

REPORT ON PROCEEDINGS BEFORE

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

ROAD TOLLING REGIMES

CORRECTED

Videoconference at Sydney on Monday, 14 February 2022

The Committee met at 10:00 am

PRESENT

Ms Abigail Boyd (Chair)

The Hon. Lou Amato

The Hon. Mark Banasiak (Deputy Chair)

The Hon. Scott Farlow

The Hon. John Graham

The Hon. Don Harwin

The Hon. Daniel Mookhey

* 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.

The CHAIR: Welcome to the fifth public hearing of the inquiry into road tolling regime. Before I commence I acknowledge the Gadigal people who are the traditional custodians of the land on which Parliament sits. I pay respect to Elders past, present and emerging of the Eora nation and extend that respect to other Aboriginal people present or who may be watching this inquiry today. Today's hearing is being conducted virtually. This enables the work of the Committee to continue during the COVID-19 pandemic without compromising the health and safety of members, witnesses and staff.

Today's hearing is open to the public and is being broadcast live via the Parliament's website. A transcript of today's hearing will be placed on the Committee's website when it becomes available. If participants lose their internet connection and are disconnected from the virtual hearing, they are asked to re-join the hearing by using the same link as provided by the Committee secretariat. Today we will be hearing from NSW Treasury, Transport for NSW and representatives from Transurban.

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 via videoconference today, it does not apply to what witnesses say outside of their evidence at the virtual hearing. Therefore, I urge witnesses to be very 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's terms of reference and 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 could answer only if they had more time or with certain documents at hand. In those circumstances witnesses are advised that they can take a question on notice and provide an answer 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 a few notes on virtual hearing etiquette to minimise disruptions and assist our Hansard reporters. Could I please ask Committee members to clearly identify to whom their questions are directed. I ask everyone to please state their name when they begin speaking. Could everyone please mute their microphones when they are not speaking? Please remember to turn your microphones on when you are preparing to speak. There is always at least one person, even the most seasoned Committee members here committing that offence. If you start to speak while muted please restate your question or answer so that it can be recorded in the transcript. Members and witnesses should avoid speaking over each other so that we can all be heard clearly. To assist Hansard, may I remind members and witnesses to speak directly into the microphone and avoid making comments when your head is turned away.

Mr PHILIP GARDNER, Deputy Secretary, NSW Treasury, affirmed and examined

Ms JACQUI CHRISTIE, Executive Director, NSW Treasury, affirmed and examined

Ms CASSANDRA WILKINSON, Executive Director, NSW Treasury, sworn and examined

The CHAIR: Would one of you like to start by making a short statement? If so, please keep it to no more than a couple of minutes if possible.

PHILIP GARDNER: Thank you. I think we will decline on an opening statement.

The CHAIR: We will rotate questioning between the Opposition, crossbench and Government. We will commence questions with the Opposition.

The Hon. JOHN GRAHAM: Mr Gardner, thank you for your appearance. I would like to commence with some questions about one of the ideas that has been floated publicly today, and that is about decision point signage, giving drivers a choice as they enter some of these toll roads. Both information about the travel time savings that they might make, the benefits of taking a particular toll road, but also about the costs—the current price of the toll road so that they can measure those up and make a choice as to whether on that day at that time they choose to take a toll road. Is that the sort of intervention that Treasury, in principle, would be able to support?

PHILIP GARDNER: Mr Graham, thank you for the question. That is very much an operational matter that we would defer to our colleagues at Transport for NSW who will be better able to assess the implications from a network utilisation and communication—

The Hon. JOHN GRAHAM: I am happy certainly to put it to Transport. This would have the ACCC in paroxysms. It would be very happy with this idea. Surely, in principle, Treasury, would favour this information to consumers, in principle. Would you like to support this idea this morning?

PHILIP GARDNER: I think better transparency and communication to consumers is always something we would support and would defer that to Transport for NSW and the operators of the toll roads in this particular instance to give a definitive answer on that.

The Hon. JOHN GRAHAM: Thank you. I would like to ask some questions about toll reforms. There is a sense in Sydney that drivers are really at the limit of what they can pay in terms of tolls and that families are really stretched keeping up with the toll burden. It has led to for more toll relief. Has Treasury performed modelling about what that toll relief might look like?

PHILIP GARDNER: Mr Graham, as you be aware the Premier recently announced that there will be a review of tolls undertaken and we are currently undertaking that and the terms of reference of that review allow us to look at the concession and rebate arrangements in place and make any recommendations that we may do that might improve the operations of the networks, the consistency of road pricing and anything that may improve the fairness and equity of the whole system. So, yes, the answer is yes. We are having a look at it. We will be providing some options to government during the course of this year on those matters.

The Hon. JOHN GRAHAM: What is the deadline you have been given under that terms of reference?

PHILIP GARDNER: We will be expecting to provide recommendations during the course of this year. We are still very much in the early planning phase of the review so I do not have specific deadlines or time lines. A range of things that may well be implementable reasonably quickly and there will be some things that could take significant periods of time to put in place.

The Hon. JOHN GRAHAM: When was that review actually signalled to Treasury? When did the starting gun fire from point of view?

PHILIP GARDNER: Around the same time the Premier made the announcement, and obviously the Christmas time and shutdown period was a period when we could not engage internally and with external advisors that process has been underway through the course of January and this month so far.

The Hon. JOHN GRAHAM: Give us your description about exactly what you are looking at? Is everything on the table here or have you got certain focuses?

PHILIP GARDNER: So the things that are in scope are the current arrangements in place, concessions, rebates and the tolling arrangements in place in the network at the moment.

The Hon. JOHN GRAHAM: So when it comes to the question that drivers are asking, will there be some toll relief options considered by the Government? You are saying that is in scope, that is one of the things that you will be looking at, that potentially the Government will be looking at, when it comes to this review?

PHILIP GARDNER: That is correct

The Hon. JOHN GRAHAM: Let me take you to some of the specific options and ideas that have been floated. I want you to tell me if they are in scope or off the table. You have referred to the first one, registration relief, existing schemes, looking at some potential expansion of that which is clearly in scope for your review?

PHILIP GARDNER: That is correct.

The Hon. JOHN GRAHAM: Things like cashback, is that something that could be considered under your review?

PHILIP GARDNER: Look, cashback is part of the existing arrangement so we definitely have to assess the merits of existing arrangements and potentially consider if they would be applicable, more broadly, yes.

The Hon. JOHN GRAHAM: A cap on tolls. Is that something out of scope or could be that be considered in the Treasury review?

PHILIP GARDNER: Again we will be providing a full range of options for the Government so it something that could be considered and put forward as an option to the Government, yes.

The Hon. JOHN GRAHAM: Yes, just two other options: time of day tolling which is clearly something you might look at.

PHILIP GARDNER: Absolutely. In a lot of instances the implementability of that could be particularly challenging because obviously a lot of systems and hardware and interaction with the operators, the tolls that sort of need to be considered in order to make that an effective process. So that is probably part of the longer term range of opportunities that could be considered.

The Hon. JOHN GRAHAM: You have already referred to harmonising tolling across the network as one of the issues you will be looking at as part of this review.

PHILIP GARDNER: Again that fits into that longer term bucket of things that could take a significantly longer period of time to consider our options and think through implementation and how that would be undertaken, but yes.

The Hon. JOHN GRAHAM: Who are the agencies around the table? Who is the brains trust behind this review?

PHILIP GARDNER: At the moment it is a combination of Transport for NSW and Treasury and we will bring in involvement from other agencies where there maybe specific aspects of the review that need their I am input.

The Hon. JOHN GRAHAM: Clearly one of the things that you will have to look at are future plans for tolling on the harbour bridge and the harbour tunnel. Is that something that forms scope of this review?

PHILIP GARDNER: One of the specific requirements because the harbour tunnel concession ends in August of this year is to provide the Government with a range of options as how it might proceed with those tolling arrangements, post that time. More broadly, as I said, just tolling across the entire network is something that is within the scope of the review so that would incorporate the bridge as a potential consideration within the full suite of options we might put to the Government.

The Hon. JOHN GRAHAM: One of the options—again I want to ask is if it is off the table—is two-way tolling on the bridge and the tunnel? They have not been excluded from that review, have they?

PHILIP GARDNER: We have not specifically excluded anything at this stage around the things that we may or may not advise the government on, no.

The Hon. JOHN GRAHAM: Yes, so from your point of view as a senior official that could be the one of the things that you recommend. Government may not like that or it may not choose to follow—that is a policy decision for it but for you it could be one of the things you recommend?

PHILIP GARDNER: Conceptually at this stage, absolutely, it could be one of the things that could be taken into account and put on the table. Once we do the work we will obviously have of a better feel how to narrow the options. But conceptually at this stage it could easily be considered.

The Hon. JOHN GRAHAM: The time is ticking on that—those concessions end in the middle of year. How quickly do you need to put a view to government on that question, in particular?

PHILIP GARDNER: The most significant issue with respect to that is probably the Western Harbour Tunnel because that is the time when you have potentially another crossing of the harbour. So it may be that the situation the Government may not make a decision on that for some years to come, and it maybe a decision for a future government.

The Hon. JOHN GRAHAM: Thank you for those answers. Can I ask that you table the terms of reference for that review with the Committee on notice?

PHILIP GARDNER: I will take that on notice.

The Hon. JOHN GRAHAM: Thank you. I would like to turn now to a question that I wrote to indicate the Opposition would ask you, that is, the total toll cost for drivers as they move around the State on these toll roads. The Committee has had to expand its terms of reference. We have had to invite a new government submission within 14 days, because the first government submission was totally silent on this question about what are the costs for drivers. There is plenty in the Government's submission about the benefits. All of that is really well expressed in the Government's submission about the benefits of these very beautiful pieces of engineering these roads. The benefits are there but the costs are silent, on the costs for drivers. Do you accept that it is in the public interest for this question to be answered, that drivers have a right to know how much they are paying in tolls in total under contracts signed by this Government?

PHILIP GARDNER: So obviously drivers—I am not being facetious—know how much tolls they are paying under the current tolling arrangements. There are contracts and they are fully disclosed in terms of the tolls that individual drivers are paying. Therefore, at one level they have pulled this disclosure around for things that are important to them as an individual driver.

The Hon. JOHN GRAHAM: But as taxpayers, you are saying they can know individually but they cannot know altogether the total toll burden across New South Wales for drivers?

PHILIP GARDNER: So there are a couple of reasons why we sort of do not—for a start, obviously, WestConnex has through its testimony shared with you the amount of money that is being paid by tolls on the WestConnex network. That is that \$1.9 billion that it disclosed. Obviously, we disclosed through our budget process incremental tolls that are received directly by the Government. On that basis, people using the tolls, and taxpayers of New South Wales, do have visibility on the amount of tolls that are being paid in the network, including the Government-owned toll roads.

The Hon. JOHN GRAHAM: But Mr Gardner, if I sign up for a phone contract, if I buy a mobile phone at a store, one of the things I have to be told is the minimum price of the contract. You are saying for New South Wales drivers with toll roads, there is no indication here about. What is the minimum price that you have signed up taxpayers for under these contracts? How much are we paying in total in tolls under contracts signed by this Government?

PHILIP GARDNER: I am not quite sure of the premise of the question, Mr Graham. Obviously, the tolls are known to drivers and they know what we are paying. Between ourselves and WestConnex we disclose the amount of tolls paid by road users in New South Wales. I am not quite understanding what that missing part of that puzzle that you are trying to get at?

The Hon. JOHN GRAHAM: Yes, I want to know how much does that add up to, over time, as a minimum? We know the tolls that have been paid in the last financial year. We know the Transurban component of that—you just put it on the road again. We know that drivers are doing a million toll trips a day. We know that the total at the moment is about 2.3 billion in tolls per year. How much in total under contracts which have been signed by this Government will drivers pay over the life of the contract? These are heavily regulated agreements. The prices are set. How much will drivers pay in total?

PHILIP GARDNER: Future toll revenues is a highly uncertain number. Obviously, things are changing really, really rapidly around road utilisation. We have COVID work. We have got changes in the work patterns of how people work from home and where they work in the office. Where they live. We have got huge discrepancy. If you look at—you can think about things like autonomous vehicles, we do not know what the future road network will look like. We do not know what sort of future rebates or concession agreements will be in place from every government. So those numbers that are looking for a source from are highly uncertain numbers. We would not want to put anything out there with that degree of uncertainty around it.

The Hon. JOHN GRAHAM: Mr Gardner, they are not that uncertain. The prices are set under these contracts. They are very clear. They could be higher. But I am asking about the minimums here. Inflation you

have to make assumptions about for the budget. There is an inflation assumption of—I think it is 2.5 per cent—that you made for the WestConnex business model. Is that correct?

PHILIP GARDNER: I do not have that off the top of my head. Ms Christie might be able to answer that question.

JACQUI CHRISTIE: No I do not know what assumption was made in relation to CPI in terms of WestConnex.

The Hon. JOHN GRAHAM: I invite you to take that on notice. That is the assumption that sits behind the WestConnex business model. Treasury has to make an assumption about inflation for the budget every year. Is that correct, Mr Gardner?

PHILIP GARDNER: Absolutely, and we have very long term expectation, sort of, forecast for inflation set out in the intergenerational report and in budget estimates papers every year, so yes.

The Hon. JOHN GRAHAM: One of a few other variables is the traffic assumptions—again not that that difficult, at the moment growing about 4 per cent a year and obviously impacted by COVID. There really are few variables here that impact on the total toll cost paid by drivers under contracts signed by this Government. You had to estimate it to sell WestConnex, did you not? You had to make assumptions.

PHILIP GARDNER: That's correct. We had to make assumption at a time but those are assumptions that were made at a point in time were based on very complex modelling. And they were for the specific use of the Government and the other proponents in the process and their financiers.

The Hon. JOHN GRAHAM: Tell us what they were. Tell us using those assumptions how much drivers are paying in tolls under the WestConnex contract between now and 2060?

PHILIP GARDNER: Look, in addition to the reasons that I have talked about, the uncertainty of those forecasts, there are a couple of other reasons why we do not disclose the data that we use. One of them is that those revenue forecasts are a significant part of the analysis that we use to support the scoping study and the Cabinet submission to enable the Government to make its decisions around whether to proceed with the transaction in the first place and then to award the successful contract.

The Hon. JOHN GRAHAM: Mr Gardner, you sold the road. The transaction has been gone. You will next be visiting this question in 2023.

PHILIP GARDNER: I understand that.

The Hon. JOHN GRAHAM: Surely this is not a State secret?

PHILIP GARDNER: No, just to reiterate there will be elements of Cabinet confidentiality around past Cabinet decisions that relate to that. But the second thing is that we are undertaking this toll review. Part of it maybe that we do look to renegotiate these concessions—I am not saying that there was any certainty around that, but it may well be. It could compromise that process. It could compromise any future negotiations, future concessions, any potential future monetisation. Our job is to protect the integrity of future processes, private sector negotiations in the private sector. A very important aspect of this is—

The Hon. JOHN GRAHAM: Mr Gardner, I want to stop you there, because I am putting the position that it is in the public interests for drivers to know how much they are paying in tolls. How does that compromise the public interest from a Treasury point of view? Why is that a secret? Why cannot we just know what we have been signed up to pay? This is money coming out of taxpayers' and drivers' pockets? Why do you want to hide that number? I can understand some of the other aspects of the model. Why will no one say how much drivers are paying in tolls?

PHILIP GARDNER: I obviously touched on the uncertainty, the Cabinet confidentiality debate amendment then the third thing is that this is sensitive commercial information. Any sophisticated investor equity analyst could take that number, can fax solve for a revenue profile that can be impact the equity analyst's view on the Transurban business. It can impact on the finance-ability on the WestConnex entity. It has a lot of consequences. As you know, and Transurban made the statement in its testimony, it is a listed company. It is precluded under restrictions in the Corporations Act from providing forecasts on itself. So we are not going to put ourselves in a position where the Government is undermining the intent of that legislation and compromising—

The Hon. JOHN GRAHAM: Mr Gardner, I am going to my colleague now, although I will continue this line of questioning in the second block. I might hand to my colleague.

The Hon. DANIEL MOOKHEY: Thank you Mr Gardner. Greetings to you and to the other Treasury officials and for all its worth happy Valentine's Day. Can I press on a point you just made there Mr Gardner?

I accept that it might be in Transurban's interest not to release these numbers. Why is Transurban's interest identical to Treasury's interest in this respect?

PHILIP GARDNER: For different reasons we both have interests in the numbers not being disclosed. One of them obviously is we do not want to undermine the intent of the legislation and the purpose of the Corporations Act. So that is in the Government's interests not to be seen to be compromising those restrictions that Transurban has on making forecasts. That is an important principle.

The Hon. DANIEL MOOKHEY: Mr Gardner, Transurban discloses more to the stock market than Treasury discloses to the Parliament in terms of how much money is earned and how much revenue forecast they provide, albeit not to a specific road. Surely we are in a position where the most basic of questions, which is, even at the time of the transaction, how much are taxpayers going to be handing over? I invite you again to reconsider your position here because that transaction is done. You can almost backward calculate it if you had to. All we are asking is for Treasury to give a validation as to what it was at the time we entered into this contract. Will you at least get that information or is that beyond the remit of what you are capable of telling us today?

PHILIP GARDNER: That is, for the reasons I have set out, sort of something that we do not disclose that set of data.

The Hon. DANIEL MOOKHEY: Okay. I want to clarify a few other details that came up in my colleague's earlier line of questioning. In respect to this review, does the review have the ability to assess toll impact on heavy vehicles?

PHILIP GARDNER: It does have the ability to have a look at that, yes.

The Hon. DANIEL MOOKHEY: So in terms of what is in scope, is it in scope that you will be examining the truck multiplier?

PHILIP GARDNER: All aspects of the tolling arrangements are in scope so technically, yes.

The Hon. DANIEL MOOKHEY: Equally following up, my colleague will be asking you questions about the CPI escalator. Given that there are a variety of escalators across the network, is it in scope to determine which is best practice?

PHILIP GARDNER: We will certainly give consideration as we might think about that for future concessions, yes.

The Hon. DANIEL MOOKHEY: Equally, my colleague did sort of ask you when you expect this review to be complete. I think that you said that options will go to government this year. But to start with, I will push you for a slightly more nuanced answer. When do you expect Treasury to complete the review?

PHILIP GARDNER: I think there are probably two or three stages to the review. There are things that can be done, probably, within a relatively short period of time. Others could take quite some significant period of time. As I said, we are still very much in a planning phases of the review. I do not have specifics for the deadlines and timeframes for particular parts of the review. I would say we would need to wrap up our recommendations to government probably in the third or fourth quarter this year.

The Hon. DANIEL MOOKHEY: Is there an opportunity for public input into this review?

PHILIP GARDNER: We could consider public input. At this stage that is not a part of the process.

The Hon. DANIEL MOOKHEY: Is it going to consider industry input?

PHILIP GARDNER: At this stage we have not given consideration to what external input we will have in the process.

The Hon. DANIEL MOOKHEY: Does, for example, the heavy vehicle industry have the ability to make a submission?

PHILIP GARDNER: Look, again we have not given full consideration to what external consultation we may do through this process. I cannot give a definitive answer on that.

The Hon. DANIEL MOOKHEY: This is an internal departmental review—that is what it sounds like Mr Gardener—as opposed to an external review and inquiry. This is really just an internal review.

PHILIP GARDNER: It is a review. Absolutely it has not been set out that we necessarily need to do external consultations. We will determine what the consultations we should do during the course of the review.

The CHAIR: Your time has expired unfortunately Mr Mookhey. We will come back to you. On this points of the review, when did the review begin? What date did it commence?

PHILIP GARDNER: I will take that on notice. I do not have a specific date. Obviously we are still in the process of review.

The CHAIR: An approximate?

PHILIP GARDNER: It is basically starting right now. As of three weeks ago, we were engaging consultants. We have not completely finalised that process. We have been doing some work internally. I do not think there is a particular date saying "We started today."

The CHAIR: Yes, sure, but recently?

PHILIP GARDNER: Recently.

The CHAIR: Yeah. This is a review generally into the tolling system in Sydney and what changes could be made. Is that correct?

PHILIP GARDNER: That is correct, yes.

The CHAIR: We recently conducted a call for papers through the upper House. I obtained a number of documents. A number of them from as far back as at least 2019 refer to the toll reform ongoing. So these are documents between Transurban and Transport—sorry—and Treasury, in relation to market soundings and other things in relation to projects that are already referring to this upcoming toll reform. What are those documents referring to, do you think?

PHILIP GARDNER: I am at a bit of a disadvantage to you, Ms Boyd. I am not aware of those documents. I do not have any insights into what they are referring to.

The CHAIR: Are you aware of Transurban's suggestions over the years for tolling reform?

PHILIP GARDNER: Look, I read Transurban's input into this particular review. It hardly, if at all, touched on any aspects of reform. So I am not aware of anything that is very contemporaneous or contemporary in terms of Transurban putting anything forward, apart from the fact that they would be willing to engage with the Government on it.

The CHAIR: Would it be fair to say that the Government has been contemplating tolling reform as part of its general strategy or privatisation of these motorways for a number of years?

PHILIP GARDNER: No, look, I cannot sort of speak for what the Government has been considering, Ms Boyd. We have been asked to do this review now following the Premier's announcement. We are sort of acting on that. I have not had a sense of sort of other things going on. I think it is constantly something that is in the public domain, the framework and the level of tolls. So it is something that is sort of a general discourse in government. Beyond that I do not have any particular comments.

The CHAIR: Has Transurban ever put a bid in, or expressed interest in participating in a motorway project or purchasing one of Sydney's motorways, with a consideration of tolling reform as part of that bid?

PHILIP GARDNER: I am not aware of that.

The CHAIR: Is that something that you could take on notice?

PHILIP GARDNER: Absolutely I will take it on notice.

The CHAIR: Thank you. Perhaps we could just turn to—I do not know if you were watching the ACCC evidence or you have read the ACCC's evidence to this inquiry?

PHILIP GARDNER: I have read their evidence and their input into their proposal into the submission into the inquiry, yes.

The CHAIR: Thank you. When we had the ACCC before this Committee, they were saying—and this is obviously sort of a layman's explanation, but my interpretation of what they were saying—that although the WestConnex purchase was not seen as falling foul of competition rules, they did express concerns about how the NSW Government conducts future bids and proposals for motorway sales. Has the Government taken on those recommendations and taken any, I guess, action to comply with them going forward?

PHILIP GARDNER: It is interesting. So if you look at current toll roads that are under procurement, so the Western Harbour Tunnel and the M6, in both of those instances the State is proceeding with a straight design and construct sort of format for those. They are conceivably toll roads that could be done under a similar PPP or concession model as done with WestConnex. So I think that we have always faced into the fact that competition and to give the best price is something that we would need to deal with future concessions. I do not think specifically in response to the ACCC but certainly we are conscious of the issues that the ACCC has raised.

Really it is up to individual future governments to consider it with individual toll roads. The Government at a time whenever it is making these decisions, will be taking those considerations into account. So I absolutely agree with the premise that has been put forward there. We need to consider those with every toll road as they come up.

The CHAIR: One of the recommendations that really stuck out was the one around basically taking action to facilitate a more competitive process in the future, given the Transurban owns so much of our toll road system, and that involves greater transparency and giving of information. Is that something that the Government is taking seriously?

PHILIP GARDNER: So, I mean we made every effort in the second part of the sale process for the 49 per cent to give as much time and data as we possibly could to support other participants in the process. We are very conscious of the perceived or potential informational asymmetries in this system. Whenever we run a process or think about it, we will do everything we can to sort of level the playing field, absolutely. So, again, valid points that we will take on board with respect to future processes.

The CHAIR: Do you see a problem—let me rephrase that. Is Treasury actively considering ways to increase future competition for the potential sale of the Western Harbour Tunnel, in light of the tension with that being a toll road versus the single-way tolling on the—sorry, what am I trying to say? Let me start again. Are the current tolling arrangements with the Sydney Harbour Tunnel and the Sydney Harbour Bridge an obstacle to the potential sale of the Western Harbour Tunnel?

PHILIP GARDNER: That is a very interesting but hypothetical question, Ms Boyd. It is a difficult one and we would have to probably give some deeper consideration to it. One of the principles for good network operations is that where you have got consistency and approach between competing sort of avenues—so if you add the Western Harbour Tunnel, you have got the Western Harbour Tunnel, the bridge and the Sydney Harbour Tunnel. And if you had inconsistent approaches to tolling across those three then it could cause disruption to the network. Yes, we would to understand the consequences and be willing to make decisions that impacted the network based on the different options.

You could conceivably do one model on the Western Sydney Tunnel and a different model on the Sydney Harbour Bridge and Sydney Harbour Tunnel but you would have specific traffic modelling, traffic congestion and productivity issues you have got face. I think that will require a significant amount of consideration and thinking to resolve all those issues and be able to put the sort of different options and pros and cons to the government of the day that has to make a decision on the Western Harbour Tunnel. As I said, that project is not going to come on line until 2028. So there is a long time and a lot of opportunities between now and then for different governments to give consideration to that. It is very much, at this stage, a very hypothetical situation because it does not have to be dealt with for quite some period of time.

The CHAIR: Will your tolling review consider that issue? Is that part and parcel? Is that something that you are thinking about?

PHILIP GARDNER: Look, it has to give consideration for all known information. It would be remiss of us not to take into account the fact that the Western Harbour Tunnel is under procurement and that it will come on line within that sort of timeframe. I think if we were not to take it into account in any form, we would not be doing our job of advising the Government appropriately. I would have to say, we have not yet landed at a point where we might make specific recommendations about that of the because of the timing. It maybe a matter for a future government to resolve.

The CHAIR: Sure. So it would be reasonable then for drivers to anticipate a two-way toll on the bridge at some point in the next decade? You would surmise that?

PHILIP GARDNER: No, I actually do not think that is a reasonable consumption because that is a matter for government decisions to make. At the moment you have one-way tolling on the two crossings and the Eastern Distributor so governments could decide to maintain that. Those arrangements, either replicating that with the Western Harbour Tunnel and or having two-way tolling. We just need to work out the traffic and productivity consequences and make an informed decision some time in the future.

The CHAIR: A final question from me and then I will hand back to the Opposition for a few minutes. I am trying to understand from Treasury's perspective—and perhaps you could just help me out—when you have a private toll road operator charging tolls that then become the subject of a cashback or a concession paid for by the Government, how does that, I guess, get accounted for or justified by the Government when it is effectively delivering more government money directly into Transurban's pockets?

PHILIP GARDNER: So that is a feature of those types of concessions—cashbacks—that it is arguably one of the redistributions of income from the taxpayers of New South Wales to specific motorists and to the

operators of the toll roads. We need to take that into account when we are advising the Government on what the right options were. Certainly it starts to skew the signals around utilisation and the user charges system, which the tolls road are. If you actually start to give concessions and rebates then you start to distort that model. Arguably, the beneficiaries are a small number of road users at the expense of broader taxpayers in other geographies of people in New South Wales, people who do not use cars, the people who use the public transport system, and arguably it is to the benefit of toll road operators. We have to think very carefully about all the very different dimensions when we talk about fairness and equity of the road system. Then we need to think very broadly around how we might advise the Government on any changes that it may want to consider.

The CHAIR: That payment for concessions and cashbacks and things, is that considered in the cost benefit analysis when you are selling a new motorway?

PHILIP GARDNER: Look, it is part of the—I mean, understanding the traffic volumes under those different concessions and rebates is, I actually do not recall whether that was sort of modelled in it. I might need to take that on notice, Ms Boyd.

The CHAIR: Specifically, I am talking about the alternative between keeping it in government hands and then that being a much easier thing to, as you say, distribute wealth and try to reduce economic inequality, versus the situation where a private toll road operator is always getting their profit regardless and it is the Government that is having to stomp up to adjust the impact on drivers

PHILIP GARDNER: I do not recall. Obviously there is a very different scale in these different cashbacks and rebate schemes. I do not recall specific consideration of that being given in the business cases on those concessions, no.

The CHAIR: Thank you. Back to the Opposition.

The Hon. JOHN GRAHAM: Thank you Chair. Mr Gardner I might just start touching on two aspects of that review. You have answered some questions about industry input and potential future industry input. That is still yet to be decided. Have you had any discussions with the private toll road operator at this point about what the options are as part that was review?

PHILIP GARDNER: No Mr Graham. I presume you are referencing particularly Transurban? We have not currently engaged with them on this review. It is a reasonably high chance that we will do that during the course of the review. But we need to, you know, very clearly make sure that we ourselves determine what the purpose and scope of that engagement is and what the governance and probity arrangements around that engagement might be. At this stage we have not done that. They have obviously, a lot of information.

The Hon. JOHN GRAHAM: Yes, that sounds like a sensible way to think about things. It goes to the timing that you have not taken that step yet. It is unlikely that there is hope coming soon for drivers, given that that is almost a necessary step for you to take action. Is that a fair comment?

PHILIP GARDNER: Look, there are maybe things that are quite easily agreed between us and the toll operators and there may be some things that may well take a significant and longer period of time. So I would not rule out outcomes being able to be delivered in a relatively short period of time. We just need to undertake the work and engage.

The Hon. JOHN GRAHAM: Just give us some a couple of examples of the sorts of things that might fall in that bucket, things that could easily be agreed? What sort of things might that be?

PHILIP GARDNER: Conceptually there is the tagging systems, right? They have about half the road tags in the system and we have about the other half. There may be a reasonable pathway—I mean it is not simple—to being able to sort of collate and utilise that information. We have not engaged with them so as yet we do not really know the complexity and technical aspects of that process.

The Hon. JOHN GRAHAM: Look, I think that is a really useful theory. Are there any other things that you can point to now? The reason I ask is one of the frustrations from drivers here is they feel like there are no solutions to these problems. From Treasury's point of view, is there some hope here? Are there some things that we could do, given that obviously these prices at the moment are under contract?

PHILIP GARDNER: I think if you look at all the different toll roads across the network, they are not just owned by Transurban. A reasonable number of them have Transurban and other parties. They are not common parties across all those concessions. You cannot just point specifically to one party and agree, sort of, a change of approach that may sort of net—have the right fiscal attributes for the Government and taxpayers and for road users because there is a lot of sort of cross-benefits and costs that sit within that. I just do not to understate the

complexity of anything that might go on with respect to having a look at changing the contract arrangements that are in place today.

The Hon. JOHN GRAHAM: I think that is a strong point. What non-contractual arrangements might be on the table, just talk us through that?

PHILIP GARDNER: I think, Mr Graham, you sort of touched on a range of them from the outset. I do not have the full suite of things. Things that you talked about, the things that relate to rebates, concessions, cashbacks and caps are all potentially things that, depending on the implementability of some of them, you know, there is a pathway that does not require opening up the various contractual arrangements that we have in place. To Ms Boyd's comments, we need to be conscious that that changes traffic volumes or the potential impact of those things changing traffic volumes and, therefore, changing the commercial outcomes for different parties in the system.

The CHAIR: Which consultants have you engaged for the review?

PHILIP GARDNER: Sorry, I cannot disclose that because we have not finalised signing of some of the contracts with the consultants so they will obviously be disclosed, as required.

The Hon. JOHN GRAHAM: Could you take that on notice then, once you have signed those contracts and let the Committee know? I think that the Committee has a right to know which consultants you have engaged, at the appropriate time.

PHILIP GARDNER: I will take that on notice, yes.

The Hon. JOHN GRAHAM: I missed slightly what you said, so I just want to confirm. You were talking about the toll on the Western Harbour Tunnel commencing in 2028, is that correct.

PHILIP GARDNER: That is my understanding of the announced opening date of the Western Harbour Tunnel, yes.

The Hon. JOHN GRAHAM: So from a driver's point of view tolling actually starting on that day, yes. I just want to refer back to your comments about the balance to be struck here between costs drivers might be paying or the balance of taxpayers funds generally. I thought that was quite a good statement of some of the things to be balanced here. That is why I want to return to these questions about the costs that drivers have to pay. We are being asked as a parliamentary Committee to way up the benefits and costs of toll roads. You have given us a piece of material on the benefits. But not a zack on the costs: that is the Government's submission. We are inviting a second one and I hope you give us a better answer this time. We are trying to do our job to weigh up the benefits and costs but it is very difficult without Treasury being clear. What are the total costs you have signed taxpayers up to under these contracts? Are you aware that the base case financial models have been released in the past for some of these roads?

PHILIP GARDNER: I am not aware of the base case financial models being released publicly for these roads, no.

The Hon. JOHN GRAHAM: Not for these roads but, for example, on the night of 12 November 2005 the base case financial models for the Lane Cove Tunnel and Westlink M7 were released. They were tabled in the Legislative Assembly. Can you identify any harm to the public interest that occurred from tabling all these financial models in the Parliament?

PHILIP GARDNER: Look, I am not aware of the specific situations, Mr Graham, around the disclosure of those base case financial models. So I do not have a point of comparison to make as to why or why not those were disclosed. Obviously we have set out our reasons for not disclosing the models in the instances of WestConnex and the more recent concessions.

The Hon. JOHN GRAHAM: Just to be clear about your position—and you have put this on the public record before under some detailed questioning from my colleague, Mr Mookhey—you believe that base case financial model for WestConnex should not be released until after 2060? That is still your view?

PHILIP GARDNER: That is still our view. And again like I probably elaborated today more fully on the reasons for those, but it continues to be our position.

The Hon. JOHN GRAHAM: Would you release it in 2060 or would it still be a State secret then?

PHILIP GARDNER: That is too far in the future and too hypothetical, Mr Graham, to think about.

The Hon. JOHN GRAHAM: No, it is not, Mr Gardner. I am asking you, in principle, does Treasury support the release of the base case financial model after 2060 or not?

PHILIP GARDNER: I will to have to take that one on notice.

The Hon. SCOTT FARLOW: Point of order: It is purely a hypothetical in terms of asking Mr Gardner—who I suspect is not going to be part of Treasury in 2060; I would be wrong—what Treasury will do in 2060 and what Treasury's position would be in 2060.

The Hon. JOHN GRAHAM: To the point of order: This actually is a crucial principle that the Committee should consider, whether these are published or not. It was the previous finding of the previous tolling inquiry that they should be. I want to understand, in principle: Is Treasury proposing keeping these a State secret forever or just during the life of these contracts? I do want to press this position.

The CHAIR: Having heard the point of order, I do understand the point that is being made, and I think Mr Gardner is well placed to respond. It is not something that he can answer, but to the extent that you can respond to Mr Graham's question, I would encourage you to do so.

PHILIP GARDNER: From a first-principles perspective, Mr Graham, a lot of the reasons that we would not disclose it would fall away. To Mr Farlow's point, I absolutely will not be here in sort of 38 years' time and therefore will not know the basis on which a future Treasury, Treasurer would determine if that should be disclosed. A lot of the reasons around the financeability crossing over against the obligations of the listed company under the Corporations Act will definitely fall away. So there will probably be a lot stronger basis on which you would disclose that information.

The Hon. JOHN GRAHAM: Thank you for that answer. These base case financial models have been tabled in the Parliament before. I am not asking for that. That is what the last inquiry recommended, by the way. I am not putting that view to you. I am simply saying: Why can't we know how much drivers pay, just the revenue in? Why is that a secret? That does not compromise any of the financial considerations you are referring to.

PHILIP GARDNER: Absolutely it does. If we publicly disclose the sum total of the revenue—and, as I said, it can be back-solved against the sort of profile of the toll roads. It can be used by investors and equity analysts to make determinations of themselves as to whether or not the party has paid the right price. It could impact the financeability of the toll roads; it could impact the share price of Transurban. As I said, we are currently undertaking this review. It may be that part of the review is to give consideration to changing some of these concessions and arrangements. WestConnex, it is just one of several concessions in New South Wales. Therefore, it sort of gives an imbalance or a degree of disclosure around one of the concessions relative to the others. There is a whole range of different reasons why we will not disclose those revenue numbers for that concession.

The Hon. JOHN GRAHAM: Mr Gardner, I will tell you why that answer makes me angry. It is because this money is coming out of the pockets of working people. It is coming out of the pockets of people in Sydney who do not have public transport options. It is coming out of the pockets of people who do not have the luxury of commuting into the city—tradies, for example, who have to drive all around the city. Can you understand why it leads to deep community suspicion when Treasury will not even be up-front about that basic fact—how much drivers are paying in tolls in total under contracts your agency recommended, this Government signed off on?

PHILIP GARDNER: Look, I hear what you are saying, Mr Graham, but I reiterate our position on not disclosing that information.

The Hon. JOHN GRAHAM: One of the concerns about the extreme secrecy surrounding these contracts is about the compensation clauses—what the Minister says are very, very significant compensation clauses that the public might have to pay if these terms are varied. What can you tell us about the amount of taxpayer money that might be owed in compensation if there are changes made to these contracts, including as a result of potential recommendations from your review?

PHILIP GARDNER: Look, that is a very hypothetical scenario and we have not got to that point. Anything that would be done under the review that may be in the domain of changing the concessions, it is too hard to tell at this point in time. So I do not have an answer to that question.

The Hon. JOHN GRAHAM: Mr Gardner, it is not hypothetical. I should be clear it was the former Minister, Minister Constance, who talked about this publicly—very, very significant compensation clauses. What are they?

PHILIP GARDNER: In every concession, there is a range of compensation clauses that go in both directions between different parties. I do not have the specifics—that is, those concession agreements are between the Department of Transport and the operators of those businesses. So I am not familiar with the specific details of those concession clauses.

The Hon. JOHN GRAHAM: Can you give us some assurance that Treasury reviewed those compensation clauses? Surely that is in the public interest for Treasury to have a close eye to those details, what we might have to pay out of the public purse to a private operator.

PHILIP GARDNER: I can absolutely assure you that when those concession agreements were entered into, Treasury had a strong oversight; they are done under PPP arrangements. We have a role to play in working and evaluating those models and the frameworks. But, as I said, I am not that familiar with them because that is obviously something that is agreed between Transport and the concession operators, and it is their responsibility to answer these types of questions.

The Hon. JOHN GRAHAM: So you do not know what they are but you are reviewing the tolling arrangements. Can you give us some assurance you will be rapidly finding out?

PHILIP GARDNER: To the extent that anything that we might do that might change any of the concessions does intersect with any of the compensation arrangements in any of the concessions, then we will very, very quickly get up to speed and take them into account in advising the Government.

The Hon. JOHN GRAHAM: Again I want to ask you this, in principle, because we rely on Treasury to defend these important public principles about public money. In principle, why don't we know something, anything, about the very, very significant compensation that might have to be handed out of the Treasury vault and rolled down the road to the headquarters of a private business? Why can't you tell us anything about that, in principle? Surely some of this is in the public interest that it should be known.

PHILIP GARDNER: There are quite a lot of details if you actually look on our website. There is actually like a 60-page summary of the WestConnex concession. There is quite a lot of information embedded in those.

The Hon. JOHN GRAHAM: I am familiar with it.

PHILIP GARDNER: I would need to take advice on what details we could or could not provide beyond what is in that. A lot of it is, as we have talked about, sort of commercially sensitive arrangements between different government agency and the operators of those concessions. Obviously there is an imperative to maintain sort of the commercial confidentiality around those arrangements.

The Hon. JOHN GRAHAM: I am going to hand to my colleague again at that point, Mr Gardner, although I do want to come back and press you at least once more on some of this total toll cost. So I will just alert you to that now as I did in writing before the hearing.

The Hon. DANIEL MOOKHEY: Mr Gardner, I just want to push for some clarifications that arose out of that line of questioning. Firstly, in respect to the compensation clauses, you have referred us to the 60-page summary of some of the aspects of the concession deeds. I think that RMS, now Transport for NSW, has previously published the concession deeds in full. Is that your recollection as well?

PHILIP GARDNER: Look, I do not have any specific—a lot of our concession deeds are public, but I do not think they are in full. There would be some redacted aspects of those documents.

The Hon. DANIEL MOOKHEY: I recall reading it in the 200 pages from the WestConnex M4 Widening concession deed, which was quite the thrill. It was quite clear in terms of what we are liable for when it comes to compensation. It says that we have to pay at least what they otherwise would have—well, in my summary of it, they would have earned in the base case financial model. That is what the concession deed says. Is that in accordance with what you understand as well?

PHILIP GARDNER: That is a general principle I understand to be consistent with the compensation arrangements. I cannot speak to the specifics as it relates to that particular concession.

The Hon. DANIEL MOOKHEY: The reason why we do not know what the base case financial model is—it is the one piece of information that is missing. Everything else is publicly available. Is there any reason why you cannot even give us an estimate of the base case financial model? Or are you accepting that, as a result of the decision of the Government to withhold the base case financial model from the public domain, we will just never know what we are up for in compensation?

PHILIP GARDNER: Compensation would only happen in very specific circumstances. It is, at this stage, very hypothetical scenarios that we could be talking about. I do not know if I have got—I cannot specifically provide an answer to that question.

The Hon. DANIEL MOOKHEY: You flagged earlier, did you not, that, as a result of the review that you were doing, that might lead to renegotiation or a move towards a more network model or, at least, changes to the existing contract arrangements? You said that before.

PHILIP GARDNER: That is right.

The Hon. DANIEL MOOKHEY: The baseline from the operator, or the owner of the lease and, therefore, the controller of these assets, is that they are not going to agree to anything if they earn less than what they would otherwise be earning according to the base case financial model. Do you agree with that in principle?

PHILIP GARDNER: No, I do not agree with that in principle. There will be some model that will need to be developed. We may undertake some new traffic modelling and financial modelling to determine that.

The Hon. DANIEL MOOKHEY: They have told us. Transurban came before this inquiry and said that they are not going to agree to any changes that will leave them worse off.

PHILIP GARDNER: Exactly. I completely understand. But what is the baseline of "worse off" may be something that could be redetermined based on contemporary up-to-date modelling. Or it could be [disorder].

The Hon. DANIEL MOOKHEY: The base case financial model.

PHILIP GARDNER: Yes. Exactly. It could be that.

The Hon. DANIEL MOOKHEY: This is the point, then. We do not know whether or not the first deal you agreed to was any good because we have not seen the base case financial model. We have no idea whether the next one is going to be any better because we have not seen the base case financial model. Do you see why, perhaps, the public might feel left out of these conversations?

PHILIP GARDNER: I think you are going down a line of questioning—the submission from Transport set out the significant amount of oversight of these processes that is undertaken when we enter into these concessions. Obviously, we are having to operate with the commercial confidentiality framework that we do and the Cabinet confidentiality and the risks around prejudicing future concessions. That is the basis on which we moderate the amount of disclosure we make.

The Hon. DANIEL MOOKHEY: Mr Gardner, in response to an earlier question, you nominated three reasons as to why you think that you should not. Amongst them was that it might allow equity and other analysts to judge whether or not what was paid for was good or bad. It might have an impact on Transurban's share price, and it would allow people to judge whether or not forecasts have been met. Can I again ask you to explain to us why Transurban's share price is a relevant consideration for Treasury? Why should it be a relevant consideration for this inquiry? I can accept from their perspective that it is a relevant consideration, but why is it a relevant consideration for Treasury that would therefore cause Treasury to inhibit the release of public information?

PHILIP GARDNER: I did answer this question previously, Mr Mookhey. We do not want to be undermining the intent of the legislation in the Corporations Act around the restrictions on companies to provide forecasts. Wherever possible, we should not seek to put information into the public domain that might otherwise compromise the financeability or valuation of these companies.

The Hon. DANIEL MOOKHEY: I do not follow. At what point did that become a principle of the Treasury that it should not release information if it is likely to have an impact on a private company's share price?

PHILIP GARDNER: I set out, I guess, three different layers of the response of this question. This is just one of the three. There is the elements around Cabinet confidentiality, there is the elements around prejudicing the functioning of government around future concession negotiations and there is the element around the actual lack of certainty around the information in terms of we do not know what will happen. We do not have a crystal ball around the future. This is just one of those elements, Mr Mookhey.

The Hon. DANIEL MOOKHEY: My colleague was asking you about whether or not Treasury was going to release the base case financial review after 2060. I am troubled by your lack of confidence in your own immortality, Mr Gardner, when it comes to that first point. The second point is that we are in this absurd position where the Cabinet submission will become public decades before the actual base case financial model under the Public Records Act. Cabinet confidentiality only applies for 30 years, but the base case financial year is going to be secret until 2060. Surely that has got to have some factor on Treasury's attitude as to whether you are going to release the information. It would be absurd that we see the Cabinet's submission but not the actual financial model. We have to wait a decade for it. It is the worst cliffhanger I can imagine, Mr Gardner, when it comes to public release.

PHILIP GARDNER: It is a matter I had not taken into account previously, Mr Mookhey. I will have to take some advice on that one.

The Hon. DANIEL MOOKHEY: Could you, on notice, tell us how Treasury intends to reconcile the Government's obligation to release, under the Public Records Act, the Cabinet's submission and Treasury's desire not to release the base case financial model until 2060?

PHILIP GARDNER: I will take that on notice.

The Hon. DANIEL MOOKHEY: Thank you. The other point I wanted to clarify was in respect to the consultants aspect. Just to confirm, you are using consultants to assist you in this review?

PHILIP GARDNER: We are, yes.

The Hon. DANIEL MOOKHEY: And you are currently sourcing them?

PHILIP GARDNER: We are in the very late processes of sourcing them, yes.

The Hon. DANIEL MOOKHEY: How are they being sourced?

PHILIP GARDNER: Through a limited contested, competitive tender process.

The Hon. DANIEL MOOKHEY: When did that start?

PHILIP GARDNER: The middle of January.

The Hon. DANIEL MOOKHEY: That is going to which panel? The consulting panel or—

PHILIP GARDNER: We have got strategy consultants and traffic consultants. Ultimately, they will have a broader array of consultants.

The Hon. DANIEL MOOKHEY: Do you have a budget for the consultants spend here?

PHILIP GARDNER: At this stage, we are absorbing it within the Treasury budget, so we do not have a specific name to budget on the project, no.

The Hon. DANIEL MOOKHEY: I have other lines of questioning, but they are new. I might just return to my colleague and let him take over from here, if that is okay, Chair.

The Hon. JOHN GRAHAM: Thank you. I might return to Mr Gardner. In the course of your work, or your time in the Treasury, has any Minister asked you the question: How much are drivers paying in tolls in total under these contracts?

PHILIP GARDNER: No.

The Hon. JOHN GRAHAM: Has the Premier?

PHILIP GARDNER: No. I certainly do not recall it. My strongest recollection is no.

The Hon. JOHN GRAHAM: So this question just has not come up in the course of your professional work at Treasury until this inquiry?

PHILIP GARDNER: Not from within the Government, no. The line of questioning you are putting is the only avenue that this questioning has come to me.

The Hon. JOHN GRAHAM: One of the frustrations here is that everyone is in on this joke except the driver. The private company knows how much is being paid. The Treasury knows. You had to estimate, before you sold this, how much is being paid in total. The Minister knows. I have got a very good idea because Transurban reports to the market. Anyone with a calculator and a good set of batteries can work out the scale of this—the order of magnitude here. That is part of the frustration publicly with Treasury's position of what I would describe as extreme secrecy.

Can I put to you an estimate of what it might be that drivers are paying in total in tolls under contracts that are currently in place under this Government? I will be up front about what the assumptions are behind that. In total, under the contracts—the minimum is certainly more than \$100 billion. It is something like \$115 billion in total paid by drivers in tolls under these contracts, assuming that prices increase by the minimum under the contracts, assuming that inflation is the same as the assumptions that you made in the WestConnex model and assuming that traffic grows by 2½ per cent. Although, it actually has grown by higher. That is in today's prices. We are not making any claims here about inflated prices down the track. It is in today's prices. That does not include the Western Harbour Tunnel, the M6 stage one or, for example, the Beaches Link. I put to you that number,

Mr Gardner: \$115 billion that you have put people on the hook—drivers to pay in tolls under the life of these contracts. Is that close to the mark from a Treasury point of view?

PHILIP GARDNER: Mr Graham, I am not going to either affirm or dispute that particular number. I have set out clearly my thoughts on why we do not disclose them and the significant uncertainty. Obviously there has been very significant toll road projects in the past where the differences between forecast numbers and actual numbers are dramatically different to the various impacts. We don't know what we don't know about the future to report accurate forecasts to assign any accuracy for forecasting.

The Hon. JOHN GRAHAM: So just no information from Treasury on this question. You just do not have a view? [Disorder].

PHILIP GARDNER: Obviously we did our own modelling for the particular sale processes, but we are not willing to put—

The Hon. JOHN GRAHAM: But the public do not know.

PHILIP GARDNER: We are not willing to put a forecast or a particular number into the public domain, no.

The Hon. JOHN GRAHAM: But if we are paying \$2.3 billion—tell me if I am getting warm—now and doing that over 40 years, this number is not going to be less than \$90 billion, is it? That even says toll prices do not go up; they are going up regularly at 4 per cent a year. It is going to be higher than this, isn't it, Mr Gardner? Are we getting warm?

PHILIP GARDNER: Again, I am just not going to affirm or dispute any numbers that you put forward, Mr Graham, on this.

The Hon. JOHN GRAHAM: But we are not going to be paying less in tolls next year. That is very unlikely. Would you agree with that?

PHILIP GARDNER: I do not have the crystal ball that actually gives me an answer on that one, no.

The Hon. JOHN GRAHAM: When the Premier stands up and says "Look, we built WestConnex for \$16.8 billion and we sold WestConnex and some other things, actually, for just over \$20 billion. We have done well", can you see how that ignores tens of billions of dollars that drivers are also tipping into that equation? If we are weighing this up in the public interest, how is the Committee supposed to weigh up the costs and benefits if you will not be clear on how much drivers are paying?

PHILIP GARDNER: Mr Graham, if I can give you my view on this. It is deeply flawed logic to try and associate a revenue stream over a long period of time with an assessment of value for money. It is a bit like saying, BHP earns this amount of money, adding that up for the next 40 years and saying that is what BHP should trade for on the publicly listed stock market. That is a very flawed concept. You have got to obviously look at the costs of running the business, the construction costs, the traffic risk, the capital structures. You have got to look at what risk transfer there is between the State and the operator, and you have also got to look at the alternative, the counterfactuals. What happens if we had built that purely with the State's 100 per cent contribution to the construction and the debt that sits behinds that? What are the things that do not get done if we do that? The concept of, is this the right decision, is it value for money from the taxpayers perspective is completely a separate set of analysis to summing up the future revenue streams for a particular project over an extended period of time. The two are just completely—you just cannot infer one from the other.

The Hon. JOHN GRAHAM: Mr Gardner, that is a sensible point of view. I do not support your position that the base case financial model should remain a secret, nor did the last committee, but I can understand why you would assert that. That is why I say releasing this simple information, just what drivers are paying, what is going to come out of their pockets for decades, is in the public interest. That is something they would like to know. Do you at least accept that in principle? Can you see why—

PHILIP GARDNER: Mr Graham, apart from directly hearing it from you, I have never heard anyone else put that proposition forward, and so I do not necessarily agree with your premise.

The Hon. JOHN GRAHAM: That is a very brave volunteering of that view. I suspect you might hear it some more from now on, Mr Gardner. I want to ask about the M5 corridor specifically. You are conducting this review about the impact of tolls. Can you give us some idea of how much some of the businesses in this corridor are paying now that the M5 East has gone from being free for these businesses, some of which located there because it was free and easily available access to transport? Have you got any sense of how much they are paying in toll bills per month?

PHILIP GARDNER: No.

The Hon. JOHN GRAHAM: Some of these operators have shown us what they are paying now—\$10,000, \$20,000 per month. It is risking putting them out of business. The fact that their trucks are now driving on suburban streets is risking putting the small shopkeepers businesses out of business—the big trucks driving right outside their small stores. This is a major concern. Have you got any sense of this as you review the tolling policy for the Government?

PHILIP GARDNER: I would have to refer that line of questioning to transport, because obviously there is a lot of network management issues and operational issues that fit into that, and so I am just not in a position to provide any insights on that.

The Hon. JOHN GRAHAM: But, Mr Gardner, you sold this road. Treasury threw this into the transaction. These businesses are now going out of business because of trucks on suburban roads. We have taken significant evidence that the pricing is just wrong and it is driving trucks, from the smallest operators to some of our biggest freight companies, off the toll roads onto suburban streets. Is that something you will be looking at? I am asking you to look at it in your review. Are you prepared to do that?

PHILIP GARDNER: We will sort of give consideration to working with transport, and I would suggest that you have that line of questioning with transport because I am not as familiar with the issues surrounding that and whether it should intersect with the review. I will have to talk to my colleagues in Transport before agreeing.

The Hon. DANIEL MOOKHEY: Mr Gardner, I just wanted to ask you a bit about RRIPL—Roads Retained Interest Pty Ltd—and its fate, if you do not mind, or what happened with it when we had it. Firstly, it was the case, was it not, that the State was earning income from its residual 49 per cent interest prior to sale.

PHILIP GARDNER: It got some returns from WestConnex entities prior to the sale of the 49 per cent—correct.

The Hon. DANIEL MOOKHEY: Those returns constituted both—for want of a better term—included dividends, did it not?

PHILIP GARDNER: Principally capital, Mr Mookhey.

The Hon. DANIEL MOOKHEY: Yes. But also dividends, yes?

PHILIP GARDNER: I am not certain. Because the WestConnex business was not planned to be profitable for quite some period of time, I will have to take it on notice—the mix—but it may well have only been capital.

The Hon. DANIEL MOOKHEY: Just on that though, certainly RRIPL was being paid what it was entitled to under the contract and the concession deed, was it not?

PHILIP GARDNER: Yes, that is correct.

The Hon. DANIEL MOOKHEY: And whether or not you characterise that on profit or not is, I guess, a separate question. But it was earning income from the WestConnex, was it not?

PHILIP GARDNER: It did have some returns from WestConnex, and my recollection is the majority of that being capital.

The Hon. DANIEL MOOKHEY: Okay, sure. That is not reflected in the dividends line under the budget. That is reflected in the other distributions and returns, was it not?

PHILIP GARDNER: I would have to confirm that, but definitely not in the dividends because of the nature of the return being capital.

The Hon. DANIEL MOOKHEY: It is other dividends and distributions, which I guess is consistent with the electricity companies as well. It is not a different policy, is it?

PHILIP GARDNER: No, but the characterisation of distribution of earnings versus capital may well turn up in different parts of the—

The Hon. DANIEL MOOKHEY: Budget, which is fair enough.

PHILIP GARDNER: —budget.

The Hon. DANIEL MOOKHEY: On notice, can you clarify where precisely the capital returns from RRIPL would have turned up?

PHILIP GARDNER: I might check with Ms Wilkinson to see if she is aware of that, but otherwise we will take it on notice.

The Hon. DANIEL MOOKHEY: Yes, if Ms Wilkinson knows, that would be helpful.

CASSANDRA WILKINSON: I think we will take that on notice and get back to you.

The Hon. DANIEL MOOKHEY: Thank you. How much in capital returns did we get last year?

PHILIP GARDNER: I do not have that information. I might check with Ms Christie if she has that information.

JACQUI CHRISTIE: No, sorry, we will have to take that on notice.

The Hon. DANIEL MOOKHEY: Was it, in the last year, above \$600 million?

PHILIP GARDNER: Sorry, I have to—sorry, Jacqui?

JACQUI CHRISTIE: I will take that on notice.

The Hon. DANIEL MOOKHEY: Was it specifically around \$622 million?

PHILIP GARDNER: We would have to take it on notice, I think.

The Hon. DANIEL MOOKHEY: I am just getting these figures from the annual reports, in terms of what was reported in the annual reports that were tabled in Parliament just a couple of weeks ago. It showed that RRIPL had distributed circa at least \$500 million back last year. Is that the range that we are talking about?

PHILIP GARDNER: In terms of order of magnitude, Mr Mookhey, that could well have been the case. The returns of capital were in the hundreds of millions of dollars. So that could easily be a valid scenario, yes.

The Hon. DANIEL MOOKHEY: And, to be fair, is it not the case that returns from RRIPL have to be, by law, deposited in the NSW Generations Fund?

JACQUI CHRISTIE: That is correct.

The Hon. DANIEL MOOKHEY: The NSW Generations Fund also reported a contribution from the Government of about—or, actually, from RRIPL—or at least you can infer it being at least consistent with that figure. So we can assume it was above \$500 million at least? Unless you can tell us differently, I am going to proceed on that basis.

PHILIP GARDNER: Let us proceed on that basis, yes.

The Hon. DANIEL MOOKHEY: Okay. Firstly, when the residual interest was sold, did we factor in what our expected earnings were off the residual 49 per cent? I am not asking you what they were, but was it a factor?

PHILIP GARDNER: Yes.

The Hon. DANIEL MOOKHEY: Equally, did we factor in, sort of, at what point—well, what dividends we would earn, not just capital returns?

JACQUI CHRISTIE: Yes, absolutely.

The Hon. DANIEL MOOKHEY: When were we expected to be earning dividends, from what period of time, roughly? You do not need to be specific, but what five-year block between now and 2060 were we meant to be starting to earn dividends off our residual interest?

JACQUI CHRISTIE: I think that would fall into the same category of information Mr Gardner was referring to earlier, where it is commercially sensitive and will not be disclosed.

The Hon. DANIEL MOOKHEY: Okay. I presume it is going to be a similar answer—what return on equity were we meant to be expecting over the life of our residual, the 49 per cent, which we got through the sale process?

JACQUI CHRISTIE: It is the same answer. It is commercially sensitive and it will not be disclosed.

The Hon. DANIEL MOOKHEY: But you accept the principle that in selling the 49 per cent we were basically selling the value of our future earnings?

JACQUI CHRISTIE: Yes, I accept that.

The Hon. DANIEL MOOKHEY: And we can infer the multiple that Transurban paid is the same multiple that you were willing to accept of future earnings?

JACQUI CHRISTIE: I do not think that we can infer the multiple that Transurban paid, and our multiple is commercially sensitive.

The Hon. DANIEL MOOKHEY: How then should we judge whether or not we got value for money by selling the 49 per cent? If we cannot use all the other available metrics that a private company can use for asset disposal, how then can you assure us, as our treasury, that we got value for money?

JACQUI CHRISTIE: Clearly, Treasury undertook significant work around the valuation and determining what would be an appropriate market valuation of the asset. We would not have recommended to Government to proceed with the transaction if we did not get a bid that was above that or in line with that market value.

The Hon. DANIEL MOOKHEY: Look, I accept as given that Treasury would not have recommended a sale if Treasury thought it was a bad idea. But I guess the question is, how are we going to scrutinise your judgement given the size of the asset that was sold? How can a person who is paying a toll or not paying a toll figure out whether or not Treasury got us a good deal or a bad deal?

JACQUI CHRISTIE: I think Mr Gardner has addressed these points earlier, about the complexity of that question and the fact that the information is commercially sensitive.

The Hon. DANIEL MOOKHEY: But we got a \$500 million capital return last year, minimum—probably, I am putting it to you, it is about \$622 million. Prior to that I think it was about \$91 million, and that was just really in the two years that we had it. Can you see, given that this was quite a lucrative asset, it was paying—the capital return we got from our 49 per cent last year I think was double what Sydney Water pays us in a dividend. By privatising it, we have certainly lost what would have otherwise been recurrent income. Is that, at least, fair?

PHILIP GARDNER: That capital return is, obviously—capital returns happen on infrequent occasions and the size of it has nothing to do with the profitability of the business, and so it is not an indication of future revenue streams or distributions from that business. As I said, it was not expected to be profitable for some period of time, given the construction and establishment costs of that business.

The Hon. DANIEL MOOKHEY: But, Mr Gardner, in the absence of you being prepared to release any forecast as to what its income was, it is hard for us to sit here and accept that evidence as given because the only thing we can infer is that we were getting a lot of money out of RRIPL until it was sold. Equally, given that Transurban and its consortium paid \$11 billion for 49 per cent, they clearly think that it is worth a lot of money—at least \$11 billion, its future earnings is worth. Surely, you would agree with that—that Transurban put a high value or the bidders or the buyers of our interest put a high value on the State's future earnings?

PHILIP GARDNER: Well, they put a high value on it based on their assessment, their capital structure, their operations costs, and that could be completely different to the sort of structure and the operational environment that it might be in under Government hands. And so—

The Hon. DANIEL MOOKHEY: But you are not prepared to tell us that, are you—as to what it would be under Government hands?

PHILIP GARDNER: No. No, absolutely, that is one of the most sensitive pieces of information that we have in the process.

The Hon. DANIEL MOOKHEY: My colleague was asking you about how much revenue that toll payers will be forsaking until 2060, but I am asking you how much dividend income have we forgone as taxpayers that we could otherwise be using to build more roads or pay for hospitals and schools. Can you at least tell us how much foregone revenue taxpayers have lost between now and 2060—well, not lost, how much revenue we have forgone by selling the State's residual interest in WestConnex?

PHILIP GARDNER: I, for the reasons we have talked about, cannot put a specific number on it. What I can do is to take it on notice to determine—like, we will have mechanically changed, sort of, the budget and so there may be some element of what you actually see in the budget papers that I can take on notice to come back and give you a specific answer on that.

The Hon. DANIEL MOOKHEY: Thank you. My last question is, is there any information you can provide us about how the budget has changed in the forward estimates and, equally, can we get that data broken out over the next 10 years? Because, as I understand it, Treasury forecast it as a 10-year profile. That would be helpful too.

PHILIP GARDNER: I will take that on notice.

The Hon. DANIEL MOOKHEY: Thank you. I pass back to my colleague.

The Hon. JOHN GRAHAM: Mr Gardner, I might return to where the Chair was heading when she asked you about the western Harbour Tunnel. From a transport point of view, if the Government made a policy decision to keep traffic tolls one way on the Harbour Tunnel and the Harbour Bridge, it might then make sense from a traffic management point of view to keep tolls on the western Harbour Tunnel only in one direction. Does Treasury have a view about how much that is likely to impact on a potential sale price?

PHILIP GARDNER: No.

The Hon. JOHN GRAHAM: Would it be of concern to Treasury? You would agree that, clearly, it would have some significant impact on the toll revenue?

PHILIP GARDNER: Yes. Yes, the difference between—well, you can conceivably take what you pay on a one-way toll and halve it and put it on a two-way toll and, therefore, the toll revenue does not change. So it is all about actually what is your setting, as opposed to—is it the methodology of one way or two way is not the determinant of the revenue, it is actually where you then set the tolls.

The Hon. JOHN GRAHAM: Yes, it is a complex interaction because you would have to double the tolls on the Harbour Bridge and the Harbour Tunnel from a traffic management point of view. These are all—

PHILIP GARDNER: Conceptually, you could halve it, right, and put it on a two way with net-zero impact on—well, apart from doing the minutia of the analysis, you have got a lot of different options.

The Hon. JOHN GRAHAM: Yes, but is it safe to say that Transport's job will be to look at those traffic management issues but from a Treasury point of view you are the guardian of the revenue to the State? You will express a view—what that is I am not actually asking you—but you will be expected to express a Treasury view about whether this tolling ends up one way or two way on the Western Harbour Tunnel. That is a fair conclusion, is it not?

PHILIP GARDNER: Look, our interest in it is probably just more understanding the impact on the financials.

The Hon. JOHN GRAHAM: That is the bottom line?

PHILIP GARDNER: That is the bottom line, that is right. The network operational efficiency aspects of it are definitely in Transport's domain to advise the Government on.

The Hon. JOHN GRAHAM: I now want to return to where my colleague—

The CHAIR: Sorry, Mr Graham. If I could just butt in there—

The Hon. JOHN GRAHAM: Fire away.

The CHAIR: Then I will allow you to carry on. Just on that point, I understand that whether or not we have the two-way tolling or whether or not we have some sort of reform that considers the various crossings in order to avoid those traffic network distortions is a matter primarily for Transport. But presumably Treasury is particularly interested, when it comes to the future prospect of selling the Western Harbour Tunnel, in what that toll reform looks like, correct? Mr Gardner?

PHILIP GARDNER: I would not characterise it as "particularly". I think if the Government were to give consideration to running a process around that, then, yes, we would have some consideration as—back to Mr Graham's question, we will be interested in the overall level of tolling as it impacts on revenue to the State and, very conceptually, any future monetisation. So we would certainly have a determination as to whether or not there was some input into the advice to Government from Treasury around that, but at this stage it is a very hypothetical situation because we are undertaking Western Harbour Tunnel under a D and C arrangement. It does not open until 2028. There is a lot of water to flow under a bridge or a lot of roads to go over a bridge, but it is very preliminary and hypothetical to be thinking about that.

The CHAIR: I am looking at this document that we obtained under the call for papers dated 21 November 2019. This is a Treasury document. It contains meeting notes, with Transurban, regarding the Western Harbour Tunnel and Beaches Link and has representatives from both Treasury and Transport on the panel attending. This meeting involved a discussion about various models for ownership and/or construction of the Western Harbour Tunnel and Beaches Link. In it there is a note from the panel—and it is explicitly stated that this is the panel, being the representatives from Transport and Treasury—that states, "Working on a tolling framework that considers toll reform across crossings. Equalised tolls likely to avoid traffic network distortions."

Then Transurban proposes a model where it may procure and deliver the Western Harbour Tunnel asset, including tolling systems, and then hand it back to the State on the basis that that would allow the State to retain the existing tolling and delay toll reform. Clearly, from reading that, it is clear that Treasury has quite a big interest in what happens with the tolling across those roads in order to work out what may or may not be the best method for financing the Western Harbour Tunnel and Beaches Link. Is the review that you are doing into tolling connected to this toll reform that was being discussed with Treasury and Transport?

PHILIP GARDNER: No. I am not that familiar with that particular document, but it certainly precedes actual decisions the Government has made around how to proceed with the procurement for Western Harbour Tunnel, which is a design-and-construct model where the State will cover the costs of the construction of that. It sounds like different ideas were being bandied about, but the Government has ultimately made a decision to go down a path of a design-and-construct on that project. So it gives the Government a lot more optionality and flexibility around timing of making decisions on the tolling environment and the harbour crossings.

The CHAIR: Did the Government decide to go that way because the inconsistency, or the issues or obstacles, created by the different tolling across the various harbour crossings presented an obstacle to selling the Western Harbour Tunnel?

PHILIP GARDNER: There is a huge number of considerations that come into play when you are considering an individual procurement, so it could have been anything from not being comfortable that we could get the right price in different options or inability to transfer risk, or certain sort of construction objectives. It could be any one—I cannot give a definitive answer that that is the case. It may have been one of many considerations that were thought through. Without being 100 per cent familiar with the decisions around the particular procurement act process for that project, I cannot give you a definitive answer.

The CHAIR: Thank you. Back to you, Mr Graham.

The Hon. JOHN GRAHAM: Mr Gardner, I am just going to pick up from where Mr Mookhey left off where he was essentially inviting you to defend these deals—either the WestConnex sale or, indeed, these tolling concessions—and just encourage you to take that up. You have been invited to make a further submission, as the Government. I would like Treasury to be more up-front about the cost to drivers. That is clear. I think the Government should be up-front—Treasury should be up-front—about the fact that it is paying more than \$100 billion in tolls under contracts we have already signed, let alone the ones you will encourage the Government to sign here.

My colleague is asking about the public revenue and asking you to put some things on the record about that. If Treasury will not defend these deals, you cannot ask this Committee to defend them. The Parliament has a role to weigh this up. As an Opposition we are trying to make some policy decisions, acknowledging the benefits and the costs of these significant pieces of infrastructure, but we need you to do your job and inform the Parliament about the costs. That has not happened to date at all in the Government's submission, so really I am inviting you to take up my colleague's invitation and defend this deal, and be clear about the benefits but also about the costs in the further submission. I will simply give you the chance to respond to that invitation now.

PHILIP GARDNER: We have obviously seen the letter that you have sent, Mr Graham, and so we will work with our colleagues in Transport and advise the Government on pertinent matters, and it is for the Government to determine how it responds.

The Hon. JOHN GRAHAM: I would hope it is not just up to the Ministers what ends up being in the Government's submission to the inquiry. I would hope that the views that Treasury puts in are not then subject to some sort of ministerial office censorship. I will not invite you to respond to that—I think that would be unfair—but I will put on the record my concerns if that was to be the case. I want to turn to those questions about the ACCC because it did have some quite interesting views, I thought, about future toll road improvements and ensuring contestability when that happens because that is likely to be the future of many of these discussions with Government down the track. A toll road which has been running free but now risks congestion could be improved to the benefit of taxpayers and a company that sought to run it. Did you have any response on that question that the ACCC put in front of the Committee about ensuring that those are contestable decisions, that we are getting multiple bids for those future improvements to the toll network within the existing concessions?

PHILIP GARDNER: Yes. Certainly when we think about the different options in front of the Government around building a particular project versus having it constructed and financed by the private sector, we have to give consideration to what is the competitive environment we can bring to the table. Obviously things like big-cost compensation or ensuring that there is a level playing field in terms of data or genuinely understanding sort of how the risk transfer from the State may level the playing field around those things are certainly all things that we would have to take into account. One of the interesting prospects that they noted was

excluding particular parties from a process, a very interesting proposition that may well not lead to the best possible outcome for the taxpayers and the people in New South Wales.

So we definitely want to give very, very strong consideration to the pros and cons of doing that but certainly noted that as something they put in there. We have been, as Jacqui said, very confident that in the process that we have run to date we have achieved very good outcomes for the State from a value-for-money perspective, from an operational perspective, from a risk transfer perspective. So I stand behind the decisions that have been made. But any future decision will have to be weighed up with all these different sort of competition matters in mind and, as we have talked about Western Harbour Tunnel M6, proceeding with a D&C construct for reasons specific to projects and potentially competition reasons as well.

The Hon. JOHN GRAHAM: On that specific question about the data, because that was the key area where the ACCC intervened, and I think I recall they said—in fact, they did say in their submission the State could go further in requesting that some of that data was available to the public and potentially to competitors. Does Treasury have a view on that question, because there obviously is a real concentration of knowledge and data with a single operator here?

PHILIP GARDNER: I think my recollection is that the premise to that question is "give more time and more data" to the proponents in the process, and we will absolutely take that on in considering any future project. We did bolster the traffic analysis work we did in the 49 per cent with this particular issue in mind.

The Hon. JOHN GRAHAM: Could we go further though? You are right about the "give more time and more data". I am just asking about the data. Could we go further? Do you have hopes down the track this will still be important down the track?

PHILIP GARDNER: It will continue to be important down the track. There obviously will be limits as to what information we actually can get and available, and we do think incredibly deeply around all the information that is required. So I am not confident we can go further, but we would make every possible effort to increase the transparency and the amount of data that is available. I mean, there is a point at which additional data does not help, but we will do what we can.

The Hon. JOHN GRAHAM: I agree with that, although in the end that was not the view the ACCC put, which is why I am asking, but thank you for that answer. I want to ask about the Sydney Harbour Bridge toll. This toll has never gone up in the life of this Government. Tolls in western Sydney are going up 4 per cent a year under a deal you recommended that the Government signed. The Sydney Harbour Bridge toll is reviewed annually. It has got to take account of the fact that prices are going up every year. It sits in front of the Minister with a recommendation from Transport every year, and every year there has been no increase. From a Treasury point of view, as you have recommended prices go up in western Sydney 4 per cent a year, are you concerned that this toll price has been given some exemption that there has been no public defence of?

PHILIP GARDNER: Look, I do not have a specific view. The one thing I would note is that the harbour crossings are a monopoly. I certainly do not have alternatives from a road perspective. Look, I do not have an opinion. I do not have a view on that particular question.

The Hon. JOHN GRAHAM: Why doesn't Treasury have a view, Mr Gardner? This must be the only giveaway, fiscal giveaway, that Treasury does not have a view on. Why isn't it in the public interest that Treasury—I mean, the Government makes whatever decision it makes, but I would have hoped Treasury would be in there arguing for public revenue, for taxpayers' revenue? Are you saying Treasury has not had a view at all?

PHILIP GARDNER: We sort of defer to Transport to formulate advice to the Government. Treasury does provide insights that will then advise the Treasurer and ERC around our particular perspectives on this, but the traffic management aspects of this, there are operational complexities. Again, I do not think that Treasury has put forward a particular opinion on this matter.

The Hon. JOHN GRAHAM: Forget the traffic management. What about the fiscal giveaway year-on-year as Ministers sign off on this? Why hasn't Treasury expressed a view about that? Why don't you have a view about that?

PHILIP GARDNER: I do not know. I would check in with Ms Wilkinson to see if she has got a particular response on that.

CASSANDRA WILKINSON: Our opinions are not within the terms of reference. Obviously we give advice and decision—support to government, but our opinions are not something that we can discuss today.

The Hon. JOHN GRAHAM: What advice has been given as millions of dollars have been foregone on the Harbour Bridge while drivers in western Sydney have their tolls put up 4 percent every year?

CASSANDRA WILKINSON: I think you are aware, Mr Graham, that our advice to Cabinet is confidential, but we are happy to take these questions on notice and consult with our general counsel as to what we can share.

The Hon. JOHN GRAHAM: This is not a Cabinet process. Has Treasury provided any advice outside the Cabinet process about this fiscal giveaway as Ministers have kept Harbour Bridge tolls stable but put up western Sydney tolls 4 per cent a year?

CASSANDRA WILKINSON: As I have said, I will see if there is advice we have given outside of that confidentiality and we will take it on notice.

The Hon. JOHN GRAHAM: Thank you. I might at that point hand to my colleague.

The Hon. DANIEL MOOKHEY: I might just follow up on that. Has Treasury prepared any modelling on toll options for the Harbour Bridge?

PHILIP GARDNER: I think that would fall into that sort of category of—I mean, we have thought about it and it would probably be having to be considered in the current review that we are undertaking, because we obviously need to give advice on the Sydney Harbour Tunnel and the question of what are the Government's options around that and what is the impact if the Harbour Bridge and the Harbour Tunnel were different. So we have to give consideration to that for that very reason.

The Hon. DANIEL MOOKHEY: So the answer to that question is, yes, you are preparing modelling on options when it come to Harbour Bridge [disorder]?

PHILIP GARDNER: We have obviously got to provide the Government with options on the Harbour Tunnel tolling, and therefore it needs to take into account the settings of the Harbour Bridge. It is not to say that we will necessarily provide any advice on changing the Harbour Bridge, but we need to undertake the review on the basis that there would be impacts from a traffic management perspective if we were to have differential tolling between the bridge and the tunnel.

The Hon. DANIEL MOOKHEY: Indeed. You said earlier that the tunnel concession reverts back to Transport, I think, in August this year?

PHILIP GARDNER: That is correct.

The Hon. DANIEL MOOKHEY: What happens the day after it reverts back?

PHILIP GARDNER: I do not know. You should ask Transport for NSW that question.

The Hon. DANIEL MOOKHEY: But surely, from a revenue perspective, Treasury would have to have an idea as to what it expects to happen on the Harbour Tunnel, does it not?

PHILIP GARDNER: That is correct, but I think you will see in the budget the tolling does step up. So I would imagine that that would reflect the reversion of the tolls to the State's coffers.

The Hon. DANIEL MOOKHEY: So we are at least forecasting, for budget purposes, that the toll will be paid to the Treasury and into consolidated revenue after [disorder]?

PHILIP GARDNER: Unless Ms Wilkinson can categorically confirm that, otherwise I would take it on notice.

CASSANDRA WILKINSON: [Disorder].

The Hon. DANIEL MOOKHEY: I am just asking you to confirm the budget papers, really. The budget papers currently are based on the assumption that the tolls will come into the public domain, barring any further future policy decision of the Government.

CASSANDRA WILKINSON: I think my senior colleague has agreed to take it on notice, so that is what we will do.

The Hon. DANIEL MOOKHEY: Sure, but it is a separate question now. The budget forecasts reflect the fact that we will be obtaining that revenue barring any—it is assuming the current forecasts have the assumption that the toll continues unless there is any further government decision.

PHILIP GARDNER: I am not intimately familiar with the mechanism that determines that, Mr Mookhey. I will, unfortunately, have to take it on notice.

The Hon. DANIEL MOOKHEY: Mr Gardner, we explored this before, and I have a suspicion that I am going to have as much success as I did before. We were talking about the actual bid process for the sale.

I was asking you whether or not the State had actually received more than one bid—not more than one registered bidder but whether we got more than one bid. At the time, the then Treasury secretary said that on notice they would provide us far more information about how many people actually did bid. We got the answers on notice in budget estimates and, sadly, we were not told. It was a bit disappointing. Can you tell us, now that the sale process is well and truly done, did we get more than one bidder, for our interest?

PHILIP GARDNER: I think you are [audio malfunction] right, Mr Mookhey. I am not going to divulge more than I have previously on this matter. There are a couple of things. It is similar to the response on the revenue. One is that information is provided to Cabinet as an important part of its decision-making process whether or not to award the mandate. That is an aspect of it. The second part of it is that it is a very commercially-sensitive piece of information, again, both to us, if we were to run future concessions, and also to the private sector in other jurisdictions. These are very large-scale assets. There is a very finite field of people who are willing to participate in it, so it is a very strategic—that piece of information is of very strategic importance, so we would not disclose it.

The Hon. DANIEL MOOKHEY: I am not asking you what the bids were. Are you telling me whether or not we got more than one bidder in an auction has to remain a State secret indefinitely?

PHILIP GARDNER: Again, I will take the "indefinitely" under advice. I will determine what that is. This is not a principle that is specific to asset recycling or monetisation or leases. It is something that is consistent across all our procurement activities, PPEs, just procurement for goods and [disorder].

The Hon. JOHN GRAHAM: It is not consistent, Mr Gardner. This is part of the issue. The base case financial models have been published in the past. It might be consistent now, but that is because there is a veil of secrecy that has been pulled over these deals.

PHILIP GARDNER: I am talking about the field of participants in the stages of the sale of the 49 per cent of WestConnex.

The Hon. DANIEL MOOKHEY: I am not really asking you to identify the participants. I am not. I am asking you to identify if there was more than one. Let us be honest, when it comes to auction processes, both public and private, that is not a fiercely held State secret. What they paid for, what they were prepared to pay for—I can probably accept that there is a logic to your position. But all I am asking for is confirmation that we had more than one bid on the table when it came to this asset.

PHILIP GARDNER: Mr Mookhey, I am going to revert to my prior response. That is part of the Cabinet's advice, that we go to government to assist in a decision whether to proceed. It is very sensitive to us and to other participants in this very narrow market.

The Hon. DANIEL MOOKHEY: What about the scoping study? Are we going to see the scoping study? Is that in a position where we can at least get further information as to what the scoping study said? Is that going to be publicly released or is that now also a secret for another 30 years?

PHILIP GARDNER: The scoping study was, again, part of the materials that went into Cabinet to enable them to make a decision to proceed with the transaction. The Cabinet confidentiality of that is paramount.

The CHAIR: Mr Mookhey, I just wanted to chime in on that. The document I was reading to you from before, Mr Gardner, makes it clear that there were no other parties involved in the sale of WestConnex. Transurban, in that document, is recorded as arguing that the State can still get value for money with no competitive processes. They said that other parties withdrew from WestConnex not because Transurban was involved but because they could not arrange the capital. That clearly implies that there were no other valid bids for WestConnex. Is that correct?

PHILIP GARDNER: I am not at all familiar with that document. The timing of that may be entirely inconsistent with the transaction process.

The CHAIR: [Disorder] come back to us on notice.

JACQUI CHRISTIE: Ms Boyd, Could you clarify what the document is that you are reading from? Is it the one you were referring to earlier?

The CHAIR: Correct.

JACQUI CHRISTIE: I have not seen that document but, from what you are saying, my understanding is that is a record of a meeting that was undertaken with Transurban through a course of consulting with the market about the Western Harbour Tunnel project. It was completely separate from the WestConnex transactions. We had similar meetings with other market participants around what may occur in the Western Harbour Tunnel if we

were to try to do some kind of private financing. As Mr Gardner has said, the decision has now been made by the Government that it is being pursued—the government funding.

The CHAIR: To clarify, the document I was reading from was in relation to a market sounding in relation to the Western Harbour Tunnel. In it, there are a number of statements unrelated. One of them is in relation to whether or not there needs to be more than one bid should the Western Harbour Tunnel proceed to sale. In that context, Transurban is recorded as arguing that the reason that "other parties withdrew from WestConnex" was not because Transurban was involved but because they could not arrange the capital. Does that not very clearly imply that there were no other bids that made it to the point of actually being up for [disorder].

JACQUI CHRISTIE: I think the date of that document, if it is the one I am thinking of, occurred before the WestConnex 49 per cent sale. It is probably referring to the 51 per cent sale.

The CHAIR: Perhaps, if you could take that on notice, that would be very useful. We have only got one minute. Mr Mookhey, were you finished with your—

The Hon. DANIEL MOOKHEY: I think Mr Graham has the last question.

The Hon. JOHN GRAHAM: Mr Gardner, I do not want to misquote you. I think this is your position. You cannot tell us the number of bidders on the WestConnex sale, you cannot show us the scoping study, you believe the base case financial model should be kept a secret until 2060 even though they have been released to Parliament in the past and you might want to keep it a secret after 2060—

PHILIP GARDNER: Mischaracterisation.

The Hon. JOHN GRAHAM: I will give you the opportunity to respond. As a result, we do not know how much in compensation might be owed. We know the framework but, without that base case financial model, we do not know the compensation. You cannot tell us the public revenue that was flowing under these deals over the timeframe. You certainly will not tell us how much drivers are on the hook in total in tolls under the life of contracts you recommended and the Government signed, even though it is more than \$100 billion. Is that a fair characterisation or would you like to correct the record on any of those matters?

PHILIP GARDNER: Certainly on the matter of the 2060 versus the disclosure environment for Cabinet documents, I will need to take advice on that. The rest of it is a reasonable characterisation of responses across a number of questions for the reasons I set out very clearly around Cabinet confidentiality, commercial confidentiality and uncertainty of the numbers themselves.

The Hon. JOHN GRAHAM: Thank you.

The CHAIR: We are just about out of time, but I will check in with Mr Farlow that there are no additional questions from the Government.

The Hon. SCOTT FARLOW: Nothing from us, Madam Chair.

The CHAIR: Thank you very much to our witnesses for attending. That brings us to the end of this particular session for today. To the extent that any questions were taken on notice, and I believe there were a few, the Committee secretariat will be in touch in relation to providing answers to those within 21 days.

(The witnesses withdrew.)

(Luncheon adjournment)

Ms CAMILLA DROVER, Deputy Secretary, Infrastructure and Place, Transport for NSW, affirmed and examined

Mr JOOST de KOCK, Deputy Secretary, Customer Strategy and Technology, Transport for NSW, affirmed and examined

Ms MEG BOURKE-O'NEIL, Deputy Secretary, Greater Sydney, Transport for NSW, affirmed and examined

The CHAIR: Welcome back and welcome to our next witnesses. Do either of you have an opening statement that you would like to make at this time?

JOOST de KOCK: Yes, I would like to make a short opening statement. Good afternoon. I acknowledge the Committee's invitation to appear as a witness today and appreciate the opportunity to outline Transport for NSW's position on road tolling and regimes in New South Wales. As I mentioned before, I am Joost de Kock and my position is the deputy secretary, customer strategy and technology, and related to tolling my area of accountability is the customer and toll collections operations and related matters. I am joined by Camilla Drover, deputy secretary, infrastructure and place, who has accountability for motorway design, delivery commissioning and new training sessions; and Meg Bourke-O'Neil, deputy secretary, Greater Sydney, who has accountability for the metro road network operations.

In 2018-19 a Legislative Council portfolio committee inquiry was undertaken into road tolling with very similar terms of reference. Transport provided a submission and appeared as witnesses before the committee. The New South Wales Government responded to the inquiry in 2018. The Transport for NSW submission for this current inquiry reflects the significant progress made, with the expansion of Sydney's motorway network, the resulting travel time savings delivered for motorists and additional cost of living relief measures offered by the New South Wales Government. The New South Wales Government's \$108.5 billion infrastructure program is one of the largest in the world and includes \$71.5 billion of investment into roads and public transport projects being delivered as planned to make the transport network faster, safer and more convenient. This multi-generational investment has been fundamental to supporting jobs and growth during one of the most challenging periods in the State's history through the COVID-19 pandemic.

The State's motorway construction program, funded significantly through tolling, is an intrinsic part of our future transport framework. The Government's user-pays toll road program is a crucial element to the infrastructure program as it brings forward the State's ability to create an extensive and much-needed motorway network while maintaining its fiscal integrity. As a result, motorists experience the benefit of faster, less congested and safer journeys years and even decades sooner than would be possible if the State was to publicly fund the roads. Sydney's motorway construction program will result in thousands of cars and trucks being removed daily from local roads, returning these roads to local communities for local use and improving safety and liveability. Motorways also facilitate the use of public transport, either directly by bus or by freeing up capacity for public transport on local roads or by connecting people more easily and efficiently to transport hubs.

In October 2014 the Government approved a set of principles for tolling Sydney's motorways to be used to guide the future tolling decisions on Sydney's motorway network. These remain the same today. The Government has well-established principles and practices for setting tolls that protect the public interest based on objective evidence, expert analysis and advice from agencies such as Transport for NSW, NSW Treasury and also Infrastructure NSW. There has been recent media concerning the toll reform by creating distance-based and capped levies and existing tolls. No decisions have been made on the future tolling strategy. The toll and escalation rates are set to reflect the cost to finance, design, build and operate, and maintain the motorways of the life of the concession agreement between the toll road operator and governments. The New South Wales Government cannot force companies to freeze or reduce tolls without agreement and compensation.

As part of the commitment for continual improvement, the New South Wales Government, led by NSW Treasury and supported by Transport for NSW, is currently reviewing the current New South Wales tolling regime, and the New South Wales Government is really committed to creating and maintaining the best road network and best public transport system for the people of New South Wales. Any of the outcomes of the review will be considered by the New South Wales Government. A range of measures are offered by the New South Wales Government to ease the cost of living pressures, including the Sydney motorway users. A toll relief scheme is one of the 70 rebates or discounts offered by the New South Wales Government to reduce the cost of living. The separate cashback scheme also remains in place for motorists using the M5 South-West.

A few closing points: Tolls that help pay for the road infrastructure deliver and bring forward the State's ability to create an extensive and much-needed motorway network while maintaining its fiscal integrity. Motorists experience the benefits of faster and safer journeys years or even decades sooner than would be possible if the

State was to publicly fund the roads. The user-pays principle ensures that those who benefit from the motorways contribute a significant portion of the cost of building and maintaining the motorway network. We are well advanced into delivering towards Future Transport 2056's vision, providing new public transport modes, services, interchanges, building better and smarter roads, and finally completing the missing link in our comprehensive motorway network. Tolls help pay for the road infrastructure delivered. Without them, the roads Sydney needs would not be built. Thank you, Chair.

The CHAIR: Thank you very much, Mr de Kock.

The Hon. JOHN GRAHAM: Thank you to the transport officials for appearing and for that opening statement. I might start by asking about that question we asked the Treasury officials who were very keen to refer this straight to transport, and that was about the option of having decision point signage as you approached toll roads in Sydney. In Melbourne at the moment, those trials are ongoing. They include travel times. What they do not include is the idea of also having not just the live travel time saving but also, potentially, the price of toll roads. What is the cost to drive down this toll road? It has been supported by drivers; it is supported certainly by the Opposition. Transurban seems to say they can do it. Is this something transport could get behind as well and see put in place to the benefit of drivers?

JOOST de KOCK: I think I might start with that question, and thank you for that question. We have seen that Transurban suggested that decision point signage, and I think we are always open to new ideas for innovation and are happy to consider that. Also, when we look at new ideas with any piece of innovation, we prioritise that and we will need to take into consideration many elements such as its value for the customers, any safety aspects, how it can be implemented, where it would be most appropriate. We would be very interested to learn about the experience in the Victorian pilot. As I say, we are always open for new, innovative ideas. I might just pass over to my colleague Ms Bourke-O'Neil to talk maybe a little bit about some of the operational aspects of that concept.

MEG BOURKE-O'NEIL: Sure. Thank you, Mr de Kock. I would just reiterate what my colleague has said. As a concept, we would consider it. We have not received it formally at this stage. I understand it has been part of Transurban's submission to this inquiry. I have a couple of additional comments, because I think Joost has really pointed to—we would need to fully assess and consider it. Displaying decision-based signage and information for customers isn't an entirely new concept for Transport for NSW.

We already provide to near-time travel time information to key destinations on displays around 130 electronic variable messaging signs that are on the infrastructure around Greater Sydney and around the metropolitan area. These signs are located on the key arterial roads as well as some of the State-owned roads and some of the private operator's tollways as well. That real-time information is presented to customers. Tollway operators do display at-times pricing when they make price changes. That is typically displayed on their signage for a week before the price change and also for a week after. There is some implementation of real-time information to customers already, and, yes, this is a concept we are aware of but we would need to see a proposal put to government for that to be assessed and for government to take a decision on.

The Hon. JOHN GRAHAM: Yes, and I think that is fair to say. It is more and more common to have that travel time information available, which is incredibly useful. What is not there routinely, and certainly not across most of the toll roads in Sydney, is that cost, so people can really weigh up the benefits of the travel time savings and the cost as they make that decision. So there is certainly no in-principle objection from Transport? It is consistent with the direction you would like to head?

MEG BOURKE-O'NEIL: There is no in-principle objection at this stage. We would just need to see the proposal and understand the impacts, the limitations, also compliance with some of our requirements around signage, line marking and a road-safety lens. So it is too soon to say. We have not seen the detail of the proposal. But I am just reiterating that, for us, providing real-time information to customers for their journey is something that we are already doing quite a lot of work in.

The Hon. JOHN GRAHAM: Yes, and it already happens in many, many places across the network. So, again, in principle, there should be no reason some of those logistical hurdles that you would have to really look at closely would be unable to be overcome?

MEG BOURKE-O'NEIL: Yes. We would take the proposal, consider the impacts and then that would be a decision for the Government to take on, an initiative like that. I note that it has come from Transurban, one of our private operators, so we would need to consider also network-wide applications. So we will wait to see the detail of the proposal, if that is submitted to government.

The Hon. JOHN GRAHAM: In terms of the reception it has received in Victoria, this is the feedback from the research: almost 70 per cent of people said they would use the signs to inform future travel choices and

about 40 per cent said the signs helped them inform their travel choice on the spot. So it has got a tick from drivers, the tolling operator says they could do it and there is certainly no objection from Transport as this proposal is considered in some detail. Is that fair?

MEG BOURKE-O'NEIL: Yes. That is fair to say we would consider it if it is submitted, yes.

The Hon. JOHN GRAHAM: Thank you for that. Thank you for those responses. I might just ask if there is any other background you would like to give on that proposal at all, anything else that is useful to consider?

MEG BOURKE-O'NEIL: I do not have any other comments, but I will just check back with in with my colleagues to see if they want to add anything further.

JOOST de KOCK: No, nothing further to add.

CAMILLA DROVER: [Inaudible]

The Hon. JOHN GRAHAM: The Government seems to have dismissed this call today—the Deputy Premier, I think, particularly being critical. But that is, I gather, not based on advice from Transport to date. He would not have received formal advice from Transport at this point?

MEG BOURKE-O'NEIL: I am not aware of the comments you are referring to, but I would say that we have not received the proposal so that is why I cannot comment and we have not provided advice.

The Hon. JOHN GRAHAM: Yes, thank you for that. I might turn to the question of the review that you have just run through in some detail—and thank you for that. The Treasury team have offered to provide the terms of reference for the review on notice, so I might extend that invitation to the Transport team as well. One thing that was not totally clear in the Treasury session was exactly what the timing is here. When will this report—what is the deadline you have been given?

JOOST de KOCK: Thank you for that question. I might start the response. So I think, as I mentioned before in my opening speech, there is a government review being started. It is led by Treasury and supported by Transport for NSW. As my Treasury colleagues mentioned earlier, it started in early January and is still sort of in the planning phases. So, yes, it is still early days in that piece of work.

The Hon. JOHN GRAHAM: Yes. No, I appreciate that answer and you have given some of that detail about the start. I am interested in what the end date is. Is there a deadline for this work? Normally that would be a standard part of the terms of reference. When is this required to report?

JOOST de KOCK: Consistent with some of the answers that my colleagues from Treasury made, this is a piece of work that will be conducted during the course of this year, with options going to government in quarters three and four this year. Maybe some of it will be more short term versus some of the longer-term measures. So, yes, it is during the course of this year. That is where we will be looking for putting some options forward to government.

The Hon. JOHN GRAHAM: And so—just to give a sense to drivers about how much they might expect some early answers in this area, which has clearly caused some community concern—those first answers, those short-term answers, we would expect the first of those in maybe quarter three of this year?

JOOST de KOCK: So I think—yes, we are looking forward to doing that review. As I say, we are still in the early planning stages. If there are some pieces of work that we can do faster, we will do so. But the plan is that this work will conclude towards the end of this year—so, quarter three, quarter four.

The Hon. JOHN GRAHAM: Right. But you are not ruling out that you might recommend measures earlier than quarter three this year? Is that correct? Have I understood you?

JOOST de KOCK: Yes. As I mentioned before, we are still planning so there may be some earlier decisions that we could make or, rather than decisions, some options that we can put forward. We are not ruling it out at the moment, as we are still in the early planning stages.

The Hon. JOHN GRAHAM: One of the reasons you may need to be in somewhat of a hurry is because of the tolling arrangements on the Sydney Harbour Tunnel, that August deadline. How much is that going to drive along the speed of this? Will you have answers on that part of the puzzle before August?

JOOST de KOCK: As you are aware, the concession on the Sydney Harbour Tunnel ends at the end of August. So we are aware of that time frame. That will be factored into the project planning for this review. So we will need to do some work ahead of that particular date.

The Hon. JOHN GRAHAM: I am just going to indicate, Chair, that I might hand to my colleague at this point because we are having some more construction issues right next door. I know he has got an interest in this area. I am going to hand to him now and see what I can manage at this end.

The Hon. DANIEL MOOKHEY: Thank you. Construction noise is taking a toll. Can I pick up on some of the questioning before? You were making the point around the review. Just to be clear, did you hear Treasury describe what they considered to be in the scope of that review?

JOOST de KOCK: Yes. I was listening to Mr Gardner's responses, yes.

The Hon. DANIEL MOOKHEY: So can you also confirm that that is your understanding as to what is in scope?

JOOST de KOCK: In terms of "in scope", again, it is looking at the assessment of the current tolling arrangements including rebates and relief, and also looking at the broader tolling arrangements, looking at a full range of options. As I mentioned before, the plan is to provide options to government in quarter three or quarter four of this year.

The Hon. DANIEL MOOKHEY: Yes, but my colleague put a very specific list of items which may or may not be considered. I think we were talking caps, we were talking cash back, we were talking about the inflation escalator. That, in your understanding, is all in scope?

JOOST de KOCK: Yes. We have not actually specifically excluded those from scope so, yes, they are, in principle, in scope.

The Hon. DANIEL MOOKHEY: Equally, it is also your understanding around the heavy vehicle industry and they would have the opportunity to have their issues considered as part of this review, or is that not in scope?

JOOST de KOCK: In principle, I think that is also in scope, to consider the heavy vehicle considerations as well, yes.

The Hon. DANIEL MOOKHEY: Okay. I think my colleague might be in a position to recover now. If not—

The Hon. JOHN GRAHAM: Yes, thank you for that. I might just ask some questions about some of those specifics. One of those is the current registration relief scheme that is currently in place for the Government. Just give us an idea about how that is regarded at the moment by Transport as one of the easy measures to reform. Is that at the easier end of the spectrum or not?

JOOST de KOCK: Sorry, could you repeat the question? There was a lot of background noise, so it was not—

The Hon. DANIEL MOOKHEY: I might be in a position to assist there. I think my colleague was asking you about the registration relief and whether or not that is, of course, in scope, and can you take us through whether that is something that can be done easily or not?

JOOST de KOCK: I confirm that the review is quite broad in its scope and we will look at relief measures as well. As you are aware, there is a tolling relief scheme operating right now that provides relief for tolling costs for people who have very heavy use of the toll roads. But, yes, that is absolutely in scope and we will look at that.

The Hon. DANIEL MOOKHEY: Can we have a conversation about its present effectiveness? When was the last time Transport reviewed its effectiveness?

JOOST de KOCK: As I said, maybe it is best to give you some ideas about the relief that this provided through the toll relief. It is a scheme that was introduced in 2018, and it really is designed to provide relief for people that use the [disorder].

The Hon. DANIEL MOOKHEY: Mr de Kock, sorry to interrupt, but I understand what the scheme is and its history. I was actually asking you a very specific question: When was the last time Transport reviewed it prior to the current review?

JOOST de KOCK: I have some of the figures about some of the relief that drivers have received as part of that scheme.

The Hon. DANIEL MOOKHEY: Which we will get to. But the question was specific: When was the last time Transport reviewed it?

JOOST de KOCK: I will have to take that on notice.

The Hon. DANIEL MOOKHEY: Does Ms Drover or Ms Bourke-O'Neil know the last time this scheme was reviewed? Has it been reviewed before?

MEG BOURKE-O'NEIL: I am not aware. I cannot add to that answer, Mr Mookhey.

The Hon. JOHN GRAHAM: One of the useful distinctions that Treasury had was between some of the measures here that might be able to be implemented which would not trigger compensation under the contracts, that are really wholly within the scope of the Government, and some that would. Can you give us Transport's perspective on that? Can you talk us through how you think about the various buckets of potential solutions here when it comes to tolling relief?

JOOST de KOCK: Yes, so in terms of the review, there are definitely different areas such as relief and cashback schemes, because those types of schemes do not require the renegotiation of concession arrangements. Any changes to concession arrangements is obviously a much more complicated matter. So there are definitely some shorter term things that can be done versus some longer term things which are much more complex. There is a range of items in scope. As I say, some are easier to implement and analyse first, and then there are some areas that are probably more longer term, more complex to implement and negotiate.

The Hon. JOHN GRAHAM: Just take us through what in the mind of Transport is in that short-term category. What are some of the levers here? What are some of the things that are able to be considered that you think about as short-term measures that might be possible?

JOOST de KOCK: Thank you for that question. As I said, we are still sort of doing the planning work for this initiative, but some of the shorter term things would be like some of the relief and the cashbacks, for example—are probably some of the things that are more on the shorter term list than the longer term list. Maybe I will pass over to Ms Drover to maybe talk a little bit about some of the work in that review, looking at some of the longer term initiatives.

CAMILLA DROVER: Yes, look, I think it is fair to say, in line with what Treasury said this morning, the review was only instigated earlier this year—just last month—so we are still in the planning, scoping stage. All the consultancy etcetera have not been confirmed, so it is probably too early to comment on what that review will actually find. But it is a broad review.

The Hon. JOHN GRAHAM: Following up on those discussions about industry consultation, obviously that is potentially going to happen down the track but you can confirm that, as part of this review at the moment, there have been no discussions had with industry, including no discussions with the private tolling operator, Transurban, as part of this?

CAMILLA DROVER: [Disorder].

JOOST de KOCK: I thank you for that question. As Mr Gardner discussed this morning, we are still in the early planning phases of this project, so that is not yet planned in at the moment.

The Hon. JOHN GRAHAM: I will put to you the position I put this morning, which is that does go to timing, does it not? If those discussions have not happened, it really means we are still some way away from having these changes brought forward by the Government. That is almost a necessary step, given the number of toll roads that Transurban operates in Sydney?

JOOST de KOCK: As I mentioned, the project has only just started. We really are still in its planning phases, so it has got time to run. As I mentioned before, the time frames to provide options to government are included end of this year—Q3, Q4 and so forth. It takes time to do the work and the analysis.

The Hon. JOHN GRAHAM: Turning to some of those specific options—for example, time-of-day tolling. What information does Transport already have about the impact of time-of-day tolling? There is some time-of-day tolling but with a very small difference between the upper and lower price in Sydney at the moment. What analysis has been done, or what information—what evidence—would you like to put in front of the Committee about the impact of time-of-day tolling as one specific measure?

JOOST de KOCK: Yes, thank you for that. There is time-of-day tolling on the Sydney Harbour Bridge and Harbour Tunnel, so there are different tolls for peak, shoulder and off-peak. That was introduced in 2009, from memory. We can provide on notice some of the traffic volumes for the different times of day. I will look at what we can provide on that front.

The Hon. JOHN GRAHAM: I am more interested in the Transport analysis. Does that make a difference to traffic volumes or is it simply too small to impact on when people are making those travel-time choices?

JOOST de KOCK: I will take that question on notice to see whether we can provide some information on the elasticity of demand and the pricing. It is only done on Sydney Harbour Bridge and Harbour Tunnel at the moment.

The Hon. JOHN GRAHAM: Yes, understood.

CAMILLA DROVER: Perhaps if I can add to that—we obviously could provide you the traffic results pre the introduction of that time-of-day tolling scheme and then post, but it does not necessarily mean that you can extrapolate against all toll roads across Sydney. As Mr de Kock indicated, some toll roads are more elastic/inelastic than others, so you would have to look at the specifics of each toll road to extrapolate what that information meant.

The Hon. JOHN GRAHAM: Yes, I understand. Chair, I think our time has expired. I am in your hands as to whether to stop there or keep going?

The CHAIR: I will leap in at this point and then come back to you after if that is okay, Mr Graham. I wanted to ask first, Mr de Kock, about the status of Transport for NSW's Smart Motorway strategy. Can you tell us what that is and what the status of it is at the moment?

JOOST de KOCK: Yes, and Ms Bourke-O'Neil can talk a bit about that as well. It is an important initiative to be able to get further volumes and further safety benefits from using smart technologies on the motorway, and so it has been deployed on the M4. It has been running for about a year. What happened was—what we observed was there were significant journey-time savings, and also it had some safety benefits. So it is a great example of using technologies to get the best of existing road assets, and we are looking at how to extend that to other motorways going forward.

The CHAIR: So what is it exactly? If I am a driver, what is it? Is it information on the price of tolls or—what is it?

JOOST de KOCK: It is really more about optimising the flows, so making sure that the traffic flow is as efficient as possible by adjusting the speed of the various lanes. It also controls the feeder roads going onto the motorway to make sure that the flow of the traffic is as optimised as possible. To be able to do that you obviously need to have a lot of sensors to understand what the actual flow of the traffic is and what the flow that feeds into the motorway is. So it is quite a sophisticated piece of technology that really optimises the use of that road.

The CHAIR: When you talk about the possible extensions of that strategy, or of that technology, what are we referring to?

JOOST de KOCK: I think with this type of technology we have run that at the M4 for about a year now, and so we really want to take the lessons from that and see how we can apply that to other motorways. But I might refer to Ms Bourke-O'Neil to talk a little bit about where we may plan that technology to roll out further.

MEG BOURKE-O'NEIL: Thanks, Mr de Kock. Yes, I agree, there are lessons now to be learned from how it has assisted the performance of the M4 motorway, and technology like this is a really important consideration in terms of getting the most out of your asset investment, both old and new. So using technology to lift the performance of our asset base is a really key strategic direction for Transport. I do not have anything to add in terms of future plans because I think we will be assessing how well this technology is improving the performance of the M4 and what lessons we can learn from that in considering its future application. But it is really promising in terms of helping traffic flow, helping ease congestion and a great way of getting the best performance out of our said investment.

The CHAIR: Would a potential extension of that technology be variable congestion pricing, I guess, for tolls? So if you had a system, as you say, similar to what you have got at the moment running on the M4, I think you said, could you then use that to adjust up and down tolls at certain times in order to manage that traffic flow—basically, to discourage certain people from, I guess, getting on and reducing the amount of traffic at appropriate times?

MEG BOURKE-O'NEIL: I am going to pass to my colleague Ms Drover, because she also has quite a bit of experience in this. As you can see in the way that we are handling these questions, there is a pretty integrated approach to road management across Transport. So over to Ms Drover.

CAMILLA DROVER: Thank you. I think the first thing to say is the M4 smart motorway's technology has only been applied on the M4 west, which is of course currently untolled and that is the intent that it remains

untolled. In terms of what the scope is, it includes gantries at regular intervals and on those gantries are speed limits. That tells the traffic at what speed to travel. So instead of traffic travelling at 100 or 90 or 80 kilometres an hour, all it does is monitor volumes of traffic and lowers the speed so you have got continuous flow, because you get much more efficiency from a motorway when all the traffic is travelling at the same speed and not stop and starting. That is why you have got these gantries with those variable message signs, which gives the then current speed limit for that section of road. Over and above that, there are traffic lights on the on-ramps to the motorway, and that regulates how much traffic comes on and off at a point in time. So the traffic queues up on the on-ramp and stops at a red. When it is safe to let more traffic onto that motorway, the main carriageway traffic light goes green and a certain number of cars go on. All those movements of speed limitation and the traffic lights on the on-ramp are dependent on the traffic flow on the main carriage way of the motorway. But it is applicable to a non-tolled motorway.

The CHAIR: Thank you. That is really helpful. We have got the gantries on the M4 at the moment that are able to have a variable speed limit based on the traffic flow. That has also clarified that point about the roads coming in and the traffic lights being able to monitor that. But in terms of future application of this technology, presumably, it could be used to assist with the variable tolling based on congestion?

CAMILLA DROVER: We have not looked at that use case because, as I said, it is currently implemented on non-tolled roads, and this [disorder] is not applicable to those roads.

The CHAIR: Sure. Mr de Kock?

JOOST de KOCK: We have got no plans for using that technology for those charges, congestion charges. That is a technology, as Ms Drover explained, about optimising the traffic flows and optimising the safety of the existing motorway assets and using that technology to great effect. We have been running that now for a year, and we are trying to really learn from how that has worked and how we can deploy that in other motorways going forward. So the primary objective is to optimise the traffic flow and safety of our motorways.

The CHAIR: You say that has been in place for a year. When you put that in place, who did you source that technology from? Who was the entity that was able to help you install that?

JOOST de KOCK: I might pass that question over to Ms Drover, perhaps, or who can maybe help with what the contractual arrangement was to help build that.

CAMILLA DROVER: I think my understanding was it was a delivery contract and it was let for both the civil infrastructure works and the systems, but we can take that on notice and confirm that.

The CHAIR: Thank you, if you could let me know who that was. Mr de Kock, I have got an email in front of me, again from the call for papers that we passed in the upper House. It is an email from you to Michele Huey at Transurban, noting that you have started the development of an updated smart motorway strategy and asking Transurban for their experience overseas. Could you elaborate on what that experience was you were asking Transurban for?

JOOST de KOCK: Thank you for that question. I think you refer to an email from a while back where we were looking at smart motorway technologies. We talked about the first one that we did in the M4. The team was looking at what else is there as part of best practice around the world. It is actually commonplace for our technology teams to have meetings with various companies around the world that have leading-edge technology to understand what is happening, what is the latest technologies, how are other people in other jurisdictions using that, just to keep us abreast of what is happening so that we can make a much better informed decision about how to adopt the latest technology.

That is really part of our Future Transport Technology Roadmap, where we have set out our priorities over the next three to four years in the technology space, and we very much welcome the input and collaboration from the private sector to help us on that journey. Through that process, we meet with a large number of companies and other organisations to see what ideas they have that may possibly be applicable for us going forward. So that is really part of our process to stay on the front of the curve of the technology innovation, especially in the transport sector. That meeting was one of many of these type of meetings that we have where we are just—I think that is part of our role in strategy and technology to keep abreast of the latest innovations from around the world and to see how that might be applicable for us to pilot and potentially implement.

The CHAIR: Which other toll road companies did you meet with in relation to the smart motorway strategy?

JOOST de KOCK: I cannot recall exactly, but I could probably take that on notice of who we met with.

The CHAIR: That would be very useful.

JOOST de KOCK: [Disorder].

The CHAIR: I am sure you are aware of the US experience where Transurban has been running tolling regimes which do increase during congestion times. We have seen the pictures of the sort of variable tolls being put up on the entry ramps up into motorways in certain States in the US. Was that the sort of overseas experience that you were interested in talking to Transurban about?

JOOST de KOCK: I cannot recall the exact details of that particular meeting, but I think we were interested in the range of technologies and approaches that people had put in place around the world. As I say, we are always open to see what is the art of the possible, and then we can take that into account from when we are thinking about our future directions as part of our sort of normal scanning processes to understand what technology innovation and business model innovation exists around the world. We are aware of those types of technologies, but of course there are others as well. But, as I say, I could take on notice what particular examples that were discovered.

The CHAIR: Thank you. Is the current review into the tolling regime looking at that idea of a variable toll based on congestion?

JOOST de KOCK: I think, as I said before, the tolling review takes quite a holistic review of tolling. We are not going to look specifically at novel technologies and operational technologies—I think that is a bit out of scope—but it is going to look at all the elements that I talked about earlier. So I do not think that—tolls at different times of day is not necessarily out of scope; conceptually in scope.

The CHAIR: Are the gantries on the toll roads that are not retained by the State—so on the privately owned toll roads—owned by government, by those toll road operators or by someone else?

JOOST de KOCK: Maybe Ms Drover can answer that question.

CAMILLA DROVER: The gantry is part of the motorway assets that are under concession to the concession holder for the term of the concession. If it is a private motorway, yes, it is part of the asset base for that motorway.

The CHAIR: So when the gantries are upgraded, for instance, or there is an issue with that, is that wholly the responsibility of the concession owner or is that something that comes back to government under the contracts?

CAMILLA DROVER: If it is general maintenance or life cycle replacement, it would be with the motorway concession holder generally. Obviously, if government does something that impacts that gantry, there may be a conversation about who would pay, for example.

The CHAIR: I will quickly touch on another point before passing back to the Opposition. I wanted to ask about the administration fees involved in tolling. I hope that you were watching, or you have read the transcript of, when we had Transurban here to talk to the Committee. There was some confusion about who has responsibility for those administration fees, particularly for setting the per notice fee of \$10 for the first notice and \$20 for the second notice. Perhaps that is for you, Mr de Kock. Could you clarify who has the responsibility for setting that administration fee?

JOOST de KOCK: Thank you for that question. Before we get into the topic of administration fees, I point out that the vast majority of our customers pay their tolls as they use promptly. Obviously, then these fees are not relevant. Also, it is important to note that customer debt is managed separately by each of the toll road operators. Transport for NSW only gets debts relating to the travel on the Sydney Harbour Bridge and the harbour tunnel. The customer debt that is from the other roads is managed by the various toll road operators. If people have not paid their fees, we send toll notices to customers to recover the tolls. These administrative fees are set, and they are largely to recover our costs.

The CHAIR: In a question that I asked Transurban—they took it on notice and came back. In an answer, they tell us that this fee of \$10 was set in 2001 and has not changed since. Is that correct?

JOOST de KOCK: That goes well before the time that I joined Transport, so I will have to take that on notice and get back to you to see what information we can provide.

The CHAIR: Thank you. When I was speaking with Transurban, we were discussing the concept that these administration fees should be about recuperating the cost of having to chase that unpaid toll rather than being something more. I went to great lengths to try to get the Transurban executives to tell me how it could amount to exactly \$10 as being the cost of that administration. To hear, subject to your confirmation on the question on notice, that it potentially has been set like that since 2001, what justification is there for having the \$10 admin fee, given all of the advances in technology since?

JOOST de KOCK: I will have to take on notice the exact cost structure of those administrative charges, but we do incur costs when we issue toll notices to collect the tolls that have not been paid. We also have to keep in mind that we actually invest a substantial amount of money into the tolling systems to support the administration as well. These administration fees help with the cost of operation and the cost of the recovery of the unpaid tolls.

The CHAIR: So the cost is to government but the admin fees are collected by Transurban or by the toll operator?

JOOST de KOCK: The way it works is that Transport for NSW, we collect the debts on the Sydney Harbour Bridge and the harbour tunnel. Transurban and the road operators collect the debts incurred on their roads. There are actually two different organisations collecting the debts from the roads that they own.

The CHAIR: Are you sending out notices on behalf of Transurban?

JOOST de KOCK: I have to take that on notice, but it will be their notices. For example, to send out a notice, it is required to understand who is the actual owner of a particular licence plate. Transport for NSW has that data, so we are permitted by the Privacy Commissioner to share that data so those toll notices can actually be sent. The exact mechanism of who sends what, I would have to take that on notice.

The CHAIR: Just to round that out, the response from Transurban says, "Toll notices in New South Wales are produced and issued by Transport for NSW on behalf of the various toll road operators. This is because only TfNSW has access to the Drives system—the New South Wales driver licensing registration system." They are saying that it is Transport for NSW that produces and issues all of the toll notices—the overdue tolls or the unpaid tolls. They are all produced by Transport for NSW, yet I had a very long discussion with them about the costs involved to them for issuing those notices and the fact that they receive the fee for the administration. How can that be?

JOOST de KOCK: I will take on notice exactly what the arrangements are, but it is correct that we do have the Drives system that has the record of the owner of a particular licence plate—the details to send the notice. We may send it on their behalf. I would have to confirm that on notice. When these types of arrangements happen, there are actually cross-charging arrangements between the two organisations for the various services offered. Again, they are quite complex and I would like to take on notice what we can provide in that space.

The CHAIR: Thank you. Just before I throw to the Opposition, if you could also take on notice whether you charge the full \$10 administration fee to these toll operators from Transport for NSW. That would explain why we are being told that it costs them \$10 for every notice, if that is what they are being charged.

JOOST de KOCK: I will take that on notice and see what information we have.

The CHAIR: Thank you.

The Hon. JOHN GRAHAM: I might ask some follow-up questions in this area and then hand to my colleague. I will then return to some of those policy reform questions I was asking. On the administration fees, because we did get some strong evidence on this, can you tell us how much Transport collected in each of the past two financial years in administration fees?

JOOST de KOCK: I do not have that data at my fingertips. Again, I will take that on notice and see what we can provide.

The Hon. JOHN GRAHAM: Noting that would be for the Harbour Bridge and the harbour tunnel, could you also take on notice—and you may or may not be able to provide this—the total amount that was collected in administration fees from drivers?

JOOST de KOCK: In regard to that question, we can only provide information that relates to our tolling operations, not the ones that are run by the private sector [disorder].

The Hon. JOHN GRAHAM: But you believe that, if Transurban also gave that information, we would have a complete picture. Is that true?

JOOST de KOCK: We can provide the information of our particular tolling operations and toll notices but, again, Transurban is a private organisation. They will have a dataset themselves and they would be in the best place to provide any information.

The Hon. JOHN GRAHAM: But my question was, if we get their information as well, will we have collected the set? Is that all the administration fees that are charged to drivers?

JOOST de KOCK: That would be correct. The two major [disorder]—

The Hon. JOHN GRAHAM: [Disorder].

JOOST de KOCK: It is our roads plus all the other toll operator roads. Transurban is one operator, but, as one of my colleagues mentioned, some of those concessions are owned by multiple parties.

The Hon. JOHN GRAHAM: This is similar to a question the Chair asked, but you have said this largely covers the cost of administration. What proportion of the fees actually go towards the cost of administration for the toll roads which you operate? Perhaps you can take that on notice.

JOOST de KOCK: Thank you for that question. Obviously these toll notices—we like not to send any toll notices actually and the vast majority of our customers obviously pay through their current arrangements and it is all done electronically. But in case people do not have the right mechanism set up or have not paid their tolls, we do send these toll notices. We do incur costs for that to send messages or letters and so forth, and also to support our call centres, and also we need to invest in our tolling systems to support these types of operations. The administration fees do support operations and investments in technology and investments in our call centres—

The Hon. JOHN GRAHAM: I am happy for you to take this on notice, but administration costs have dropped dramatically since 2001. What proportion of the fees that are collected now go on administration for your roads? Could you take that on notice?

JOOST de KOCK: I am happy to take that on notice. The other thing I would mention is that we obviously continuously invest in new technologies to be able to do that as efficiently as possible.

The Hon. JOHN GRAHAM: Yes. No, I agree. And given that fact, we are likely to make a recommendation that that fee be reviewed. The Committee is likely to make a recommendation, would be my guess based on what we have heard, subject to the views of other Committee members. Would transport support a review of that \$10 fee, or in the end a \$20 fee, given that it seems to have been set so long ago?

JOOST de KOCK: I think in principle and conceptually it would make sense to review the fees and [audio malfunction] to make sure that they are still fit for purpose.

The Hon. JOHN GRAHAM: Thank you. That is a very helpful response when it comes to forming our recommendations. The second issue when it came to administration was the multiple toll notices. Again, we were told this could be fixed. The prospect of getting letter after letter in the mail, one for each toll notice, which for some people in financial distress is, itself, very distressing—the multiple envelopes. There seems to be no reason for this not to be in a single notice. We were told that could happen, but, in fact, it appeared transport might be the hold-up. Is this something that you would support fixing? Is there any reason why this could not be done from a transport point of view?

JOOST de KOCK: Thank you for the question. As I mentioned before, the vast majority of our customers pay their bills, and some people, for whatever reason, they have circumstances where they find themselves in difficult circumstances and may have financial hardship and it is possible that they get multiple notices. In that case, we really recommend that our customers talk to our call centre. We will then consider what happened, what their particular individual circumstance is, including if many toll notices have been sent, and we will then work out a plan for those individuals to address the situation that they are in in a sensible way. We really recommend people to contact our call centre so we can really understand the issue and tailor—

The Hon. JOHN GRAHAM: Mr de Kock, why should they have to call you? My question is, why are they getting multiple notices? A single journey through Sydney might attract multiple tolls, multiple administration fees, multiple letters in the mailbox of these financially distressed people, and they find that overwhelming. Why can't they simply receive a single notice, a single administration fee, a single bit of handling to say, "Look, here's what you owe", perhaps from this single toll trip that went across a range of roads in Sydney? Why can't we do that? Why do they have to ring you?

JOOST de KOCK: In terms of the toll notices, they are sent by the two different organisations, ourselves and the private operator. In terms of our roads, we have quite an old legacy system in the tolling space. We are just in the process of operating our technology systems and that may allow us to be smarter about how we can combine some of those toll notices as well going forward. I notice that Camilla Drover my colleague can clearly add to that.

CAMILLA DROVER: I was just going to comment that as a mitigant to anyone getting a toll notice, if toll road users have a valid account—and it can be an account with any retail provider, either e-Toll or Linkt, for example—we can do number plate recognition. That means if their toll pass fails or they do not have a toll pass but they have got an account—and they could have an account for multiple vehicles—it means their toll is automatically paid for them. That is a good measure and relatively new technology to mitigate people running up multiple costs and therefore generating multiple toll notices.

The Hon. JOHN GRAHAM: Yes, I understood, Ms Drover. That is a new development—perhaps should have been quicker but a welcome one. Do you agree that we should address this problem where people are getting multiple letters in the mail, multiple fines, multiple administration fees? Why can't transport fix this? Is there any reason?

JOOST de KOCK: As I mentioned before, our tolling systems were quite old and we are modernising those as we speak. In principle—

The Hon. JOHN GRAHAM: How long will people have to wait? When will that be modernised?

JOOST de KOCK: I cannot give you that answer right now, but in principle to streamline the customer experience and consolidate it, in principle, is a good idea but we have to look at what the systems can do. I am happy to take that on notice to see what is possible and, potentially, what some of the time frames are.

The Hon. DANIEL MOOKHEY: I just wanted to follow up on one aspect that just got raised in that line of questioning and then go on to a new one. Mr de Kock, did you say that you were recovering investment through admin fees? Did I hear you correctly?

JOOST de KOCK: No, what I said is that we charge administrative fees to cover the cost of doing the toll notices.

The Hon. DANIEL MOOKHEY: Okay. We are not recovering costs of any investment through admin fees, just to be very clear.

JOOST de KOCK: I am just trying to understand the—

The Hon. DANIEL MOOKHEY: As in, it would be expected that you would recover the cost of capital investment through a toll. That is logical. But we are not recovering the cost of any capital investment through admin fees, are we? It has absolutely no relevance whatsoever to how the admin fees are set?

JOOST de KOCK: I think there is no correlation between the admin fees and the tolling and the toll roads, no.

The Hon. DANIEL MOOKHEY: Okay. Or the gantries or any admin systems?

JOOST de KOCK: [Audio malfunction].

The Hon. DANIEL MOOKHEY: Okay, good. I am glad I did not hear you correctly. Could I just move on to a different question, which I think might be best addressed to Ms Drover. Where are we up to with the M6?

CAMILLA DROVER: The M6 stage one—we awarded the contract last year, and the onsite works, including tunnelling, are due to commence later this month.

The Hon. DANIEL MOOKHEY: Is the tolling regime public yet?

CAMILLA DROVER: Yes, it is.

The Hon. DANIEL MOOKHEY: What criteria was used to design it?

CAMILLA DROVER: It was informed by the New South Wales tolling principles. The M6 stage one connects directly underground to WestConnex, so the WestConnex tolling regime also informed the M6 stage one, given to use the M6 stage one, you do need to travel on WestConnex as well.

The Hon. DANIEL MOOKHEY: Okay. The 2014 principles—can you give us a quick summary of them again?

CAMILLA DROVER: Yes. There are 11 of them. Do you want me to go through them individually?

The Hon. DANIEL MOOKHEY: No, I think we will take it all on notice, but the one that I am most interested in is in pricing of the M6, is it priced broadly speaking around cost recovery or is it also priced mindful of any future sale?

CAMILLA DROVER: No, but it does align with one of the principles, which aligns with the pricing of consistent toll roads and particularly taking a network perspective.

The Hon. DANIEL MOOKHEY: Okay. So having set the network price for WestConnex, we have to price it so it is effectively neutral, is that a fair summary—to WestConnex?

CAMILLA DROVER: No, there is no impact on the WestConnex revenue. But, of course, in using the M6 they do use WestConnex as well.

The Hon. DANIEL MOOKHEY: You keep on answering this—how long does the M6 concession last for?

CAMILLA DROVER: The M6 stage 1 is not under concession, so it is being delivered by Transport under a design and construction contract.

The Hon. DANIEL MOOKHEY: Is Transport preparing any work around creating or granting a concession on the M6?

CAMILLA DROVER: No, not to my knowledge.

The Hon. DANIEL MOOKHEY: So this will be revenue that goes directly to Transport, correct?

CAMILLA DROVER: Yes, the revenue from the M6 goes towards the ongoing operations and maintenance costs of running the M6—so, the mechanical electrical systems, instant response, lifecycle replacement, et cetera.

The Hon. DANIEL MOOKHEY: When will you expect the first dollar of revenue to be arriving from the M6? Where is it in the forwards?

CAMILLA DROVER: When the M6 stage 1 opens, which I think is 2025, revenue will commence on opening, and that revenue will flow through to Transport to fund those operations and maintenance and lifecycle costs.

The Hon. DANIEL MOOKHEY: And how long—

The Hon. JOHN GRAHAM: I might just jump in there, Mr Mookhey. You agree with the Treasury position that for the Western Harbour Tunnel that first dollar will be received in 2028, is that correct?

CAMILLA DROVER: I am not familiar with the evidence that Treasury gave.

The Hon. JOHN GRAHAM: Thank you.

CAMILLA DROVER: What I can say is that the Western Harbour Tunnel has been announced as a toll road but, beyond that, the tolling arrangements have not been determined by government.

The Hon. DANIEL MOOKHEY: Just on the M6, as well, how long is the toll set to last for?

CAMILLA DROVER: Well, the toll has been set on opening. It is not under concession, so the assumption is it will continue to be applied to pay for those ongoing operations and maintenance costs of the toll road until there is a decision of government to change that assumption.

The Hon. DANIEL MOOKHEY: Are we recovering construction costs through that toll?

CAMILLA DROVER: Given the economics of that project, the revenue largely goes towards just paying the operations and maintenance costs of the motorway.

The Hon. DANIEL MOOKHEY: Okay. So does it include us having to pay any debt incurred by the public for that? Is that included as an operational cost—the finance costs of actually finding the money—or not?

CAMILLA DROVER: No. There is no—the funding for the M6 comes from Treasury, from Consolidated Revenue—

The Hon. DANIEL MOOKHEY: From the capital budget, yes.

CAMILLA DROVER: Yes, the budget. So there is no private finance associated with that project.

The Hon. DANIEL MOOKHEY: Okay, got it. Can I also just ask, how much money do you expect to raise in the first 10 years?

CAMILLA DROVER: From the M6?

The Hon. DANIEL MOOKHEY: Yes.

CAMILLA DROVER: Well, that would be a function of what traffic actually turns up, what CPI is in the first 10 years, the mix of heavy vehicles versus light vehicles. So a whole range of factors will go into what the revenue will be. But what we do know is the tolling regime—so the starting price of the toll road and how that toll price will escalate with time.

The Hon. DANIEL MOOKHEY: Do you have a financial model for this project?

CAMILLA DROVER: I will have to take that on notice.

The Hon. DANIEL MOOKHEY: Surely we are not building a multi-billion-dollar road without having a financial model behind it?

CAMILLA DROVER: Yes, but the M6 stage 1 is not under concession and was not contemplated to be under concession. I am happy to take that away and see what information we can provide.

The Hon. DANIEL MOOKHEY: Well, do you have traffic forecasts?

CAMILLA DROVER: The final business case would have undertaken traffic modelling, so there would have been some assumptions adopted and modelling made to—yes.

The Hon. DANIEL MOOKHEY: Forgive my ignorance, is that business case public?

CAMILLA DROVER: Like any project of that nature, the business case summary is published by INSW on their website.

The Hon. DANIEL MOOKHEY: No, that was not my question. I was actually asking not about a summary but actually about the full business case and the models that sit behind it. Is this publicly available information?

CAMILLA DROVER: Final business cases are usually Cabinet in confidence.

The Hon. DANIEL MOOKHEY: To be fair, on the WestConnex it was released in full. But that might be the decision adopted now. Has there been a discretionary choice made by the Government, that you are aware of, to keep that Cabinet in confidence?

CAMILLA DROVER: My understanding is the final business case is Cabinet in confidence. I do not know the decision-making around that. That is my understanding of the status of the document.

The Hon. DANIEL MOOKHEY: But, presumably, you have taken traffic forecasts and you have multiplied it by the toll and you have done it over 10 years and, therefore, you would have a revenue estimate. I am not asking you what it is right now, but surely Transport has a revenue estimate for the M6 stage 1 by year?

CAMILLA DROVER: Some analysis would have been done to look at whether the toll revenue could cover the ongoing operations and maintenance costs of that asset, yes.

The Hon. DANIEL MOOKHEY: Yes. So, therefore—because I presume the toll is a percentage of that cost broken up by time over the number of expected users, because that is basically how we design these models. I just repeat my question: How much will the Government be collecting through this toll in the first 10 years? Do we have even an estimate or a range as to what we expect?

CAMILLA DROVER: Well, it would depend on the assumptions you adopted, but my understanding—

The Hon. DANIEL MOOKHEY: I am asking about the assumptions you adopted. Given the assumptions you adopted, not me, what is the forecast for the first 10 years?

CAMILLA DROVER: I am not able to provide that because, again, it would depend on the CPI assumptions et cetera. But some analysis was undertaken to confirm that we could pay for the O&M costs based on the revenue that that toll road would generate.

The Hon. DANIEL MOOKHEY: Well, CPI is 2.5 per cent—is the long-term rate here. I accept that you will index it according to the long-term rate of CPI which is 2.5 per cent. Let me just ask you this. Do we know how much revenue we expect to collect in the first year of the M6?

CAMILLA DROVER: Will there be some expectations around that? Yes. But, as we have seen in the last two years with COVID, expected traffic is a function of a whole range of factors including economic activity, demographics et cetera.

The Hon. DANIEL MOOKHEY: I accept this. But, Ms Drover, this will be one of the newest toll roads that comes onto the network. It is different in that, as you rightly say, there is no concession over it. But, basically, the summary that you are giving us is that this road is due to open in three years' time, we do not know how many people are going to use it, we do not know how much revenue it is going to collect in the first year, we certainly have no idea how much revenue it is going to collect in the last 10 years. That is the impression you are leaving us with. Is that wrong? Would you like to give us any further information that would disturb us from reaching that conclusion?

CAMILLA DROVER: I can confirm that the analysis undertaken at the time confirmed that the revenue would cover the operations and maintenance costs of the asset, and that is the intent to which we will apply that toll revenue to run the motorway.

The Hon. DANIEL MOOKHEY: I will pass back to my colleague there.

The Hon. JOHN GRAHAM: Thank you for that. I mean, I have to say again, I am very surprised by the lack of information which the agencies are prepared to provide about these tolling arrangements. We are here trying to weigh up the costs and benefits of these toll roads and reach some conclusion for the Parliament and, frankly, you are making our job very, very hard with this lack of information. I just want to turn back to the questions about some of those reforms. I will start by asking about the existing toll rebate. I am interested just in the information that the Government holds already about what is going on with tolls, because the information a driver can get is actually quite good. They can see how much they have paid in tolls from customer service. That is how they know whether they are close to the rebate or not, and that information is coming into Government on a daily basis. Could one of you—whoever is most appropriate, whichever official is most appropriate—just tell us what information does the Government receive about how much drivers are paying in tolls and how is that dealt with in government?

JOOST de KOCK: Thank you for that question. I might start and then I might also pass it over to some of my colleagues. I think you are talking particularly about the toll relief scheme which is focused on providing relief for the tolls for people who are heavy users of toll roads. So, for example, if people spend over \$1,406 in a year they get a free registration. If they spend \$843, they get a half-price registration. I think one of the questions is how is it set and Service NSW gets this information. The information about the toll road usage in terms of the trip and the toll paid and the vehicle is provided by the toll road operator. So for Transport for NSW, we provide that information to Service NSW. They collect it from the other motorway operators, and they compile that information to make their assessments for who qualifies for toll relief and for various thresholds.

The Hon. JOHN GRAHAM: It is pretty much live information, is it not? It is very up to date.

JOOST de KOCK: I am not exactly sure of the exact frequency of the dates, but it is reasonably frequent. I can take it on notice how we, as Transport for NSW—how frequently we supply that information to Service NSW. The one thing to take into account is the information that they collect is for the purposes of the toll relief only, so it focuses on information for light vehicles and vehicles that are registered in New South Wales. So it does not include all vehicle information.

The Hon. JOHN GRAHAM: Right, okay, that is useful to know. That information is obviously valuable, though, as you are reviewing toll policy. Will that information be available to the review as you look at what the options are here?

JOOST de KOCK: The review will use the information that is available and the datasets that are available to do our analysis. We have some information, obviously, on that particular part of the network that we run.

The CHAIR: Mr Graham, your time has expired. Maybe we can come back to this unless there is just one final question you want to ask.

The Hon. JOHN GRAHAM: No, Chair, I think you should take over.

The CHAIR: Coming back to these admin fees, to be honest it is a little bit like pulling teeth to find out exactly what is going on with these admin fees. Can I just be clear that I understand that both yourself, Mr de Kock, as well as the Transurban executives have made it very clear that it is a small number of people who get this admin fee, that we do not want these people to get an admin fee et cetera. But the fact is that a huge number of people do get admin fees, and they are often three times as much as the original toll. They can actually tally up to tens of thousands of dollars and have resulted in people experiencing significant hardship, which is why we are so concerned.

When we look at that \$10 fee, from what I can tell now, it is Transport for NSW—and again if we could just focus on the admin fees that are not in respect of the toll roads run by the Government, but we are talking about the toll roads that are run by private operators, namely Transurban for 11 of our 12 toll roads. With those particular tolls, when there is a need for a notice to be sent out to somebody, I think what I am hearing is that that is definitely done by Transport for NSW, although subject to you going and checking, and coming back to us on notice. My understanding also is that there is some sort of video-matching fee that Transport for NSW charges to the likes of Transurban, which is significantly less than the \$10, but that the \$10 admin fee is recovered by those operators. Is this your understanding?

JOOST de KOCK: I think the video reference fees are very different from the admin fees. I think as Ms Drover already explained, we are using new technologies to help prevent issuing these toll notices in the first place. For example, if a customer perhaps has not got a tag or the tag is malfunctioning, our cameras can pick up the registration and number of the vehicle, and if that registration number is linked to an account we can then

automatically apply the toll, and then there is a small fee that has been applied to do that service. That actually prevents people from having a toll notice in the first place. So we are using the new technologies to really minimise the fact that we have to send these toll notices. Toll notices are only sent, again, as a last resort. The vast majority are done through people using their tags or we are using our video-matching technology.

The CHAIR: That is quite illustrative because that fee that you get charged—and I have been charged that fee when my e-tag has not worked; it is like 55c or something—so that 55c presumably represents the cost of video matching, correct?

JOOST de KOCK: The video-matching fees—actually, there is a range of fees, depending on which of the motorways. Again, I will take it on notice to provide that.

The CHAIR: When I was speaking with Transurban, I read to them a section of the NorthConnex concession agreement. I will read from the concession agreement between Transurban and the Government. It states:

- (c) 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 ...

There is also another section which talks about the ability for the project company to change that administrative charge in consultation with RMS. So there seems to be an ability to do that. When I asked Transurban why they had not approached Transport for NSW about adjusting that administration fee, they said that there needed to be some whole-of-industry change for that to take place but that they were very willing to discuss it with you. I am confused because the concession agreement clearly gives them the power to suggest that change. Can you shed any light on whose responsibility it is to make sure that those admin fees are actually in line with actual cost?

JOOST de KOCK: Thank you for your question. I am actually not familiar with the document that you refer to. Maybe some of my colleagues—maybe Ms Drover knows more about that document. I am not aware of that particular document, but we will be pleased to receive it and we can have look further into it. Ms Drover, are you familiar with that particular part of the concession contract?

CAMILLA DROVER: Obviously, I have not got the NorthConnex concession deed in front of me, but I think we will take it on notice and just clarify that position.

The CHAIR: Thank you. I would like to know whose responsibility it is and who has the power. If everybody is willing to adjust the administration fee, who is the obstacle?

JOOST de KOCK: We will take that on notice and let you know what we think and come back with.

The CHAIR: Similarly in relation to the idea of aggregating the penalty notices, it seems like such an obvious thing to be able to do. When we spoke to Transurban, they said that was also in the hands of Transport. Is that your understanding as well, and are you making any attempts to change that and aggregate the penalty notices?

JOOST de KOCK: I think I mentioned before that the issuing of the penalty notices, obviously, is using at the moment our legacy technology systems. We are investing in updating our technology, and I took it on notice earlier to see what this new technology can do, whether it is possible to aggregate and simplify some of the penalty notices to get better outcomes for the customer and for us as well. So I will take that on notice to see what can be done with the investment in new technology.

The CHAIR: The admin fee was set at \$10 in 2001. It is now 2022. We are 21 years down the track. Are you telling me that we need to investigate new technology in order to issue some aggregated penalty notice?

JOOST de KOCK: As I say, I am not familiar with the detailed operations of the penalty notices, and I will get back to you on what the new technology can do in the space.

The CHAIR: With respect, that seems extraordinary. In every other industry in other States it is possible to aggregate penalties into one notice. If the Government has that as its responsibility and has chosen not to do it, with the costs being thousands of dollars to individuals who are unable to pay their toll in the first place, that seems quite extraordinary, don't you think?

JOOST de KOCK: When you talk about customers who have very large sums of money regarding toll notices and so forth, as I mentioned before most people pay their tolls. We recognise people have hardship and

unique circumstances where they are unable to pay, and in that particular case we understand that toll notices can add up. And, as I say, we really suggest those customers contact us. We have a special team dealing with this. They will understand the individual circumstances and look at what is a reasonable path forward and tailor that to the individuals. And we have a separate team set up in Transport for NSW to exactly deal with those people who have real hardship and then we will deal with those large numbers of toll notices.

The CHAIR: It is really interesting because these talking points are almost word for word what we heard from Transurban. It is, in fact, what you had said previously as well. The fact is some people are suffering extreme hardship, regardless of whatever it is you are doing. We know about the significant number of people that Transurban is chasing through the courts. So clearly whatever you are doing at the moment is not working. It would seem that an aggregate penalty notice would be the least anybody could do. I am just quite genuinely shocked that in 21 years that is not something that anyone has thought about doing. Is that your evidence today?

JOOST de KOCK: As I mentioned before, we have a special team set up to deal with these hardship cases and we can make special adjustment and put people on payment plans that reflect the situation. As long as people contact us, we can help them. You can ask Transurban how they do it for their customers. As I mentioned before, we do have some legacy systems that do not allow us to have the flexibility we want to do in terms of customers. We are investing in a new system. I took it on notice earlier to see what we can do with investment in the new tolling systems including a customer management system.

The CHAIR: Thank you. I understand that a class action has been launched against Transurban, its Queensland arm, in Queensland, with over 23,000 claimants in relation to excess administrative fees. What is Transport for NSW doing to mitigate against the risk of that happening here?

JOOST de KOCK: I do not think I can comment on any class action in Queensland. As I said before, we understand people can have hardship and we have separate arrangements in place as we mentioned before. Also, over the past few years, with the COVID pandemic, we have also stopped much of the debt collection activities, understanding that a large number of people may suffer hardship as part of the COVID pandemic. So we do take these things very seriously and we have, as I say, over the past few years, restrained from using some of the debts collection. We have also put in place special teams that deal with hardship. And many people have actually contacted us. We have seen some increase over the last few years because of COVID—

The CHAIR: Yes, I think lots of people are suffering hardship. Mr de Kock, have you spoken with Transurban executives since 10 December in relation to this inquiry?

JOOST de KOCK: I personally have not, no.

The CHAIR: Thank you. Ms Drover, can I ask the same question to you, please?

CAMILLA DROVER: I was on site at the M4-M5 link at the Rozelle Interchange last week. Transurban hosted us at the M4-M5 link. We mentioned that I was attending the inquiry. That was the extent of our discussions.

The CHAIR: Thank you. Ms Bourke-O'Neil?

MEG BOURKE-O'NEIL: I have not had contact with Transurban.

The CHAIR: Thank you. Perhaps we can turn to the Ombudsman. I assume, Mr de Kock, that you had read the transcript of our conversation or were broadly aware of the conversation that we had with the tolling customer Ombudsman. Given the concern about people undergoing financial hardship, and given the almost monopoly situation that we have in toll roads in Sydney with Transurban, are you satisfied with the structure of the tolling Customer Ombudsman and, in particular, the fact that the Ombudsman is not recognised by the Australian New Zealand Ombudsman Association?

JOOST de KOCK: Thank you for that question and so we are aware of the tolling Ombudsman that is in place to address issues for customers with from Linkt Sydney, Linkt Brisbane and Linkt Melbourne established in 2004. The tolling Ombudsman is not a New South Wales Government body and we do not have any authority to intervene in that. Also our New South Wales Government does not determine the scope nor the powers of that tolling Ombudsman. What we do have in the New South Wales Government if customers have complaints we have our normal customer complaints handling in transport and there are other mechanisms customers can lodge complaints. So, yes, we do not have any authority or powers to change the scope of the tolling Ombudsman.

The CHAIR: I understand that you do not have authority or powers but given that you are on the other side of contracts with toll road operators, and given all of these, as you say, people contacting you with hardship complaints, presumably Transport for NSW still has an opinion on the Ombudsman and whether or not it is fit-for-purpose?

JOOST de KOCK: As I say, we do not have the authority or power. I am not aware of any review that has been done in this space so I cannot really comment any further on that.

The CHAIR: Okay. Back to you, Mr Graham.

The Hon. JOHN GRAHAM: Thank you, Chair. Just returning to those reform questions, one of the proposals that has been floated publicly in relation to the Government considerations in this area—and I really took this public discussion as speculation at that point, nothing stronger so I do not want to put it to you more strongly than that—was about a toll cap. A toll cap exists at the moment across WestConnex. In theory it will soon operate in practice when the final leg of WestConnex opens. Can you give us any background about how transport thinks about a toll cap and about how possible it might be to widen that as a solution to toll pricing in Sydney?

JOOST de KOCK: Thank you. Yes, I might start the question and then pass over to Ms Drover. But we are aware of public debate about the toll cap and has been mentioned as part of the review. I might pass over to Ms Drover to explain what a toll cap means and what implications that that may have on the tolling concessions.

CAMILLA DROVER: Okay. The first thing to say is there are actually two toll caps that are in place. They are both for the only distance-based motorway concessions in Sydney - the M7 and WestConnex. Both of those, the toll cap goes along the lines of when you have travelled half of the full length of the motorway, the rest of your journey is free. As you rightly said, when WestConnex is complete, and you can travel the near 33 kilometres, the value of that toll cap will become greater value, the longer the journey you have. But if I can just reiterate, the toll cap only applies currently for the two distance-based motorways that we have in New South Wales. In terms of the review that has recently commenced, it be will be looking at a whole range of options and alternatives. So am sure it will be looking at that issue.

The Hon. JOHN GRAHAM: Perhaps one way it might be helpful to ask about this is Treasury was keen to draw a distinction between things that might trigger compensation and what would not. Which bucket is a potential extension of a toll cap when you think about this?

CAMILLA DROVER: Sorry, I am not clear what your question is.

The Hon. JOHN GRAHAM: Could the introduction of a toll cap be done without interfering in the existing contract? Is that an accurate statement? That is, it would not trigger compensation. It would be something that the Government could look at independently of those agreements. What is Transport's view?

CAMILLA DROVER: Well, it would depend on whether and how toll caps were introduced, whether it was per concession or in aggregate. I would not like to speculate on how that might be implemented because there are so many ways it could be implemented. But that is the purpose of the review to have a look at some of those options and how it goes towards addressing the larger picture of affordability across the network.

The Hon. JOHN GRAHAM: On that question about what we know about how much drivers pay, as we have discussed there is quite good information about how much drivers are paying for that toll rebate. It is something that is known, based on that information, how many drivers are stepping over particular thresholds when you come to think about that toll cap, so, paying, for example, more than \$3,000 for a toll tag or \$3,500 or \$4,000. When you come to look at that question is that accurate?

CAMILLA DROVER: I think if I just reiterate what Mr de Kock said, the toll relief scheme does not apply to all vehicles. So it does not apply to heavy vehicles generally. It is the private vehicles and I believe it is light vehicles as well. So it is only a subset of all road toll users.

The Hon. JOHN GRAHAM: Yes, but I thought that was quite helpful information but, Ms Drover, I am just asking does Government know enough to be able to properly assess that information? From the information we have been given we think you do for the light vehicles, not for others. You have got all that information at your fingertips to be able to make that call about, for example, the threshold that might kick in at. Is that accurate, or do you need more information?

CAMILLA DROVER: Like any modelling you have to adopt some assumptions and model on that basis.

The Hon. JOHN GRAHAM: Well, do you? Because do you not have all this information coming in on a daily basis?

CAMILLA DROVER: Mr de Kock has indicated what information we have as relating to the toll relief scheme. We have got the information that Transurban is required to publish, which is the traffic count data, which is published quarterly.

The Hon. JOHN GRAHAM: If that is your answer, I might move to another topic. I might ask you about the harbour tunnel. Are you currently considering two-way tolling or one-way tolling on the harbour tunnel and the harbour bridge?

CAMILLA DROVER: I am sorry, as has been said earlier today, the Sydney Harbour Tunnel concession expires at the end of August this year. There has been no decision of government about what will happen with that but the base case is that that toll would continue unless there is another decision of government. I suspect it will go towards paying for the other costs, the operations and maintenance, perhaps, on the Sydney Harbour Bridge.

The Hon. JOHN GRAHAM: Would Transport have concerns if there was two-way tolling on the Western Harbour Tunnel but one-way tolling continued on the Sydney Harbour Bridge and the Sydney Harbour Tunnel from a traffic management point of view? Obviously there is a whole tolling question but from a traffic management point of view, would transport have concerns if it was two-way on one harbour crossing but one way or the others?

CAMILLA DROVER: You would have to undertake traffic modelling to look at the level of tolls and the direction of the tolling, and to look at the impact on the overall network. But it is fair to say there would be three harbour crossings, including the Western Harbour Tunnel, and we need to look at the interplay and the connection between those three crossings.

The Hon. JOHN GRAHAM: That is a statement of the bleeding obvious, Ms Drover. If there was two-way tolling on the Western Harbour Tunnel and one-way tolling continued on the bridge and the tunnel, would that lead to traffic chaos or not? Is that a traffic problem separate to the tolling questions?

CAMILLA DROVER: It would depend on the level of the tolling applied. So that would have to be accounted for when you looked at the toll pricing across the three harbour crossings.

The Hon. JOHN GRAHAM: From a traffic point of view, could that be manageable if the toll prices were set right or would it just lead to traffic chaos? Have you got any advice for us as we look at those issues?

CAMILLA DROVER: We would have to look at it from a traffic modelling perspective but it has the potential to cause problems, yes, if you have very different tolling regimes for similar adjacent crossings.

The Hon. JOHN GRAHAM: Yes. What might that look like? What would transport be concerned about as you are trying to weigh up those impacts on the city? These are very important decisions for traffic management in Sydney.

CAMILLA DROVER: It would depend on the assumptions that you adopted of course. But what you would want to mitigate is distortion of traffic flow across the three harbour crossings.

The Hon. JOHN GRAHAM: I might hand to my colleague on this subject.

The Hon. DANIEL MOOKHEY: Ms Drover, what modelling have you already done in respect to the traffic implications—actually, let me unpack this. Firstly, the Sydney Harbour Tunnel's toll concession is expiring in August, is it not?

CAMILLA DROVER: That is right.

The Hon. DANIEL MOOKHEY: What date is it actually expiring?

CAMILLA DROVER: I think it is 31 August 2022.

The Hon. DANIEL MOOKHEY: So on 1 September, what happens, from transport's perspective?

CAMILLA DROVER: If there is no decision of government, and we are awaiting that decision, I suspect the toll will continue towards funding the other costs of operating and maintaining that asset. Although the concession ends, there are still costs associated with the operations, the maintenance, the incident response, etcetera, running the motorway.

The Hon. DANIEL MOOKHEY: Has transport prepared any advice for the Government in respect to the expiry of the Sydney Harbour Tunnel concession whatsoever?

CAMILLA DROVER: Not to my knowledge.

The Hon. DANIEL MOOKHEY: You have provided no advice to the Government about what to do with the toll concession expiry?

CAMILLA DROVER: Well, what we are doing is looking at the asset management solution. So, who will undertake the operations and maintenance of that asset when the concession expires, because the concession

falls away. So someone needs to do the O&M on that tunnel. So we are currently in the tender process of looking at that. That tender process is looking at providing services potentially for the future Western Harbour Tunnel and an option to also do the Sydney Harbour Tunnel. But that is not a concession, it is just the operation and maintenance for services for those tunnels.

The Hon. DANIEL MOOKHEY: So packaging up the operational maintenance of the harbour tunnel with the Western Harbour Tunnel is an option that is being considered?

CAMILLA DROVER: It is an option, yes.

The Hon. DANIEL MOOKHEY: Is that because the two stages are related? Why is that being considered?

CAMILLA DROVER: Economies of scale. They are both under-harbour tunnels. They are both immersed tubes. There are some synergies. They are reasonably well co-located so it would make sense. Transport for NSW does not have that in-house capability to operate and maintain a tunnel of that nature. So it is looking to outsource it, and we have to outsource the Western Harbour Tunnel as well, so it makes sense to look at other synergies to package it together and get some of the economies of scale.

The Hon. DANIEL MOOKHEY: Ms Drover, I am just going to assume—and tell me if I am wrong here—that the Western Harbour Tunnel is not opening on 1 September this year. Is that correct?

CAMILLA DROVER: That's correct.

The Hon. DANIEL MOOKHEY: Firstly, have we made a final investment decision on the Western Harbour Tunnel yet?

CAMILLA DROVER: Yes, we have.

The Hon. DANIEL MOOKHEY: This procurement process would effectively give, whoever it is who you choose—well, have you actually let the contract for the operational maintenance of the Western Harbour Tunnel?

CAMILLA DROVER: No, that is the tender process that we are currently in at the moment.

The Hon. DANIEL MOOKHEY: Right.

CAMILLA DROVER: The intent was to procure someone who was experienced and skilled in the operations and maintenance of tunnels, particularly under-harbour tunnels. They could assist in the procurement process for Western Harbour Tunnel, package two, providing the insights to ensure we optimise whole-of-life cost for Western Harbour Tunnel. And in parallel, we are also seeking option for them to undertake the operations and maintenance of the Sydney Harbour Tunnel.

The Hon. DANIEL MOOKHEY: Right.

CAMILLA DROVER: So we will go through that procurement process and depending on the outcome of that we will decide what we are going forward with.

The Hon. DANIEL MOOKHEY: Okay, but I am still going to infer that the decision-making timetable for the Western Harbour Tunnel operational maintenance will be before 1 September therefore.

CAMILLA DROVER: We are hoping to have on board a provider who can support the procurement as I said for the Western Harbour Tunnel with an analysis on whole-of-life optimisation. They work with design and construction tenderers, assessing their offers, et cetera, but we will have an opportunity when we actually get a final design and a final contractor on board following the Western Harbour Tunnel procurement process to reconfirm whether we can go forward with—

The Hon. DANIEL MOOKHEY: Ms Drover, that has to be all done by 1 September—that is my question. Because if it is the case that we are responsible for the operational maintenance of the harbour tunnel after 1 September, and the two have a joint fate then, clearly, we are going to be letting the contract for the Western Harbour Tunnel operational maintenance before 1 September otherwise we will find ourselves in a situation where there is a temporary person?

CAMILLA DROVER: There are two issues and two time frames. You are absolutely right, we need to determine what we are doing with the Sydney Harbour Tunnel before the end of August. We will get someone on board to assist with procurement. When the Western Harbour Tunnel is complete—and we know it has actually been built—there will be an opportunity for that provider to reconfirm their pricing for a longer term contract, the O&M contract for the Western Harbour Tunnel and that will be a decision point whether we continue to go forward with them or not.

The Hon. DANIEL MOOKHEY: Is there any chance we are increasing the toll on the harbour tunnel so it has no competitive advantage as a crossing as opposed to the Western Harbour Tunnel?

CAMILLA DROVER: Do you mean the Sydney Harbour Tunnel?

The Hon. DANIEL MOOKHEY: Yes.

CAMILLA DROVER: That has not been contemplated to the best of my knowledge to date.

The Hon. DANIEL MOOKHEY: Is any work being done as to whether or not the harbour tunnel toll should be removed? Is Transport considering that as an option or modelling that or considering it in any way, shape or form?

CAMILLA DROVER: Sorry, which tunnel?

The Hon. DANIEL MOOKHEY: The harbour tunnel?

CAMILLA DROVER: It is not an option that I am across. As I said, although the concession expires at the end of August there are still costs associated with keeping the Sydney Harbour Tunnel working.

The Hon. DANIEL MOOKHEY: Sure. But transport is not considering or undertaking any policy work to consider removing the toll from the Sydney Harbour Tunnel?

CAMILLA DROVER: Not to my knowledge. Of course, there is the broader tolling review and a whole raft of options we looked at as part of that review.

The Hon. DANIEL MOOKHEY: Ms Drover, I presume you would know, Ms Bourke-O'Neil or Mr de Kock are not the relevant people I should direct these questions to? It would be you, would it not?

CAMILLA DROVER: I suspect I would be across that. Ms Bourke-O'Neil, who runs Greater Sydney, would also be across that.

The Hon. DANIEL MOOKHEY: Ms Bourke-O'Neil is any work being done by transport to model removing the toll from the Sydney Harbour Tunnel?

MEG BOURKE-O'NEIL: My answer is the same as that of my colleague, Ms Drover. No, I am not aware of any work going on to remove that toll.

The Hon. DANIEL MOOKHEY: My final question to both of you is: is any modelling underway as to whether or not to increase it whatsoever after 1 September this year?

CAMILLA DROVER: I am not aware of any specific modelling on that issue. But I can say, of course, there is that broader tolling review underway, which will look at a whole raft of issues and options, which addresses the terms of reference for that review which is about affordability, fairness, et cetera, across the whole Sydney network.

The Hon. DANIEL MOOKHEY: I know I said it was my final question, but it this is my question part B. Is there any modelling that you are doing for the Western Harbour Tunnel that may result in the Sydney Harbour Tunnel price having to go up?

CAMILLA DROVER: Look, at the moment, we are focused on procuring the Western Harbour Tunnel. We are in tender for package 2 Western Harbour Tunnel. We have then got to build the tunnel, which is going to take many years. So, the tolling will not come into play on Western Harbour Tunnel until the late 2020s when Western Harbour Tunnel opens. So I think before that the tolling review needs to occur. That is looking at the whole of the network pricing issues. So that is the first priority to procure and get the Western Harbour Tunnel built.

The Hon. DANIEL MOOKHEY: I pass to my colleagues.

The Hon. JOHN GRAHAM: I just want to turn to one of the roads we have not asked about, and that was the M5 corridor. The Committee received a lot of evidence from that corridor about the impact of tolls, largely driven by the imposition of tolls on the M5 East after it had been free for 20 years and the fact that traffic has been driven off those toll roads onto suburban streets. That is having a big impact on local businesses and the Committee is likely to look at maybe even conducting a hearing out in that part of Sydney as a result, given the amount of feedback it has had. Would waiting on the study from transport that was due mid-last year is what these businesses were holding out hope, that 12 months after that toll road opened, the new toll road opened out there, they would have some answers. We still do not have that, as far as I am aware. Where is this up to? What is the plan to get some answers to local businesses that have enormous trucks driving down their suburban streets?

MEG BOURKE-O'NEIL: Thanks Mr Graham. I will answer that question or, at least, start the response for you. The review of the network, that is actually a planning condition. So, put in place, as part of approval for the M5 East tolling and the opening of the M8, this full road network performance plan is underway. It is a requirement to undertake it at 12 months of the opening new infrastructure. So, we started that process formally from mid-2021. But I just want to take a step back to say on opening of the M8, and the tolling on the M5 East back in July 2020, there was some observation of increases in heavy vehicles on some of the surrounding road network, particularly Stoney Creek Road and Forest Road were identified as yes, having significant increases in traffic.

Transport for NSW at that time did take some immediate actions to help ease some of that and the traffic flow. So, clearways were implemented along both those corridors. There were adjustments made to intersections and some work done as an initial response. I think the other factor in the entire time of operation of the new M8 and this reform was this new infrastructure is that it has been operating during the stages of the pandemic, which has seen really variable traffic movements and changing travel patterns. So, as of halfway through last year, at the 12-month mark, as we commenced this full network planning review, we had not really seen settled or anything like near-normal traffic conditions. That certainly continued in the next three or four months with the lockdown restrictions and stay-at-home orders associated with the Delta outbreak.

So from about October-November last year, as restrictions started to ease, we have been progressing our data collection, undertaking some full survey traffic studies in the study area looking at a number of intersections around different surrounding roads. And this is pretty detailed work, because with major new infrastructure opening on our network, which is complex, as we all know, you do see a lot of adjustments in how motorists are making their decisions between tolled and untolled. We certainly know there have been some traffic increases and changing movements in that area. So, we have been putting together these survey studies and progressing that work over the summer period.

Now, in accordance with the network performance plan review, we must go to councils for consultation and there are four involved here: Georges River, Bayside, Inner West and the City of Sydney councils will be part of the next phase of our work once we are ready with preliminary findings. This is really essential because we will have then, I think, some more reliable traffic data to share. But we really need to understand local network observations and the concerns they may want to impart to us from their local communities and their understanding of what might be needed. So, we are prepared to do more if we see that there are some issues that need to be addressed. We have already taken some action. And we are prepared to do more.

The Hon. JOHN GRAHAM: That has actually been very helpful information. When will that study be complete?

MEG BOURKE-O'NEIL: So we have committed to a mid-2022 time frame to submit our report to the planning Minister. It is required to go to the planning Minister who will then consider it and that it has met the conditions of approval requirements and some of the—

The Hon. JOHN GRAHAM: I accept you have put accurately the timing requirements of the planning condition.

MEG BOURKE-O'NEIL: Yes.

The Hon. JOHN GRAHAM: But the problem you have got in putting that view is the Government has been writing to people and giving them hope that this would be delivered mid last year and it would provide some answers. What you are saying is those answers are not coming at the earliest until mid-2022. I know that is not your fault but that is the expectation there. It is still a long way away, is it not?

MEG BOURKE-O'NEIL: I understand the community will have concerns and views, as will councils, around what has been the traffic impact and how is the network connectivity working. That is why this work is really important and the consultation phase is critical for us. We are not quite there yet. We expect to go to consultation in the coming weeks. As I said, we have been putting that analysis together. We will be moving pretty quickly, given the COVID delays, to actually get to a full report to submit to the planning Minister mid-year. We have re-baselined that time frame. We really want to hit that mid-year mark. In addition to that, whilst we will consult councils with what we think are the significance of the findings and hear their views, if we determine there is more work to be done and there are mitigations and treatments needed on the road network—

The Hon. JOHN GRAHAM: I would like to hand to my colleagues, just in view of the time.

MEG BOURKE-O'NEIL: Yes.

The Hon. JOHN GRAHAM: Perhaps we will come back to this in estimates. But just finally if I can ask you, just to wrap this part up: Those clearways for local businesses have in some ways made it worse for them.

It just means people are less likely to stop and use their custom. But you accept at the moment, do you not—I think this is right—that for Stoney Creek Road and Forest Road there is a real problem today. This has not gone away at the moment. Is that the view from Transport? It is certainly the local view, but is that Transport's view?

MEG BOURKE-O'NEIL: We will know more once we have put our data analysis together, Mr Graham. I am sorry I cannot answer that more fully today. But we know it has been an issue. It has been pretty difficult to assess that in nothing like near-normal traffic conditions through the second half of last year. But we are putting some work together and actually compiling this survey data at key intersections and locations to help us give a proper picture of that.

The Hon. JOHN GRAHAM: Thank you for that. Chair, I might hand back to either you or Mr Mookhey—wherever we think we are up to.

The CHAIR: I just wanted to ask one question, if I may. I am not sure which of you is best to answer, so please just chip in. I was speaking in the last panel to Treasury reps about this document that was a market sounding with Transurban in relation to Western Harbour Tunnel and Beaches Link. I am not so much interested in the document itself and the topic of the discussion you were having with Transurban but more the comments that were made during it, particularly the comment that said that Transport and Treasury were working on a tolling framework to consider toll reform across the harbour crossings, noting that an equalised toll system is likely to avoid traffic network distortions. But also there were other parts of that document, for instance, talking about the interface and network management issues with separate operators should the tunnel be owned by a different operator to the Western Harbour Tunnel, if and when that gets up and running and a toll operator is appointed. Can you tell us what that toll reform project looked like at that time—that is, back in November 2019—and what the conclusions of that were?

CAMILLA DROVER: I am happy to make some comments. I am not familiar with exactly what the document is or what they are referring to. All I can say is there was a lot of market engagement with a broad range of stakeholders when we were looking at how we were going to procure Western Harbour Tunnel. Market engagement was undertaken with both contractors that would build the asset and potential future operators, and in years prior there was other engagement with financiers—but that was some many years ago, pre-2017. I am not across what specifically was referred to. We need to have a look at the document. I do not obviously have it to hand.

The CHAIR: Thank you. Specifically, it states that you were working on a tolling framework in order to consider how to equalise the tolls across the crossings. If you could come back to us on notice with what that framework looked like and what that work involved, that would be incredibly useful. Ms Bourke-O'Neil or Mr De Kock, did you have anything that you wanted to add on that?

JOOST de KOCK: Nothing to add.

The CHAIR: Okay. I will throw back to Mr Graham for final questions, if he has any?

The Hon. JOHN GRAHAM: I think Mr Mookhey does.

The Hon. DANIEL MOOKHEY: How much time do we have, sorry, Chair?

The CHAIR: You have got three minutes.

The Hon. DANIEL MOOKHEY: Excellent. I am just seeking a couple data points that would be helpful. Ms Drover, earlier you were describing the capped usage on the distance-based tolling regimes as well. Do you have a percentage of the number of, I guess, trips or cars or users—depending on how you keep the data—who benefit from those caps as a percentage of trip journeys?

CAMILLA DROVER: I do not have that data.

The Hon. DANIEL MOOKHEY: Do we actually collect it, though?

CAMILLA DROVER: I am not sure. I think the other thing to note is obviously WestConnex is not finished. The toll cap will really come into play when—

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

CAMILLA DROVER: —those sections are there. I do not know whether Mr De Kock can comment on that? I know I do not have that data. I can confirm that.

The Hon. DANIEL MOOKHEY: Could anyone take it on notice to see whether we can get an estimate as to the existing number of trips that trigger the cap as a percentage of trip journeys? If it is possible that we can get any data on that, that would be useful.

CAMILLA DROVER: We can take that on notice and see what we can bring back.

The Hon. DANIEL MOOKHEY: Thank you. Equally with the registration relief, presumably you do have figures on numbers of people who are eligible out of a potential pool. You have some figures on that, is that right?

JOOST de KOCK: I will take that question, thank you. We provide the data from our customers, the other road operators provide their data and Service NSW collects both of those pictures together to make a decision. We have got part of the data, but not all of the data. As I mentioned before, we do provide that information on a regular basis to Service NSW.

The Hon. DANIEL MOOKHEY: Service NSW would know by vehicle registration the vehicles that are eligible for the relief, correct?

JOOST de KOCK: Yes, they collect the information from all the operators and then they can—

The Hon. DANIEL MOOKHEY: That is at the level of the vehicle registration, yes? It is on the vehicle, not—

JOOST de KOCK: That is right. If a customer has one account with multiple registrations and it reaches the threshold, the customer chooses which vehicles to apply the free registration to.

The Hon. DANIEL MOOKHEY: Do you keep data as to the location of where those vehicles are registered that are claiming it? If we wanted to find out across the city who is benefitting—and across the State, for that matter—who is benefitting from that program, do you have that data? By LGA, by—what is the level of analysis that you have as to that?

JOOST de KOCK: I will have to take it on notice as to what we have on that.

The Hon. DANIEL MOOKHEY: If you have it on notice, can we get it broken down by LGA, that is, the number of vehicles claiming registration relief by LGA or any other unit of geography you keep?

JOOST de KOCK: I am not sure we have that information but I will take it on notice to see what we can provide.

The Hon. DANIEL MOOKHEY: Great. Equally, do you know what percentage of motor vehicles that are not heavy vehicles are actually getting that relief? Is it 1 per cent, 2 per cent, 3 per cent, 5 per cent, 10 per cent? How many people are actually benefitting from it?

JOOST de KOCK: We do know that about 200,000 people benefitted from that relief last year.

The Hon. DANIEL MOOKHEY: People or cars?

JOOST de KOCK: These are cars, yes.

The Hon. DANIEL MOOKHEY: How many cars are registered in New South Wales?

JOOST de KOCK: I will have to take on notice the exact number.

The Hon. DANIEL MOOKHEY: Okay, thank you. Can we get the specific numbers of motor vehicles that are not heavy vehicles—because heavy vehicles are not eligible to claim it, I presume—that have claimed the registration relief offer each year since its inception? And then, equally, as a percentage of all motor vehicles registered that are eligible?

JOOST de KOCK: I will take that on notice to see what we can provide—what the numbers of the vehicles that got toll relief from history. We can see what we can provide there, yes.

The Hon. DANIEL MOOKHEY: Thank you. What was the cost of that last year?

JOOST de KOCK: That is a question probably best directed to Service NSW. I am not aware of the cost.

The Hon. DANIEL MOOKHEY: Does it not come out of Transport's budget? You guys get the appropriation. I swear I read it in your annual report, not theirs.

JOOST de KOCK: I am not across that detail. I will have to take it on notice.

The Hon. DANIEL MOOKHEY: Okay. On notice, could you identify how much it is and, now that you mention it, what budget it is coming from?

JOOST de KOCK: Yes, I will take that on notice.

The Hon. DANIEL MOOKHEY: Thank you. Chair, I think that is it from me.

The CHAIR: Fantastic. I was about to say that I think we have run out of time. Thank you very much to our witnesses for spending their time with us this afternoon. There were questions taken on notice. The secretariat will be in touch to confirm what those were, and you will have 21 days to respond. Thank you very much. We are going to take a 15-minute break. We will be back at three o'clock with representatives of Transurban. Thank you.

(The witnesses withdrew.)

(Short adjournment)

Ms MICHELE HUEY, Group Executive, Transurban, New South Wales, on former affirmation

Mr ANDREW HEAD, Chief Executive Officer, WestConnex, on former affirmation

The CHAIR: Good afternoon to both of you. Thank you for coming and giving evidence to this inquiry for a second time. If you could, please deliver your opening statement. Thank you.

ANDREW HEAD: I can assure you, Chair, it will be very short. Thank you very much for the opportunity for Michele and I to appear today. We just wanted to mention that on behalf of Transurban and WestConnex, we would like to acknowledge the traditional owners of the land on which we meet today and to pay our respects to their Elders past, present and emerging. WestConnex is a key part of the inquiry's terms of reference. In the next 18 months, the final pieces of the puzzle will come together to create Australia's largest road infrastructure project. In March 2023 or thereabouts, the M4-M5 Link will open. Shortly after that, the Rozelle Interchange will also open. If I go to the M4-M5 Link, it will reveal its role in connecting Sydney when it opens. Excavation is already complete, the mechanical and electrical fit-out of the tunnel is 60 per cent complete and 10,500 jobs have been created as that work has been undertaken. Forty per cent of those jobs have been created for people in western Sydney.

Over the life of the WestConnex project, some 40,000 jobs have been created and 500 apprenticeships have been achieved. We would like to thank all the people for their dedication and resilience over the whole project, but most particularly their efforts and resilience over the course of the last year or so. WestConnex is transforming and will continue to transform communities. Already, an hour is being saved on the M4 and 30 minutes on a trip along the M5. I mentioned last time that it is 40 per cent safer in some parts of WestConnex, and Parramatta Road is experiencing 15 per cent better air quality. In addition to that, when WestConnex is complete, we will see some 18 hectares of open space and parks opened across western Sydney and, alongside that, a number of urban sculptures and urban artworks. We will also be building and opening 23 kilometres of new and improved pedestrian and bike paths. Again, just to close the opening statement, I would like to thank you on behalf of Michele for inviting us. We hope that we can answer the questions that you have coming up.

The Hon. JOHN GRAHAM: Thanks to the Transurban witnesses for coming back again. You are essentially here because of your centrality to the operations of those roads across Sydney. Now that we have questioned the agencies in detail, was there anything from this morning's sessions that you would like the chance to respond to specifically?

ANDREW HEAD: I think we are in your hands, Mr Graham.

The Hon. JOHN GRAHAM: Thank you. The first question is a very detailed one on the M4-M5 Link. Mr Head, what is your estimation of the approximate opening time?

ANDREW HEAD: We are currently targeting March 2023, which is the contract completion date. It might be a little bit earlier; it might be a little bit later, subject to COVID-19 impacting productivity. At this stage, that is our best guidance.

The Hon. JOHN GRAHAM: Thank you. I turn to a question that we have dealt with a little bit over the course of the day, which is the potential for the sort of decision signage that has been trialled in Melbourne to be used in Sydney. It would give drivers not just potential travel time savings but also potentially current toll prices. It would give them the choice about the cost and the benefit as they move around Sydney. As the operator of many of those toll roads, is that something you can live with? What can you tell us about the Victorian trial?

MICHELE HUEY: Mr Graham, perhaps I will take that question on. As we have shared in our submission, which was provided to the Committee last year, decision signage is definitely something that we would be supportive of as a concept, and we would be very happy to work with policymakers and relevant stakeholders to have that implemented. As you mentioned, there has been a trial that was undertaken or is still underway in Victoria looking at similar types of decision signages that showed travel time on the toll road as compared to a free alternative, so that road users can make their own decisions in real time on which path to take. It could provide information that road users have in terms of deciding how much travel time benefits and which route is the best for them, but also notify them if there is an incident or if there is a disruption on some of the networks so that they can make adjustments to their travel plans. It is definitely something that we would be happy to undertake a trial on and work with the relevant stakeholders and agencies to explore the relevance of in Sydney—obviously taking into account that every road and situation is different, to make sure we do not compromise on road safety and all of the other really important aspects as well.

The Hon. JOHN GRAHAM: Yes, some operational questions arise, particularly for distance-based tolling or for certain physical locations. The Deputy Premier has been initially somewhat dismissive of this idea.

I have supported it today because I think it is good for drivers, but it is not especially to Transurban's benefit. But I imagine it would resolve some confusion for drivers as they move around the network.

MICHELE HUEY: We would think about decision signage, physically, on the road as only one of many different options to put real-time information in the hands of the drivers. We may have shared that in our earlier appearance last year in front of the Committee. But, certainly, we are partnering with technology service providers such as Google—who provide a lot of real-time navigation tools—and also investing in our own Trip Compare tools such as our Linkt website, where customers and all road users can access real-time information, putting in their origin information and then their destination so that we can provide, using independent data, the different tolled and untolled routes that are available. Those are online and technologically enabled options. We want to also explore physical signage as another alternative for road users.

The Hon. JOHN GRAHAM: In Victoria, this has been popular with drivers. Can you give us any other feedback from the Victorian trial?

MICHELE HUEY: Yes. The trial is still underway, so we would want to make sure we get the full, comprehensive picture before we come back. But, as you mentioned, the feedback from some of the respondents we have surveyed has provided us with some positive feedback on how well they have used the signs and also their intent to use that sign, should it be available, going forward.

The Hon. JOHN GRAHAM: Right. Just to be clear, that trial does not include the actual cost of tolls, but you see no barrier to that being included in a News South Wales trial. You would be open to that discussion.

MICHELE HUEY: Very much so. On some of our existing toll roads, there is also information that is already displayed around toll pricing. But obviously those, as we talked about, are very specific to each asset.

The Hon. JOHN GRAHAM: Thank you. I might turn to the questions around tolling reform. We have had more detail today about the Government review into tolling. We know more about the timeline and more about what is in scope and not in scope. A lot of things are in scope. We know who is around the table. They are all things that we know for the first time. We have not had that position put in public officially by the Government, certainly not in the detail that we have heard today. Having heard those things, the evidence that has been put to us is that there has not been formal engagement on those questions with Transurban to date. I will just confirm that is also your understanding.

MICHELE HUEY: That is correct, Mr Graham.

The Hon. JOHN GRAHAM: We have talked about a range of reforms that might be considered. Is Transurban in favour of or against some of the particular reforms? I will not put the list to you, but are there some of those that you would like to see or that you are advocating for as the Committee looks at potential solutions to the toll burden that people are facing in Sydney?

MICHELE HUEY: The position that we shared with the Committee at the end of last year remains the same as the one that we are in, which is that Transurban remains open and willing to have a dialogue with the relevant policymakers, departments or stakeholders in exploring how we can improve and enhance the benefits that we can deliver to Sydneysiders. We have not ruled out or ruled in any specific solutions and are looking to have the opportunity to engage.

The Hon. JOHN GRAHAM: Have you modelled the impact of any of these specific tolling relief solutions?

MICHELE HUEY: No, we have not, Mr Graham. A little bit, it depends on what are the objectives and also the options that are on the table. As you are aware, we have not had any conversations directly about specific options or specific solutions. Rather than trying to model a considerable number of options, we would prefer to have the opportunity—should one be available to us—to engage, so that we can better understand objectives, levers, options and solutions so that we can do the proper work on it. As the Committee would appreciate, some of these solutions are quite complex, and it does take into account quite a number of factors that need to be modelled carefully.

The Hon. JOHN GRAHAM: So you need the government agencies conducting this review to get their options in order to be able to put those to you, so you can do some of that modelling. It is important they look at the public interest first, before those discussions. I can see why they might want to do it in that order. But, until we get to the point where there are discussions with you and perhaps modelling at your end, we will not be at the serious end of this discussion. Is that a fair comment?

MICHELE HUEY: Yes. That would be the right summary. I think from our perspective we support good transport policy. If that is where we should logically start, then I think we are looking for a bit more guidance

from policymakers and Government to see where we want to head from there, but very happy to support where we can.

The Hon. JOHN GRAHAM: Thank you. The final issue I want to ask about before I hand over is this question I was asking of Treasury about the total toll cost that drivers already signed up for under existing contracts. I want to be clear in putting this question to Transurban. This is not a Transurban question. I see this as actually much more a Government question. Government has a range of contracts. Some of these roads are not operated by Transurban. There is certainly a range of other companies who own bits of it so it is a broader question, but you do operate many of these roads. This is also not about your bottom line: You have other costs—costs of finance and costs to operate. My question, though, is: How much are drivers paying in tolls in total under these contracts? I want to know what is coming out of a driver's pocket. How much are we actually signed up to pay by the time these contracts end? We touched on this in the last hearing. Is there anything you want to add to what you said last time?

MICHELE HUEY: That is right, Mr Graham, and we did touch on this topic last time. As an Australian publicly listed company we are somewhat prohibited and limited in terms of providing long-range forecasts. I think, to properly answer the question that you have provided, we would need to be able to provide that information, which we have omitted to do. Having said that, thinking about how to get to an answer, there would be a number of factors and a number of variables that need to be taken into account. So, as the Committee would be aware, I think in our past conversations even with the tolling regime having been set at the start of the concession and being set for the life of the concession, there are also other factors, such as inflation rate for some of these long dated concessions, which will extend multiple decades; traffic growth, which is dependent very much on a number of drivers around population, economic factors; and then of course interest rate, which plays a big role in the discounting of future cash flow back to the present value.

However, to answer your question, there are very small tweaks, very more changes, to some of these factors over a long time because some of these concessions are quite long dated—for example, WestConnex up to 2060—and that would have a big impact on the total number at the end. As you mentioned, from our perspective the revenue line is only part of the picture. It does not take into account the up-front capital, the ongoing operations, maintenance costs, and of course the risk that is taken in private sector putting capital in up-front in the investment. So, not to avoid your question, but I think it is perhaps putting in context some of the challenges in thinking about how to answer that.

The Hon. JOHN GRAHAM: Yes. Look, that is a helpful answer and I think there are some bits of this puzzle you can colour in. In fact, the Transurban reporting to the market is much more detailed than the information we get from the Treasury. I was quite disappointed with the answers from Treasury today on this question. So I do see this more an issue for Government to be up-front with drivers about that. However, I do want to put to you the position I put to the Treasury, which is that it is not that complicated an assessment. You have run through some of the key variables here which shape this.

The prices are set in these contracts. They could go higher often but the toll prices are set. Inflation is a pretty standard assumption that Government uses in the budget for that of two and a half per cent. That is what was used in the WestConnex business model. On traffic growth, that is one of the key variables we have seen over time but assuming a very low level of traffic growth of, say, two and a half per cent, in fact your traffic growth has been higher over time, and on the interest rate question, again in Government there is a pretty standard discount rate that is applied across the boards and others for sensitivity analysis. But those are questions Government has to tackle all the time.

Using those basic assumptions—the very conservative ones—traffic growth of two and a half per cent, the standard inflation of two and a half per cent, looking at this in today's prices for contracts that have already been signed up—so we are not counting the Western Harbour Tunnel, the M6 stage one, the Beaches Link—none of those are in; they are coming down the line and they will increase the toll prices. Already we have signed up for over \$100 billion in today's dollars—in fact, \$115 billion, a conservative estimate—it will be higher but it will not be lower than that amount. Is there anything about those set of assumptions—you have already answered this in some ways—or anything about those assumptions or any caveats you would like to put on the table when we look at that question that Treasury should answer but just will not answer?

MICHELE HUEY: I think the methodology, Mr Graham, that you have laid out makes sense at a high level. If we look at the last few years, even in the area of traffic growth, which is one of the key assumptions that go into the long-term forecast, a pandemic like COVID has created considerable disruptions to what otherwise we could consider to be a very consistent and predictable way of looking at it. The COVID situation has given us an example of what kind of disruptions could come. Without giving the Committee too much detail, I think as an example at the peak of COVID when we first experienced it back in 2020, everyone saw that cars disappeared off

the roads and everyone was in restrictions, so these are not just the tweaking of 2.5 going to 2.4 per cent type. It is quite dramatic disruptions to regular travel and regular movement patterns. So those would be things that we would be challenged in thinking about how to actually model and how to put into a long-range forecast, especially when we—

The Hon. JOHN GRAHAM: Yes, I think that is a really good example of some of the uncertainties here, although driving in this morning I can assure you that COVID has led to more people on the road, not fewer, at the moment. If COVID is not over by 2060 we are all in a lot more trouble. So I should be explicit that those are assumptions that smooth the COVID impact out of these. But given the length of these contracts, hopefully that is a short-term impact, although its impacts are quite uncertain, given the experience we have on the run.

ANDREW HEAD: Mr Graham, I might just add one other bit of context for you. You asked about the two and a half per cent for traffic growth long term and whether that was reasonable. I might just draw the Committee's attention to question on notice No. 3 where we provided the traffic history in relation to the M2. I do not expect you to have it at hand, but in 2009 the M2 grew at 1.2 per cent. In 2010 it grew at 1.8 per cent and in 2011 it grew at 0.3 per cent. That shows you that that asset matured after it had been open for about 10 years. It opened in 1996 and we are looking at 2010-11. As the assets mature, a two and a half per cent traffic growth rate would be a fairly strong rate of growth. I am not saying it is impossible, but that is just one more context for you to consider when you are trying to do your calculations.

The Hon. JOHN GRAHAM: Yes. Look, I think that is a very fair point, Mr Head. I think you would also concede that the growth on a WestConnex assets in Sydney at the moment, or on the traffic growth front, is 4 per cent, not two and a half per cent. Obviously COVID is having a real impact as Ms Huey has indicated. Yes, but there is certainly some real detail here on that traffic number.

ANDREW HEAD: Yes. That is one of the big risks embedded in that calculation along with the discount rate. Yes, the WestConnex assets are growing at a higher rate than two and a half per cent but they are very young. The tunnels are just opened. You would expect them to be growing at a higher rate, but as they matured at around the M2 you end up with a much lower growth rate than the one that perhaps you might be assuming.

The Hon. JOHN GRAHAM: Depending on population, as you have already observed.

ANDREW HEAD: And just capacity of the asset. So the assets end up getting a bit more congested and unless you expand them the traffic growth does come right down.

The Hon. DANIEL MOOKHEY: Greetings. Nice to see you. I might, in the limited time before we pass to the Chair, just ask a couple of clarification questions. Mr Head, I think I heard you say that the M4-M5 is due to open in March 2023. Can I ask, have you or the contractors made any claims and modification requests to Transport for NSW in respect of the M4-M5 link?

ANDREW HEAD: Nothing of any materiality. There might be small things that have not come across my desk but nothing that is large enough to bear mention. I cannot speak for Transport for NSW but I think I would have heard about that too.

The Hon. DANIEL MOOKHEY: Okay, sure. It is just that there are certain disclosures that are made on the transport side. I just wanted to understand how much of that might be coming from the M4-M5 link, but fair enough. Secondly, in respect to the toll reform questions that my colleague was asking about, and Transurban's willingness to engage, I presume your position has not changed in that obviously Transurban currently finds itself in a position where it is worse off—or volunteered to find itself in a position where it is worse off—than it otherwise would be under the consisting concession arrangements. That is a fair principle?

ANDREW HEAD: That is a principle that we have stated before and, just to give that a little more context, we are a listed company made up largely of superannuation investors.

The Hon. DANIEL MOOKHEY: And that is because you have directors that if they were to knowingly agree to anything that leaves them worse off, they would find themselves facing a myriad of actions. That is fair, right? You have no legal opportunity to agree to anything that leaves you worse off for your shareholders? That is fair?

ANDREW HEAD: Our role is to try and balance all of the stakeholders. That includes customers and it includes community but it also includes investors. So we would need to put something together that made sense for all of those investors and take it to the board of Transurban, and they would ultimately opine as to whether or not it made sense for all of those stakeholders.

The Hon. DANIEL MOOKHEY: I put it to the Treasury this morning that the way in which the contract concessions work is that compensation clauses are triggered if an act—for want of a better term, very simply,

because it is quite a complex contract but, basically, if the concession holders find themselves in a position where as a result of changes made to the contract you received less than you would in the base case financial model, that is when the compensation clauses are triggered. That is your understanding as to how the concession works, is it not?

ANDREW HEAD: It depends on the specific example and the specific impact but that is one of the common ways of assessing the answer to your question.

The Hon. DANIEL MOOKHEY: Okay, thank you. The other question that I had that I was hoping that you could either provide us the information now or on notice if you have got it, because it is data specific. I asked transport whether or not they knew the percentage of journeys that exceeded the cap as a percentage and therefore of all journeys taken for WestConnex. Do you have that data?

ANDREW HEAD: It is not possible to exceed the cap just yet, Mr Mookhey. So when the M4-M5 link comes on board we will then be able to offer customers a trip length that enables them to hit the cap, which is just over 16 kilometres. Only then will we know the answer to that question.

The Hon. DANIEL MOOKHEY: But you have a model, don't you, or a forecast?

ANDREW HEAD: We do have a forecast but I would be reluctant to provide that to the Committee.

The Hon. DANIEL MOOKHEY: Don't worry. I accept that you probably have stronger grounds to refuse that question than the government does and, given that they were not, that is fair enough.

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

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

The CHAIR: I was hoping you might have investigated that is part of the putting together of the answers to the question on notice, because I think it goes to this assertion around the other part of the cost to Transurban of collecting the unpaid tolls. So if we could just take a step back, you have provided to us evidence in your answers to questions on notice that you have 40 full-time positions who are basically employed for licence plate checking in order to match numberplates of non-customers with the particular numberplate. Is that what that is? Could you elaborate please on what those people actually do?

MICHELE HUEY: Sure, Chair. If I could perhaps bring you back one step before that, pre-COVID we were looking at supporting about one million trips across our Sydney network every day, so there is a fair amount of volume of transactions that come through to us. By majority—and we are very happy to say that—our customers and the trips are undertaken without any interference or any manual handling and our customers travel on our roads without having to incur any fees and so that we remain focused on and making sure that 95 per cent of our customers do travel without fees and without having any manual processing requirements.

The CHAIR: Sorry, with respect, we went through all of that last time. If we could try to just focus on the answer to the question, that would be really useful.

MICHELE HUEY: On certain occasions, not necessarily limited to customers that do not have tags, sometimes our tolling equipment, because of inclement weather, because of sun glare, or some of the external factors that need to be taken into account, the tag reading did not work or the image did not quite come through for our system to automatically read, and that was what was involved in the manual processing. So that is the team of—

The CHAIR: Okay, so that is the licence matching fee?

MICHELE HUEY: That is the work that we need to do to match these and so, for an existing retail customer of ours, there will be occasions where they have travelled and, for example, if their tag has run out of battery or it was not installed, we are still able to manually process that so that they can avoid receiving a toll notice—

The CHAIR: Absolutely. I have received those myself. And I would expect that. It is a small fee that you can get waived in certain circumstances. That is all great. So that is what those 40 people are doing. They are unrelated, then, to collecting debts.

MICHELE HUEY: That is right. That is all part of our operations. And then I think, Chair, if you wanted to focus on the administration processes, that applies to customers, not the 95 per cent that travel without having to incur fees or are involved in the toll notice processes. These are the ones that either choose not to have an arrangement or for whatever reason—

The CHAIR: They cannot.

MICHELE HUEY: Yes, they cannot and so those are the ones that do go through that toll notice period and in the supplementary responses that we provided to the Committee we provided some also high-level volume information. So out of all those customers 77 per cent of them do not end up paying the administration fee because, through contacts and through proactive discussions that we have with them, we were able to actually resolve the issue either putting them back into a product that is more suitable for them, such as setting up a retail account, in which case—

The CHAIR: Sorry, we are straying into a different area. We talked last time about the percentages of people. What we are talking about here is how much it costs Transurban to actually go to collect the tolls that are not the people who already have accounts but the people who are incurring that \$10 administration fee. In terms of the costs that it actually costs to Transurban, the matching happens anyway, because that happens for your normal customers—for your customers, shall we say. We know now that New South Wales transport is sending out the actual notices. So what is the \$10 for?

MICHELE HUEY: So if we think about the process, the toll notice process is only one element of the full process. There is also proactive contact that we make with the customer, the follow-up that we have and then, where it applies, where we have service providers that help us get in contact with the customers and try and collect the unpaid amounts, and then all the technology and the information that supports that. So if I could reiterate to the Committee, by regulation Transurban is not able to make any profit, any money out of any of the fees that we charge. And this—

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

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

The CHAIR: Thank you. That would be very useful. In your answers you do talk about if somebody gets an administration fee—\$10 or \$20—very helpfully it can be reduced if they then go and open an account, which is good for those people who drove on the road for the first time and they did not really know. What does Transurban do that is sort of similar, I guess—or is there a similar process—for those people who, for example, do not have a credit card because they are not financially independent? What can those people do to reduce that debt?

MICHELE HUEY: I think we are well aligned in wanting to make sure customers get what service they have. We would prefer none of our customers pay any fees, so we have worked very hard to make sure that there are products and services that are fee-free. To the example that you have raised, Chair, around customers who are not able to provide credit card details, there are also other payment methods that we would be happy to provide options for, for our customers.

The CHAIR: Sorry, what are they, and are they reduced? Will you get the same reduction? If they say, "I don't have a credit card so I can't set up an account with a credit card", how can they—

MICHELE HUEY: We are able to provide a direct debit arrangement, which is through a—without verging into details that are beyond my responsibility—direct debit, which is a non-credit card-type option, which

is still a payment option. Those would not attract the typical credit card surcharges. Those would be the kind of fee-free options that we would have.

The CHAIR: My concern is not around fee-free. You will remember from last time there are a lot of women, in particular, who are in abusive relationships who do not have bank accounts of their own or do not have credit cards. I am wondering how that fits in with this. Do you offer some other sort of process for people who have neither of those things?

MICHELE HUEY: For our customers and our travellers that are in financial hardship or other types of hardship we do have a Linkt Assist, which is a dedicated service that we provide to help the customers address—and it is not just financial hardship; it is the broader challenges, because we appreciate that a lot of customers are dealing with things that are more than just financial. It is a service that we provide for free. It is a service that we also partner with other organisations that are expert in these areas, such as Good Shepherd, that can provide other help as well, such as temporary accommodation and some of the others that I could only imagine would hopefully be valuable for those that need it. These are the support mechanisms that are available should our customers need them.

ANDREW HEAD: Can I just perhaps try to add a little bit to that? Through that hardship program we have specialist people who sit down, listen and talk to our customers' individual wants, needs, concerns and constraints. More often than not, I think it is fair to say, we come up with a sensible way forward. If I refer you to our question on notice No. 7, it is really only the people who we cannot resolve in a rational and sensible way—working together, taking into account all the things that you refer to—that end up in the final stage of the process, which is the legal proceeding. They are very few. There have been no new cases over the last few years. As you can see from our answer, the third last paragraph talks about the fact that 300 cases were resolved even after they went into that last stage. We do everything as an organisation, through our hardship program, to deal with the people that you are talking about in a sensible and compassionate way.

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

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

The CHAIR: Thank you. Would Transurban be happy if the admin fee was scrapped entirely and instead was collected as something different, I guess, by Transport for NSW, so that there was no element of the admin fee going to Transurban? Would that reform be satisfactory for you?

ANDREW HEAD: Look, I am not sure we are able to yes or no to policy suggestions that are put to us, you know, in real-time. But as we said: With most things, as an organisation we are open to discuss alternative ways. If something is put to us that you think is better, we are happy to entertain it.

The CHAIR: The idea would be that Transport for NSW would issue the penalty notices as they do now with an admin fee attached, but what would come back to Transurban eventually would be the unpaid toll without any admin fee.

ANDREW HEAD: I understand what you are proposing. I would just like to see the detail before we comment specifically on the likelihood of us adopting it.

The CHAIR: Sure. But presumably the admin fees are not a large part of your revenues?

ANDREW HEAD: As Michele and I have said all the way along, we are not in the business of collecting admin fees. That is not what we want to be doing. We want to work with customers to make it as easy a process as it possibly can be.

The CHAIR: In principle, then, if the Government took back responsibility for the enforcement of people paying tolls and you were still made whole, in terms of the tolls that you received, then you would be content with that?

ANDREW HEAD: I just reiterate my earlier answer. We are happy to engage but I am a little bit reluctant to say specifically, having heard it for the first time only a moment ago, our willingness to adopt it on the fly. I do not think that would be prudent on behalf of our organisation.

The CHAIR: Okay, thank you. I might progress that separately. I will go back to—is it Mr Mookhey?

The Hon. DANIEL MOOKHEY: It certainly is. Thank you. I just wanted to ask a couple of questions about some matters that arose with Treasury, which I think is best directed to you, Mr Head. WestConnex returned

capital to its shareholders, you would call it, or investors or owners, which included RRIPL—Roads Retained Interest Pty Ltd—in financial year 2020-21, did it not?

ANDREW HEAD: It did.

The Hon. DANIEL MOOKHEY: What was the amount of capital it returned?

ANDREW HEAD: I am just looking it up for you. Bear with me. It was just over \$1.3 billion.

The Hon. DANIEL MOOKHEY: You returned a billion dollars' worth of capital?

ANDREW HEAD: Some \$1.3 billion was the total dividend and the—look, proceeds from re-gearing, which is in effect a return of capital, was just over a billion dollars.

The Hon. DANIEL MOOKHEY: Can we unpack that for a minute, please? We are taking in financial year 2020-21, are we not?

ANDREW HEAD: That is correct.

The Hon. DANIEL MOOKHEY: It is just \$1.3 billion in that year?

ANDREW HEAD: Yes.

The Hon. DANIEL MOOKHEY: And \$1 billion of it was a capital return, did you say?

ANDREW HEAD: Yes, effectively we put a new debt facility in place and returned that capital—

The Hon. DANIEL MOOKHEY: Just before we get to that: just the number that was capital and the number that was dividends?

ANDREW HEAD: I might reclassify your question so that I know I am giving you the right answer.

The Hon. DANIEL MOOKHEY: Sure.

ANDREW HEAD: The proceeds from re-gearing, so from a new debt facility, was just over a billion dollars.

The Hon. DANIEL MOOKHEY: Yes.

ANDREW HEAD: And the balance was from revenue and tolls.

The Hon. DANIEL MOOKHEY: Retained earnings?

ANDREW HEAD: In the toll-road world, I will just go with my language so that I know that I am giving you the correct answer.

The Hon. DANIEL MOOKHEY: Okay, fair enough! About \$300 million of revenue was returned and \$1 billion-ish was returned as a result of a re-gearing facility?

ANDREW HEAD: Yes.

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

MICHELE HUEY: Sydney Transport Partners just bought—

ANDREW HEAD: Sydney Transport Partners, which—

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

MICHELE HUEY: Correct.

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

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

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

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

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

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

The Hon. DANIEL MOOKHEY: Let us be clear: You are paying that directly to RRIPL. It is not going to anyone else.

ANDREW HEAD: I gave you a total number, and 49 per cent of that was to go to RRIPL.

The Hon. DANIEL MOOKHEY: Okay, thank you. That is it for me; I will pass back to my colleague.

The Hon. JOHN GRAHAM: I will follow up with a brief question on that administration charge. Under questioning, Transport were prepared to support a review of that \$10 administration charge, which I thought was welcome and gives the Committee some encouragement to make a recommendation on that matter. We discussed this last hearing, but I might just confirm Transurban's view that you would also welcome a review of that \$10, or occasionally \$20, charge.

MICHELE HUEY: Absolutely, Mr Graham. We have said in our submission that we would be open to engage on any reform topic. We do not have any particular options or solutions that we have closed out. In fact, in our submission, we have also included a few more things that go beyond just the fee levels—such as consolidating toll notices, which at the moment are specific to each concession, in the spirit of looking at a better customer experience and customer outcome.

The Hon. JOHN GRAHAM: Good. Thanks for your evidence on the first point; I think that clears the Committee to recommend in that space. On the multiple toll notices, Transport were happy to have this reviewed and that is welcome from the Committee's point of view. I did find their evidence slightly confusing about what the hurdle here was. The late-20th-century operating system that is sitting in the Transport office is clearly part of the issue here. Can I ask you to reflect specifically on their evidence about why we cannot do this immediately? Is there anything else you can add to this picture? The Committee is essentially very open to the view that this should happen tomorrow, if possible.

MICHELE HUEY: We are aware that the Transport department did appear in front of the Committee, but I think it would be inappropriate for us to make comments on what the department has provided to the Committee. From Transurban's perspective, I once again iterate that we would be open to any dialogue, any engagement, around how we can improve the customer experience. Some of the immediate factors that come into play for us would be making sure that the information flow and the technology systems do support that. The other element that is also very important and top of mind for us is customer information protection and privacy, so making sure that whatever are the processes that we are looking to enhance do not breach and compromise any of those protections that are in play. We are happy to engage and happy to explore any options that would give us a better outcome for the customers.

The Hon. JOHN GRAHAM: Great, thank you. Just to be very specific on that, if the Committee recommends that should take place or should be reviewed immediately then that causes you no heartache, as you have made clear in your submission and today.

MICHELE HUEY: That is right, Mr Graham.

The Hon. JOHN GRAHAM: Chair, given that we have called this witnesses back, I have covered most of the ground I need to cover today with these witnesses. I am happy to hand back to you or to Mr Mookhey.

The CHAIR: Mr Mookhey, do you have any other questions?

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

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

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

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

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

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

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

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

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

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

The Hon. DANIEL MOOKHEY: Of course you do. That is it for me, Chair.

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

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

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

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

The CHAIR: Sure. And when you say the 77 per cent waived, is the 77 per cent waived or is it discounted because they get a toll account? What is that 77 per cent? Is that people who have not got a toll account and are not convinced to put one in place so then you waived?

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

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

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

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

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

The CHAIR: I think that would be really useful because I think when we spoke last time I had dragged up—as you know you can think up a taxi plate and pop it in and have a look at how much the fine or, sorry, the unpaid tolls and admin fee would be. If was somebody—I am just looking at that again—there is someone there who has a toll amount of about \$2,000, but they have got \$10,000 in admin fees. If you gave them the \$1.10 per toll notice for the admin fee, they would go down to, say, \$1,100, which is maybe half of what their toll amount would be in order to clear that debt. But if you are still insisting that they pay the entire amount—the \$10,000 in admin fee—that is a huge burden on those people. So it seems that that does not really reflect the cost of your operations, does it? I understand that maybe Transport for NSW is having trouble amalgamating the actual physical notices they send out, but from your perspective, amalgamating the fee and discounting it to be just one fee would seem to be within your power, would it not?

MICHELE HUEY: Yes, well, we do take great care and we do put a lot in investment and a lot of effort to make sure that the customer experience is seamless. Andrew Head shared earlier that every customer has an individual circumstance. Where customers do need our assistance through hardship and through difficult situations, we have put a lot of effort in and will continue to do so because COVID has created some additional challenges.

The CHAIR: Sure, but these are not necessarily financial hardship positions. This is just somebody has \$2,000 worth of tolls owing to you and they have a \$10,000 admin fee. Do you as a matter of course keep charging them the \$10,000 even though they have agreed to pay and you are going to get your tolls back?

ANDREW HEAD: I think we work through that on a case-by-case basis along the same principles that I outlined earlier.

The CHAIR: But it would be, would it not, Mr Head, within your power to decide that the actual cost of entering into that arrangement and setting up a toll account for that person is a lot less than the amount of admin fees that you have charged?

MICHELE HUEY: Yeah, and I think we do have flexibility in how we work through some of these with our customers. As Andrew said, every customer and every situation is different. I think the number of customers that find their way all the way through a legal proceeding is extremely small—as Andrew said, in fact none over the last two years—so we pride ourselves in making sure that we are proactive in getting in touch with the customer and helping them through and anticipating what support to give them.

The CHAIR: Yeah. But still it is \$10,000 that that taxidriver could have spent on clothes and schoolbooks and instead is having to pay to cover the apparent cost of collecting that amount when you have just told me that it is really just a phone call and putting them onto getting an account.

ANDREW HEAD: No, that is probably a little bit simplistic. There are a number of processes that often take place trying to find out who the person is, what the circumstances are. It may be multiple phone calls. It could rely on technology systems that in Transport for NSW that we need to ask them to access, so it is not as simple—

The CHAIR: Yes, but you do that for one unpaid toll the same as you would for 100 unpaid tolls. There is no additional incremental amount incurred, is there, in terms of your costs.

ANDREW HEAD: It depends on the timing. So the example that you cite, we may have contacted that person on the second time that it happened and then the third and then the fourth, and it has accumulated. Every circumstance is different and these are hypotheticals that we are discussing.

The CHAIR: Okay.

ANDREW HEAD: But the point is or the point that we want to get across is we do have processes. We do enable our people to have those conversations on an individual basis. We are not completely rigid to the processes and the fees. We try and reach a sensible outcome for the customer and on the very rare occasion that

that cannot happen, you can see the numbers in our response to the question on notice about how many go through to the final stage.

The CHAIR: Could you please—

ANDREW HEAD: And then—

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

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

The CHAIR: Thank you. I think that would be really useful. I think from the Committee's perspective it seems like we have two different parts of the puzzle with the bit that Transport for NSW does in collecting these unpaid tolls and the bit that the toll operator does. We are trying to just get to that so that we can make our recommendations accordingly. Thank you. I will just double-check that none of the other Committee members has a question before we wind up for the day. No-one is jumping up and down excitedly. Okay, thank you. I think that is all for today. Thank you again for coming a second time. We really do appreciate it. It is very useful. To the extent that questions were taken on notice—there were a few—the Committee staff will be in touch with you and there are 21 days to respond. Thank you very much. That concludes our hearing for today.

(The witnesses withdrew)

The Committee adjourned at 16:00