

# TRANSCRIPT

## STANDING COMMITTEE ON THE ECONOMY AND INFRASTRUCTURE

### Inquiry into infrastructure projects

Melbourne — 21 June 2017

#### Members

Mr Bernie Finn — Chair

Mr Khalil Eideh — Deputy Chair

Mr Jeff Bourman

Mr Mark Gepp

Ms Colleen Hartland

Mr Shaun Leane

Mr Craig Ondarchie

Mr Luke O'Sullivan

#### Participating members

Mr Greg Barber

Ms Samantha Dunn

Mr Cesar Melhem

Mr Gordon Rich-Phillips

#### Witness

Mr Scott Charlton, Chief Executive Officer, Transurban.

**The CHAIR** — Welcome to members of the public and our friends in the media, if indeed there are any here. Mr Charlton, thank you very much for joining us. The committee is hearing evidence tonight in relation to the inquiry into infrastructure projects, and the evidence is being recorded. All evidence taken at this hearing is protected by parliamentary privilege. Therefore you are protected against any action for what you say here tonight, but if you go outside and repeat the same things, those comments may not be protected by this privilege.

Mr Charlton, I think you know the procedure pretty well by now. I invite you to open the proceedings by giving us 5 or 10 minutes of an opening statement, and then we will throw to questions. We will go to you now. Thank you.

### **Visual presentation.**

**Mr CHARLTON** — Thank you, Chair. I do have a short, 10-minute presentation. I will try to move through that very quickly. As you will all recall, the West Gate tunnel project was first announced by the Victorian government and Transurban in April of 2015, and now this is the fourth time I have appeared to discuss the project before this committee. For Transurban, our vision is to strengthen communities through transport. We want people to have choices about how they can move around their own communities to access jobs and opportunities, to utilise the leading health and education services and to connect with families and friends. We believe the best way to do this is offering people a first-class, integrated, local modal transport where they can move by car, taxi, Uber, bus, tram, train, walking or cycling. In all, we want to help people get to where they want to go.

As I think you are all aware, our company was started here in Melbourne with the construction of CityLink in the 1990s. It is difficult to imagine how Melbourne would work without CityLink today. We have a team of dedicated professionals working around the clock to monitor the road, to maintain it and to deal with incidents. We are a majority Australian-owned company with headquarters here in Melbourne. In fact we are one of only four of the leading 20 companies on the Australian Stock Exchange with headquarters and senior executives based here. We represent more than 400 000 people working in Australia's education and research sector alone. We have the largest stake in our company through our largest shareholder, UniSuper. Whether it is through mum-and-dad investors or through large superannuation funds, many people in this country have a stake in what we do, and I believe most of you here today do as well even if you are not aware of it, through your super funds.

There are over some 5000 people working either directly for our company or with our contractors and operating our roads and delivering some of the largest road-building projects today. Whether it is in Melbourne, in Sydney, in Brisbane or in the greater Washington area in the US, we partner with governments of all political persuasions to look at innovative ways we can help to get people where they want to go. In total there is now an average of more than 1.3 million trips taking place on our roadways each day, so we know how important the network is to helping people go about their lives. It also means we are well placed to understand what is happening across the world to identify solutions, and that can help ensure people spend less time in traffic and more time where they want to be.

Here in Melbourne the importance of the M1 corridor cannot be underestimated. More than 2.6 million people live along the M1 corridor in municipalities from Geelong through to Pakenham. That is about 43 per cent of the total state population. The corridor is also home to many important health, education and employment clusters. As a company that looks every day at how Melbourne's transport network works, we know the effectiveness and efficiency of this whole corridor depends on the smooth functioning of the West Gate Bridge. Anyone who drives along this corridor or others like it — the Tullamarine — face serious and significant delays that a single incident on or near the West Gate Bridge causes for the network. There are an average of six incidents happening on the West Gate every day. We know that an incident on the West Gate Bridge can take hours to clear and brings our major freeway and arterial road corridors to a grinding halt. I have said it before in appearances here that if the M1 stops, Melbourne stops. I have previously shown you helicopter footage and CityLink CCT feeds demonstrating that these incidents cause travel delays and significant congestion for motorists not just in the west but also from the south-east.

Motorists utilising the M1 corridor now often face the reality of travel speeds below 30 kilometres an hour in the morning. This will only grow worse as more vehicles use the West Gate in the future. In the coming years a population roughly the size of Geelong is going to be added to the western suburbs of Melbourne. Without new

infrastructure for motorists, freight and commuters, we will condemn the whole of the city to a future with more costly delays, more isolation and poorer economic output. As you may have seen in the *Herald Sun* just last Sunday, TomTom data shows congestion levels in Melbourne are rivalling that of much bigger cities like Los Angeles and New York, where their populations will grow about 8 to 12 per cent over the coming years, while Melbourne's will double. So if we do not act now to deliver more infrastructure, we will condemn those living both here in Melbourne and in regional cities to worsened congestion and diminished access to education, employment and services.

Before we look at the West Gate tunnel and how it will improve the network, it is important to look at how the network will look by 2031 without the West Gate tunnel. I have taken these numbers from the EES that has been done by the state. A future that will see declines in travel speeds and reliability, making it more difficult for people to move around their own communities. Modelling shows that without this project, motorists and the freight industry alike will need to add 20 minutes each way to their travel times to use the corridor, whether you are coming from Werribee, Geelong, Melton or Ballarat.

To put this in perspective, this means that people commuting from outside the M80 will spend more than 3 extra hours a week in their car compared to today and more than 120 extra hours every year. I am not sure about you, but I do think that the hundreds of thousands of people utilising the corridor deserve to have those 120 hours with their families. There will be tens of thousands more vehicles using an already congested corridor with more incidents, creating greater travel delays across other parts of the network, including the Monash. This will include an additional 9000 more trucks a day on the West Gate Freeway and the West Gate Bridge, and for those living in the inner west there will be 1000 more trucks. Higher transport costs will be incurred as access to the port becomes harder, leading to costs being passed on to Victorian consumers.

To help address the needs of people across the city battling this crippling congestion, we have looked at the ways to help mitigate these issues. We kept coming back to the fundamental truth that the West Gate Bridge represents the most critical bottleneck across the Melbourne network, and the city's over-reliance on it needed to be addressed. This brief video that I will show you now will address where we are up to on the project and the network solution.

#### **Video shown.**

**Mr CHARLTON** — Motorists from both the west and south-east often converge at the same points on the city fringe, as anyone who has tried to get onto the West Gate Freeway from Montague Street would know. The West Gate tunnel will offer release from some of the most significant bottlenecks by providing people in the west looking to reach the inner north with a more efficient route to bypass the Hoddle grid and take 5000 vehicles a day off CBD roads, like King and Spencer streets. There will not be any more lanes on any roads that connect to the CBD. There is no widening of Dynon or Footscray roads and no new entry points into the CBD. Together these enhancements will flow through to provide a more resilient M1 and the competitiveness of Melbourne's port, which is the busiest container port in the country, will be enhanced with full freeway-standard links provided to efficiently get exports coming from across the state to the rest of the world.

We can help mitigate the rising cost of congestion, which is costing our economy, and which the federal government has estimated in Melbourne was \$4.6 billion in 2015 and forecast to climb to \$10.2 billion by 2031. The West Gate tunnel also provides significant improvements in livability, providing 14 kilometres of new and upgraded walking and cycling paths, including the Federation Trail, and more green spaces are also proposed along with the project with nearly 9 hectares of new public open spaces, the creation of new parklands and wetlands and the planting of 17 500 trees and around 1 million plants. In residential streets in the inner west and to those who live there we will provide an alternative route for vehicles currently rat-running through their suburbs.

The state business case shows that the West Gate tunnel will deliver \$11 billion in economic benefits. It will improve access to jobs, education and services for people living in the west and beyond. Businesses will have access to better and more reliable travel times to help lower their transport and operating costs, providing significant productivity gain. This includes the freight and logistics industry which employs nearly 150 000 people in Victoria today, and importantly the project will deliver 6000 jobs.

The West Gate tunnel will offer quicker and more reliable trips so people can spend less time in traffic. It will add 20 per cent increased cross-river capacity and reduce pressure on existing crossings, including the West Gate, Shepherd, Hopetoun and Lynch's bridges. Travel time, reliability and consistency will be enhanced for the M1 corridor and there will be travel time savings of up to 20 minutes per trip, compared to what will happen without the project. It will also enhance road safety, indicating the project will help prevent more than 80 crashes a year by 2031 than otherwise. It will complement other infrastructure projects such as the Metro rail and the removal of the level crossings and offer greater choices for people to move around the city.

For freight, this project will offer truck drivers a route that will bypass 17 sets of traffic lights, which means less lost time, less idling, less wear and tear and lower operational costs. It means they can earn even more revenue in an hour at a more competitive cost. It is worth noting that by 2035 it is forecast that nearly 8 million containers will be moved through the port of Melbourne compared to around 2.5 million containers a year today. We all should note that we support the complementary infrastructure, such as potentially the port rail shuttle, which will help move freight. But even if such infrastructure can move around 800 000 containers year and take the 28 available rail slots away, multimillions will still need to be moved by trucks. Combined with truck bans announced by the state government, providing an alternative means nearly 9300 trucks a day will no longer need to use the local streets in the inner west and ensure that suburban streets are returned back to the people in those suburbs. Travel times for the freight sector between the Princes Freeway and Appleton Dock are forecast to be up to 13 minutes faster during the morning peak and 12 minutes faster during the evening peak. That would not be the case without the project proceeding.

But the West Gate tunnel project is not just about people in cars and trucks. It also benefits walking and cycling. We have heard feedback from the community about more choices and we are now proposing more upgrades to existing paths and construction of new connections compared to our original proposal, with more than 14 kilometres of new and upgraded active transport paths to provide safer travel and ease for cyclists, the completion of the Federation Trail, improved connectivity of communities divided by the West Gate Freeway including between the development sites at Bradmill and Precinct 15 and between Spotswood station and Stony Creek Reserve. These are just some of the improvements the project will deliver.

This design also removes the at-risk conflicts that exist along Footscray Road between cyclists and trucks and removes the need for cyclists to cross dangerous intersections such as Somerville Road and Whitehall Street. The new 2.5-kilometre elevated veloway will be one of the landmark cycling connections for Melbourne, providing a safe and efficient connection between the west and the city against the existing open grade connection which will also remain.

Community involvement and consultation has been a fundamental component of how the project has evolved since we first proposed it in April 2015. At each and every phase of the project's development and at 26 months since first announced we have engaged with the community and stakeholders to understand their views, needs and concerns. That is what we have heard along the way and what has been released through various consultation reports. For me, all these numbers stand for themselves. We have had 5500 face-to-face conversations, more than 100 information sessions and pop-ups that we held throughout the project corridor as we took this project to the people. More than 180 000 letters have been delivered since April last year and the project website has over 220 000 reviews. We have a community liaison group representing most of the stakeholders, which has been meeting monthly for the last 13 months and has provided valuable insight as well as a great opportunity to share information with the community.

The result of this consultation and engagement is a design that has certainly evolved since we first proposed the project. Community feedback has led to the proposal for a longer westbound tunnel to move the tunnel portal further away from existing homes. We have heard directly from people along the corridor who are concerned about traffic noise. That is why we have developed a first-class noise standard specifically for this project that goes above and beyond the current Victorian standard and one that will deliver significant reductions in traffic noise for the vast majority of homes along the West Gate Freeway.

People told us they wanted more active transport connections as part of the project, which is why we are offering multiple walking and cycling connections. We were asked to deliver more opportunities for local residents to get outside and enjoy their surroundings, so we have introduced 9 hectares of new open space, including parklands and wetlands for the community for years to come. Across the corridor you can see how the views of the people and the stakeholders have been incorporated into the design. The provision of a vital and

much overdue alternative to the West Gate Bridge will deliver significant benefits right across Melbourne and Victoria.

In April this year the contractor, CPB-John Holland joint venture, was announced as the preferred contractor for the tunnel following a very extensive and competitive tendering process with three world-class groups. The tender design was released at that time, and since then a comprehensive environment effects statement has been exhibited and is open for submissions until 10 July. We anticipate that the planning approvals for the project will be completed by the end of the year, with construction starting early next year.

In closing, the need for the alternative to the West Gate Bridge has been well documented ever since the Eddington study through to various projects proposed by successive governments over the past decade. I would remind the members that Transurban remains in stage 4 of the Victorian government's five-stage, market-led proposal framework and commercial negotiations with the state are yet to be complete. The state has released its business case for the project, and the Western Distributor Authority, which I understand you will hear from later, has put forward a comprehensive environment effects statement as the proponent.

We have worked with the state to ensure community feedback has been incorporated into the design and the features of this project were possible, and I think this project will be a significant addition to Melbourne's transport network so that people have more choices about the best way they can travel around their communities.

**The CHAIR** — Thank you, Mr Charlton, for that. Before we get into some meatier issues, I am just wondering when and why this West Gate tunnel became a West Gate tunnel instead of the western distributor. As I recall, the last time you were here it was the western distributor, and now it is the West Gate tunnel. Why did that happen, and when?

**Mr CHARLTON** — To answer that question, I think it was a decision made by the proponent — and maybe you can ask the Western Distributor Authority — that it was easier for the community to understand the West Gate tunnel as an alternative to the West Gate Bridge. I am not a marketing expert. I do not really care what the tunnel or the project is called as long as it delivers its benefits. I think at the time, a couple of weeks prior to the announcement of the preferred contractor, when the preferred contractor was announced, it was announced as the West Gate tunnel, so it would have been back sometime in May. I think the name does not change the benefits of the project.

**The CHAIR** — I was just interested to know, that was all. I have an inquiring mind. The last time you were with us I did ask you about the contractual agreements that you had with the government, and you told us then that there were not any. Has that changed?

**Mr CHARLTON** — We are still in the market for the market-led proposal. You asked me if there was compensation. Is that what you are referring to?

**The CHAIR** — No. I have asked you about compensation most certainly, but do you actually have a contract with the government?

**Mr CHARLTON** — No, we do not have a contract.

**The CHAIR** — But you are still pushing ahead as if you are actually running this project.

**Mr CHARLTON** — That is part of the market-led proposal process; that is correct. So at each different stage we have agreements on how we progress to the next stage, but if you say, 'Do we have a final contract?', that occurs at financial close which is called stage 5 of the market-led proposal.

**The CHAIR** — You will excuse me if I am just a little bit cynical about a situation where a private company is working in tandem with the government to produce a project with no guarantees at the end that that private company will benefit from that project. That seems to me to be a tad incomprehensible.

**Mr CHARLTON** — It is the market-led proposal. We believe in this project, and we believe in working with the government, and that is the right outcome.

**The CHAIR** — If you continue down the path that you are, when do you anticipate that you will have a contract with the government?

**Mr CHARLTON** — After the EES the government should be in a position to hopefully very closely then enter into a contract. There is an existing construction agreement with the contractor, but that needs to go through the EES process to see if there are any adjustments through that process, and then once through the EES process, we should be in a position to hopefully finalise what is called stage 5 of the market-led proposal, which is effectively signing a contract.

**The CHAIR** — It does seem to me that Transurban is in a very nice position if indeed that flows through to a contract and Transurban is in fact in a position to run the project. Could I ask, has Transurban reached the equity return of 17.5 per cent on CityLink?

**Mr CHARLTON** — No, we have not.

**The CHAIR** — If indeed you continue down the path of having a contract to run the project, will the cost of the West Gate tunnel project prevent Transurban from reaching the profit levels for an equity return of 17.5 per cent?

**Mr CHARLTON** — I think you are trying to refer to the CityLink concession arrangements which do not have to do with the West Gate tunnel arrangements. We are still in stage 4 of the market-led proposal, but those existing agreements in the concession are up to the state, whether they keep them or not, but I do not see any change to them at this point. What I should say as well is what we have said, as Transurban, is we do not see at this point — and we have made it very public — based on what our auditors and everything have done, triggering that hurdle in the concession agreement if that is what you are trying to get to, with or without the West Gate tunnel.

**The CHAIR** — Speaking of CityLink itself, the West Gate tunnel, as you have pointed out here tonight, has a seamless flowthrough to the Tullamarine Freeway — or as it used to be in the old days for those of us who are old enough to remember — but we both know that seamless on the Tullamarine section of CityLink is not something that happens all that often, and I would have thought that putting another stream of traffic onto the Tullamarine Freeway or the Tullamarine section of CityLink is going to cause problems on a road that already has more than its fair share of problems. How are you going to deal with that?

**Mr CHARLTON** — If you look at the traffic report, a couple of things happen. We are taking 28 000 vehicles off of the West Gate Freeway; 22 000 vehicles as well are coming off the Bolte Bridge. You are taking pressure off the Bolte Bridge where that connection occurs. Instead of people coming over the West Gate Freeway and then coming over the Bolte Bridge, in effect they are using the West Gate tunnel and getting on CityLink at a much later point and actually causing less friction. I think if you look at the traffic performance of the network, the microsimulation that has been done in the traffic report, you will see that the outcomes actually get better service levels than without the project. We still have a lot of those movements occurring. At CityLink now they are just getting on the road at Footscray, but now they have a seamless connection where they do not have to go through lights or go through difficult ramps for the trucks where they have to spiral up the CityLink. A lot of that is occurring now; it just occurs a lot better with the project.

**The CHAIR** — Can I ask why has a new toll road been added to the plans for this project at the expense of a non-toll road?

**Mr CHARLTON** — I do not think I understand your question. Our proposal — —

**The CHAIR** — I have seen a map where currently a non-toll road has been replaced with a toll road, and the secretary may have the details of exactly where that is. That is actually a run-off from the tunnel itself, is it not, onto the West Gate Freeway?

**Mr CHARLTON** — Are you talking about the trucks paying a toll on the West Gate Freeway?

**The CHAIR** — No, no, not at all, no.

**Mr CHARLTON** — No, there is no — there are only three tolling points. There are only cars in the tunnel and two tolling points on the West Gate Freeway for trucks. So I am not sure what you are talking about — a new tollway.

**The CHAIR** — So there has been no removal of a non-toll — hang on. Just bear with me for a moment, because I think the map is about to be shown to me. We will get back to you on that one, because I do want to sort this one out. I saw the map and I thought to myself — —

**Mr LEANE** — Seeing things.

**The CHAIR** — No, I did not see things. Believe me, I have seen a lot of things, but they are all there. You mentioned tolls on the West Gate Freeway. Where are the tolling points going to be on the West Gate Freeway?

**Mr CHARLTON** — There are two. I think they are on the map. There are two tolling points, and this is yet to be finalised. So I do not want to get up from the seat. Basically about a third of the way down the West Gate Freeway and then another third of the way down the West Gate Freeway, there are two tolling points for trucks only. We are increasing the capacity on the West Gate Freeway by over 50 per cent. We are also strengthening the road and strengthening the bridges to allow bigger and more freight movements to use the facility and then obviously providing direction connections off McKenzie Road and Appleton Dock into the port for the trucks.

**The CHAIR** — Given that already some of the trucking companies have made it very clear that they would prefer to use residential streets instead of toll roads, what makes you think that that will not get even worse with the extra tolls on the West Gate after this is implemented?

**Mr CHARLTON** — Because I think it is easy for people to say they do not want to pay tolls, but also people are very rational in making economic decisions. If you look at the cost it takes to run a truck and you look at the cost of the toll and the time savings, based on the peak hour time savings of around 13 minutes they are going to be making an extra \$3 per trip based on their running cost in using the toll road as opposed to not using the toll road and sitting at 17 traffic lights and taking 13 minutes longer. So it is a pretty economic decision: if you use the toll road, you are going to make more money. What we found in the past, whether it is the M7 in Sydney — —

**The CHAIR** — Have you mentioned that to Lindsay Fox at all?

**Mr CHARLTON** — I only have to look at the behaviour of trucks in other jurisdictions, and they still use the toll roads because it is a more economic outcome. Now whether you like it or not, it is still an economic outcome, and most private businesses can be economically rational.

**The CHAIR** — Given what I would thought excessive increases in tolls that we have seen of recent times, it seems that the number of trucks that are trying to avoid the tolls have increased, and with extra tolling on the West Gate that will only get worse. That seems to be logical to me.

**Mr CHARLTON** — First of all, I think your first assumption is wrong around excessive; I mean, trucks take up more than three spaces of a car. Their weight can be up to 6000 times as heavy as a car, so the damage and the cost that a truck does to the road infrastructure is much, much more per vehicle and three times the increase in trucks. If you look at the diversion amounts that have occurred when the truck tolls have been raised, there has been very little diversion, because if you still save 20 minutes or 30 minutes coming from the Tullamarine or from the airport into the city or to the port, it is still a very economic decision to use the toll road.

**The CHAIR** — Now, it has been described — look, I will not say that I heard it from you, but I certainly heard it from others — —

**Mr CHARLTON** — Did you read it in the *Age*?

**The CHAIR** — No, I have not read it in the *Age* and I have not even read it in the *Herald Sun*, but I have certainly heard it said that the western distributor, as it was then — the West Gate tunnel — is half an east–west link. Do we still need the full east–west link to get the full benefits of this road?

**Mr CHARLTON** — We would not say it is half the east–west link; we would say it is more a productive east–west link. We say it is a project that will allow for a significant period of time and be much more

economical to eventually lead to a long-term, if you want to call it west link, solution instead of the east–west solution in 20, 30 years-plus, and there will need to be additional connections from the M80 into the city, to link across the city. We believe that is probably right. This project is complementary along with that project. But today that project would be in the order of somewhere between \$12 billion and \$15 billion and take you 10 to 12 years to build, and from a business case and a productivity case, it is just not needed at this point in time. So this is a much better solution. It can happen much quicker and is much more economic, and then you can look at some long-term infrastructure. I mean, whether it is rail, road, walking, biking, again this population is going to double. A lot of infrastructure is going to be required in the city over the long term, but this is a much more economic solution and quicker solution that can last for quite a period of time.

**The CHAIR** — What do you say to those people who say the main beneficiary of this project is Transurban?

**Mr CHARLTON** — I say that is wrong. I say that it is called — —

**Mr ONDARCHIE** — Shareholders.

**Mr CHARLTON** — Yes.

**The CHAIR** — Well, if I was a shareholder, I would be running my hands together. I have to say that.

**Mr CHARLTON** — I was going to say some of you in this room are shareholders to your super funds. We only benefit if, again, the cities that we are thrive and all the stakeholders benefit. We are here for 30, 40 — whatever the time periods are for our assets. Looking at this project and looking at the Eddington study and the problems or the issues with Melbourne’s network and trying to solve a problem, we did not do it because this is where Transurban can just make money. We did it because we have to solve a problem. There is no point in just making money; we had to solve a problem. All the stakeholders have to benefit from this; otherwise it is not a long-term solution, and we think this solves one of Melbourne’s biggest problems.

**The CHAIR** — That is very gallant of you. I am still confused as to exactly the role of Transurban, the West Gate tunnel authority and VicRoads. Who is running this show? Who is in charge?

**Mr CHARLTON** — You need to go back and read the market-led proposal process that the Victorian government has put up, which is the same under both governments. We put up the proposal for the West Gate, now the West Gate tunnel project. The government has now set up the Western Distributor Authority to do the EES and to administer the project from the government side, in the case of effectively managing the project and the government’s aspects. We are the proponent of the project and have given the proposal to the state, which they are then assessing.

VicRoads has standards and inputs into the project, so they have a team that participates with the project and works with WDA in providing Transurban feedback because obviously this project forms part of the wider network. Their standards are how it interacts with the rest of the network. It is something that we work on with VicRoads. It is a very collaborative process with the state, with ourselves and with VicRoads.

**The CHAIR** — Where does the buck stop?

**Mr CHARLTON** — It depends on which aspect of the risk you are talking about. When the project closes and the project goes wrong, the buck stops with Transurban or the buck stops with the contractor depending on the risk that gets passed. As they go through the market-led proposal process and negotiating the contract, the contract is being negotiated between Transurban and the state.

**The CHAIR** — As things stand now, on 21 June 2017, where does the buck stop?

**Mr CHARLTON** — All of us are working together to get the project to completion. It depends on what aspect of the project you are having relation to — —

**The CHAIR** — That is a lot of Indians and not many chiefs. In my experience it is a recipe for disaster when you have actually got nobody in charge.



**Mr CHARLTON** — We each have our own roles to play, and it is the exact same process that was under the previous government. Under market-led proposals we all have our roles to play.

**The CHAIR** — Fascinating.

**Ms HARTLAND** — All of my questions will be around tolling. Could the building of the West Gate tunnel reduce the chances of Transurban reaching a profitability trigger that would bring an end to tolling early?

**Mr CHARLTON** — No.

**Ms HARTLAND** — According to the West Gate tunnel EES, travel times will be slower in 2013 — which is only about 14 years off — than they are today on the West Gate Freeway, the West Gate Bridge, Geelong Road, Footscray Road and when the West Gate tunnel is built. Commuters from Werribee will be able to get to the city 3 minutes faster than they do today by taking the tunnel, but that is after five years of roadworks, and they will pay a toll for that. What I want to know is: can you explain why this project is being proposed by Transurban if it is actually not going to lead to real improvement and people are going to have to pay tolls for it?

**Mr CHARLTON** — I think you meant 2031, not 2013.

**Ms HARTLAND** — Thirty one, yes.

**Mr CHARLTON** — If you do not anything, the travel times are going to increase by 20 minutes. So if you do not do anything, the travel times are going to increase much more. What we are saying is that for every trip, which is 400 000 trips across that network, there is an improvement with the project as opposed to not with the project. For people who are doing the commute from outside the M80 into the inner city, they are going to save up to 20 minutes a day, which is 3 hours a week both ways and 120 hours a year.

I think what you are trying to compare is something that is current and something in 2031 when the base case is going to change dramatically. For those of you have read the report or have a chance to read the report, it is pretty clear in the report. There are some easy graphs that are laid out that basically show everyone that makes a trip from the outer west — and everything is green, not red — is going to significantly improve their time savings with the project as compared to the no project case.

**Ms HARTLAND** — So you think it is acceptable that in 14 years time after five years of roadworks, the fact that people will only save 3 minutes is okay?

**Mr CHARLTON** — I would say that you are actually saving 20 minutes compared to the no project case. You are trying to compare it to today. I am saying that saving 120 hours a year versus congestion is more than acceptable.

**Ms HARTLAND** — But by 2031 the road will be congested again to the stage where it is unusable.

**Mr CHARLTON** — I am saying you will save 120 hours a year compared to no project in 2031. If we go back to the population, the city is going to double. If we are just going to sit here and do nothing, then people are going to drown in congestion.

**Ms HARTLAND** — Public transport would have been a much better option.

**Mr CHARLTON** — Public transport certainly should be used and certainly should be one of the options.

**Ms HARTLAND** — From the tolls involved in the West Gate tunnel project, including those applied to the West Gate Bridge, what percentage of toll revenues do you expect to get from trucks? We really need to understand this because if the West Gate tunnel is in fact being built to get trucks to the port, whether it is designed to get cars to the centre of the city and rationalise the CityLink toll, how many trucks do you truly expect will use it and will come off those inner-city roads?

**Mr CHARLTON** — If you look at the numbers in the traffic reports, it is about 8000 coming off the West Gate Bridge into the tunnel, 9300 coming off the inner west and the forecast is about 15 000 to 18 000 trucks a day would use the tunnel and bypass both the West Gate and the inner west. Those are the forecasts.

**Ms HARTLAND** — And you can confidently say to those communities that that will happen?

**Mr CHARLTON** — According to the modelling and according to all the stuff we have seen, we concur with what is in the EES, yes. If you look at the behaviour of our other roads around both Melbourne and EastLink and the other roads we have in our other cities, that behaviour is to be expected.

**Ms HARTLAND** — So you do not think that the figures that are talking about the extra trucks that will end up in Brooklyn, on Millers Road, Altona, or on Hyde Street because of this project are correct?

**Mr CHARLTON** — No, what we are saying — and those numbers are in there. You ask how many would use the tunnel, and I am saying 15 000 to 18 000 would use the tunnel. There is forecast to be extra trucks on Millers Road because of the truck ban and those trucks trying to get up to the industrial areas north of Geelong Road. What the network shows is even with those extra trucks on Millers Road and with the project case, the microsimulation of the intersections improves. Yes, there are additional trucks, but if you look at the noise impact for the local school, there is no increase in the noise. The actual noise impact on the local playing field there in Brooklyn actually goes down, which is close to the West Gate Freeway. And the health impacts that are shown in the report suggest there is no measurable impact to the community. These are the extra reports.

**Ms HARTLAND** — I have read them, and I think they are quite inadequate. How much did Transurban pay or will pay the state government for the occupation of the E-gate site for the West Gate tunnel works?

**Mr CHARLTON** — To occupy E-gate for the works will be up to the contractor. I will have to get back to you on those detailed arrangements.

**Ms HARTLAND** — Right. I have got a few more, but I will come back to those.

**Mr ONDARCHIE** — Mr Charlton, I have got a couple of questions. I have to say I was a little gobsmacked by your comment that you did not do this for money, that you needed to solve a problem. I am sure your shareholders would be delighted to hear that.

**Mr CHARLTON** — No, I said we had to satisfy all our stakeholders.

**Mr ONDARCHIE** — Look, there are a number of factors that influence the trigger of the 17.5 per cent equity return to terminate the concession deed. And I was interested in your earlier comments, things like: real toll increases which have outstripped CPI by almost 2 per cent; the state works such as the Tulla-Calder upgrade and the Monash upgrade, which have increased the feed into your capacity by up to about 15 per cent; there has been some enhancement to traffic management; there has been traffic growth from at least 5 per cent probably up to at least 30 per cent above the base case that was used in the modelling; there has been a corporate tax reduction from 36 per cent to 30 per cent; the cost of capital is significantly lower than it has been in decades, so there is an opportunity for you to refinance in this environment of declining rates. You also talked about there being little diversion that makes good economic sense for people to use the toll roads. So given all that, is it your position that despite those factors you have not received an equity return of at least 17.5 per cent?

**Mr CHARLTON** — Yes. We have also invested another \$2 billion into the network. We also had the GFC, which impacted traffic flow back in 2008 and 2009, and as we have said on multiple occasions, including at our AGM by our chairman, we have our own independent auditor, we have our own experts, we have external experts that review all our concession arrangements, and we have not met, nor have we forecast to meet, that level at this point. It is subject still to a traffic forecast but is based on our forecasts, and of course we have the state and VicRoads, which administer the contracts as well.

**Mr ONDARCHIE** — So the grass has been greener than ever before and you still cannot make that 17.5 per cent?

**Mr CHARLTON** — We have invested billions and billions of dollars into the network and we spent hundreds of millions of dollars on operating costs, and the answer is, yes, we have not met the 17.5 per cent.

**Mr ONDARCHIE** — You made a point that you have invested an extra \$2 billion. Exactly what did you spend that on?

**Mr CHARLTON** — So far on the CityLink Tulla widening that is just over \$1.1 billion, and then the rest of it was between the Tulla-Calder upgrade and the southern link extension and buying back the notes so that they could be used to-do the rest of the M1 upgrade.

**Mr ONDARCHIE** — And that was Transurban's money or the state government's money?

**Mr CHARLTON** — That was Transurban's money that we gave to the state to do the M1 upgrade.

**Mr ONDARCHIE** — So it was not taxpayers money, it was your money that you spent, the \$2 billion. That is your statement today, is it?

**Mr CHARLTON** — We have given \$2 billion to upgrade the network.

**Mr ONDARCHIE** — I will come back. Was that funny?

**Mr CHARLTON** — Was that funny? No, I just do not know how many times we have to go over these same issues that have been raised, but if we want to keep doing them and getting the same answer, let us keep going.

**Mr ONDARCHIE** — Well that is your answer. I am not sure I accept it.

**Mr CHARLTON** — You can look at our public accounts, our public statements, and I am happy if you want to come to our AGM and ask our board and our chairman, but I do not know how much more definitive we can be.

**Mr ONDARCHIE** — Francis Browne might have a different view about what you are doing, but anyway, we will leave that. Back to you, Chair.

**Mr LEANE** — There are big conspiracies out there.

**Mr CHARLTON** — I know.

**Mr LEANE** — Everywhere. You mentioned in your answer to Mr Ondarchie about work being done on the M1 that could complement this project or would complement this project if it went ahead. So what does that work entail, and it is currently happening, we can see it — —

**Mr CHARLTON** — Yes, so we are currently upgrading the M1. It is about 30 per cent complete, which is the Monash Freeway upgrade, which is actually part of this project and will be completed by the middle of next year. That is going well. Obviously it adds a substantial capacity. There are some places where it adds two lanes and others where it adds one lane, and that will help again bring some reliability and increased capacity to the M1 flows. Again, and I know we talked about it many times, we try to isolate it so that each of these roads sit individually, and they do not. So if there is a problem with the Burnley Tunnel, it shuts down the network. If there is a problem with the West Gate Bridge, it shuts down the network. It is the same with the Tullamarine and the same with the Monash, and unfortunately what we have seen over the past few months is quite a few increased incidents on both the Monash and the West Gate and elsewhere again which has led to problems on the network. So we are doing more to upgrade the capacity, but also there is a lot of smart technology going into the Monash which will help reduce incidents and be more reliable going forward.

**Mr LEANE** — So that is on one side of the tunnel. On the other side of the tunnel getting onto the West Gate the project proposed to increase lanes as well?

**Mr CHARLTON** — Yes, so obviously we are doing the Webb Dock extension, which is currently under construction, and that will be finished by the end of the year. That will increase the ability for trucks to access the Bolte Bridge and make that ramp to the north much more efficient and less risky from a truck perspective. Then obviously as part of the CityLink widening project is the widening of the West Gate Freeway between the Burnley Tunnel and the Bolte Bridge, which is part of the project.

**Mr LEANE** — You mentioned a noise standard that this project will set. How does that get delivered, practically?

**Mr CHARLTON** — So the original standard for freeways is 68 decibels. For this project it has been lowered for a project-specific standard to 63 decibels, so most people along the West Gate Freeway will get a reduction in the noise with the project. What the team has done — if you look at the urban design, the urban design is based on basically the historical Aboriginal artefacts from the area, and then when you get to the port it

is more based around the port artefacts, but in effect they are using increased noise walls, but what they are doing is building the noise walls on one side to deal with the travelling public, so it has got certain scale and size and impact, and on the other side doing a different scale and impact for the residents so it will be more pleasing and amenable to the people on the other side. So it is smaller patterns, also putting in glazing and glass to let light and colour in on the residential side. But it will be the tightest of the noise standards for a freeway.

**Mr LEANE** — In part of your presentation you said that you believed the project should be able to deliver 80 fewer serious accidents a year. How did you come to that?

**Mr CHARLTON** — So they are doing traffic modelling, and obviously you look at new microsimulation on all the weaves and mergers and other aspects. One of the things that we are doing in particular on the West Gate Freeway is by separating express lanes — when you get to the M80 there are three express lanes, both in and out, to access the West Gate Bridge, and then the other lanes are used to access the different on and off ramps as you approach the West Gate Bridge — so by separating the traffic, reducing the amount of mergers as well as putting smart technology all down the West Gate Freeway and having more free-flow traffic, we were able to produce from a modelling perspective the number of forecast incidents.

**Mr LEANE** — In your submission you spoke about cycling tracks and an elevated — was it bell way?

**Mr CHARLTON** — No, veloway.

**Mr LEANE** — Veloway. What sort of distance is that?

**Mr CHARLTON** — It is interesting. We have had some interesting comments around the veloway both publicly and in the past. The issue is that Footscray Road has six intersections which bikes and walkers have to navigate with heavy vehicles. One of the things that the consortium did — and I will read from Bicycle Network Victoria. Their quote published on their website says:

Several of the groups bidding for the project invited Bicycle Network to confidentially discuss proposals for bike infrastructure facilities that could be included in their bids for the mega-project.

The preferred bid announced at the weekend solved the problem by suspending the bike path under the elevated roadway, and then switching across to the north side of Footscray Road before crossing the Moonee Ponds Creek and then crossing over Footscray Road again near Costco.

It is a sign of the times that the bidders, Transurban and the government were each enthusiastic and creative in seeking to deliver a great result for bike riders as part of the project.

So Bicycle Network was a big part of that. For the amenity of that elevated road there are two emergency exits along the path. It is actually 4.5 metres wide so that an ambulance can get down there in case there is an issue and it is 100 per cent covered by CCTV 24 hours a day if there was any incident. So we think it is quite a positive attribute to the cycling network.

**Mr LEANE** — Just some commentary on that — in your consultation with the community, are people happy with that? Are they happy with an elevated bicycle track?

**Mr CHARLTON** — You have got two choices. You have got the elevated express bicycle track that protects you from the wind and the sun, and then you also have the option at-grade service, so it depends on which community is happy using what option. Both of them are available.

**Mr LEANE** — So there are no big political campaigns against sky veloway at this stage?

**Mr CHARLTON** — There are always unhappy people.

**The CHAIR** — Not quite as noisy as a train.

**Mr O'SULLIVAN** — I will be fairly brief because, one, I am a regional MP, so it is not as relevant to my constituents as it is to others, and I am new to this committee, so I do not have the background that others do in this particular project. But I must say that I am a big fan of roads. I think we should build more of them, and we should have more public transport as well to address the issues that this city faces.

Mr Charlton, one of my questions is — and you will probably take 5 seconds to answer it — is it only a two-lane tunnel each way that you are building?

**Mr CHARLTON** — It is a three-lane tunnel each way, but it is marked for two lanes. Effectively what that means is it is redundancy for the West Gate Bridge, so if there is a problem on the West Gate Bridge, we can immediately convert it into three lanes. Potentially long term it can be run as three lanes, but it is originally going to be line marked for two lanes. But it is actually built as three lanes.

**Mr O'SULLIVAN** — Why would you not run three lanes straight up?

**Mr CHARLTON** — Because the original traffic we are forecasting for 2031 is about 67 000 vehicles a day, and two lanes is plenty to handle that. Then you have the emergency lane effectively sitting there in case there is a problem in the tunnel for emergency access. At that point in time when we open the tunnel we do not need the third lane, but it is built for that.

**Mr O'SULLIVAN** — You probably had the same view on CityLink when it was first built in the 1990s, and it has built up very, very quickly.

**Mr CHARLTON** — Unfortunately the issue with the CityLink tunnel is not so much the amount of lanes as it is the grades. Unfortunately the grades, particularly coming out of the Burnley Tunnel because it is steep, cause issues particularly with trucks. As a regional MP hopefully you will know that quite a bit of the manufacturing is going to be done on a regional basis for some of the materials and then railed into the site. So they can do the manufacturing off site. I think there are about 350 jobs that will be in the regional areas. I am not sure exactly which ones, but there is a regional plan to do some of the manufacturing in regional areas.

**Mr O'SULLIVAN** — I have just one further question. In terms of the future proofing of this city, and there is no doubt that the population is increasing very, very quickly, at what point do you think the tunnel will reach capacity? I guess there are two parts to that in terms of two lanes and when it becomes three lanes.

**Mr CHARLTON** — This issue is about what do you determine as capacity. When you will start seeing congestion on the two-lane solution is sometime around the middle of the 2030s. Probably in 2035 or around there you will start seeing congestion in the peak period, particularly the AM peak, around the two-lane solution. How long could the three-lane solution go for if you were to open up three lanes? Probably to 2045–2050. So there is plenty of time then to look at the WestLink solution if that is where you want to go. But there is also the issue of what happens with technology long term and what autonomous vehicles and other things can do to increase the capacity of our roads.

**Mr EIDEH** — My question is about jobs and supporting local industry, Mr Charlton, local manufacturing is important with multibillion-dollar projects. How much of the content for this project will be locally sourced?

**Mr CHARLTON** — Ninety-two per cent or 93 per cent will be locally sourced, and there are quite a few jobs for —

**Mr EIDEH** — How many jobs?

**Mr CHARLTON** — Well, 6000 jobs; I think there are 500 apprentices. There are jobs for asylum seekers, there is a disability program, so there is a whole range of incentives and programs put forward by us and the state. The contractor has actually exceeded what we originally put forward — and regional jobs as well.

**The CHAIR** — Is this the first affirmative action road project in the world?

**Mr CHARLTON** — No. Particularly around trainees the construction industry works very hard to bring along apprentices because if you look at the construction industry, unfortunately a lot of the tradies are in their early 50s. It was just not a popular trade there for a while. There is so much construction activity that a lot of companies spend a lot of time trying to get apprentices in. The regional construction just makes sense to do the manufacturing. When you talk about tunnel lining and a lot of the concrete work it make sense to do that on a regional basis and rail it in as opposed to trying to do that in a local environment, where it is very constrained.

**Ms HARTLAND** — I want to follow on with some maps that I am finding quite confusing. On our page 16, the western distributor project scope map — —

**Mr CHARLTON** — I do not know which map. Whose document is it?

**Ms HARTLAND** — It would be your document.

**Mr CHARLTON** — No, is it the EES, or is it — —

**Ms HARTLAND** — The final design. Is that the one?

**Mr FINN** — We do not have a final design yet, though, do we?

**Mr CHARLTON** — We do have a final proposed design, but the EES will determine the final design. I think one of the interesting things about this process which is different from the other process is that when you had Melbourne Metro or you had east–west link, you put up a reference design, you got the environmental approval on that design and then the contractors came in and made changes, and so the community would often be surprised and would say, ‘You told us that was the design, then the contractor came in and said now this is the design’. What we have done here is we have actually said, ‘This is the design that we would like to build, but it is subject to the EES and any changes that come out of the EES’.

**Ms HARTLAND** — Thanks for that. Sorry about that confusion. What I am trying to figure out is because in this and in some other mappings it appears that there are three lanes feeding into the West Gate Bridge rather than the existing four lanes and that the new toll lanes go into the tunnel. So it appears that there is a three-lane solution in some aerial maps. I am not sure whether this is something you need to take away and come back to us on or whether you can answer that now.

**Mr CHARLTON** — What you can see is that you have got the access to the West Gate Bridge here from Williamstown Road, so that brings you back to the full capacity of the West Gate Bridge, and then what they are just showing in the plans is that it is built for three lanes but it is marked for two lanes — the tunnel — for the extra capacity. But we can get you a more detailed map if you would like.

**Ms HARTLAND** — That would be extremely helpful.

**Mr CHARLTON** — Sure. I think they are just trying to represent it graphically, and maybe it does not come out as clear as it should.

**Ms HARTLAND** — Yes, because it has been one of the things that we have been going back and forth on, and mapping is clearly something that we need really clear maps on. My other two questions — and I may have a third — are again around tolling, but this is more about the tolling impact on the community. You would have seen articles in the press lately of people with huge toll fines that are just about impossible for them to deal with. Unlike in other states, fines here are pursued through the criminal justice system instead of through the civil debt recovery system. You are now seeking to extend this toll by 10 to 12 years, as is my understanding, so how do you see Transurban as a corporate citizen dealing with the impact on the courts and their ability to respond to more suitable ways, because as I understand it some of the Magistrates Courts — Werribee has got a whole day every week for just dealing with tollway fines.

**Mr CHARLTON** — It is a very good question, obviously relevant to the project and the tolling aspect. If I think of it in this context, first of all, 99 per cent of tolls and transactions get paid for in a normal process. So we are talking again about 1 per cent, but is 1 per cent of a lot of transactions. In those there is a portion of those people who get in trouble, who have hardship, who have legitimate reasons or things happen or domestic abuse or other things that cause issues with their life. Then there is a percentage of those people who just are evaders and travel on the road 150 times and just say, ‘I don’t want to pay’, so that is a different issue.

First of all, for those people who get in trouble, we have several programs. We have a first-time forgiveness program. If there are issues, we have hardship programs that they can apply for. If there are issues, we have payment plans, and we have other things, because for us, there is the social licence to operate, but the other thing is that once those people fall into the justice system or into the enforcement system, from a Transurban perspective we do not get any money, so it is not in our interest to have these people fall into the enforcement process. We want to find a way to keep these people out of it and keep them as customers on our roads.

We have invested over the last four years hundreds of millions of dollars in trying to do things like digital apps to notify you if we see your car and we think the tag might be with the wrong car, or your credit card has

expired and we can notify you. We try to do things to help our customers, one, because it is the right thing to do but, two, because when they fall into the enforcement, that does not help us. The other thing is, the enforcement system here that goes through the legal system is the same elsewhere as well. In Queensland it goes through the court system, the same as in the US as well. So the other systems do go through the court system.

We are very different from say when you have a utility like Telstra or someone else who can turn off their service. We cannot stop a car in the middle of the road and tell them to exit the road, but I think with that being said, we understand it is a burden, and the other thing is we would be happy to work with the department of justice to try and reform the system. We are very open, again, to keeping people from going to enforcement, because that does not help our business.

**Ms HARTLAND** — Do you have any sense of what it costs the government at the moment to collect the fines? I know they are not collecting on your behalf. I understand that you are not collecting the fines, but can you give a sense of what it is actually costing the government to collect these fines or pursue the fines?

**Mr CHARLTON** — Look, I would not know that. The number and their collection rates and how much they collect versus how much it costs, I would not know that rate, and that is really up to the government. Again, for us there is no benefit in that side of the process.

**Mr ONDARCHIE** — I just want to pursue some questions around the concession deed, Mr Charlton.

**Mr CHARLTON** — Is that in relation to the West Gate tunnel?

**Mr ONDARCHIE** — No, to the existing concession deed that you have. The business case financial model within the concession deed is the financial model along with associated assumptions, projections and calculations, which are used to determine certain payments and returns. Are you aware of any changes that have been made to the business case financial model under the circumstances set out in the agreement?

**Mr CHARLTON** — There are 35. Since the concession agreement was originally signed, there have been 35 additions to the concession agreement — is that what you were suggesting? — and they are all public.

**Mr ONDARCHIE** — I am specifically talking about clauses in the deed, 14.3(d) or 14.3(e).

**Mr CHARLTON** — I am sorry if I have not memorised the concession agreement, but I do not have it in front of me.

**Mr ONDARCHIE** — Okay. Well, then, can I ask you to take on notice if there have been changes to the deed under those areas, if you could get those?

**Mr CHARLTON** — What I am saying is that if it had been, they are all public. The concession deed is a public document, and there have been 35 additions to it, so if it has been changed it will be public, but we can go back and see for you if one of the 35 additions has been changed.

**Mr ONDARCHIE** — Thank you. Just one final question if I could, Chair. If Transurban decided not to invest in the West Gate tunnel project, would Transurban be likely to achieve the equity rate of return of 17.5 per cent at any of the termination anniversaries?

**Mr CHARLTON** — We can go around this question again the other way. As of today now, based on our forecasts, no, with or without the West Gate tunnel.

**Mr ONDARCHIE** — You would never make them on any of the termination anniversaries?

**Mr CHARLTON** — I do not know if tomorrow the revenue is going to triple because something happens that we do not know about, but based on what we see as our forecast, we indicate going forward no.

**Mr ONDARCHIE** — Thank you.

**The CHAIR** — Mr Charlton, you mentioned before that there are going to be two toll points on the West Gate, but they are going to be for trucks only. Excuse my lack of technical knowledge in this area, but how does that work? Is there a lane specifically for trucks, or is there a mechanism for tolling only trucks? How does that work?

**Mr CHARLTON** — To me it is pretty simple. My technical team would say it is much more difficult. Obviously when you get your tag you register what kind of vehicle it is, so we can register the tag, but also every vehicle we look at for size and scope, so we measure the volume of the vehicle. We can tell either it has a truck tag or we measure the size of the vehicle. It is actually the volume of the vehicle, so when you are passing at the gantries there are sensors that can measure the size of the vehicle, so we can tell it is a truck. Whether you have a truck tag or not, we can tell it is a truck, and if you have a truck tag it just makes it easier.

**The CHAIR** — So we will not have any danger that cars will be paying tolls as well by a malfunction of the mechanics?

**Mr CHARLTON** — No, we will not.

**The CHAIR** — Cannot happen?

**Mr CHARLTON** — If you put a truck tag in your car, we would call you and say, ‘Hey, this doesn’t make much sense’, and we would refund the truck tag if you did that.

**The CHAIR** — But if you have just got a car and you have got a car e-tag, there is no way that you could be charged for using the West Gate Freeway.

**Mr CHARLTON** — I cannot see it happening. It does not happen now.

**The CHAIR** — That is because the West Gate Freeway is not tolled.

**Mr CHARLTON** — I am saying we have cars and trucks on the CityLink all the time, and we do not charge cars for a truck toll.

**The CHAIR** — Okay. Fair enough.

**Ms HARTLAND** — There are about 30 households on Hyde and Francis streets who want to be acquired. I am acknowledging here that it is not your responsibility. It feels like to me it is now a number of government departments and possibly you who need to come together and decide how to deal with these households. Some of them have VicRoads overlays from other projects, but some of them were bought after the overlays were put on so they are not actually eligible for voluntary acquisition. They are in an impossible situation. Do you think it is something that you can go away and talk to either government departments and talk about how an imaginative process could be thought of for these 30 households? Because clearly they should not be there. They are in the blast zone for Mobil, they are going to have increased trucks, they have got a massive contaminated site at the back and the tunnel is going to go under them. If you thought anybody should be acquired, it is probably these 30 houses.

**Mr CHARLTON** — The answer to start with is you are right. It is not in our jurisdiction, we do not need it for the project and therefore it is hard for us to get involved. However, we would be more than willing to sit down with the government departments and see, like you said, if there are some imaginative solutions. I am happy to try and be part of the solution, but we are also constrained by the process because it is not required for the project, but I am not using that excuse. We are happy to talk to the government departments to see if something can be done.

We are doing many things on this project to try and support the community because we know this infrastructure has a big impact. We are going to be there for a long time, and we have got to work with the community we are impacting.

**Ms HARTLAND** — Because I live there I see the impact that is going to happen, especially around the health issues. Having read some of the summaries from doctors who are expert in respiratory illness, they are not convinced that the health section of the EES is one that is up to standard and is actually going to deliver the kinds of things that we are being promised by Transurban and by the government — that it is actually going to help what is already an incredibly difficult situation in terms of the rates of child asthma and child admissions to hospital. In terms of the health section of the EES, if I bring forth witnesses to you who are expert — they are not me, I am not a doctor — and who are saying that it is inadequate, is it a possibility that you would relook at it and redo it?



**Mr CHARLTON** — I guess, again, the EES is not our document; the EES is the government's document. So you would have to bring it forward to the government or through the approval process with the committee. It is not our document; it is not for us to redo. Again, there are impacts on places like Millers Road and Grieve Parade. The majority of the impacts obviously on Francis Street and Somerville Road and others where the truck bans occur look to be pretty strong improvements. But I think, as you saw with a lot of it, there are a lot of background issues, particularly on the PM10s and the PM2.5s, that the road has very little impact on, and it is mostly the background that is occurring there. But it is not my document to make changes to.

**Ms HARTLAND** — Okay.

**The CHAIR** — To get back, Mr Charlton, to a question that I raised earlier about who has responsibility for which area, we saw a moment ago an answer to a question from Ms Hartland where you said the EES is not your responsibility. It is in fact the government's responsibility, I think you said. When there is a conflict between VicRoads and Transurban and the West Gate tunnel authority, who has the final say as to who is in the right and who is in the wrong?

**Mr CHARLTON** — When the contracts are done the Western Distributor Authority will administer the contract, so it will be up to whatever the contract says between the Western Distributor Authority and Transurban if there is a conflict — —

**The CHAIR** — But there is no contract at the moment, so if there is a conflict now, who calls the shots?

**Mr CHARLTON** — Through this process, collaboratively, we try to work out what the best solution is and get the best outcome, balancing the views of all of the different stakeholders.

**The CHAIR** — So if you cannot come to an agreement, who has the final say?

**Mr CHARLTON** — If VicRoads says, 'We want the line to be 3 inches longer in the striping', we would probably say, 'We don't think you need the extra 3 inches'. Sorry, it shows my American background — extra 3 centimetres.

**The CHAIR** — Inches is fine. I am old enough to remember.

**Mr CHARLTON** — 'You can have the extra 3 centimetres'. At the end of the day, we are trying to get a commercial agreement amongst all stakeholders, so we have to make sure that all stakeholders are satisfied.

**The CHAIR** — So are you telling us that VicRoads would have the final say?

**Mr CHARLTON** — I am not sure what you are trying to get to. There is no — —

**The CHAIR** — What I am saying is if there is an issue of major concern about this project where Transurban, the West Gate tunnel authority and VicRoads are all in disagreement — furious disagreement, if you will — who has the final say as to who wins this particular dispute?

**Mr CHARLTON** — Assuming that it is a relatively insignificant matter, it will probably go to the — —

**The CHAIR** — I just said it is a significant matter.

**Mr CHARLTON** — Significant matter? Then the state could withdraw from the project or we could withdraw from the project. If the state wanted to say, 'Look, we decided that we want to have one lane in the tunnel', we would have thought that is probably a bad idea and would not want to proceed with the project, if you are talking about those kinds of incidents.

**The CHAIR** — I am sure that is the case, but given the fact that you have come this far and clearly have invested a great deal of money to this point, I am sure that is not something you would want to do, particularly given the pot of gold that is at the end of the rainbow here. What exactly are the criteria for settling these disputes between the three bodies — you, the West Gate tunnel authority and VicRoads — if there is a significant dispute? I am not talking about a dispute whereby everybody is going to take their bat and ball and go home, but if there is a significant dispute and we are talking about a major project — the biggest project in

Melbourne proposed at this point — what are the criteria for settling such a dispute if nobody is actually running the show?

**Mr CHARLTON** — We put the proposal forward, the government has assessed and reviewed the proposal and we are working with the Western Distributor Authority to deliver the project, so when disputes are raised, we solve those disputes. As you have seen over the last two and a half years, we think we have delivered what is a fantastic project. We have come through and changed the project design, and we have disputes over whether the tunnel should be longer, should be shorter; whether the noise wall levels should be 68, should be 63. We all at some times have different views and different approaches, and we are all very happy with where we are and the outcome. So you are giving me a theoretical, I guess, question. We have resolved all our problems to date, and I think we will continue to resolve our problems.

**The CHAIR** — Well, that may be the case. What I am trying to ascertain is who has the final say over this project, and it does not seem anybody does. We are talking about a \$5.5 billion project, and that seems a lot of money to be playing around with without anybody in control. Who has overseeing control of this project? I mean, is it you, is it the authority or is it VicRoads?

**Mr CHARLTON** — It is the authority and Transurban with VicRoads input working together to deliver this project, and once the contracts are signed there will be clear responsibilities in the contract for all the different areas. Right now we are collaboratively trying to deliver this project.

**The CHAIR** — I will try again. At the end of the day — —

**Mr CHARLTON** — At the end of the day, I have responsibility for Transurban and someone has responsibility for the Western Distributor Authority and we collaboratively work together.

**The CHAIR** — I do not doubt that everybody has their own responsibility for their own area, but who has responsibility for this project? The project is what this committee is investigating. Who has — —

**Mr CHARLTON** — From the state's perspective, the Western Distributor Authority has responsibility. From Transurban's perspective, I have responsibility.

**The CHAIR** — And from VicRoads — —

**Mr CHARLTON** — I do not report to the Western Distributor Authority, and they do not report to me. And VicRoads has input.

**The CHAIR** — So if down the track we have got this thing half built and there is a major disagreement and nobody can actually come to a satisfactory conclusion, there is every chance that you — —

**Mr CHARLTON** — No. Once you sign the contract, it is like every business deal and every contract and every PPP arrangement, and Victoria has done many, many of these arrangements in the past. The contract lays out who is responsible for every piece of the delivery.

**Mr LEANE** — But who do you sign the contract with?

**Mr CHARLTON** — We end up signing the contract with the WD authority, or the state, and we have certain obligations and risks. The contractor has certain obligations and risks, the state has to deliver certain obligations, like land access and approvals, and those are all set out in the contract.

**The CHAIR** — But who is at the top of the tree? I know. I do not wish to be boring, but who is at the top of the tree?

**Mr CHARLTON** — Well, no. When you get to any business deal and you put a business deal together, it is not all internal. There are two people in any commercial arrangement; there are two people on both sides.

**The CHAIR** — Yes, generally speaking.

**Mr CHARLTON** — So we agree together to deliver what is an amazing project, and we will have our own responsibilities and outcomes that we need to achieve. Victoria is one of the best states at doing this, and we have been working collaboratively with the state to achieve that. You can keep asking, but that is my answer.

**The CHAIR** — Okay. Well, I will not ask that again, because clearly I am not going to get an answer to my satisfaction or anybody else's, it would seem.

**Mr LEANE** — I understood it.

**The CHAIR** — Yes?

**Mr LEANE** — Yes.

**The CHAIR** — God, that is a worry. Now, I may have asked this earlier, but when do you anticipate that the contract will be signed? Will that be after the EES?

**Mr CHARLTON** — The EES will determine, going through that process, what changes, if any, the planning minister will have to give planning approval for, and you cannot proceed with a project without planning approval.

**The CHAIR** — So when do you anticipate that will be, in terms of months or next year, presumably?

**Mr CHARLTON** — The current process was set up by the planning minister back in April 2016 — or whenever it was, I cannot remember, quite a long time ago. We hope to conclude or the timetable they laid out is to conclude by the end of this year, and hopefully construction can start early next year.

**The CHAIR** — So you are hopeful that you will be able to sign the contract this year.

**Mr CHARLTON** — Hopefully by the end of this year.

**The CHAIR** — Okay, thank you. I have one last question. I have been asked by a number of my own constituents about this. Recently you advertised widely that the Tullamarine Freeway would be closed from 11.30 on a Saturday night. I have been told by constituents that they have rocked up to the Tullamarine Freeway as early as 10.30 on that Saturday night and it was already closed. Me, I rocked up at 10.45, 45 minutes before this thing was due to close, and it was already closed at Flemington Road. Why do you advertise that the freeway is going to close at a certain hour and close it well before that time? I did raise it with somebody who explained to me that they had to close it in order to get ready for the closure, which did not make a lot of sense to me, I have to say. So I thought I would ask you, given you have the ultimate responsibility at Transurban, so you keep saying.

**Mr CHARLTON** — Sure. With the CityLink widening we have closed the road, or portions of the road, obviously hundreds and hundreds of times. I do not know about that certain incident. I can tell you that it — —

**The CHAIR** — It has happened to me twice now.

**Mr CHARLTON** — I can tell you it is not the practice, and the practice is actually to give you leeway the other side, so if you say you are going to close the road at 10.30, you do not start closing it until about 10.45. The practice is to go the other way, and the contractor on that project, if that is the case, would be incurring penalties because they are not allowed to do that if that is the case. So if you can give me the exact time at night — —

**The CHAIR** — I most certainly can.

**Mr CHARLTON** — I can find out exactly what happened, and I have travelled that road many times at night. I have not seen that behaviour, but I am happy to do that, and if that is the case, we can go and force things against the contractor to make sure it does not happen again.

**The CHAIR** — I am very happy to do that because I personally was there at 10.45 the night that it was advertised to close at 11.30, and I ended up on Mount Alexander Road. I am not quite sure where I ended up.

**Mr ONDARCHIE** — Did you get home?

**The CHAIR** — Eventually.

**Mr CHARLTON** — So the portion north of Essendon Airport is not our project. Was this down at Flemington Road?

**The CHAIR** — The Tullamarine Freeway enters or comes off at Flemington Road.

**Mr CHARLTON** — Okay.

**The CHAIR** — I try to enter from Flemington Road. I drove down Flemington Road and tried to enter the freeway, but it was already closed, and this was 45 minutes before it was advertised that it was supposed to close. I was quite pleased with myself that I had managed to get there before the freeway closed.

**Mr CHARLTON** — The practice is the other way around, but if you give me the times, we will find out exactly what happened and we can impose penalties on the contractor.

**The CHAIR** — Well, I am very happy to do that. It has happened to me twice now, and I have had a number of complaints from people who have had a similar experience.

Whilst I am at it, would you mind having a look at the footy fixture? There was one night when there were 86 500 people at the MCG, many of whom would have loved to have used the Tullamarine Freeway because it was an Essendon game — and we beat them that night, by the way — and the freeway was closed that night. We know over the years there have been many, many jokes about VicRoads having roadworks on the Geelong Road on the day or the night of Geelong games, and on this occasion it was Essendon supporters, and a few Richmond supporters too, I might say, who were caught out.

**Mr CHARLTON** — We have the calendar of events — all the AFL games and the grand prix and everything that we try to avoid — and we work very closely with VicRoads. We do a fantastic job, because there is a lot of work to be done on that freeway, on the West Gate and elsewhere — on the M80 — to try and do everything we can to avoid those events. So again if it was a particular Essendon game and you give me the time it was closed, it should not be the case given that we plan around all events and try to avoid that.

**The CHAIR** — It was the Richmond-Essendon game. It was a Saturday night, and —

**Mr ONDARCHIE** — We know you won, Bernie.

**The CHAIR** — we won. It was good. But the fact of the matter is there were 86 500 people at a game, many of whom — I would say probably almost half of whom — would have liked to have accessed the freeway that night.

**Mr CHARLTON** — I will come back to you personally on what happened there.

**The CHAIR** — That would be good. Thank you.

**Mr CHARLTON** — Well, no, personally I will get someone to respond.

**The CHAIR** — Thank you very much. It was the following week, the following Saturday night, the night of the North Melbourne game — we beat them too — that the — —

**Mr LEANE** — It has all become very self-indulgent, hasn't it?

**The CHAIR** — No, it is not, because I am representing thousands of people who were locked off the freeway much, much earlier than we should have been.

**Mr CHARLTON** — Can I also state, Chair, that it is no good having you off the freeway, because we do not make money.

**The CHAIR** — I would have thought, yes.

**Mr CHARLTON** — For us, maximising availability is a key driver.

**The CHAIR** — Well, you wanted me to use the freeway and I wanted to use the freeway, and somebody was letting us both down.

**Mr ONDARCHIE** — Mr Charlton, I just want to put to you my questions around the deed in the calculations. Will the equity return calculations to date be completed prior to Transurban and the state agreeing to any further extension of the concession period as part of the West Gate tunnel project?

**Mr CHARLTON** — What is the calculation you are referring to?

**Mr ONDARCHIE** — The calculations that relate to the equity return that we have talked about already today.

**Mr CHARLTON** — If you go to the concession deed, there are multiple things on how you calculate equity returns.

**Mr ONDARCHIE** — I understand that.

**Mr CHARLTON** — Are you relating to the concession extension?

**Mr ONDARCHIE** — What I am saying is: if you seek as part of the negotiation a further extension of the concession period, will those calculations to date be made prior to finalising that negotiation?

**Mr CHARLTON** — The state has the model, so the state knows exactly what the calculation will look like. So, yes, as a requirement we provide to the state every year a log, so they have those numbers.

**Mr ONDARCHIE** — So we will know what those numbers look like prior to you entering into a negotiation.

**Mr CHARLTON** — The state will know what those numbers are.

**Mr ONDARCHIE** — And will you make those public?

**Mr CHARLTON** — No, we do not make forecasts public, because that is effectively making the next 20 years or 30 years forecast, and as an ASX-listed company we do not make our forecasts public.

**The CHAIR** — Mr Charlton, thank you very much. We appreciate your time tonight and your contribution to our deliberations. You will receive a transcript, as I am sure you are very aware, of the proceedings tonight. We ask you to check for any mistakes, not that that will be the case, but we ask you to have a look at it and get back to us if there are. We thank you once again for being with us this evening.

**Mr CHARLTON** — Thank you.

**Witness withdrew.**