government in delivering this infrastructure for the benefit of Sydney citizens.

**The Hon. SHAYNE MALLARD:** Your submission points to an estimated \$52 billion of investment over the past 10 years from the private sector into the road infrastructure.

**Mr HEAD:** I have a different number in my head and it is slightly updated because of the recent 49 per cent sale of WestConnex.

**The Hon. SHAYNE MALLARD:** I think this is in Australia so that might not—

**Mr HEAD:** In Sydney, since the Sydney Harbour Tunnel, the private sector has put \$35 billion into the Sydney motorway network and that is \$35 billion that the Government might have put in if they wanted to build it on their own balance sheet. We can all speculate on what other services—police, hospitals, schools, regional roads—that may not have received investment as a consequence.

**The Hon. SHAYNE MALLARD:** Our colleague Sam Farroway who was online—he has had to go to another inquiry now but if he was here he would be pushing the real regional benefits. City motorists are paying tolls for infrastructure brought forward ahead of time. It frees up the balance sheet to do things like replace all the wooden bridges in rural New South Wales, which benefits the economy of rural New South Wales because heavier trucks and trucks without weight restrictions can get across bridges going to market and help our farmers. So the toll regime is not just benefiting city people. It is the whole economic opportunities across the State—the balance sheet.

**Ms HUEY:** We do not envy policymakers having to juggle the many priorities and competing priorities. In our submission—and some of these numbers as Mr Head mentioned have been updated since the time of writing—we put in some of the examples with the help of the independent research that KPMG has completed. In place of the \$13 billion of investment that private capital, in this case Transurban and our partners, have put in, there is a list of—if you like, a menu of—other investments that would otherwise have been made in terms of regional schools, regional hospitals or even public transport in terms of rail and investments in that. We absolutely do not envy the policymakers needing to make those decisions but we do see a role in private capital and accelerating the delivery.

**The Hon. SHAYNE MALLARD:** I think both sides of politics do judge by that table of infrastructure you have listed there with the Labor Government—five out of eight of them were commissioned by Labor governments, so both sides of politics clearly see a benefit of bringing in private capital to the infrastructure market in terms of roads. My second thing is, Mr Head, you said "sale of" before and I know that is a technical term—the share market term—that you use but when I was doorknocking on polls and wires election, which we won, and the ALP opposed, some elderly people would say to me, "You are selling off poles and wires." I would say, "No, we are leasing them. Your grandchildren can make a decision about the future of them because they will be back in government hands to deal with." These are all leased assets, aren't they?

**Mr HEAD:** You are absolutely right.

**The Hon. SHAYNE MALLARD:** They stay on the public asset list.

**Mr HEAD:** You are absolutely right, Mr Mallard. The concession for WestConnex will be in the custodianship of the owners of WestConnex—the private owners—until 2060 and then it will be returned to the State, so I apologise for my—

**The Hon. SHAYNE MALLARD:** No, that is okay but that is a public perception. So a whole lot of different assets will come potentially back to public ownership at different points in that—

**Mr HEAD:** That is correct.

**The Hon. SHAYNE MALLARD:** And legislators—maybe Mr Farlow's son or daughter—will be making that decision in government sometime in the future about negotiating a future for those assets and expanding them.

**Mr HEAD:** That is correct.

**The Hon. SHAYNE MALLARD:** They stay in public ownership and the State's public ownership—

**The Hon. SCOTT FARLOW:** The State's net worth, yes.

**The Hon. SHAYNE MALLARD:** —has gone right up. I appreciate that.

**The Hon. SCOTT FARLOW:** Just to go back to that point of the \$35 billion, it is not just an in effect \$35 billion which is replacing other spending. It is not that the Government does not spend that money. The

## CORRECTED

Government spends the money on health, education, facilities and a range of other areas of infrastructure, but that \$35 billion is then additional private sector capital which comes into the market which would not be there otherwise and therefore creates extra jobs in the market and it creates further opportunities for business in New South Wales.

**Mr HEAD:** Yes, what I said in the opening statement was that governments have to make difficult decisions. They either raise taxes to pay for these assets, they adopt a user pays model—and to your point, if you do that then the capital comes from the private sector and then the benefits that we refer to in the KPMG report are generated—or you do nothing. If you do nothing those benefits that we refer to would not be created because you would have additional congestion and you would have less ability to move around the city and all of the travel time savings and all of the environmental benefits and all the other things that Ms Huey has spoken to would not be available, and we would be back to where Mr Mallard was talking about coming in from Penrith pre the motorways.

**The Hon. SHAYNE MALLARD:** I feel I have to ask you, in your opening statement you said WestConnex would be opening in 2023. Why is it taking so long?

**Mr HEAD:** It is a massive undertaking.

**The Hon. SHAYNE MALLARD:** The final leg, I mean.

**Mr HEAD:** There is \$16 billion of construction underway. There are some 40,000 people have worked on that project and I can assure you that they are working tirelessly, and almost all the way through COVID they managed to work through. They are very passionate about building those assets and getting them delivered for the people of Sydney as quickly as possible. We are reasonably confident that we will get the first limb—the M4-M5 limb—open in the early part of 2023, I hope, subject to no further lockdowns and then the Rozelle Interchange is the latter part of 2023, perhaps into 2024 depending on how progress goes.

**The Hon. SHAYNE MALLARD:** I am very keen to see it completed.

**The Hon. JOHN GRAHAM:** I might pick up from where my colleague Mr Farlow was heading and that is the question about freight use of these toll roads. The Committee has had strong evidence from toll road operators—both evidence about one of the biggest toll road operators and independent small operators—saying that costs of the toll roads outweigh the benefits of using them for them. Now, you do not set the costs. That is in the Government's hands. But what do you say to those freight operators who are making that decision and driving on suburban streets rather than on your toll roads.

**Mr HEAD:** Maybe I can start and then Ms Huey can perhaps talk about NorthConnex if it is required. What we say to the industry is that the M5 East today is 60 per cent faster and it is 40 per cent safer. My job and Ms Huey's job is to make those statistics and facts available to the trucking industry and I go back to the point that is based on a conversation I had on site just a few days ago. The trucks that are removing spoil from WestConnex around Rozelle are taking it out to Sydney Airport. Most of the ones I speak to are using the toll roads and they are getting extra trips in each day as a consequence of that. And so with each trip they take it is an additional somewhere between \$400 and \$700 of revenue that they are earning.

**The Hon. JOHN GRAHAM:** But you are right to raise the M5 East because that is where a particular problem is. These trucks are not on those toll roads. They are on Stoney Creek Road, they are on Forest Road and they are on suburban streets, putting small businesses out of business at the moment. Why is that? Is that a result of the prices being wrong? That is the view that has been put to us.

**Mr HEAD:** My responsibility is WestConnex and I have articulated the benefits as a consequence of building the M8 next door to the M5 East and we will continue to tell and inform the trucking industry about the benefits that are going to accrue further. With the opening of the M4-M5 link, the connectivity between the M8 across to Rozelle is going to be outstanding. To be able to get to Rozelle from Sydney Airport in less than 10 minutes is going to change not only trucking companies' lives but the lives of a lot of citizens in New South Wales.

**The Hon. JOHN GRAHAM:** And as you open that link, knowing what you know now about traffic on the other bits of WestConnex, what are you projecting the average daily traffic will be on that M4-M5 link as it opens in 2023?

**Mr HEAD:** First of all, we are expecting probably more of the trips that are currently taking the M5 East to drift across to the M8, because at the moment the M8 largely terminates at St Peters Interchange, so the connection in there will bring the WestConnex network together. To the amount of traffic, the M4-M5 link and the Rozelle Interchange is probably a lower traffic section of Rozelle Interchange. As I mentioned in the earlier evidence given, the overall value of the M4-M5 link and Rozelle together represents about 15 per cent of

## CORRECTED

WestConnex's total value, so that gives you some sort of sense. You can kind of backsolve based on what you are seeing in terms of traffic on the M5 and the M4 today. But the most important thing about the M4-M5 link and the Rozelle Interchange is that it does provide that connectivity across the inner west. It provides an alternative route to the Eastern Distributor and Southern Cross Drive, and the capacity that we are building in those tunnels will enable us to cater for future growth over a very long period of time, not just during the concession of WestConnex but when it is returned to government.

**The Hon. JOHN GRAHAM:** Staying with the question about freight, we know that these tolls are going to double or triple over the coming decades. That is not your decision; that is the Government's decision. But for trucks already on NorthConnex, the M2, the M4 under some conditions and the M7 under some conditions, truck tolls are over \$25 already. What is your view about the impact that doubling or tripling those tolls under these concessions over decades has on owner-drivers, small business owners and some of these truck drivers?

**Ms HUEY:** Mr Graham, as you pointed out, the tolling regimes are set at the start of the concessions and they remain unchanged for the term. I think we also talked about, from an economic benefit perspective, the freight sector, and the heavy vehicle sector is a key recipient of the benefits of motorways. We talked about the different aspects, whether it is in travel time savings which converts into productivity and whether it is in the reduced wear and tear on the vehicles which are needed for running the businesses, because in our submission and in other sources there is a lot of analysis that has been undertaken in understanding and comparing what happens to a vehicle and the operating costs of the vehicle, let us say, per kilometre in a traffic, light-free, no stop-start type scenario compared to a travel route that is more akin to an arterial or local traffic route, and you see substantial reduction in vehicle costs in those cases.

**The Hon. JOHN GRAHAM:** These companies, these drivers, know those benefits and disadvantages. They make that decision every day and they are not on your roads. Are you comfortable that the price the Government has set is the right one, given it is sending these trucks onto suburban streets?

**Ms HUEY:** I will trace my way back to the comments, Mr Graham, that you have made. Tolling is a matter for government so I am not proposing to speak on behalf of anyone. In terms of the value, I think coming back to one of the points that we raised earlier with the Committee, the importance of choice, we want to make sure that whether it is an individual traveller or whether it is a business, they have a choice and they are armed with the most accurate information in making that choice. We do not have visibility into how individual businesses gauge operating costs, fuel savings or emissions. All of those are really important things for both the business as well as the broader society, and so what we focus on is in making sure, as Mr Head mentioned, that the information is available for people to make that choice for themselves.

**The Hon. JOHN GRAHAM:** Turning to toll relief and the Linkt data you provide to government, that information is provided in great detail to the Government. The government agencies have been clear about that. It is used to calculate daily for drivers how many tolls they have paid and whether they are eligible for toll relief. Can you just tell us exactly what information you are providing to government and give us some background on that question?

**Ms HUEY:** In terms of the Toll Relief program, which is a Government-led program, as a toll operator we provide information around trips and around the value of those trips to the Government in order for them to carry out the processes as to how the relief is—

**The Hon. JOHN GRAHAM:** You are providing about half that data through Linkt; the other half is coming from the E-Toll—

**Mr HEAD:** Yes, so Sydney market is 54 per cent Linkt. I think E-Toll, which is the Government, is 41 per cent and then the balance is made up of operators from other States. The lion's share of the information that has been provided is either coming from Linkt or is already in the possession of Transport for NSW and that is informing the data that you can see on the website.

**The Hon. JOHN GRAHAM:** You have the majority of that information but you do not have all of it.

**Mr HEAD:** No, we do not.

**The Hon. JOHN GRAHAM:** But the Government does have all of that information when it comes to knowing what drivers are paying, where they are paying it and how much is actually being paid.

**Ms HUEY:** That is probably a question that is better answered by the agency.

**Mr HEAD:** It is probably best put to them about how much they have got, and the richness of their data in relation to their own customers, the E-Toll, is obviously going to be far deeper than what we provide. We just provide them with what they have required us to provide in order to calculate the toll relief.

## CORRECTED

**The Hon. JOHN GRAHAM:** I will turn to your submission and page 23 on regional analysis—and thank you for providing that information again. It is more detailed information than the Government has sometimes provided. It shows that much of the toll burden falls in north-west Sydney and south-west Sydney and the west of Sydney, unsurprisingly. It shows in the north-west that, of commercial customers, more than 17 per cent are paying more than \$100; in the west, 23 per cent; and in the south-west, 19 per cent. How high are some of those commercial toll bills? I have seen toll bills of \$10,000 for some of these businesses, including on the M5 East which was once for free before the Government changed that arrangement. That is a lot of customers paying more than \$100. How high are these toll bills?

**Ms HUEY:** Perhaps we can start with prefacing for the Committee's clarification that this information is based on our Linkt data and so by no means reflects the whole of Sydney travellers. In terms of the breakdown by geography, once again that is also based on the information that our customers have shared with us in terms of where they live. We do not have any information around where they travel to, the purpose of the travel, whether it is for commercial purposes or for personal trips, so if I could preface that before I answer the question for the Committee. I think we talked through a bit of the average spend before. In terms of business accounts—and, once again, these are accounts that are classified as commercial according to our customer database—we do not have complete visibility into every single one of the trips and the purpose of them. For the top 1 per cent that you were asking about, Mr Graham, the average is around \$4,600, and I am cautious that when I give that information we are talking about a very small number of customers. I am also aware and not wanting to tread into areas that may impact privacy requirements.

**The Hon. DANIEL MOOKHEY:** I just want to do a combination of picking up a few of the points that some other colleagues have made and just ask some follow-up questions. With the M4-M5 Link, I accept your point, Mr Head, that it integrates or creates a network effect really. Does that induce any further demand from local roads to move into the network and, if so, do you have a quantum?

**Mr HEAD:** My recollection, and it is a little hazy—it comes from 2018 when the first public disclosure was made in relation to Transurban investing in WestConnex—was that at about that time, 16 per cent of the overall value—I said 15 per cent earlier—was coming out of stage three, which is the M4 and the M5 Link, and 10 per cent of that 16 per cent or thereabouts was actually trips that were already taking place on the M8 or the M4 but going longer. The best example is at the moment you can go through the M4 East and you get out at Haberfield near the Bunnings there. You will be able to come all the way into Anzac and hop off there and go into the city and that would be a longer trip, and therefore I guess you could assume, or I could answer your question as, that is a part of induced demand. I would say it is actually servicing the customer better because that is where they want to go and we are providing the infrastructure.

**The Hon. DANIEL MOOKHEY:** Yes, of course. It is more a case of what do we think we should expect. I am inferring, unless I am wrong, that you think perhaps half of the users will be—8 per cent of the users if you said 16 per cent—coming from existing roads just travelling along the road, and for the other half—

**Mr HEAD:** We are having a pretty broad high-level kind of discussion in relation to this matter, but—

**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—

**The Hon. DANIEL MOOKHEY:** But surely the trucks that are coming up the M5 especially are the—certainly the use case for the airport gateway is to capture the traffic that is coming off the M5 East and directly connect them to the port, not directly connect but take them closer to the port, and then the reverse movement is such that you would expect as well that certainly on the truck side WestConnex will get more truck traffic as a result of the airport gateway off return trips.

**Mr HEAD:** I am not so sure about that. Obviously we have to wait and see, but at the moment those vehicles are travelling through the M5 East to get to the port. They now have two options. And the traffic may redistribute. So cars may choose to use the M8 and the Gateway into the airport because they are going to the airport and trucks may choose to use one of those two routes. I am not 100 per cent sure which way it will settle at this stage.

**The Hon. DANIEL MOOKHEY:** Fair enough. It is fair; it is a reasonable point. If they are already using it, that is fine. I could be cute and make the point that, according to the logic of the Government, that should be a tolled road, otherwise we are displacing schools and hospitals by building it.

---

CORRECTED

---

**The Hon. SHAYNE MALLARD:** [Inaudible.]

**The Hon. DANIEL MOOKHEY:** But I will move on.

**The Hon. SHAYNE MALLARD:** [Inaudible] based on your history.

**The CHAIR:** Order!

**The Hon. SCOTT FARLOW:** Policy announcement on the run.

**The Hon. DANIEL MOOKHEY:** I want to return to the question of toll relief, which is some of the options that have been advanced in this Committee by others, namely Infrastructure Partnerships—I am not sure if you had the opportunity to see their submission or peruse their evidence. They were making the point that they would like to see a whole-of-network approach adopted on pricing, equally time of day variation as well. Can you take us through what the implications of that are for the roads that you either operate or control?

**Mr HEAD:** Maybe I will make an opening statement and then Michele Huey can add to it. What Transurban has said is that we are willing to engage with the Parliament, or whoever it may be within the Government, about potential reform. There is a multitude of options that are available, some of which were articulated by Infrastructure Partnerships Australia and some were articulated by others. What Michele said earlier is that we have not really engaged formally with anybody yet. So we are looking for a little bit of guidance about what the Parliament might like to have a discussion about and then we will probably do a little bit more work and be much more able to answer some of the questions that you are asking around the impact of time of day versus making it all distance based, or whatever it may be.

**The Hon. DANIEL MOOKHEY:** I do appreciate that. I am asking you what would be the first principles approach from Transurban as to which of these are most likely the most feasible, the most easy, the most practicable and the easiest to deliver? All governments of all persuasions would seek your advice and input on this anyway—which ones of these do you see as being feasible, practicable and relatively fast to deliver?

**Ms HUEY:** I think policy questions of this nature are really complex, and I would not want to give you a short, sharp answer without considering all the factors that need to be taken into account. Coming back to the first principle, we support good transport policy not just for motorways. We know motorways are part of a broader road network and, for motorways to work, all the other roads need to work as well and broader transport as well—public transport, all the other modes—also needs to be coordinated, and that is part of the attractiveness of Sydney as a city, having that integrated transport. The thing that Transurban does support is a user-pays model—so motorways in themselves are a user-pays model—as long as the information is available for motorists to make that decision, whether they want to use and whether they want to pay. That, as a starting point, is something that we would support.

As Andrew Head mentioned, there are many, many different options. It very much depends on what the objectives are. We have talked in our submission about that the network of motorways that we have in Sydney that serve us well has grown over 30 years. So those concessions and the tolling regimes that were set in place at the time made sense at the time and met the purpose of the government of the day. But when we look forward, as the city grows and the population grows and the freight task demands increase, there is an opportunity for us to take a look, not just at individual assets—individual concessions—but look at this network as a network holistically. What that means may be opportunities for us to bring greater consistency and greater simplicity for the customer so they do not need to work out which road is distance based and which road varies by time of day, and they can actually get a broader and more consistent experience out of that. And, of course, something that is very important for policymakers would be around equity and fairness and how we try and look for opportunities to do that.

In terms of implementation—once again, depending on what the options are that we are considering, the implementation factors also need to be taken into account at the most pragmatic level. We covered a bit of that when we were talking about fees and administration—what kind of roadside equipment is required. To take an example, currently we have motorways that are fixed cost regardless of how much distance a motorist travels and we have others that are distance based by kilometre. So we need to make sure that whichever model we go to, the roadside equipment allowing the tolling regime to be implemented is an important part. Then, of course, in the back office, we need to make sure the processing is efficient so we do not have friction and we do not have a burden for the customers in terms of the tolling and the customer service. That is also another important consideration. I think my very long-winded answer is it depends on what the policy objectives are and what the options are. We are absolutely appreciating the opportunity—and this inquiry is the very first step of that—to have those dialogues so that we can help in whatever way we can.

## CORRECTED

**The CHAIR:** I will finish off on that discussion in relation to the road user charge model, which I understand Transurban has been a big proponent of for some years. Is that correct?

**Ms HUEY:** I think, Chair, the topic of road user charging we pick up as a user-pays concept, which Transurban absolutely supports by the fact that we run motorways that are user pays. It is a—

**The CHAIR:** Sorry, I mean the broader entire network, basically. You referred previously to looking at options around the entire network. Specifically I am talking about the concept of having every car, regardless of what kind of car, paying per kilometre on our roads.

**Ms HUEY:** Yes. The reason for my response is motorways form a broader part of the transport network. The funding sources of that broader transport network—and I am trotting out of my area of responsibility—such as fuel excise, such as registration and revenue that is collected do not cover toll roads. But we do have a vested interest in making sure that all roads are funded in a viable way so that they can meet the safety, efficiency and effectiveness objectives, otherwise our roads do not connect to anything that works. So we do have a vested interest in that, and that is why we do want to, where we can, share our perspective on that.

**The CHAIR:** But, as Mr Head said, you are a listed company. As a company your reason for being is to make profit. Obviously there is a great opportunity for Transurban to be appointed as an administrator of the grand road user charge scheme. Is that not something you would be interested in?

**Ms HUEY:** Our answer would be similar to the answer around what are the policies and what are the options, because road user charging is a policy question that rests with the Government. We have not had any engagement and we have not had any dialogue to know whether there is at all a role for anyone to play.

**The CHAIR:** As something that you have proposed many years ago as an entity, presumably it was proposed with an eye to profit.

**Ms HUEY:** I think the proposal is first coming back to making sure that the rest of the road network works really well and has a viable funding option so that motorways can connect into that broader transport system. In 2018 Transurban undertook on its own initiative a road user study to understand how a user-pays model is understood. That study—and I personally ran that five years ago—involved over 1,600 voluntary participants in Melbourne, exploring different types of user-pays models. Out of that study, which took about 18 months to complete, what we realised—and some of the perspectives we also shared with the wider industry and policymakers who are interested—is there is some work that we need to do as an industry, as a network, to help build a level of awareness and understanding around how roads are funded and built, and then what are some of the opportunities and options for us to create greater fairness and greater equity in how that funding is done.

**The CHAIR:** Can I stop you there? A lot of your answer is very—may I say—designed perhaps for this audience. If you could pretend for a minute that I am a business analyst. Tell me what is in it for Transurban when proposing a broader road user charge. Where is the profit coming from in your eyes?

**Ms HUEY:** My answer is still going to be the same because—

**Mr HEAD:** I do not think we are proposing anything; we are waiting to see if anything is proposed and if there is any change. If anything is proposed, I guess we would say to the business analyst, "We'll assess it when it's proposed and see if there's anything that we can do to play a role."

**The CHAIR:** But Transurban did propose a road user charge back in 2015, I believe it was.

**Mr HEAD:** We undertook the study and we provided the output of that study—the data—into the policy environment. But, ultimately, it is a decision for government to decide what to do with it.

**The CHAIR:** Is part of the potential negotiation around changing the structure of tolls in Sydney also a bit of a beginning of a negotiation around having that broader road user charge that Transurban could then play a role in?

**Mr HEAD:** No, not that I am aware of.

**Ms HUEY:** Anything else on that topic would be speculation on our behalf because we have not had any negotiation.

**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—



## CORRECTED

**The Hon. DANIEL MOOKHEY:** The Greens take corporate donations.

**The CHAIR:** The Greens do not take corporate donations, thank you, Mr Mookhey. I have some records here that show that in the last five years Transurban has donated almost \$1 million to the Liberal Party, including the Cormack Foundation, which is a Liberal Party fundraising entity. How does that meet the statement that you have just made?

**Ms HUEY:** Our Transurban policy prohibits direct political donations. Common practice to the industry and also businesses, we do look for opportunities to attend events or forums when there are topics that are relevant to our business and where there are opportunities for us to engage with stakeholders, not just government but also industry and wider, on these very important topics and topics of interest from time to time.

**The CHAIR:** So \$1 million worth of event tickets?

**The Hon. SHAYNE MALLARD:** There is a \$5,000 cap, do not forget.

**The CHAIR:** I am talking about Australia-wide.

**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.

**The Hon. SHAYNE MALLARD:** There can be mistakes there sometimes.

**The CHAIR:** No, it is verified in a number of places. Sorry, I will ignore the interjections. Coming back then to the admin fees that we were talking about before, just a couple of extra questions to round that discussion out. Has that \$10 for a first notice and \$20 for a second notice changed over time?

## CORRECTED

**Mr HEAD:** I think we were probably a little bit careful in the way we responded to that last time. I will be a bit more frank. The \$10 and the \$20 is a government process; we participate in it. We have proposed changes over a number of years, including in the submission. The changes that we have proposed and made some progress on include early notification reforms—I talked a little bit about that, and Ms Huey did as well—and we are in dialogue and it is in the submission that we think a bundling of the toll notices would be another useful reform, but we need to convince Transport for NSW and the Government to do it.

**The CHAIR:** In the concession agreement tolling schedule it very explicitly says that the amount of the admin fees will be as reasonably determined by the project company, which would be yourselves. Are you saying that is not the case?

**Mr HEAD:** Any fees that we propose as part of the concession deed need to be put to Transport for NSW, our regulator, and they go through them with a fine-tooth comb and ensure that there is nothing other than costs being covered and it is a very rigorous process.

**The CHAIR:** That is right, but it is proposed by you; it is not something that you wait on them for. You come up with how much you get.

**Mr HEAD:** You might do. You can propose it, but in my experience what typically happens is there is a memorandum of understanding [MOU] group that consists of lots of toll road operators and lots of toll road owners and often those discussions include interstate discussions, and it is more often than not, in my experience, that any of those ideas are first ventilated and raised there.

**The CHAIR:** So basically the \$10 and the \$20, has that always been the same or has it changed over time?

**Mr HEAD:** As far as I am aware, I do not remember it ever being different to that, and it is prescribed by the Government; it is a government process.

**The CHAIR:** Okay. Under the terms of the NorthConnex concession deed, it talks about the review. It says the project company, being yourselves, may review an administration charge once each quarter. Has that happened with Transurban? Do you review it every quarter and come up with what the current cost—

**Ms HUEY:** We review our costs, we review our processes on a very regular basis—some of the reviews are more than quarterly—to make sure that we stick to fees being only reflective of the cost that is incurred in administering them, just to make sure that we do not make any profit out of them. There are also regular independent audits that are undertaken to make sure that—

**The CHAIR:** Okay, but those costs over time have stayed at exactly \$10 and exactly \$20 for a second notice. So \$30 for that process has stayed exactly the same over time.

**Mr HEAD:** Can I just clarify, it is not \$30; it is \$10 or \$20.

**The CHAIR:** Okay, \$10 or \$20.

**Mr HEAD:** It is semantics, but it is \$10 or \$20. It is not \$10 plus \$20.

**The CHAIR:** So it is \$10 and then \$10.

**Mr HEAD:** Well, \$10 and then another \$10, yes, but it is not \$30.

**The CHAIR:** Okay, right. That is really useful. I had misunderstood; I thought it was \$30. Okay. That is good. So it is \$10 plus \$10. So that \$10 and then \$10 has stayed exactly the same in terms of covering—

**Mr HEAD:** As far as I can remember, that is the case. The other thing that I think it is worthwhile pointing out is if a \$10 toll notice is received and then a customer intervenes early, which is why we want to get to them early and tell them that there has been a problem in the process, if they then identify an account for the toll to be matched against, the \$10 is wiped and there is a small fee—I think it is \$1.20, from memory; again, do not hold me to that. So that is the process as it works, but, as far as I am aware, the \$10 and the \$20 has not changed for as long as I can remember.

**The CHAIR:** Do you think that is reasonable given that, as you mentioned before, Ms Huey, you reaching efficiencies of scale, there are back office improvements—

**Mr HEAD:** Because it is a government process I think that one is best put to Transport.

**Ms HUEY:** There are also many factors that drive the changes. If we are considering what has changed over the last 10 years, the number of motorists, the number of assets, the number of roads that are undertaken and trips that are undertaken have changed significantly, and then on our side the investments that we have made to

## CORRECTED

make sure that we continue to improve the processes we have. So it is probably a combination of all of those factors.

**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.

**Mr HEAD:** I understand.

**The CHAIR:** And I would like you to refute that. If you could do that with evidence that could be really useful. Unfortunately, I am out of time.

**The Hon. SHAYNE MALLARD:** Earlier today, as you probably observed, we had the ACCC give evidence. Some of their points about their assessment of the WestConnex transaction I thought were helpful, in terms of informing the competitive tension that always needs to be there with you and your competitors. Do you want to just go through briefly for us the process you went through with the ACCC? For example, I asked the question directly that they have green-flagged you for that transaction, they did not orange-flag it, and their principal submission to us is that they actually support the tolling regime in terms of road user pays is a more efficient model. Do you just want to go through the process you went through with the ACCC?

**Mr HEAD:** The ACCC has analysed and assessed seven transactions. Two of them related to WestConnex. I was involved in one and Ms Huey was involved in one. But, you are absolutely right, the ACCC provided a green light in both cases. I was not able to listen to their testimony this morning but I understand that they were pretty comfortable with the outcome of both of those two transactions that relate to WestConnex

**The Hon. SHAYNE MALLARD:** They were keen for the Government to encourage WestConnex—or anyone else for that matter—to release data about road users and volumes to potential bidders and give bidders time to build their own model. What would be your response to that?

## CORRECTED

**Mr HEAD:** Yes, that was an outcome of the 2018 review. We have been very happy to provide that information. It is all publicly available information. It is all very detailed and very comprehensive. We release the data in 15-minute increments and it is provided on a website every quarter. I understand from the traffic modelling market, which is ultimately what that is related to, that all of the data that is sufficiently required to undertake traffic modelling exercises is now available to anyone who wants to undertake that.

**The Hon. SHAYNE MALLARD:** I am thankful for that useful information. I just want to go to the KPMG report. Can I just unpackage the issue of trauma and the reduction of car accidents? We all care about injuries and trauma on the roads. The evidence from what I understand from the submission is that it has been dramatically reduced. Can you talk about that for us? There is a personal saving but also an economic saving, of course.

**Ms HUEY:** We share commonality in that we are very concerned about safety, whether it is worker safety in terms of the welfare of people that we have responsibility for or broader road safety, which is anybody who uses our roads. There is a report that we have also shared in our submission that looks at comparing Transurban operated motorways and other comparable roads. It was done by the Monash University Accident Research Centre. Summarising at a very high level, the conclusion out of all of those reviews, which have happened over a number of years, they have concluded that Transurban motorways are roughly twice as safe for road users than comparable roads. It is something that we have worked really hard on and something that we will continue to do.

As you mentioned, trauma or road incidents and accidents are not just a direct impact on the people that are involved. It creates a huge ripple effect, whether it is to the extended family and friends and people that are involved and connected to the individuals or whether economically on the immediate side of causing congestion and traffic disruption. Then there is the broader economic impact, which we have also covered as part of the KPMG report. It is certainly an area that is really important to us. We set very strict standards and have very high expectations on how we manage our roads to the best safety outcomes.

**The Hon. SHAYNE MALLARD:** I notice how quickly you took it down to 40 kilometres when someone is pulled over or something like that to maintain that safety standard on the roads. That would be a reduction because the service roads have so many traffic lights and they are second roads, and opportunities for accidents are removed by the motorway. That is basically the reason, is it? There are higher safety standards, I guess, on the motorway.

**Ms HUEY:** In terms of managing traffic on our motorways it is not decisions that are solely made by us. We do engage with the wider industry and also relevant agencies and emergency services to make sure that the traffic management approach is consistent, so that from a customer perspective they do not have to get to know different conditions depending on what roads they travel on. In the case of managing speed or reducing speed, whether there is an incident ahead or whether there are incident responders on site or emergency services on site, it is something that across the industry is a common practice, not unique to our roads. It is something that we see as a safety measure that is important for the people that are undertaking whatever activity they are on the roadside, to make sure that the passing traffic is done in a safe manner.

**The Hon. SHAYNE MALLARD:** I appreciate that. My final area of discussion and I appreciate, Mr Head, in your opening statement, your submission and covering note there is the parkland and tree planting, which is quite different, that type of area of benefits to the community. I wanted to just touch on environmental benefits of motorways. You have got some information on air pollution, some early data on WestConnex on air pollution quality on the surface before the motorway is built and some broader environmental benefits?

**Mr HEAD:** You are absolutely right. We undertook a study about 12 months after the M4 East opened up. As I said in my opening statement, the traffic on Parramatta Road has dropped significantly and we have also seen 10 to 15 per cent improvement in the air quality. We will undertake similar sorts of studies at appropriate times when other assets come online. I think there is a plan at some stage to do it on NorthConnex as well. These are benefits that we expect to see when you bring a modern motorway online. You have the trucks and the cars travelling through those motorways with less stopping and starting, burning less fuel, creating less emissions and we are running the tunnels themselves in a more efficient way. We just recently signed up—and we are both very proud of this—we got together and signed a deal to power all of our tunnels with wind power out of the Central West and the north-west of New South Wales. With WestConnex we are at over 90 per cent renewable energy on all of the motorways.

As you reference in your introduction, we are very passionate about trying to restore construction facilities in particular back to the community, within the boundaries of the Government's broader policy to create local parks. We are planting a lot of trees and shrubs. We are improving places. St Peters Interchange, for instance, was formerly a landfill site. We are now in the process of regenerating that and we are hoping to turn it into a

## CORRECTED

park. It has lots of pedestrian walkways there. We have sculptures going in and we are using those sculptures to educate children who are going through the New South Wales curriculum. There are lots and lots of different things that WestConnex is doing, over and above just digging a tunnel. More and more of those will become apparent to the citizens of the inner west and western Sydney over the course of the next few years.

**The Hon. SHAYNE MALLARD:** Am I right in saying that Transurban signed up to net zero emissions by 2050?

**Ms HUEY:** We have, and we have also set ourselves other targets as well. There is the net zero towards 2050 and we are the first ASX 20, if my understanding is correct, to have signed up to a science-based emission target. Well before that, back in 2013, we also set ourselves a 10-in-10 energy reduction target. So all these targets, which are measureable and we focus them, both address the absolute reduction in energy consumption and also, as Mr Head mentioned, the source of the energy of the remaining power that we do need to consume.

**The Hon. SCOTT FARLOW:** I just want to quickly deal with this Cormack Foundation issue. I was just having a five-second research and I think you are quite right that it is dividends and it is actually listed not as a donation receipt, as other donations are, but as "other receipts" along with ANZ, Coles, Woolworths and a whole range of other companies. I say from the outset that the Cormack Foundation is in no way associated with the New South Wales Liberal Party, nor have we ever received \$1.

**The Hon. DANIEL MOOKHEY:** They're moving on from Victoria.

**The Hon. SCOTT FARLOW:** They are still probably in litigation with the Victorian Liberal Party, I think, at the moment. Moving on from that point, just in terms of some of the other issues that we have heard during the inquiry, the call for the Independent Pricing and Regulatory Tribunal to be involved in setting the rise in charges each year, have you got any feedback or thoughts on that at all?

**Mr HEAD:** Maybe I will start and Ms Huey can add anything if she would like to. We have been through a number of different processes, be they bids or procurement of public-private partnerships or whatever it may be, and have always found the Government's process to be very robust. It always includes a probity auditor and there are a number of long-established government systems and processes to ensure value for money. On the outside, once these things have been delivered—for instance, NorthConnex—the Auditor-General found that it was value for money. We are operating within the existing process. We are aware that others are proposing other things. We have not really made any statements for or against any of those. We are very focussed on what it is required today. Those processes are very robust.

**The Hon. SCOTT FARLOW:** I guess, in terms of what this Committee is looking at as well is to the future and not just what is here today. We have had a lot of suggestions that have come before the Committee. I think they were dealt with before somewhat in terms of time-of-day tolling, a distance charge on the network, some sort of zonal charges so that we have an ability to look at the network as one potentially. I know that you are happy to have any discussions and you have indicated that to the Committee. Just looking at how we would unpick that and unscramble the egg, so to speak, what will be involved in terms of renegotiation? What is on the table effectively?

**Ms HUEY:** As we talked about, concessions are a legally binding commercial contracts. Having said that, given our long-term interest in Sydney, we want to make sure that the role that we continue to play supports Sydney's growth aspirations and so we have not really thought beyond being open to having a dialogue. It very much depends on where government and policy makers want to take this conversation if there is a conversation to be had.

**The Hon. SCOTT FARLOW:** Effectively, you are open to it and any of the contracts could be revisited but, of course, there would have to be, I imagine, compensation if there were any changes that were envisaged in one way or another?

**Ms HUEY:** And there are lots of different groups of stakeholders. Speaking on behalf of Transurban and WestConnex, there is also a long list of partners who co-invest with us that will need to be part of that conversation. I think there is a bit more thinking before we can come back and give you a definitive answer on what would be our response.

**The Hon. SCOTT FARLOW:** I think this 4 per cent escalation often comes up in debate. I guess there are different things that we hear on that. One is that it should be tacked to the consumer price index [CPI] and that 4 per cent of course exceeds the usual CPI increase. I think Mr Mallard said that it is not just about building a road, and set and forget. There are maintenance costs, a cost to capital that you have in terms of Transurban. Could you outline your views on that and why, perhaps, the escalation costs should not be just tacked to CPI and why are there additional costs potentially from your perspective?

## CORRECTED

**Mr HEAD:** I take you back to my opening statement. When a government, in my experience, is trying to determine what the right mix is, it is taking into account whether it should put any money in itself. Should it build it by itself? Should it use user-pays or not do it at all? And then there are some elements in our submission that talk about those challenges, once you get into the finer points of it. There are obviously the capital costs that you have got to recover. There are the maintenance costs over the period and then determining how long a concession ought to be, what the price should be when you start, what the escalation rate factors into all of those things.

I just have to stress again, those decisions are made right upfront by a government. We cannot change them. It really does not matter who owns the concession—whether it was owned by the State, in the case of WestConnex before it was sold down progressively, or it is owned by someone in the private sector—that 4 per cent escalator was set up-front. In the case of WestConnex, it was set by the Government in 2013 and the justification for it was to smooth the costs of construction, operations and maintenance over that period. They are tough decisions. They are difficult propositions to put together and those people who are thinking about that when they are putting them together have to consider all those variables and try to come up with the best possible proposition to make the project happen and have the customer happy.

**The Hon. SHAYNE MALLARD:** Are there escalators on the Eastern Distributor across the tunnel, Westlink M7, the Lane Cove tunnel?

**Mr HEAD:** Yes, and they all vary.

**The Hon. SHAYNE MALLARD:** They were all set by Labor governments, those escalators?

**Mr HEAD:** Oh yes.

**Ms HUEY:** And there is a mix of CPI-based, average weekly earnings-based and other mechanisms as well.

**The CHAIR:** Just as a point of order, because it was raised by Mr Farlow, the question in relation to donations still stands as being on notice because there were also direct donations to the Liberal Party as well. Will you clarify that dividend point? Presumably that means the Cormack Foundation owns shares in Transurban, so from a Liberal's perspective you are a shareholder in Transurban?

**The Hon. SHAYNE MALLARD:** No, Victorians, not us.

**The CHAIR:** Oh, right. You have nothing to do with it.

**The Hon. SCOTT FARLOW:** No, it does not actually. The Liberal Party in New South Wales does not at all. It is not associated.

**The CHAIR:** Oh, okay.

**The Hon. SHAYNE MALLARD:** Unlike The Greens, they are not actual conspiracists.

**The CHAIR:** I think that is a fitting end to the hearing for today. Thank you very much attending and for your considerable time and the detailed submission that you gave today. The answers to questions that you took on notice need to be returned within 21 days but the Committee secretariat will be in touch to discuss that. Thank you again. That concludes today's hearing.

**(The witnesses withdrew.)**

**The Committee adjourned at 14:02.**